

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

COMMISSION FILE NO. 33-98136

CHELSEA GCA REALTY PARTNERSHIP, L.P.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE
(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

22-3258100
(I.R.S. EMPLOYER
IDENTIFICATION NO.)

103 EISENHOWER PARKWAY, ROSELAND, NEW JERSEY
07068 (ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES - ZIP CODE)

(973) 228-6111
(REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: NONE

Securities registered pursuant to Section 12 (g) of the Act: None

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

Indicate by check mark if the disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

There are no outstanding shares of Common Stock or voting securities.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement of Chelsea GCA Realty, Inc. relating to its 1999 Annual Meeting of Shareholders are incorporated by reference into Part III as set forth herein.

PART I

ITEM 1. BUSINESS

THE OPERATING PARTNERSHIP

Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership (the "Operating Partnership" or "OP"), is 82.0% owned and managed by its sole general partner, Chelsea GCA Realty, Inc. ("Chelsea GCA" or the "Company"), a self-administered and self-managed real estate investment trust ("REIT"). The Operating Partnership owns, develops, redevelops, leases, markets and manages upscale and fashion-oriented manufacturers' outlet centers. At the end of 1998, the Operating Partnership owned and operated 19 centers (the "Properties") with approximately 4.9 million square feet of gross leasable area ("GLA") in 11 states. At December 31, 1998, the Operating Partnership had approximately 220,000 square feet of new GLA under construction, comprising the 120,000 square foot third phase of Wrentham Village Premium Outlets and the 100,000 square foot fourth phase of North Georgia Premium Outlets; these expansions are part of a total of approximately 400,000 square feet of new space scheduled for completion in 1999. Additionally, construction has commenced on Orlando Premium Outlets, a 430,000 square foot upscale outlet center located on Interstate 4, midway between Walt Disney World/Epcot and Sea World in Orlando Florida. Orlando Premium Outlets is a joint venture project between Chelsea and Simon Property Group. The Operating Partnership's existing portfolio includes properties in or near New York City, Los Angeles, San Francisco, Sacramento, Boston, Portland (Oregon), Atlanta, Washington DC, Cleveland, Honolulu, Napa Valley, Palm Springs and the Monterey Peninsula.

The Operating Partnership's executive offices are located at 103 Eisenhower Parkway, Roseland, New Jersey 07068 (telephone 973-228-6111).

RECENT DEVELOPMENTS

Between January 1, 1998 and December 31, 1998, the Operating Partnership added 766,000 square feet of GLA to its portfolio as a result of a 270,000 square foot new center opening and seven expansions totaling 496,000 square feet, and reduced by 198,000 square feet of GLA related to two centers held for sale.

A summary of development, acquisition and expansion activity from January 1, 1998 through December 31, 1998 is contained below:

PROPERTY	Opening Date(s)	GLA (Sq. Ft.)	Number of Stores	Certain Tenants
	-----	-----	-----	-----
As of January 1, 1998		4,308,000	1,162	
New center:				
Leesburg Corner.....	10/98	270,000	58	Banana Republic, Brooks Brothers, Donna Karan. Gap, Off 5th-Saks Fifth Avenue
Expansions:				
Woodbury Common.....	2-11/98	268,000	69	Giorgio Armani, Hugo Boss, Last Call Neiman, Marcus, Off 5th-Saks Fifth Avenue, Prada
Wrentham Village.....	5/98	126,000	33	Liz Claiborne, Nautica, Sony, Timberline
Camarillo Premium Outlets.....	9/98	45,000	11	Black & Decker, Nike, Rockport
North Georgia.....	10/98	31,000	7	Nautica, Polo/Ralph Lauren, Tommy Hilfiger
Folsom Premium Outlets.....	4/98	19,000	2	Gap, Liz Claiborne
Other (net).....		7,000	(8)	
Total expansions		----- 496,000	----- 114	
Held for Sale:				
Lawrence Riverfront.....		(146,000)	(39)	
Solvang Designer Outlets.....		(52,000)	(15)	
Total held for sale.....		----- (198,000)	----- (54)	
As of December 31, 1998		----- 4,876,000	----- 1,280	
		=====	=====	

The most recent newly developed or expanded centers are discussed below:

LEESBURG CORNER, LEESBURG, VIRGINIA. Leesburg Corner Premium Outlets, a 270,000 square foot center containing 58 stores, opened in October 1998 and is located outside Washington, DC. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 2.4 million, 7.1 million and 9.8 million, respectively. Average household income within a 30-mile radius is approximately \$78,000.

WOODBURY COMMON, CENTRAL VALLEY, NEW YORK. Woodbury Common Premium Outlets, an 841,000 square foot center containing 216 stores opened in November 1985. Expansions of 268,000, 19,000 and 85,000 square feet opened in 1998, 1995 and 1993, respectively. Woodbury Common is located approximately 50 miles north of New York City at the Harriman exit of the New York State Thruway. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 2.4 million, 17.1 million and 25.0 million, respectively. Average household income within a 30-mile radius is approximately \$70,000.

WRENTHAM VILLAGE, WRENTHAM, MASSACHUSETTS. Wrentham Village Premium Outlets, a 353,000 square foot center containing 90 stores, opened in two phases in October 1997 and May 1998. The center is located near the junction of interstates 95 and 495 between Boston and Providence. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 3.9 million, 6.9 million and 10.3 million, respectively. Average household income within a 30-mile radius is approximately \$52,000.

CAMARILLO, CAMARILLO, CALIFORNIA. Camarillo Premium Outlets, a 410,000 square foot center containing 114 stores, opened in six phases, from March 1995 through September 1998. The center is located 48 miles north of Los Angeles, about 55 miles south of Santa Barbara on Highway 101. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 1.1 million, 8.3 million and 14.6 million, respectively. Average household income within a 30-mile radius is approximately \$66,000.

NORTH GEORGIA, DAWSONVILLE, GEORGIA. North Georgia Premium Outlets, a 434,000 square foot center containing 110 stores, opened in three phases, in May 1996, May 1997 and October 1998. The center is located 40 miles north of Atlanta on Georgia State Highway 400 bordering Lake Lanier, at the gateway to the North Georgia mountains. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 700,000, 3.6 million and 5.8 million, respectively. Average household income within a 30-mile radius is approximately \$55,000.

FOLSOM, FOLSOM, CALIFORNIA. Folsom Premium Outlets, a 246,000 square foot center containing 68 stores opened in March 1990 and had expansions totaling 22,000 and 19,000 square feet in December 1996 and April 1998, respectively. The center is located approximately 20 miles east of Sacramento. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 1.5 million, 2.8 million and 9.0 million, respectively. Average household income within a 30-mile radius is approximately \$54,000.

The Operating Partnership has started construction of approximately 220,000 square feet of new GLA scheduled for completion in 1999, including the 120,000 square foot third phase of Wrentham Village and the 100,000 square foot fourth phase of North Georgia Premium Outlets. These projects, and others, are in various stages of development and there can be no assurance they will be completed or opened, or that there will not be delays in opening or completion.

STRATEGIC ALLIANCE

In May 1997, the Operating Partnership announced the formation of a strategic alliance with Simon Property Group, Inc. ("Simon") to develop and acquire high-end outlet centers with GLA of 500,000 square feet or more in the United States. The Operating Partnership and Simon will be co-managing general partners, each with 50% ownership of the joint venture and any entities formed with respect to specific projects; the Operating Partnership will have primary responsibility for the day-to-day activities of each project. In conjunction with the alliance, on June 16, 1997, the Operating Partnership completed the sale of 1.4 million shares of the Company's common stock to Simon for an aggregate price of \$50 million. Proceeds from the sale were used to repay borrowings under the Credit Facilities. Simon is one of the largest publicly traded real estate companies in North America as measured by market capitalization, and at March 1999 owns, has an interest in and or manages approximately 166 million square feet of retail and mixed-use properties in 35 states.

The Operating Partnership announced in October 1998 that it sold its interest in and terminated the development of Houston Premium Outlets, a joint venture project with Simon. Under the terms of the agreement, the Operating Partnership will receive non-compete payments totaling \$21.4 million from The Mills Corporation; \$3.0 million was received at closing, and four annual installments of \$4.6 million are to be received on each January 2, through 2002. The Operating Partnership has also been reimbursed for its share of land costs, development costs and fees related to the project.

Construction has commenced on Orlando Premium Outlets ("OPO"), a 430,000 square foot 50/50 joint venture project between the Operating Partnership and Simon. OPO is located on Interstate 4, midway between Walt Disney World/Epcot and Sea World in Orlando, Florida and is scheduled to open in the first half of 2000. The joint venture has entered into a \$82.5 million construction loan agreement that is expected to fund approximately 75% of the cost of the project. The balance of costs will be funded equally by the Operating Partnership and Simon.

ORGANIZATION OF THE OPERATING PARTNERSHIP

The Operating Partnership was formed through the merger in 1993 of The Chelsea Group ("Chelsea") and Ginsburg Craig Associates ("GCA"), two leading outlet center development companies, providing for greater access to the public and private capital markets. All of the Properties are held by and all of its

business activities conducted through the Operating Partnership. The Company (which owned 82.0% in the Operating Partnership as of December 31, 1998) is the sole general partner of the Operating Partnership and has full and complete control over the management of the Operating Partnership and each of the Properties.

THE MANUFACTURERS' OUTLET BUSINESS

Manufacturers' outlets are manufacturer-operated retail stores that sell primarily first-quality, branded goods at significant discounts from regular department and specialty store prices. Manufacturers' outlet centers offer numerous advantages to both consumer and manufacturer: by eliminating the third party retailer, manufacturers are often able to charge customers lower prices for brand name and designer merchandise; manufacturers benefit by being able to sell first quality in-season, as well as out-of-season, overstocked or discontinued merchandise without compromising their relationships with department stores or hampering the manufacturers' brand name. In addition, outlet stores enable manufacturers to optimize the size of production runs while maintaining control of their distribution channels.

BUSINESS OF THE OPERATING PARTNERSHIP

The Operating Partnership believes its strong tenant relationships, high-quality property portfolio and managerial expertise give it significant advantages in the manufacturers' outlet business.

STRONG TENANT RELATIONSHIPS. The Operating Partnership maintains strong tenant relationships with high-fashion, upscale manufacturers that have a selective presence in the outlet industry, such as Ann Taylor, Brooks Brothers, Cole Haan, Donna Karan, Gap, Gucci, Joan & David, Jones New York, Nautica, Polo Ralph Lauren, Tommy Hilfiger and Versace, as well as with national brand-name manufacturers such as Phillips-Van Heusen (Bass, Izod, Gant, Van Heusen) and Sara Lee (Champion, Hanes, Coach Leather). The Operating Partnership believes that its ability to draw from both groups is an important factor in providing broad customer appeal and higher tenant sales.

HIGH QUALITY PROPERTY PORTFOLIO. The Properties generated weighted average reported tenant sales during 1998 of \$360 per square foot, the highest in the industry by a wide margin. As a result, the Operating Partnership has been successful in attracting some of the world's most sought-after brand-name designers, manufacturers and retailers and each year has added new names to the outlet business and its centers. The Operating Partnership believes that the quality of its centers gives it significant advantages in attracting customers and negotiating multi-lease transactions with tenants.

MANAGEMENT EXPERTISE. The Operating Partnership believes it has a competitive advantage in the manufacturers' outlet business as a result of its experience in the business, long-standing relationships with tenants and expertise in the development and operation of manufacturers' outlet centers. The Operating Partnership's senior management has been recognized as leaders in the outlet industry over the last two decades. Management developed a number of the earliest and most successful outlet centers in the industry, including Liberty Village (one of the first manufacturers' outlet centers in the U.S.) in 1981, Woodbury Common in 1985, and Desert Hills and Aurora Farms in 1990. Since the IPO, the Operating Partnership has added significantly to its senior management in the areas of development, leasing and property management without increasing general and administrative expenses as a percentage of total revenues; additionally, the Operating Partnership intends to continue to invest in systems and controls to support the planning, coordination and monitoring of its activities.

GROWTH STRATEGY

The Operating Partnership seeks growth through increasing rents in its existing centers; developing new centers and expanding existing centers; and acquiring and re-developing centers.

INCREASING RENTS AT EXISTING CENTERS. The Operating Partnership's leasing strategy includes aggressively marketing available space and maintaining a high level of occupancy; providing for inflation-based contractual rent increases or periodic fixed contractual rent increases in substantially all leases; renewing leases at higher base rents per square foot; re-tenanting space occupied by underperforming tenants; and continuing to sign leases that provide for percentage rents.

DEVELOPING NEW CENTERS AND EXPANDING EXISTING CENTERS. The Operating Partnership believes that there continue to be significant opportunities to develop manufacturers' outlet centers across the United States. The Operating Partnership intends to undertake such development selectively, and believes that it will have a competitive advantage in doing so as a result of its development expertise, tenant relationships and access to capital. The Operating Partnership expects that the development of new centers and the expansion of existing centers will continue to be a substantial part of its growth strategy. The Operating Partnership believes that its development experience and strong tenant relationships enable it to determine site viability on a timely and cost-effective basis. However, there can be no assurance that any development or expansion projects will be commenced or completed as scheduled.

ACQUIRING AND REDEVELOPING CENTERS. The Operating Partnership intends to selectively acquire individual properties and portfolios of properties that meet its strategic investment criteria as suitable opportunities arise. The Operating Partnership believes that its extensive experience in the outlet center business, access to capital markets, familiarity with real estate markets and advanced management systems will allow it to evaluate and execute acquisitions competitively. Furthermore, management believes that the Operating Partnership will be able to enhance the operation of acquired properties as a result of its (i) strong tenant relationships with both national and upscale fashion retailers; and (ii) development, marketing and management expertise as a full-service real estate organization. Additionally, the Operating Partnership

may be able to acquire properties on a tax-advantaged basis through the issuance of Operating Partnership units. However, there can be no assurance that any acquisitions will be consummated or, if consummated, will result in an advantageous return on investment for the Operating Partnership.

INTERNATIONAL DEVELOPMENT. The Operating Partnership has minority interests ranging from 5 to 15% in several outlet centers and outlet development projects in Europe. Two outlet centers, Bicester Village outside of London, England and La Roca Company Stores outside of Barcelona, Spain, are currently open and operated by Value Retail PLC and its affiliates. Three new projects and expansions of the two existing centers are in various stages of development and are expected to open within the next two years. The Operating Partnership's total investment in Europe as of March 1999 is approximately \$3.5 million. The Operating Partnership has also agreed to provide up to \$22 million in limited debt service guarantees under a standby facility for loans arranged by Value Retail PLC to construct outlet centers in Europe. The term of the standby facility is three years and guarantees shall not be outstanding for longer than five years after project completion. As of March 1999, the Operating Partnership has provided limited debt service guaranties of approximately \$14 million for two projects.

During 1998, the Operating Partnership entered into a memorandum of understanding (expiring in June 1999) with two partners to study the feasibility of developing new outlet centers in Japan. The partners are currently researching potential development sites and intend to organize a formal joint venture when viable projects are located and approved. The Operating Partnership's current financial commitment is not material.

OPERATING STRATEGY

The Operating Partnership's primary business objectives are to enhance the value of its properties and operations by increasing cash flow. The Operating Partnership plans to achieve these objectives through continuing efforts to improve tenant sales and profitability, and to enhance the opportunity for higher base and percentage rents.

LEASING. The Operating Partnership pursues an active leasing strategy through long-standing relationships with a broad range of tenants including manufacturers of men's, women's and children's ready-to-wear, lifestyle apparel, footwear, accessories, tableware, housewares, linens and domestic goods. Key tenants are placed in strategic locations to draw customers into each center and to encourage shopping at more than one store. The Operating Partnership continually monitors tenant mix, store size, store location and sales performance, and works with tenants to improve each center through re-sizing, re-location and joint promotion.

MARKET AND SITE SELECTION. To ensure a sound long-term customer base, the Operating Partnership generally seeks to develop sites near densely-populated, high-income metropolitan areas, and/or at or near major tourist destinations. While these areas typically impose numerous restrictions on development and require compliance with complex entitlement and regulatory processes, the Operating Partnership believes that these areas provide the most attractive long-term demographic characteristics.

The Operating Partnership generally seeks to develop sites that can support at least 400,000 square feet of GLA and that offer the long-term opportunity to dominate their respective markets through a critical mass of tenants.

MARKETING. The Operating Partnership pursues an active, property-specific marketing strategy using a variety of media including newspapers, television, radio, billboards, regional magazines, guide books and direct mailings. The centers are marketed to tour groups, conventions and corporations; additionally, each property participates in joint destination marketing efforts with other area attractions and accommodations. Virtually all consumer marketing expenses incurred by the Operating Partnership are reimbursable by tenants.

PROPERTY DESIGN AND MANAGEMENT. The Operating Partnership believes that effective property design and management are significant factors in the success of its properties and works continually to maintain or enhance each center's physical plant, original architectural theme and high level of on-site services. Each property is designed to be compatible with its environment and is maintained to high standards of aesthetics, ambiance and cleanliness in order to promote longer visits and repeat visits by shoppers. Of the Operating Partnership's 359 full-time and 94 part-time employees, 259 full-time and 92 part-time employees are involved in on-site maintenance, security, administration and marketing. Centers are generally managed by an on-site property manager with oversight from a regional operations manager.

FINANCING

The Operating Partnership's financing strategy is to maintain a strong, flexible financial position by: (i) maintaining a conservative level of leverage, (ii) extending and sequencing debt maturity dates, (iii) managing floating interest rate exposure and (iv) maintaining liquidity. Management believes these strategies will enable the Operating Partnership to access a broad array of capital sources, including bank or institutional borrowings, secured and unsecured debt and equity offerings.

On March 30, 1998, the OP replaced its two unsecured bank revolving lines of credit, totaling \$150 million (the "Credit Facilities"), with a new \$160 million senior unsecured bank line of credit (the "Senior Credit Facility"). The Senior Credit Facility expires on March 30, 2001 and bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (6.36% at December 31, 1998) or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.25% depending on the Operating Partnership's Senior Debt rating. A fee on the unused portion of the Senior Credit Facility is payable quarterly at rates ranging from 0.15% to 0.25% depending on the balance outstanding. The lenders have an option to extend the facility annually for an additional year. At December 31, 1998, \$74 million was

available under the Senior Credit Facility.

Also on March 30, 1998, the OP entered into a \$5 million term loan (the "Term Loan") which carries the same interest rate and maturity as the Senior Credit Facility.

In October 1998, due to adverse conditions in the debt markets, the Operating Partnership elected to redeem the remaining \$60 million of Remarketed Floating Rate Reset Notes (the "Reset Notes"), using borrowings under the Senior Credit Facility. In November 1998, the Operating Partnership obtained a \$60 million 18 month bank term loan bearing interest at LIBOR plus 1.40%. Loan proceeds were used to repay borrowings under the Senior Credit Facility. The bank term loan will provide the Operating Partnership additional flexibility to access capital sources at appropriate times over the next 12 months.

The Operating Partnership completed the sale of 1.4 million shares of the Company's common stock to Simon, for an aggregate price of \$50 million, on June 16, 1997, in conjunction with a strategic alliance. Proceeds from the sale were used to repay borrowings under the Credit Facilities.

In October 1997, the Company issued 1.0 million shares of 8.375% Series A Cumulative Redeemable Preferred Stock (the "Preferred Stock"), par value \$0.01 per share, having a liquidation preference of \$50.00 per share. The Preferred Stock has no stated maturity and is not convertible into any other securities of the Operating Partnership. The Preferred Stock is redeemable on or after October 15, 2027 at the Operating Partnership's option. Net proceeds from the offering were used to repay borrowings under the Operating Partnership's Credit Facilities.

Also in October 1997, the Operating Partnership completed a \$125 million public debt offering of 7.25% unsecured term notes due October 2007 (the "7.25% Notes"). The 7.25% Notes were priced to yield 7.29% to investors, 120 basis points over the then 10-year U.S. Treasury rate. Net proceeds from the offering were used to repay substantially all borrowings under the Operating Partnership's Credit Facilities, redeem \$40 million of Remarketed Floating Rate Reset Notes and for general corporate purposes.

COMPETITION

The Properties compete for retail consumer spending on the basis of the diverse mix of retail merchandising and value oriented pricing. Manufacturers' outlet centers have established a niche capitalizing on consumer demand for value-priced goods. The Properties compete for customer spending with other outlet locations, traditional shopping malls, off-price retailers, and other sales channels in the retail industry. The Operating Partnership believes that the Properties are generally the leading manufacturers' outlet centers in each market. The Operating Partnership carefully considers the degree of existing and planned competition in each proposed area before deciding to build a new center.

ENVIRONMENTAL MATTERS

The Operating Partnership is not aware of any environmental liabilities relating to the Properties that would have a material impact on the Operating Partnership's financial position and results of operations.

PERSONNEL

As of December 31, 1998, the Operating Partnership had 359 full-time and 94 part-time employees. None of the employees are subject to any collective bargaining agreements, and the Operating Partnership believes it has good relations with its employees.

ITEM 2. PROPERTIES

The Properties are upscale, fashion-oriented manufacturers' outlet centers located near large metropolitan areas, including New York, Los Angeles, San Francisco, Boston, Washington DC, Atlanta, Sacramento, Portland (Oregon), and Cleveland, or at or near tourists destinations, including Honolulu, Napa Valley, Palm Springs and the Monterey Peninsula. The Properties were 99% leased as of December 31, 1998 and contained approximately 1,300 stores with approximately 360 different tenants. During 1998 and 1997, the Properties generated weighted average tenant sales of \$360 per square foot. As of December 31, 1998, the Operating Partnership had 19 operating outlet centers, excluding the two centers held for sale. Of the 19 operating centers, 18 are owned 100% in fee; and one, American Tin Cannery Premium Outlets, is held under a long-term lease. The Operating Partnership manages all of its Properties.

Approximately 35% and 34% of the Operating Partnership's revenues for the years ended December 31, 1998 and 1997, respectively, were derived from the Operating Partnership's two centers with the highest revenues, Woodbury Common Premium Outlets and Desert Hills Premium Outlets. The loss of either center or a material decrease in revenues from either center for any reason may have a material adverse effect on the Operating Partnership. In addition, approximately 34% and 38% of the Operating Partnership's revenues for the years ended December 31, 1998 and 1997, respectively, were derived from the Operating Partnership's centers in California.

The Operating Partnership does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 6% of the Operating Partnership's gross revenues or total GLA; and only one tenant occupies more than 5% of the Operating Partnership's total GLA. In view of these statistics and the Operating Partnership's past success in re-leasing available space, the Operating Partnership believes the loss of any individual tenant would not have a significant effect on future operations.

Set forth in the table below is certain property information as of December 31, 1998:

NAME/LOCATION	YEAR OPENED	GLA (SQ. FT.)	NO. OF STORES	CERTAIN TENANTS
Woodbury Common..... Central Valley, NY (New York City Metro area)	1985	841,000	216	Brooks Brothers, Calvin Klein, Coach Leather, Gap, Gucci, Last Call Neiman Marcus, Polo Ralph Lauren
Desert Hills..... Cabazon, CA (Palm Springs-Los Angeles area)	1990	474,000	118	Burberry, Coach Leather, Giorgio Armani, Gucci Nautica, Polo Ralph Lauren, Tommy Hilfiger
North Georgia..... Dawsonville, GA (Atlanta metro area)	1996	434,000	110	Brooks Brothers, Donna Karan, Gap, Nautica, Off 5th-Saks Fifth Avenue, Williams-Sonoma
Camarillo Premium Outlets..... Camarillo, CA (Los Angeles metro area)	1995	410,000	114	Ann Taylor, Barneys New York, Bose, Cole-Haan, Donna Karan, Jones NY, Off 5th-Saks Fifth Avenue
Wrentham Village..... Wrentham, MA (Boston/Providence metro area)	1997	353,000	90	Brooks Brothers, Calvin Klein, Donna Karan, Gap, Polo Jeans Co., Sony, Versace
Aurora Premium Outlets..... Aurora, OH (Cleveland metro area)	1987	280,000	66	Ann Taylor, Bose, Brooks Brothers, Carters, Liz Claiborne, Off 5th-Saks Fifth Avenue, Reebok
Clinton Crossing..... Clinton, CT (I-95/NY-New England corridor)	1996	272,000	67	Coach Leather, Crate & Barrel, Donna Karan, Gap, Off 5th-Saks Fifth Avenue, Polo Ralph Lauren
Leesburg Corner..... Leesburg, VA (Washington DC area)	1998	270,000	58	Banana Republic, Brooks Brothers, Gap, Donna Karan, Off 5th-Saks Fifth Avenue
Folsom Premium Outlets..... Folsom, CA (Sacramento metro area)	1990	246,000	68	Bass, Donna Karan, Gap, Liz Claiborne, Nike, Off 5th-Saks Fifth Avenue
Waikale Premium Outlets..... Waipahu, HI (Honolulu area)	1997 (1)	214,000	52	Barneys New York, Bose, Donna Karan, Guess, Polo Jeans Co., Off 5th-Saks Fifth Avenue
Petaluma Village..... Petaluma, CA (San Francisco metro area)	1994	196,000	51	Ann Taylor, Brooks Brothers, Donna Karan, Off 5th-Saks Fifth Avenue, Reebok
Napa Premium Outlets..... Napa, CA (Napa Valley)	1994	171,000	49	Cole-Haan, Dansk, Ellen Tracy, Esprit, J. Crew, Nautica, Timberland, TSE Cashmere
Liberty Village..... Flemington, NJ (New York-Phila. metro area)	1981	157,000	58	Calvin Klein, Donna Karan, Ellen Tracy, Polo Ralph Lauren, Tommy Hilfiger
Columbia Gorge..... Troutdale, OR (Portland metro area)	1991	164,000	44	Adidas, Carter's, Gap, Harry & David, Mikasa
American Tin Cannery..... Pacific Grove, CA (Monterey Peninsula)	1987	135,000	48	Anne Klein, Carole Little, Joan & David, London Fog, Reebok, Rockport
Santa Fe Premium Outlets..... Santa Fe, NM	1993	125,000	40	Brooks Brothers, Coach Leather, Dansk, Donna Karan, Joan & David, London Fog
Patriot Plaza..... Williamsburg, VA (Norfolk-Richmond area)	1986	76,000	11	Lenox, Polo Ralph Lauren, WestPoint Stevens
Mammoth Premium Outlets..... Mammoth Lakes, CA (Yosemite National Park)	1990	35,000	11	Bass, Polo Ralph Lauren
St. Helena Premium Outlets..... St. Helena, CA (Napa Valley)	1992	23,000	9	Brooks Brothers, Coach Leather, Donna Karan, Joan & David
Total.....		4,876,000	1,280	

(1) Acquired in March 1997

The Operating Partnership rents approximately 27,000 square feet of office space in its headquarters facility in Roseland, New Jersey and approximately 4,000 square feet of office space for its west coast regional office in Newport Beach, California.

ITEM 3. LEGAL PROCEEDINGS

The Operating Partnership is not presently involved in any material litigation other than routine litigation arising in the ordinary course of business and which is either expected to be covered by liability insurance or have no material impact on the Operating Partnership's financial position and results of operations.

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

None.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED SECURITY MATTERS

None.

ITEM 6: SELECTED FINANCIAL DATA

CHELSEA GCA REALTY PARTNERSHIP, L.P.
(IN THOUSANDS EXCEPT PER UNIT, AND NUMBER OF CENTERS)

Operating Data:	Year Ended December 31,				
	1998	1997	1996	1995	1994
Rental revenue.....	\$ 99,976	\$ 81,531	\$ 63,792	\$ 51,361	\$ 38,010
Total revenues.....	139,315	113,417	91,356	72,515	53,145
Loss on writedown of assets.....	15,713	-	-	-	-
Total expenses.....	113,879	78,262	59,996	41,814	28,179
Income before minority interest and extraordinary item.....	25,436	35,155	31,360	29,650	24,966
Minority interest.....	-	(127)	(257)	(285)	(49)
Income before extraordinary item.....	25,436	35,028	31,103	29,365	24,917
Extraordinary item - loss on retirement of debt	(345)	(252)	(902)	-	-
Net income.....	25,091	34,776	30,201	29,365	24,917
Preferred distribution.....	(4,188)	(907)	-	-	-
Net income to common unitholders.....	20,903	33,869	30,201	29,365	24,917
Net income per common unit:					
General partner (including \$0.02, \$0.01, and \$0.05 net loss per unit from extraordinary item in 1998, 1997 and 1996, respectively)	\$1.11	\$1.88	\$1.77	\$1.75	\$1.50
Limited partner (including \$0.02, \$0.01, and \$0.05 net loss per unit from extraordinary item in 1998, 1997 and 1996, respectively)	\$1.09	\$1.87	\$1.76	\$1.75	\$1.50
 OWNERSHIP INTEREST:					
General partner.....	15,440	14,605	11,802	11,188	10,956
Limited partners.....	3,431	3,435	5,316	5,601	5,690
Weighted average units outstanding	18,871	18,040	17,118	16,789	16,646
 BALANCE SHEET DATA:					
Rental properties before accumulated depreciation.....	\$792,726	\$708,933	\$512,354	\$415,983	\$332,834
Total assets.....	773,352	688,029	502,212	408,053	330,775
Total liabilities	450,410	342,106	240,878	141,577	68,084
Minority interest.....	-	-	5,698	5,441	5,156
Partners' capital.....	\$322,942	\$345,923	\$255,636	\$261,035	\$257,535
Distributions declared per common unit	\$2.76	\$2.58	\$2.355	\$2.135	\$1.90
 OTHER DATA:					
Funds from operations to common unitholders (1)	\$67,994	\$57,417	\$48,616	\$41,870	\$33,631
Cash flows from:					
Operating activities.....	\$78,731	\$56,594	\$53,510	\$36,797	\$32,522
Investing activities.....	(119,807)	(199,250)	(99,568)	(82,393)	(79,595)
Financing activities.....	36,169	143,308	\$55,957	\$40,474	\$ (1,707)
 GLA at end of period.....	4,876	4,308	3,610	2,934	2,342
Weighted average GLA (2).....	4,614	3,935	3,255	2,680	2,001
Centers at end of the period.....	19	20	18	16	16
New centers opened.....	1	1	2	1	3
Centers expanded.....	7	5	5	7	4
Center sold.....	-	-	-	1	-
Centers held for sale.....	2	-	-	-	-
Center acquired.....	-	1	-	-	-

NOTES TO SELECTED FINANCIAL DATA:

- (1) Management considers funds from operations ("FFO") an appropriate measure of performance for an equity real estate investment trust. FFO does not represent net income or cash flow from operations as defined by generally accepted accounting principles and should not be considered an alternative to net income as an indicator of operating performance or to cash from operations, and is not necessarily indicative of cash flow available to fund cash needs. See Management's Discussion and Analysis for definition of FFO.
- (2) GLA weighted by months in operation.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in connection with the financial statements and notes thereto appearing elsewhere in this annual report.

Certain comparisons between periods have been made on a percentage or weighted average per square foot basis. The latter technique adjusts for square footage changes at different times during the year.

GENERAL OVERVIEW

At December 31, 1998, the Operating Partnership operated 19 manufacturers' outlet centers, compared to 20 at the end of 1997 and 18 at the end of 1996. The Operating Partnership's operating gross leasable area ("GLA") at December 31, 1998 was 4.9 million square feet compared to 4.3 million square feet and 3.6 million square feet at December 31, 1997 and 1996, respectively.

From January 1, 1996 to December 31, 1998, the Operating Partnership grew by increasing rents at its operating centers, opening four new centers, acquiring one center and expanding nine centers. The 1.9 million square feet ("sf") of net GLA added is detailed as follows:

	SINCE JANUARY 1, 1996	1998	1997	1996
Changes in GLA (sf in 000's):				
NEW CENTERS DEVELOPED:				
Leesburg Corner.....	270	270	-	-
Wrentham Village.....	227	-	227	-
North Georgia.....	292	-	-	292
Clinton Crossing.....	272	-	-	272
TOTAL NEW CENTERS.....	1,061	270	227	564
CENTERS EXPANDED:				
Woodbury Common.....	270	268	-	2
Wrentham Village.....	126	126	-	-
Camarillo Premium Outlets.....	184	45	85	54
North Georgia.....	142	31	111	-
Folsom Premium Outlets.....	56	19	15	22
Columbia Gorge.....	16	16	-	-
Desert Hills.....	42	6	36	-
Liberty Village.....	16	-	12	4
Petaluma Village.....	30	-	-	30
Other.....	(17)	(15)	(2)	-
TOTAL CENTERS EXPANDED	865	496	257	112
CENTERS HELD FOR SALE:				
Solvang Designer Outlets.....	(52)	(52)	-	-
Lawrence Riverfront.....	(146)	(146)	-	-
	(198)	(198)	-	-
CENTER ACQUIRED:				
Waikale Premium Outlets.....	214	-	214	-
Net GLA added during the period	1,942	568	698	676
OTHER DATA:				
GLA at end of period.....		4,876	4,308	3,610
Weighted average GLA (1).....		4,614	3,935	3,255
Centers in operation at end of period...		19	20	18
New centers opened.....		1	1	2
Centers expanded.....		7	5	5
Centers held for sale.....		2	-	-
Center acquired.....		-	1	-

NOTE: (1) Average GLA weighted by months in operation

The Operating Partnership's centers produced weighted average reported tenant sales of approximately \$360 per square foot in 1998 and 1997 and \$345 per square foot in 1996.

Two of the Operating Partnership's centers, Woodbury Common and Desert Hills, provided approximately 35%, 34% and 38% of the Operating Partnership's total revenue for the years 1998, 1997, and 1996, respectively. In addition, approximately 34%, 38%, and 44% of the Operating Partnership's revenues for the years ended December 31, 1998, 1997 and 1996, respectively, were derived from the Operating Partnership's centers in California.

The Operating Partnership does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 6% of the Operating Partnership's gross revenues or total GLA; and only one tenant occupies more than 5% of the Operating Partnership's total GLA. In view of these statistics and the Operating Partnership's past success in re-leasing available space, the Operating Partnership believes the loss of any individual tenant would not have a significant effect on future operations. The discussion below is based upon operating income before minority interest and extraordinary item. The minority interest in net income varies from period to period as a result of changes in the Operating Partnership's 50% investment in Solvang prior to June 30, 1997.

COMPARISON OF YEAR ENDED DECEMBER 31, 1998 TO YEAR ENDED DECEMBER 31, 1997

Operating income before interest, depreciation and amortization increased \$18.2 million, or 24.2%, to \$93.6 million in 1998 from \$75.4 million in 1997. This increase was primarily the result of expansions and new center openings during 1997 and 1998.

Base rentals increased \$15.9 million, or 22.5%, to \$86.6 million in 1998 from \$70.7 million in 1997 due to expansions, new center openings in 1997 and 1998, one acquired center and higher average rents. Base rental revenue per weighted average square foot increased to \$18.77 in 1998 from \$17.97 in 1997 as a result of higher rental rates on new leases and renewals.

Percentage rents increased \$2.6 million, or 23.5%, to \$13.4 million in 1998 from

\$10.8 million in 1997. The increase was primarily due to a new center opening in 1997, increased tenant sales and a higher number of tenants contributing percentage rents.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax, promotional and management expenses, increased \$6.3 million, or 21.9%, to \$35.3 million in 1998 from \$29.0 million in 1997, due to the recovery of operating and maintenance costs from increased GLA. On a weighted average square foot basis, expense reimbursements increased 4.1% to \$7.66 in 1998 from \$7.36 in 1997. The average recovery of reimbursable expenses was 91.3% in 1998 compared to 92.2% in 1997.

Other income increased \$1.1 million to \$4.0 million in 1998 from \$2.9 million in 1997. The increase was due to income from the agreement not to compete with the Mills Corporation in the Houston, Texas area and a \$0.3 million increase in outparcel income during 1998.

Interest, in excess of amounts capitalized, increased \$4.6 million to \$20.0 million in 1998 from \$15.4 million in 1997, due to higher debt balances from increased GLA in operation.

Operating and maintenance expenses increased \$7.3 million, or 23.2%, to \$38.7 million in 1998 from \$31.4 million in 1997. The increase was primarily due to costs related to increased GLA. On a weighted average square foot basis, operating and maintenance expenses increased 5.0% to \$8.39 in 1998 from \$7.99 in 1997 as a result of increased real estate tax and promotion costs.

Depreciation and amortization expense increased \$7.5 million to \$32.5 million in 1998 from \$25.0 million in 1997. The increase was due to depreciation of expansions and new centers opened in 1997 and 1998.

General and administrative expenses increased \$1.0 million to \$4.8 million in 1998 from \$3.8 million in 1997. On a weighted average square foot basis, general and administrative expenses increased 8.2% to \$1.05 in 1998 from \$0.97 in 1997 primarily due to increased personnel, overhead costs and accrual for deferred compensation.

The loss on writedown of assets of \$15.7 million in 1998 is primarily from valuing two centers held for sale at their estimated fair values and writing off pre-development costs of an abandoned site.

Other expenses decreased \$0.4 million to \$2.2 million in 1998 from \$2.6 million in 1997. The decrease was primarily due to recoveries of bad debts previously written off.

COMPARISON OF YEAR ENDED DECEMBER 31, 1997 TO YEAR ENDED DECEMBER 31, 1996

Operating income before interest, depreciation and amortization increased \$16.7 million, or 28.4%, to \$75.4 million in 1997 from \$58.7 million in 1996. This increase was primarily the result of expansions, new center openings and the purchase of one center.

Base rentals increased \$14.3 million, or 25.4%, to \$70.7 million in 1997 from \$56.4 million in 1996 due to expansions, new center openings, the acquired center and higher average rents. Base rental revenue per weighted average square foot increased to \$17.97 in 1997 from \$17.32 in 1996 as a result of higher rental rates on new leases and renewals.

Percentage rents increased \$3.4 million, or 46.4%, to \$10.8 million in 1997 from \$7.4 million in 1996. The increase was primarily due to increases in tenant sales, new center openings, expansions at the Operating Partnership's larger centers, the acquired center and increases in tenants contributing percentage rents.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax, promotional and management expenses, increased \$4.2 million, or 17.1%, to \$29.0 million in 1997 from \$24.8 million in 1996, due to the recovery of operating and maintenance costs at new and expanded centers. On a weighted average square foot basis, expense reimbursements decreased 3.3% to \$7.36 in 1997 from \$7.61 in 1996. The average recovery of reimbursable expenses was 92.2% in 1997 compared to 91.8% in 1996.

Other income increased \$0.1 million to \$2.9 million in 1997 from \$2.8 million in 1996.

Interest, in excess of amounts capitalized, increased \$6.6 million to \$15.4 million in 1997 from \$8.8 million in 1996, due to higher debt balances from new centers, expansion openings and one center acquisition financed with borrowings.

Operating and maintenance expenses increased \$4.4 million, or 16.5%, to \$31.4 million in 1997 from \$27.0 million in 1996. The increase was primarily due to costs related to increased GLA. On a weighted average square foot basis, operating and maintenance expenses decreased 3.6% to \$7.99 in 1997 from \$8.29 in 1996 as a result of decreased maintenance and snow removal costs.

Depreciation and amortization expense increased \$6.0 million to \$25.0 million in 1997 from \$19.0 million in 1996, the increase was due to costs related to increased GLA.

General and administrative expenses increased \$0.5 million to \$3.8 million in 1997 from \$3.3 million in 1996. On a weighted average square foot basis, general and administrative expenses decreased 5.8% to \$0.97 in 1997 from \$1.03 in 1996. Increased personnel and overhead costs were more than offset by additions to operating GLA.

Other expenses increased \$0.7 million to \$2.6 million in 1997 from \$1.9 million in 1996. The increase was primarily from legal expenses and additional reserves for bad debt due to higher revenue.

LIQUIDITY AND CAPITAL RESOURCES

The Operating Partnership believes it has adequate financial resources to fund operating expenses, distributions, and planned development and construction activities. Operating cash flow in 1998 of \$78.7 million is expected to increase with a full year of operations of the 776,000 square feet of GLA added during 1998 and scheduled openings of approximately 390,000 square feet in 1999. In addition, at December 31, 1998 the Operating Partnership had \$74 million available under its Senior Credit Facility, access to the public markets through shelf registrations covering \$200 million of equity and \$175 million of debt, and cash equivalents of \$9.6 million.

Operating cash flow is expected to provide sufficient funds for dividends and distributions. In addition, the Operating Partnership anticipates retaining sufficient operating cash to fund re-tenanting and lease renewal tenant improvement costs, as well as capital expenditures to maintain the quality of its centers. Common distributions declared and recorded in 1998 were \$52.1 million or \$2.76 per share or unit. The Operating Partnership's 1998 distribution payout ratio as a percentage of net income before minority interest, loss on writedown of assets and depreciation and amortization, exclusive of amortization of deferred financing costs, ("FFO") was 76.6%. The Senior Credit Facility limits aggregate dividends and distributions to the lesser of (i) 90% of FFO on an annual basis or (ii) 100% of FFO for any two consecutive quarters.

On March 30, 1998, the OP replaced its two unsecured bank revolving lines of credit, totaling \$150 million (the "Credit Facilities"), with a new \$160 million senior unsecured bank line of credit (the "Senior Credit Facility"). The Senior Credit Facility expires on March 30, 2001 and bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (6.36% at December 31, 1998) or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.25% depending on the Operating Partnership's Senior Debt rating. A fee on the unused portion of the Senior Credit Facility is payable quarterly at rates ranging from 0.15% to 0.25% depending on the balance outstanding. The lenders have an option to extend the facility annually for an additional year.

During 1998 the Operating Partnership added approximately 776,000 square feet of new GLA including a 268,000 square foot expansion at Woodbury Common Premium Outlets (Central Valley, NY), its flagship center; a 126,000 square foot expansion at Wrentham Village Premium Outlets (Wrentham, MA), and the completion and opening of the 270,000 square foot first phase of Leesburg Corner Premium

Outlets (Leesburg, VA), and expansions at five other centers totaling 112,000 square feet.

The Operating Partnership is in the process of planning development for 1999 and beyond. At December 31, 1998, approximately 220,000 square feet of the Operating Partnership's planned 1999 development was under construction consisting of the 120,000 square foot third phase of Wrentham Village and the 100,000 square foot fourth phase of North Georgia Premium Outlets (Dawsonville, GA) These projects are under development and there can be no assurance that they will be completed or opened, or that there will not be delays in opening or completion. Excluding joint venture projects with Simon the Operating Partnership anticipates 1999 development and construction costs of \$50 million to \$60 million. Funding is currently expected from borrowings under the Senior Credit Facility, additional debt offerings, and/or equity offerings.

The Operating Partnership announced in October 1998 that it sold its interest in and terminated the development of Houston Premium Outlets, a joint venture project with Simon. Under the terms of the agreement, the Operating Partnership will receive non-compete payments totaling \$21.4 million from The Mills Corporation; \$3.0 million was received at closing, and four annual installments of \$4.6 million are to be received on each January 2, through 2002. The Operating Partnership has also been reimbursed for its share of land costs, development costs and fees related to the project.

Construction has commenced on Orlando Premium Outlets ("OPO"), a 430,000 square foot 50/50 joint venture project between the Operating Partnership and Simon. OPO is located on Interstate 4, midway between Walt Disney World/Epcot and Sea World in Orlando, Florida and is scheduled to open in the first half of 2000. The joint venture has entered into a \$82.5 million construction loan agreement that is expected to fund approximately 75% of the costs of the project. The balance of costs will be funded equally by the Operating Partnership and Simon.

In October 1998, due to adverse conditions in the debt markets, the Operating Partnership elected to redeem the remaining \$60 million of Reset Notes, using borrowings under the Senior Credit Facility. In November 1998, the Operating Partnership obtained a \$60 million 18 month bank term loan bearing interest at LIBOR plus 1.40%. Loan proceeds were used to repay borrowings under the Senior Credit Facility. The bank term loan will provide the Operating Partnership additional flexibility to access capital sources at appropriate times over the next 12 months.

The Operating Partnership has minority interests ranging from 5 to 15% in several outlet centers and outlet development projects in Europe. Two outlet centers, Bicester Village outside of London, England and La Roca Company Stores outside of Barcelona, Spain, are currently open and operated by Value Retail PLC and its affiliates. Three new projects and expansions of the two existing centers are in various stages of development and are expected to open within the next two years. The Operating Partnership's total investment in Europe as of March 1999 is approximately \$3.5 million. The Operating Partnership has also agreed to provide up to \$22 million in limited debt service guarantees under a standby facility for loans arranged by Value Retail PLC to construct outlet centers in Europe. The term of the standby facility is three years and guarantees shall not be outstanding for longer than five years after project completion. As of March 1999, the Operating Partnership has provided limited debt service guaranties of approximately \$14 million for two projects.

During 1998, the Operating Partnership entered into a memorandum of understanding (expiring in June 1999) with two partners to study the feasibility of developing new outlet centers in Japan. The partners are currently researching potential development sites and intend to organize a formal joint venture when viable projects are located and approved. The Operating Partnership's current financial commitment is not material.

To achieve planned growth and favorable returns in both the short and long-term, the Operating Partnership's financing strategy is to maintain a strong, flexible financial position by: (i) maintaining a conservative level of leverage; (ii) extending and sequencing debt maturity dates; (iii) managing exposure to floating interest rates; and (iv) maintaining liquidity. Management believes these strategies will enable the Operating Partnership to access a broad array of capital sources, including bank or institutional borrowings and secured and unsecured debt and equity offerings, subject to market conditions.

Net cash provided by operating activities was \$78.7 million and \$56.6 million for the years ended December 31, 1998 and 1997, respectively. The increase was primarily due to the growth of the Operating Partnership's GLA to 4.9 million square feet in 1998 from 4.3 million square feet in 1997. Net cash used in investing activities decreased \$79.4 million for the year ended December 31, 1998 compared to the corresponding 1997 period, primarily as a result of the Waikale Factory Outlets acquisition in March 1997. For the year ended December 31, 1998, net cash provided by financing activities decreased by \$107.1 million primarily due to borrowings for the Waikale Factory Outlets acquisition and excess capital raised for development during 1997.

Net cash provided by operating activities was \$56.6 million and \$53.5 million for the years ended December 31, 1997 and 1996, respectively. The increase was primarily due to the growth of the Operating Partnership's GLA to 4.3 million square feet in 1997 from 3.6 million square feet in 1996 and increases in accrued interest on the borrowings offset by additions to deferred lease costs. Net cash used in investing activities decreased \$99.7 million for the year ended December 31, 1997 compared to 1996, primarily as a result of the acquisition of Waikale Factory Outlets and increased construction activity. Net cash provided by financing activities increased \$87.4 million primarily due to the sale of common stock to Simon and the sale of Preferred Stock.

YEAR 2000 COMPLIANCE

The year 2000 ("Y2K") issue refers generally to computer applications using only the last two digits to refer to a year rather than all four digits. As a result, these applications could fail or create erroneous results if they recognize "00"

as the year 1900 rather than the year 2000. The Operating Partnership has taken Y2K initiatives in three general areas which represent the areas that could have an impact on the Operating Partnership: information technology systems, non-information technology systems and third-party issues. The following is a summary of these initiatives:

INFORMATION TECHNOLOGY: The Operating Partnership has focused its efforts on the high-risk areas of the corporate office computer hardware, operating systems and software applications. The Operating Partnership's assessment and testing of existing equipment revealed that its hardware, network operating systems and most of the software applications are Y2K compliant. The exception is the DOS-based accounting systems which were upgraded and replaced at the beginning of 1999 to make them compatible with Windows applications primarily used by the Operating Partnership.

NON-INFORMATION TECHNOLOGY: Non-information technology consists mainly of facilities management systems such as telephone, utility and security systems for the corporate office and the outlet centers. The Operating Partnership has reviewed the corporate facility management systems and made inquiry of the building owner/manager and concluded that the corporate office building systems including telephone, utilities, fire and security systems are Y2K compliant. The Operating Partnership is in the process of identifying date-sensitive systems and equipment including HVAC units, telephones, security systems and alarms, fire and flood warning systems and general office systems at its outlet centers. Assessment and testing of these systems is approximately 75% complete and expected to be completed by June 30, 1999. Critical non-compliant systems will be replaced when identified. Based on preliminary assessment, the cost of replacement is not expected to be significant.

THIRD PARTIES: The Operating Partnership has third-party relationships with approximately 350 tenants and 4,000 suppliers and contractors. Many of these third parties are publicly-traded corporations and subject to disclosure requirements. The Operating Partnership has begun assessment of major third parties' Y2K readiness including tenants, key suppliers of outsourced services including stock transfer, debt servicing, banking collection and disbursement, payroll and benefits, while simultaneously responding to their inquiries regarding the Operating Partnership's readiness. The majority of the Operating Partnership's vendors are small suppliers that the Operating Partnership believes can manually execute their business and are readily replaceable. Management also believes there is no material risk of being unable to procure necessary supplies and services. Third-party assessment is approximately 50% complete and expected to be completed by June 30, 1999. The Operating Partnership continues to monitor Y2K disclosures in SEC filings of publicly-owned third parties.

COSTS: The accounting software upgrade and conversion is being executed under maintenance and support agreements with software vendors. The total cost of the accounting conversion which the Company had previously commenced during the third quarter is estimated at approximately \$200,000 including the Y2K portion of the conversion that cannot be readily identified and is not material to the operating results or financial position of the Operating Partnership.

The identification and remediation of systems at the outlet centers is being accomplished by in-house business systems personnel and outlet center general managers whose costs are recorded as normal operating expense. The assessment of third-party readiness is also being conducted by in-house personnel whose costs are recorded as normal operating expenses. The Operating Partnership is not yet in a position to estimate the cost of third-party compliance issues, but has no reason to believe, based upon its evaluations to date, that such costs will exceed \$100,000.

RISKS: The principal risks to the Operating Partnership relating to the completion of its accounting software conversion is failure to correctly bill tenants by December 31, 1999 and to pay invoices when due. Management believes it has adequate resources, or could obtain the needed resources, to manually bill tenants and pay bills until the systems became operational.

The principal risks to the Operating Partnership relating to non-information systems at the outlet centers are failure to identify time-sensitive systems and inability to find a suitable replacement system. The Operating Partnership believes that adequate replacement components or new systems are available at reasonable prices and are in good supply. The Operating Partnership also believes that adequate time and resources are available to remediate these areas as needed.

The principal risks to the Operating Partnership in its relationships with third parties are the failure of third-party systems used to conduct business such as tenants being unable to stock stores with merchandise, use cash registers and pay invoices; banks being unable to process receipts and disbursements; vendors being unable to supply needed materials and services to the centers; and processing of outsourced employee payroll. Based on Y2K compliance work done to date, the Operating Partnership has no reason to believe that key tenants, banks and suppliers will not be Y2K compliant in all material respects or can not be replaced within an acceptable timeframe. The Operating Partnership will attempt to obtain compliance certification from suppliers of key services as soon as such certifications are available.

CONTINGENCY PLANS: The Operating Partnership intends to deal with contingency planning during 1999 as results of the above assessments are known.

The Operating Partnership's description of its Y2K compliance issue is based upon information obtained by management through evaluations of internal business systems and from tenant and vendor compliance efforts. No assurance can be given that the Operating Partnership will be able to address the Y2K issues for all its systems in a timely manner or that it will not encounter unexpected difficulties or significant expenses relating to adequately addressing the Y2K issue. If the Operating Partnership or the major tenants or vendors with whom the Operating Partnership does business fail to address their major Y2K issues, the Operating Partnership's operating results or financial position could be

materially adversely affected.

FUNDS FROM OPERATIONS

Management believes that funds from operations ("FFO") should be considered in conjunction with net income, as presented in the statements of income included elsewhere herein, to facilitate a clearer understanding of the operating results of the Company. Management considers FFO an appropriate measure of performance for an equity real estate investment trust. FFO, as defined by the National Association of Real Estate Investment Trusts ("NAREIT"), is net income applicable to common shareholders (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from debt restructuring and sales or writedowns of property, exclusive of outparcel sales, plus real estate related depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures are calculated to reflect FFO on the same basis. FFO does not represent net income or cash flow from operations as defined by generally accepted accounting principles and should not be considered an alternative to net income as an indicator of operating performance or to cash from operations, and is not necessarily indicative of cash flow available to fund cash needs.

	Year Ended December 31,	
	1998	1997
	-----	-----
Income to common unitholders before extraordinary item.....	\$21,248	\$34,121
Add:		
Depreciation and amortization (1).....	32,486	24,883
Loss on writedown of assets.....	15,713	
	(1,453)	(1,587)
Amortization of deferred financing costs and depreciation of non-rental real estate assets		
FFO.....	\$67,994	\$57,417
	=====	=====
Average units outstanding.....	18,871	18,040
Distributions declared per unit.....	\$2.76	\$2.58

NOTE: (1) Excludes depreciation and minority interest attributed to a third-party limited partner's interest in a partnership for the year ended December 31, 1997.

ECONOMIC CONDITIONS

Substantially all leases contain provisions, including escalations of base rents and percentage rentals calculated on gross sales, to mitigate the impact of inflation. Inflationary increases in common area maintenance and real estate tax expenses are substantially all reimbursed by tenants.

Virtually all tenants have met their lease obligations and the Operating Partnership continues to attract and retain quality tenants. The Operating Partnership intends to reduce operating and leasing risks by continually improving its tenant mix, rental rates and lease terms, and by pursuing contracts with creditworthy upscale and national brand-name tenants.

ITEM 7-A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Operating Partnership is exposed to changes in interest rates primarily from its floating rate debt arrangements. Under its current policies, the Operating Partnership does not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move (increase) in interest rates along the entire rate curve would adversely affect the Operating Partnership's annual interest cost by approximately \$1.2 million annually.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and financial information of the Operating Partnership for the years ended December 31, 1998, 1997 and 1996 and the Reports of the Independent Auditors thereon are included elsewhere herein. Reference is made to the financial statements and schedules in Item 14.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEMS 10, 11, 12 AND 13.

The Operating Partnership does not have any directors, executive officers or stock authorized, issued or outstanding. If the information was required it would be identical to the information contained in Items 10, 11, 12 and 13 of the Company's Form 10-K, that will appear in the Company's Proxy Statement furnished to shareholders in connection with the Company's 1999 Annual Meeting. Such information is incorporated by reference in this Form 10-K.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1 and 2. The response to this portion of Item 14 is submitted as a separate section of this report.

3. Exhibits

- 3.1 Articles of Incorporation of the Company, as amended, including Articles Supplementary relating to 8 3/8% Series A Cumulative Redeemable Preferred Stock. Incorporated by reference to Exhibit 3.1 to Form 10K for the year ended December 31, 1997.
- 3.2 By-laws of the Company. Incorporated by reference to Exhibit 3.2 to Registration Statement filed by the Company on Form S-11 under the Securities Act of 1933 (file No. 33-67870) (S-11).
- 3.3 Agreement of Limited Partnership for the Operating Partnership. Incorporated by reference to Exhibit 3.3 to S-11.
- 3.4 Amendments No. 1 and No. 2 to Partnership Agreement dated March 31, 1997 and October 7, 1997. Incorporated by reference to Exhibit 3.4 to Form 10K for the year ended December 31, 1997.
- 4.1 Form of Indenture among the Company, Chelsea GCA Realty Partnership, L.P., and State Street Bank and Trust Company, as Trustee. Incorporated by reference to Exhibit 4.4 to Registration Statement filed by the Company on Form S-3 under the Securities Act of 1933 (File No. 33-98136).
- 10.1 Registration Rights Agreement among the Company and recipients of Units. Incorporated by reference to Exhibit 4.1 to S-11.
- 10.2 Term Loan Agreement dated November 3, 1998 among Chelsea GCA Realty Partnership, L.P., BankBoston, N.A., individually and as an agent, and other Lending Institutions listed therein.
- 10.3 Credit Agreement dated March 30, 1998 among Chelsea GCA Realty Partnership, L.P., BankBoston, N.A, individually and as an agent, and other Lending Institutions listed therein.
- 10.4 Agreement dated October 23, 1998, among Chelsea GCA Realty Partnership, L.P., Chelsea GCA Realty, Inc., Simon Property Group, L.P., the Mills Corporation and related parties.
- 10.5 Consulting Agreement effective August 1, 1997, between the Company and Robert Frommer. Incorporated by reference to Exhibit 10.2 to Form 10K for the year ended December 31, 1997.
- 10.6 Limited Liability Company Agreement of Simon/Chelsea Development Co., L.L.C. dated May 16, 1997 between Simon DeBartolo Group, L.P. and Chelsea GCA Realty Partnership, L.P. Incorporated by reference to Exhibit 10.3 to Form 10K for the year ended December 31, 1997.
- 10.7 Subscription Agreement dated as of March 31, 1997 by and among Chelsea GCA Realty Partnership, L.P., WCC Associates and KM Halawa Partners. Incorporated by reference to Exhibit 1 to current report on Form 8-K reporting on an event which occurred March 31, 1997.
- 10.8 Stock Subscription Agreement dated May 16, 1997 between Chelsea GCA Realty, Inc. and Simon DeBartolo Group, L.P. Incorporated by reference to Exhibit 10.5 to Form 10K for the year ended December 31, 1997.
- 10.9 Limited Liability Company Agreement of S/C Orlando Development, L.L.C. dated December 23, 1998.
- 10.10 Limited Partnership Agreement of Simon/Chelsea Orlando Development, L.P. dated January 22, 1999.
- 23.1 Consent of Ernst & Young LLP.

(b) Reports on Form 8-K.
None

(c) Exhibits
See (a) 3

(d) Financial Statement Schedules - The response to this portion of Item 14 is submitted as a separate schedule of this report.

(A)1. FINANCIAL STATEMENTS

FORM 10-K
REPORT PAGE

CONSOLIDATED FINANCIAL STATEMENTS-CHELSEA GCA REALTY
PARTNERSHIP, L.P.

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(A)2 AND (D) FINANCIAL STATEMENT SCHEDULE

Schedule III-Consolidated Real Estate and Accumulated Depreciation.....	F-16 and F-17
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All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

REPORT OF INDEPENDENT AUDITORS

TO THE OWNERS
CHELSEA GCA REALTY PARTNERSHIP, L.P.

We have audited the accompanying consolidated balance sheets of Chelsea GCA Realty Partnership, L.P. as of December 31, 1998 and 1997, and the related consolidated statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the Index as Item 14(a). These financial statements and schedule are the responsibility of the management of Chelsea GCA Realty Partnership, L.P. Our responsibility is to express an opinion on the financial statements and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chelsea GCA Realty Partnership, L.P. as of December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP

NEW YORK, NEW YORK
FEBRUARY 10, 1999

CHELSEA GCA REALTY PARTNERSHIP, L.P.
CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,	
	1998	1997
Assets		
Rental properties:		
Land.....	\$109,318	\$112,470
Depreciable property.....	683,408	596,463
Total rental property.....	792,726	708,933
Accumulated depreciation.....	(102,851)	(80,244)
Rental properties, net.....	689,875	628,689
Cash and equivalents.....	9,631	14,538
Notes receivable-related parties.....	4,500	4,781
Deferred costs, net.....	17,766	17,276
Properties held for sale.....	8,733	-
Other assets.....	42,847	22,745
TOTAL ASSETS.....	\$773,352	\$ 688,029
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Unsecured bank debt.....	\$151,035	\$ 5,035
7.75% Unsecured Notes due 2001.....	99,824	99,743
7.25% Unsecured Notes due 2007.....	124,712	124,681
Remarketed Floating Rate Reset Notes.....	-	60,000
Construction payables.....	12,927	17,810
Accounts payable and accrued expenses.....	19,769	14,442
Obligation under capital lease.....	9,612	9,729
Accrued distribution payable.....	3,274	3,276
Other liabilities.....	29,257	7,390
TOTAL LIABILITIES.....	450,410	342,106
Commitments and contingencies		
Partners' capital:		
General partner units outstanding, 15,608 in 1998 and 15,353 in 1997.....	280,391	297,670
Limited partners units outstanding, 3,429 in 1998 and 3,432 in 1997.....	42,551	48,253
Total partners' capital.....	322,942	345,923
TOTAL LIABILITIES AND PARTNERS' CAPITAL.....	\$773,352	\$ 688,029
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHELSEA GCA REALTY PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER UNIT DATA)

	YEAR ENDED DECEMBER 31,		
	1998	1997	1996
Revenues:			
Base rental.....	\$86,592	\$70,693	\$56,390
Percentage rentals.....	13,384	10,838	7,402
Expense reimbursements.....	35,342	28,981	24,758
Other income.....	3,997	2,905	2,806
TOTAL REVENUES.....	139,315	113,417	91,356
EXPENSES:			
Interest.....	19,978	15,447	8,818
Operating and maintenance.....	38,704	31,423	26,979
Depreciation and amortization.....	32,486	24,995	18,965
General and administrative.....	4,849	3,815	3,342
Loss on writedown of assets.....	15,713	-	-
Other.....	2,149	2,582	1,892
TOTAL EXPENSES.....	113,879	78,262	59,996
Income before minority interest and extraordinary item.....	25,436	35,155	31,360
Minority interest.....	-	(127)	(257)
Income before extraordinary item.....	25,436	35,028	31,103
Extraordinary item-loss on early extinguishment of debt.....	(345)	(252)	(902)
Net income.....	25,091	34,776	30,201
Preferred unit requirement.....	(4,188)	(907)	-
NET INCOME TO COMMON UNITHOLDERS	\$20,903	\$33,869	\$30,201
NET INCOME TO COMMON UNITHOLDERS:			
General partner.....	\$17,162	\$27,449	\$20,854
Limited partners.....	3,741	6,420	9,347
TOTAL.....	\$20,903	\$33,869	\$30,201
NET INCOME PER COMMON UNIT:			
General partner (including \$0.02, \$0.01 and \$0.05 net loss per unit from extraordinary item in 1998, 1997 and 1996, respectively).....	\$1.11	\$1.88	\$1.77
Limited partners (including \$0.02, \$0.01 and \$0.05 net loss per unit from extraordinary item in 1998, 1997 and 1996, respectively).....	\$1.09	\$1.87	\$1.76
WEIGHTED AVERAGE UNITS OUTSTANDING:			
General partner.....	15,440	14,605	11,802
Limited partners.....	3,431	3,435	5,316
TOTAL.....	18,871	18,040	17,118

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHELSEA GCA REALTY PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL
(IN THOUSANDS)

	General Partner's Capital	Limited Partners' Capital	Total Partners' Capital
	-----	-----	-----
Balance December 31, 1995.....	\$176,758	\$84,277	\$261,035
Contributions.....	3,216	1,556	4,772
Net income.....	20,854	9,347	30,201
Distributions.....	(28,122)	(12,250)	(40,372)
Transfer of a limited partners' interest.....	12,634	(12,634)	-
	-----	-----	-----
Balance December 31, 1996.....	185,340	70,296	255,636
Contributions.....	103,357	389	103,746
Net income.....	28,356	6,420	34,776
Common distributions.....	(38,475)	(8,853)	(47,328)
Preferred distribution.....	(907)	-	(907)
Transfer of a limited partners' interest.....	19,999	(19,999)	-
	-----	-----	-----
Balance December 31, 1997.....	297,670	48,253	345,923
Contributions.....	8,266	-	8,266
Net income.....	21,350	3,741	25,091
Common distributions.....	(42,707)	(9,407)	(52,114)
Preferred distribution.....	(4,188)	-	(4,188)
Transfer of a limited partners' interest.....	-	(36)	(36)
	-----	-----	-----
Balance December 31, 1998.....	\$280,391	\$ 42,551	\$322,942
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

CHelsea GCA REALTY PARTNERSHIP, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	Year ended December 31,		
	1998	1997	1996

Cash flows from operating activities			
Net income.....	\$25,091	\$34,776	\$30,201
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	32,486	24,995	18,965
Minority interest in net income.....	-	127	257
Loss on writedown of assets.....	15,713	-	-
Loss on early extinguishment of debt.....	345	252	902
Additions to deferred lease costs.....	(3,178)	(6,629)	(2,537)
Other operating activities.....	522	319	191
Changes in assets and liabilities:			
Straight-line rent receivable.....	(1,900)	(1,523)	(1,595)
Other assets.....	1,094	287	597
Accounts payable and accrued expenses.....	8,558	3,990	6,529
	-----	-----	-----
Net cash provided by operating activities.....	78,731	56,594	53,510
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to rental properties.....	(116,339)	(195,058)	(97,585)
Additions to deferred development costs.....	(3,468)	(2,237)	(1,477)
Advances to related parties.....	-	-	(67)
Payments from related parties.....	-	-	173
Other investing activities.....	-	(1,955)	(612)
	-----	-----	-----
Net cash used in investing activities.....	(119,807)	(199,250)	(99,568)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from sale of preferred units.....	-	48,406	-
Net proceeds from sale of common units.....	8,287	54,951	2,583
Distributions.....	(56,366)	(48,791)	(47,124)
Debt proceeds	154,000	261,710	292,592
Repayments of debt.....	(68,000)	(172,000)	(189,000)
Additions to deferred financing costs.....	(1,695)	(855)	(3,660)
Other financing activities.....	(57)	(113)	566
	-----	-----	-----
Net cash provided by financing activities.....	36,169	143,308	55,957
Net (decrease) increase in cash and equivalents..	(4,907)	652	9,899
Cash and equivalents, beginning of period.....	14,538	13,886	3,987
	-----	-----	-----
Cash and equivalents, end of period.....	\$9,631	\$14,538	\$13,886
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS.

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Chelsea GCA Realty Partnership, L.P. (the "Operating Partnership" or "OP"), which commenced operations on November 2, 1993, is engaged in the development, ownership, acquisition and operation of manufacturers' outlet centers. As of December 31, 1998, the Operating Partnership operated 19 manufacturers' outlet centers in 11 states. The sole general partner in the Operating Partnership, Chelsea GCA Realty, Inc. (the "Company") is a self-administered and self-managed Real Estate Investment Trust.

BASIS OF PRESENTATION

The financial statements contain the accounts of the Operating Partnership and its majority owned subsidiaries. All significant intercompany transactions and accounts have been eliminated in consolidation.

Through June 30, 1997, the Operating Partnership was the sole general partner and had a 50% interest in Solvang Designer Outlets ("Solvang"), a limited partnership. Accordingly, the accounts of Solvang were included in the consolidated financial statements of the Operating Partnership. On June 30, 1997, the Operating Partnership acquired the remaining 50% interest in Solvang. Solvang is not material to the Operating Partnership's operations or financial position.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 1998 using available market information and appropriate valuation methodologies. Although management is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

RENTAL PROPERTIES

Rental properties are presented at cost net of accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. The Operating Partnership uses 25-40 year estimated lives for buildings, and 15 and 5-7 year estimated lives for improvements and equipment, respectively. Expenditures for ordinary maintenance and repairs are charged to operations as incurred, while significant renovations and enhancements that improve and/or extend the useful life of an asset are capitalized and depreciated over the estimated useful life. During 1996, the Operating Partnership adopted Statement of Financial Accounting Standards No. 121 ("SFAS No. 121"), Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. SFAS No. 121 requires that the Operating Partnership review real estate assets for impairment wherever events or changes in circumstances indicate that the carrying value of assets to be held and used may not be recoverable. Impaired assets are reported at the lower of cost or fair value. Assets to be disposed of are reported at the lower of cost or fair value less cost to sell.

CASH AND EQUIVALENTS

All demand and money market accounts and certificates of deposit with original terms of three months or less from the date of purchase are considered cash equivalents. At December 31, 1998 and 1997 cash equivalents consisted of repurchase agreements which were held by one financial institution, commercial paper and US Government agency securities which matured in January of the following year. The carrying amount of such investments approximated fair value.

DEVELOPMENT COSTS

Development costs, including interest, taxes, insurance and other costs incurred in developing new properties, are capitalized. Upon completion of construction, development costs are amortized on a straight-line basis over the useful lives of the respective assets.

CAPITALIZED INTEREST

Interest, including the amortization of deferred financing costs for borrowings used to fund development and construction, is capitalized as construction in progress and allocated to individual property costs.

RENTAL EXPENSE

Rental expense is recognized on a straight-line basis over the initial term of the lease.

DEFERRED LEASE COSTS

Deferred lease costs consist of fees and direct costs incurred to initiate and renew operating leases, and are amortized on a straight-line basis over the initial lease term or renewal period as appropriate.

DEFERRED FINANCING COSTS

Deferred financing costs are amortized as interest costs on a straight-line basis over the terms of the respective agreements. Unamortized deferred financing costs are expensed when the associated debt is retired before maturity.

REVENUE RECOGNITION

Leases with tenants are accounted for as operating leases. Minimum rental income is recognized on a straight-line basis over the lease term. Due and unpaid rents are included in other assets in the accompanying balance sheet. Certain lease agreements contain provisions for rents which are calculated on a percentage of sales and recorded on the accrual basis. Contingent rents are not recognized until the required thresholds are exceeded. Virtually all lease agreements contain provisions for reimbursement of real estate taxes, insurance, advertising and common area maintenance costs.

BAD DEBT EXPENSE

Bad debt expense included in other expense totaled \$0.6 million, \$0.8 million and \$0.3 million for the years ended December 31, 1998, 1997 and 1996, respectively. The allowance for doubtful accounts included in other assets totaled \$1.1 million and \$0.8 million at December 31, 1998 and 1997, respectively.

INCOME TAXES

No provision has been made for income taxes in the accompanying consolidated financial statements since such taxes, if any, are the responsibility of the individual partners.

NET INCOME PER PARTNERSHIP UNIT

Net income per partnership unit is determined by allocating net income to the general partner (including the general partner's preferred unit allocation) and the limited partners based on their weighted average partnership units outstanding during the respective periods presented.

CONCENTRATION OF OPERATING PARTNERSHIP'S REVENUE AND CREDIT RISK

Approximately 35%, 34% and 38% of the Operating Partnership's revenues for the years ended December 31, 1998, 1997 and 1996, respectively, were derived from the Operating Partnership's two centers with the highest revenues, Woodbury Common and Desert Hills. The loss of either center or a material decrease in revenues from either center for any reason may have a material adverse effect on the Operating Partnership. In addition, approximately 34%, 38% and 44% of the Operating Partnership's revenues for the years ended December 31, 1998, 1997 and 1996, respectively, were derived from the Operating Partnership's centers in California.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

Management of the Operating Partnership performs ongoing credit evaluations of its tenants and requires certain tenants to provide security deposits. Although the Operating Partnership's tenants operate principally in the retail industry, there is no dependence upon any single tenant.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

MINORITY INTEREST

Through June 30, 1997, the Operating Partnership was the sole general partner and had a 50% interest in Solvang Designer Outlets ("Solvang"), a limited partnership. Accordingly, the accounts of Solvang were included in the consolidated financial statements of the Operating Partnership. On June 30, 1997, the Operating Partnership acquired the remaining 50% interest in Solvang. Solvang is not material to the operations or financial position.

SEGMENT INFORMATION

Effective January 1, 1998, the Operating Partnership adopted the Financial Accounting Standards Board's Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information ("Statement 131"). Statement 131 superseded FASB Statement No. 14, Financial Reporting for Segments of a Business Enterprise. Statement 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. Statement 131 also establishes standards for related disclosures about products and services, geographic areas, and major customers. The adoption of Statement 131 did not affect results of operations, financial position or disclosure of segment information as the Operating Partnership is engaged in the development, ownership, acquisition and operation of manufacturers' outlet centers and has one reportable segment, retail real estate. The Operating Partnership evaluates real estate performance and allocates resources based on net operating income and weighted average sales per square foot. The primary sources of revenue are generated from tenant base rents, percentage rents and reimbursement revenue. Operating expenses primarily consist of common area maintenance, real estate taxes and promotional expenses. The retail real estate business segment meets the quantitative threshold for determining reportable segments. The Operating Partnership's investment in foreign operations is not material to the consolidated financial statements.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities, which is required to be adopted in years beginning after June 15, 1999. Statement 133 permits

early adoption as of the beginning of any fiscal quarter after its issuance. The Operating Partnership expects to adopt the new Statement effective January 1, 2000. The Statement will require the Operating Partnership to recognize all derivatives on the balance sheet at fair value. Derivatives that are not hedges must be adjusted to fair value through income. If a derivative is a hedge, depending on the nature of the hedge, changes in the fair value of the derivative will either be offset against the change in fair value of the hedged asset, liability, or firm commitment through earnings, or recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of a derivative's change in fair value will be immediately recognized in earnings. The Operating Partnership does not anticipate that the adoption of the Statement will have a significant effect on its results of operations or financial position.

3. RENTAL PROPERTIES

The following summarizes the carrying values of rental properties as of December 31 (in thousands):

	1998	1997
Land and improvements.....	\$245,814	\$207,186
Buildings and improvements.....	512,080	434,565
Construction-in-process.....	25,534	60,615
Equipment and furniture.....	9,298	6,567
Total rental property.....	792,726	708,933
Accumulated depreciation and amortization	(102,851)	(80,244)
Total rental property, net.....	\$689,875	\$628,689

Interest costs capitalized as part of buildings and improvements were \$5.2 million, \$4.8 million and \$3.9 million for the years ended December 31, 1998, 1997 and 1996, respectively.

Commitments for land, new construction, development, and acquisitions totaled approximately \$35.3 million at December 31, 1998 including the Company's equity contribution for the Orlando Premium Outlets joint venture with Simon Property Group.

Depreciation expense (including amortization of the capital lease) amounted to \$29.2 million, \$22.3 million and \$16.9 million for the years ended December 31, 1998, 1997 and 1996, respectively.

4. WAIKELE ACQUISITION

Pursuant to a Subscription Agreement dated as of March 31, 1997, the Operating Partnership acquired Waikēle Factory Outlets, a manufacturers' outlet shopping center located in Hawaii. The consideration paid by the Operating Partnership consisted of the assumption of \$70.7 million of indebtedness outstanding with respect to the property (which indebtedness was repaid in full by the Operating Partnership immediately after the closing) and the issuance of special partnership units in the Operating Partnership, having a fair market value of \$0.5 million. Immediately after the closing, the Operating Partnership paid a special cash distribution of \$5.0 million on the special units. The cash used by the Operating Partnership in the transaction was obtained through borrowings under the Operating Partnership's Credit Facilities.

The following condensed pro forma (unaudited) information assumes the acquisition had occurred on January 1, 1996:

	1997	1996
Total revenue.....	\$115,802	\$99,589
Income to common unitholders before extraordinary items.....	34,718	32,725
Net income to common unitholders:		
General partner.....	27,933	21,973
Limited partners.....	6,533	9,850
Total.....	34,466	31,823
Net income per unit:		
General partner (including \$0.01 and \$0.05 net loss per unit from extraordinary item in 1997 and 1996, respectively)..	\$1.91	\$1.86
Limited partners (including \$0.01 and \$0.05 net loss per unit from extraordinary item in 1997 and 1996, respectively)..	\$1.89	\$1.85

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. DEFERRED COSTS

The following summarizes the carrying amounts for deferred costs as of December 31 (in thousands):

	1998	1997
	-----	-----
Lease costs.....	\$17,601	\$14,712
Financing costs.....	10,879	9,184
Development costs.....	3,675	4,348
Other.....	1,172	991
	-----	-----
Total deferred costs.....	33,327	29,235
Accumulated amortization.....	(15,561)	(11,959)
	-----	-----
Total deferred costs, net.....	\$17,766	\$17,276
	=====	=====

PROPERTIES HELD FOR SALE

Properties held for sale represent the fair value, less estimated costs to sell, of two of the Operating Partnership's outlet centers, Lawrence Riverfront Plaza ("Lawrence") and Solvang.

During the second quarter of 1998, the Operating Partnership decided to sell Solvang, a 51,000 square foot center in Solvang, California, for net selling price of \$5.6 million. The center had a book value of \$10.5 million resulting in a writedown of \$4.9 million in the second quarter of 1998. During the fourth quarter, the initial purchase offer was withdrawn and the Operating Partnership received another for a net selling price of \$4.0 million requiring a further writedown of \$1.6 million. Closing is scheduled for early 1999. For the year ended December 31, 1998, Solvang accounted for less than 1% of the Operating Partnership's revenues and net operating income.

During the fourth quarter of 1998, the Operating Partnership decided to sell Lawrence, a 146,000 square foot center in Lawrence, Kansas. In December 1998 the Operating Partnership signed an agreement to sell the property for \$4.6 million net of selling costs of \$0.2 million. The sale is scheduled to close in March 1999. Lawrence had a book value of \$13.1 million, resulting in an \$8.5 million writedown of the asset in the fourth quarter. For the year ended December 31, 1998, Lawrence accounted for about 1% of the Operating Partnership's revenues and net operating income.

Management decided to sell these two properties during 1998 as part of the Operating Partnership's long-term objective of devoting resources and focusing on productive properties. Management determined that the time and effort necessary to support these underperforming centers was not worth the economic benefit to the Operating Partnership. Management also concluded that these centers would be more useful as office and/or residential space which are outside the Operating Partnership's area of expertise.

7. NON-COMPETE AGREEMENT

In October 1998, the Operating Partnership signed a definitive agreement to terminate the development of Houston Premium Outlets, a joint venture project with Simon Property Group, Inc. Under the terms of the agreement, the Operating Partnership will receive payments totaling \$21.4 million from The Mills Corporation, to be made over four years, as well as immediate reimbursement for its share of land costs, development costs and fees related to the project. The revenue is being recognized on a straight line basis over the term of the agreement. The Operating Partnership has withdrawn from the Houston development partnership and agreed to certain restrictions on competing in the Houston market through the year 2002.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. DEBT

On March 30, 1998, the OP replaced its two unsecured bank revolving lines of credit, totaling \$150 million (the "Credit Facilities"), with a new \$160 million senior unsecured bank line of credit (the "Senior Credit Facility"). The Senior Credit Facility expires on March 30, 2001 and bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (6.36% at December 31, 1998) or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.25% depending on the Operating Partnership's Senior Debt rating. A fee on the unused portion of the Senior Credit Facility is payable quarterly at rates ranging from 0.15% to 0.25% depending on the balance outstanding. The lenders have an option to extend the facility annually for an additional year. At December 31, 1998, \$74 million was available under the Senior Credit Facility.

Also on March 30, 1998, the OP entered into a \$5 million term loan (the "Term Loan") which carries the same interest rate and maturity as the Senior Credit Facility.

In November 1998, the OP obtained a \$60 million term loan which expires April 2000 and bears interest on the outstanding balance at a rate equal to LIBOR plus 1.40% (6.71% at December 31, 1998). Proceeds from the loan were used to pay down borrowings under the Senior Credit Facility.

In January 1996, the OP completed a \$100 million public debt offering of 7.75% unsecured term notes due January 2001 (the "7.75% Notes"), which are guaranteed by the Operating Partnership. The five-year non-callable 7.75% Notes were priced at a discount of 99.592 to yield 7.85% to investors. Net proceeds from the offering were used to pay down substantially all of the borrowings under the Operating Partnership's secured line of credit. The carrying amount of the 7.75% Notes approximates their fair value.

In October 1996, the OP completed a \$100 million offering of Remarketed Floating Rate Reset Notes (the "Reset Notes"), which were guaranteed by the Company. The interest rate reset quarterly and was equal to LIBOR plus 75 basis points during the first year. In October 1997, the interest rate spread was reduced to LIBOR plus 48 basis points. Net proceeds from the offering were used to repay all of the then borrowings under the Credit Facilities and for working capital. In October 1997, the OP redeemed \$40 million of Reset Notes. In October 1998, due to adverse conditions in the debt markets, the OP elected to redeem the remaining \$60 million of Reset Notes, using borrowings under the Senior Credit Facility.

In October 1997, the Operating Partnership completed a \$125 million public debt offering of 7.25% unsecured term notes due October 2007 (the "7.25% Notes"). The 7.25% Notes were priced to yield 7.29% to investors, 120 basis points over the 10-year U.S. Treasury rate. Net proceeds from the offering were used to repay substantially all borrowings under the Operating Partnership's Credit Facilities, redeem \$40 million of Reset Notes and for general corporate purposes. The carrying amount of the 7.25% Notes approximates their fair value.

Interest paid, excluding amounts capitalized, was \$19.8 million, \$14.1 million and \$4.8 million for the years ended December 31, 1998, 1997 and 1996, respectively.

9. PREFERRED STOCK

In October 1997, the Company issued 1.0 million shares of 8.375% Series A Cumulative Redeemable Preferred Stock (the "Preferred Stock"), par value \$0.01 per share, having a liquidation preference of \$50.00 per share. The Preferred Stock has no stated maturity and is not convertible into any other securities of the Company. The Preferred Stock is redeemable on or after October 15, 2027 at the Company's option. Net proceeds from the offering were used to repay borrowings under the Operating Partnership's Credit Facilities.

10. LEASE AGREEMENTS

The Operating Partnership is the lessor and sub-lessor of retail stores under operating leases with term expiration dates ranging from 1999 to 2018. Most leases are renewable for five years after expiration of the initial term at the lessee's option. Future minimum lease receipts under non-cancelable operating leases as of December 31, 1998, exclusive of renewal option periods, were as follows (in thousands):

1999.....	\$ 90,332
2000.....	88,961
2001.....	80,376
2002.....	68,393
2003.....	50,332
Thereafter	97,873

	\$ 476,267
	=====

In 1987, a Predecessor partnership entered into a lease agreement for property in California. Land was estimated to be approximately 37% of the fair market value of the property. The portion of the lease attributed to land is classified as an operating lease and the remainder as a capital lease. The initial lease term is 25 years with two options of 5 and 4 1/2 years, respectively. The lease provides for additional rent based on specific levels of income generated by the property. No additional rental payments were incurred during 1998, 1997 or 1996. The Operating Partnership has the option to cancel the lease upon six months written notice and six months advance payment of the then fixed monthly rent. If the lease is canceled, the building and leasehold improvements revert to the lessor.

OPERATING LEASES

Future minimum rental payments under operating leases for land and administrative offices as of December 31, 1998 were as follows (in thousands):

1999.....	\$ 1,208
2000.....	1,203
2001.....	786
2002.....	755
2003.....	767
Thereafter	8,021

	\$ 12,740
	=====

Rental expense amounted to \$1.0 million for the years ended December 31, 1998 and 1997 and \$1.1 million for the year ended December 31, 1996.

CAPITAL LEASE

A leased property included in rental properties at December 31 consists of the following (in thousands):

	1998	1997
	-----	-----
Building.....	\$8,621	\$8,621
Less accumulated amortization.....	(3,937)	(3,592)
	-----	-----
Leased property, net.....	\$4,684	\$5,029
	=====	=====

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. LEASE AGREEMENTS (CONTINUED)

Future minimum payments under the capitalized building lease, including the present value of net minimum lease payments as of December 31, 1998 are as follows (in thousands):

1999.....	\$ 1,117
2000.....	1,151
2001.....	1,185
2002.....	1,221
2003.....	1,258
Thereafter.....	12,475

Total minimum lease payments.....	18,407
Amount representing interest.....	(8,795)

Present value of net minimum capital lease payments	\$ 9,612
	=====

11. COMMITMENTS AND CONTINGENCIES

In November 1998, the Operating Partnership agreed to provide up to \$22 million in limited debt service guarantees under a standby facility for loans arranged by Value Retail PLC to construct outlet centers in Europe. The term of the standby facility is three years and guarantees shall not be outstanding for longer than five years after project completion. As of December 31, 1998, the Operating Partnership had provided a commitment for a limited debt service guarantee of approximately \$9 million for an outlet project at Disneyland-Paris in France. This guarantee will not be effective until the project opens, which is scheduled for late 2000. The Operating Partnership had \$1.8 million invested in Value Retail PLC at December 31, 1998 which is included in other assets.

In August 1995, the Operating Partnership's President & Chief Operating Officer resigned and entered into a separation agreement with the Operating Partnership that included consulting services to be provided through 1999, certain non-compete provisions, and the acquisition of certain undeveloped real estate assets. Upon completion of development, such real estate assets may be re-acquired by the Operating Partnership, at its option, in accordance with a pre-determined formula based on cash flow. Transactions related to the separation agreement are not material to the financial statements of the Operating Partnership.

The Operating Partnership is not presently involved in any material litigation nor, to its knowledge, is any material litigation threatened against the Operating Partnership or its properties, other than routine litigation arising in the ordinary course of business. Management believes the costs, if any, incurred by the Operating Partnership related to any of this litigation will not materially affect the financial position, operating results or liquidity of the Operating Partnership.

12. RELATED PARTY INFORMATION

In September 1995, the Operating Partnership transferred property with a book value of \$4.8 million to its former President (a current unitholder) in exchange for a \$4.0 million note secured by units in the Operating Partnership (the "Secured Note") and an \$0.8 million unsecured note receivable (the "Unsecured Note"). The Secured Note bore interest at a rate of LIBOR plus 250 basis points per annum, payable monthly, and was due upon the earlier of the maker obtaining permanent financing on the property, the Operating Partnership repurchasing the property under an option agreement, the maker selling the property to an unaffiliated third party, or January 1999. The Unsecured Note bore interest at a rate of 8.0% per annum and was due upon the earlier of the Operating Partnership repurchasing the property under an option agreement, the maker selling the property to an unaffiliated third party, or September 2000. In January 1999, the Operating Partnership received \$4.5 million as payment in full for the two notes and wrote off \$0.3 million.

On June 30, 1997 the Operating Partnership forgave a \$3.3 million related party note and paid \$2.4 million in cash to acquire the remaining 50% interest in Solvang. The Operating Partnership also collected \$0.8 million in accrued interest on the note.

The Operating Partnership had space leased to related parties of approximately 56,000 square feet during the year ended December 31, 1998 and 61,000 square feet during the years ended December 31, 1997 and 1996, respectively.

Rental income from those tenants, including reimbursement for taxes, common area maintenance and advertising, totaled \$1.8 million, \$1.5 million and \$1.3 million during the years ended December 31, 1998, 1997 and 1996, respectively.

The Operating Partnership has a consulting agreement with one of the Company's directors through December 31, 1999. The agreement calls for monthly payments of \$10,000.

Certain unitholders guarantee Operating Partnership obligations under leases for one of the properties. The Operating Partnership has indemnified these parties from and against any liability which they may incur pursuant to these guarantees.

13. EMPLOYEE STOCK PURCHASE PLAN

The Company's Board of Directors and shareholders approved an Employee Stock Purchase Plan (the "Purchase Plan"), effective July 1, 1998. The Purchase Plan covers an aggregate of 500,000 shares of common stock. Eligible employees have been in the employ of the Company or a participating subsidiary for five months

or more and customarily work more than 20 hours per week. The Purchase Plan excludes employees who are "highly compensated employees" or own 5% or more of the voting power of the Company's stock. Eligible employees will purchase shares through automatic payroll deductions up to a maximum of 10% of weekly base pay. The Purchase Plan will be implemented by consecutive three-month offerings (each an "Option Period"). The price at which shares may be purchased shall be the lower of (a) 85% of the fair market value of the stock on the first day of the Option Period and (b) 85% of the fair market value of the stock on the last day of the Option Period. As of December 31, 1998 no employees were enrolled in the Purchase Plan and no material expense had been incurred. Eligible employee enrollment is expected to begin during the first quarter of 1999. The Purchase Plan will terminate after five years unless terminated earlier by the Board of Directors.

14. 401(k) PLAN

The Company maintains a defined contribution 401(k) savings plan (the "Plan") which was established to allow eligible employees to make tax-deferred contributions through voluntary payroll withholdings. All employees of the Company are eligible to participate in the Plan after completing one year of service and attaining age 21. Employees who elect to enroll in the Plan may elect to have from 1% to 15% of their pre-tax gross pay contributed to their account each pay period. As of January 1, 1998 the Plan was amended to include an employer discretionary matching contribution in an amount not to exceed 100% of each participant's first 6% of yearly compensation to the Plan. Matching contributions of approximately \$150,000 are included in the Company's general and administrative expense.

15. EXTRAORDINARY ITEM

Deferred financing costs of \$0.3 million (net of minority interest of \$62,000), \$0.2 million (net of minority interest of \$48,000) and \$0.6 million (net of minority interest of \$295,000) for the years ended December 31, 1998, 1997 and 1996, respectively, were expensed as a result of early debt extinguishments, and are reflected in the accompanying financial statements as an extraordinary item.

16. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following summary represents the results of operations, expressed in thousands except per share amounts, for each quarter during 1998 and 1997

	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
	-----	-----	-----	-----
1998				
Base rental revenue.....	\$19,266	\$20,815	\$22,561	\$23,950
Total revenues.....	28,506	32,068	34,921	43,820
Income before extraordinary item to common unitholders.....	6,952	2,582	9,902	1,812
Net income to common unitholders.....	6,952	2,582	9,902	1,467
Income before extraordinary item per weighted average partnership unit (diluted).	\$0.37	\$0.14	\$0.52	\$0.10
Net income per weighted average partnership unit (diluted).....	\$0.37	\$0.14	\$0.52	\$0.08
1997				
Base rental revenue.....	\$15,563	\$17,286	\$18,096	\$19,748
Total revenues.....	22,649	26,637	28,822	35,309
Income before extraordinary item to common unitholders.....	6,437	6,985	9,380	11,319
Net income to common unitholders.....	6,437	6,985	9,380	11,067
Income before extraordinary item per weighted average partnership unit (diluted).	\$0.37	\$0.40	\$0.50	\$0.60
Net income per weighted average partnership unit (diluted).....	\$0.37	\$0.40	\$0.50	\$0.59

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

17. NON-CASH FINANCING AND INVESTING ACTIVITIES

In December 1998 and 1997, the Operating Partnership declared distributions per unit of \$0.69 for each year. The limited partners' distributions were paid in January of each subsequent year. In December 1996, the Operating Partnership declared distributions per unit of \$0.63, that were paid in January of the subsequent year.

In June 1997, the Operating Partnership forgave a \$3.3 million related party note receivable as partial consideration to acquire the remaining 50% interest in Solvang.

Other assets and other liabilities include \$6.6 million and \$3.9 million in 1998 and 1997, respectively, related to a deferred unit incentive program with certain key officers to be paid in 2002. Also included is \$16.6 million in 1998 related to the present value of future payments to be received from The Mills Corporation under the Houston non-compete agreement.

During 1997 and 1996, the Operating Partnership issued units with an aggregate fair market value of \$0.5 million, and \$1.6 million, respectively, to acquire properties.

During 1997 and 1996, respectively, 1.4 million and 0.8 million Operating Partnership units were converted to common shares.

CHelsea GCA REALTY PARTNERSHIP, L.P.
SCHEDULE III-CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 1998 (IN THOUSANDS)

Description Outlet Center Name	Encum- brances	Initial Cost to Company		Cost Capitalized (Disposed of) Subsequent to Acquisition (Improvements)		Step-Up Related to Acquisition of Partnership Interest (1)		Gross Amount Carried at Close of Period December 31, 1998		Accumu- lated Depre- ciation	Date of Const- ruction	Life Used to Compute Depre- ciation in Latest Income State- ment	
		Land	Buildings, Fixtures and Equip- ment	Land	Buildings, Fixtures and Equip- ment	Land	Buildings, Fixtures and Equip- ment	Land	Buildings, Fixtures and Equip- ment				Total
Woodbury Common, NY	\$ -	\$4,448	\$16,073	\$4,970	\$119,607	\$ -	\$ -	\$9,418	\$135,680	\$145,098	\$23,335	'85, '93, '95, '98	30
Waikale, HI Desert Hills, CA	-	22,800	54,357	-	348	-	-	22,800	54,705	77,505	3,129	'98	-
Wrentham, MA	-	975	-	2,376	59,643	830	4,936	4,181	64,579	68,760	15,279	'90, '94, '95, '97, '98	40
Camarillo, CA	-	157	2,817	3,484	59,728	-	-	3,641	62,545	66,186	2,823	'95, '96, '97, '98	40
North Georgia, GA	-	4,000	-	5,085	46,637	-	-	9,085	46,637	55,722	5,260	'94, '95, '96, '97, '98	40
Clinton, CT	-	2,960	34,726	(39)	12,942	-	-	2,921	47,668	50,589	5,588	'95, '96, '97, '98	40
Leesburg, VA	-	4,124	43,656	-	(154)	-	-	4,124	43,502	47,626	6,025	'95, '96	40
Petaluma Village, CA	-	6,296	-	(1,184)	41,186	-	-	5,112	41,186	46,298	445	'96, '97, '98	-
Folsom, CA	-	3,735	-	2,934	30,095	-	-	6,669	30,095	36,764	5,026	'93, '95, '96	40
Liberty Village, NJ	-	4,169	10,465	2,692	18,461	-	-	6,861	28,926	35,787	6,028	'90, '92, '93, '96, '97	40
Napa, CA	-	345	405	1,111	19,070	11,015	2,195	12,471	21,670	34,141	4,034	'81, '97, '98	30
Aurora, OH	-	3,456	2,113	7,908	17,649	-	-	11,364	19,762	31,126	3,673	'62, '93, '95	40
Columbia Gorge, OR	-	637	6,884	879	17,112	-	-	1,516	23,996	25,512	4,494	'90, '93, '94, '95	40
Santa Fe, NM	-	934	-	428	13,331	497	2,647	1,859	15,978	17,837	3,590	'91, '94	40
American Tin Cannery, CA	9,612	74	-	1,300	11,942	491	1,772	1,865	13,714	15,579	2,075	'93, '98	40
Patriot Plaza, VA	-	-	8,621	-	6,613	-	-	-	15,234	15,234	6,710	'87, '98	25
Mammoth Lakes, CA	-	789	1,854	976	4,246	-	-	1,765	6,100	7,865	1,748	'86, '93, '95	40
Corporate Offices, NJ, CA	-	1,180	530	-	2,411	994	1,430	2,174	4,371	6,545	1,369	'78	40
St. Helena, CA	-	-	60	-	4,627	-	-	-	4,687	4,687	1,751	-	5
Orlando, FL	-	1,029	1,522	(25)	773	38	78	1,042	2,373	3,415	469	'83	40
Allen, TX	-	100	23	200	(23)	-	-	300	-	300	-	-	-
	-	150	-	-	-	-	-	150	-	150	-	-	-
	\$9,612	\$62,358	\$184,106	\$33,095	\$486,244	\$13,865	\$13,058	\$109,318	\$683,408	\$792,726	\$102,851		

The aggregate cost of the land, building, fixtures and equipment for federal tax purposes was approximately \$793 million at December 31, 1998.

(1) As part of the formation transaction assets acquired for cash have been accounted for as a purchase.

The step-up represents the amount of the purchase price that exceeds the net book value of the assets acquired (see Note 1).

CHELSEA GCA REALTY PARTNERSHIP, L.P.
SCHEDULE III-CONSOLIDATED REAL ESTATE
AND ACCUMULATED DEPRECIATION (CONTINUED)
(IN THOUSANDS)

THE CHANGES IN TOTAL REAL ESTATE:

	1998	YEAR ENDED DECEMBER 31, 1997	1996
	-----	-----	-----
Balance, beginning of period	\$708,933	\$512,354	\$415,983
Additions.....	114,342	196,941	96,621
Dispositions and other.....	(30,549)	(362)	(250)
	-----	-----	-----
Balance, end of period.....	\$792,726	\$708,933	\$512,354
	=====	=====	=====

THE CHANGES IN ACCUMULATED DEPRECIATION:

	1998	YEAR ENDED DECEMBER 31, 1997	1996
	-----	-----	-----
Balance, beginning of period	\$ 80,244	\$ 58,054	\$ 41,373
Additions.....	29,176	22,314	16,931
Dispositions and other.....	(6,569)	(124)	(250)
	-----	-----	-----
Balance, end of period.....	\$102,851	\$80,244	\$58,054
	=====	=====	=====

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 11th of March 1999.

CHELSEA GCA REALTY PARTNERSHIP, L.P.

By: /S/ DAVID C. BLOOM
David C. Bloom, Chief Executive
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

SIGNATURE	Title	Date
/s/ DAVID C. BLOOM ----- David C. Bloom	Chairman of the Board and Chief Executive Officer	MARCH 11, 1999
/s/ BARRY M. GINSBURG ----- Barry M. Ginsburg	Vice Chairman	MARCH 11, 1999
/s/ WILLIAM D. BLOOM ----- William D. Bloom	Executive Vice President- Strategic Relationships	MARCH 11, 1999
/s/ LESLIE T. CHAO ----- Leslie T. Chao	President	MARCH 11, 1999
/s/ MICHAEL J. CLARKE ----- Michael J. Clarke	Chief Financial Officer	MARCH 11, 1999
/s/ BRENDAN T. BYRNE ----- Brendan T. Byrne	Director	MARCH 11, 1999
/s/ ROBERT FROMMER ----- Robert Frommer	Director	MARCH 11, 1999
/s/ PHILIP D. KALTENBACHER ----- Philip D. Kaltenbacher	Director	MARCH 11, 1999
/s/ REUBEN S. LEIBOWITZ ----- Reuben S. Leibowitz	Director	MARCH 11, 1999

TERM LOAN AGREEMENT

AMONG

CHELSEA GCA REALTY PARTNERSHIP, L.P.,
A DELAWARE LIMITED PARTNERSHIP,
AS BORROWER,

AND

BANKBOSTON, N.A.
NATIONSBANK, N.A., SYNDICATION AGENT,
COMMERZBANK AG,
KEYBANK NATIONAL ASSOCIATION,
PNC BANK,
TOGETHER WITH THOSE ASSIGNEES
BECOMING PARTIES HERETO PURSUANT
TO SECTION 11.12, AS LENDERS,

AND

BANKBOSTON, N.A.
AS AGENT

Dated as of November 3, 1998

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LIST OF EXHIBITS AND SCHEDULES

Exhibits:

- A - Form of Assignment and Assumption
- B - Form of Compliance Certificate
- C - Form of Loan Notes
- D - Form of Notice of Interest Rate Selection
- E - Form of Fixed Rate Notice

Schedules:

- 1 - List of Unencumbered Properties
- 1.1 - List of Portfolio Properties which are not Unencumbered Properties
- 5.5 - Partnerships and Subsidiaries
- 5.22 - Environmental Matters
- 5.32 - Current Construction Projects

TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT is dated as of November 3, 1998 and is among CHELSEA GCA REALTY PARTNERSHIP, L.P., a Delaware limited partnership ("Borrower"), each of the Lenders, as hereinafter defined, and BANKBOSTON, N.A. a national banking association ("BankBoston") in its capacity as agent and as a Lender.

RECITALS

A. The Borrower is the borrower under certain credit facilities (each having BankBoston as lender or as agent for the lenders) which closed on March 30, 1998 consisting of (i) an unsecured revolving credit facility in the amount of up to \$160,000,000 (the "REVOLVING FACILITY") and (ii) an unsecured term loan in the amount of \$5,034,536.

B. On October 23, 1998 Borrower used the proceeds of a borrowing under the Revolving Facility to redeem Borrower's Remarketed Floating Rate Reset Notes due 2001 in the aggregate principal amount of \$60,000,000.

C. Borrower has requested that such borrowing under the Revolving Facility be refinanced with the unsecured term loan provided for herein (the "FACILITY"), and the Lenders are willing to provide the requested Facility on the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 CERTAIN DEFINED TERMS. The following terms used in this Agreement shall have the following meanings (such meanings to be applicable, except to the extent otherwise indicated in a definition of a particular term, both to the singular and the plural forms of the terms defined):

"ACCOMMODATION OBLIGATIONS", as applied to any Person, means any Indebtedness or other contractual obligation or liability, contingent or otherwise, of another Person in respect of which that Person is liable, including, without limitation, any such Indebtedness, obligation or liability directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including in respect of any Partnership in which that Person is a general partner, Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make payment other than for value received.

"ACCOUNTANTS" means Ernst & Young LLP, any other "big five" accounting firm or another firm of certified public accountants of national standing selected by Borrower and acceptable to Agent.

"ACQUISITION PRICE" means the aggregate purchase price for an asset including bona fide purchase money financing provided by the seller and all (or Borrower's Share of, as applicable) existing Indebtedness pertaining to such asset.

"ADJUSTED ASSET VALUE" means, as at any date of determination, the sum (without duplication of any item) of (i) cash and Cash Equivalents owned by Borrower (excluding any tenant deposits), (ii) the outstanding principal balance of the notes receivable reflected on the Prior Financials and such other notes receivable hereafter owned by Borrower as may be approved by the Requisite Lenders, (iii) an amount equal to (A) Operating Cash Flow for the most recently ended Fiscal Quarter (as adjusted by Borrower to take into account any acquisitions or dispositions of Properties owned by Borrower or any of its Subsidiaries which adjustments must be approved by the Agent in its reasonable discretion), TIMES (B) four (4), DIVIDED BY (C) 0.095, and (iv) an amount equal to the lesser of (A) the aggregate Simon Partnership Values of all of the Simon Partnerships or (B) fifteen percent (15%) of the sum of items (i), (ii) and (iii) of this definition of Adjusted Asset Value.

"AFFILIATES" as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means (i) the possession, directly or indirectly, of the power to vote twenty-five percent (25%) or more of the Securities having voting power for the election of directors of such Person or otherwise to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise, or (ii) the ownership of a general partnership interest or a limited partnership interest (or other ownership interest) representing twenty-five percent (25%) or more of the outstanding limited partnership interests or other ownership interests of such Person. In addition, any corporation, partnership or other entity in which the ownership interests of Borrower and its Subsidiaries represents ten percent (10%) or more of the outstanding ownership interests shall be deemed to be an Affiliate of Borrower.

"AGENT" means BankBoston in its capacity as agent for the Lenders

under this Agreement, and shall include any successor Agent appointed pursuant hereto and shall be deemed to refer to BankBoston in its individual capacity as a Lender where the context so requires.

"AGGREGATE OCCUPANCY RATE" means, with respect to the Unencumbered Properties at any time, the ratio, as of such date of determination, expressed as a percentage, of (i) the gross leasable area of all Unencumbered Properties occupied by tenants paying rent pursuant to Leases other than Materially Defaulted Leases, to (ii) the aggregate gross leasable area of all Unencumbered Properties, excluding from both (i) and (ii) the gross leasable area of Construction Projects prior to the date which is 3 months after the Rent Stabilization Date for such Construction Project. Only premises which are actually open for business shall be counted as occupied.

"AGREEMENT" means this Term Loan Agreement as the same may be amended, supplemented or modified from time to time.

"APPLICABLE LIBOR RATE MARGIN" means, as of any date of determination, 1.40%.

"ASSIGNMENT AND ASSUMPTION" means an Assignment and Assumption in the form of EXHIBIT A hereto (with blanks appropriately filled in) delivered to Agent in connection with each assignment of a Lender's interest under this Agreement pursuant to SECTION 11.12.

"ATC PARTNERSHIP" means Cannery Row Associates, a California limited partnership in which the Borrower is the sole limited partner (having a 99% interest) and the REIT is the sole general partner (having a 1% interest).

"BANKBOSTON TERM LOAN" means the term loan from BankBoston to Borrower in the principal amount of \$5,034,536 pursuant to a Term Loan Agreement dated March 30, 1998 and any replacements, extensions or refinancing thereof.

"BASE RATE" means, on any day, the higher of (i) the base rate of interest per annum established from time to time by BankBoston at its principal office in Boston, Massachusetts, and designated as its "base rate" as in effect on such day, or (ii) the Federal Funds Rate in effect on such day PLUS one-half percent (0.5%) per annum.

"BASE RATE LOANS" means those Loans bearing interest at the Base Rate.

"BENEFIT PLAN" means any employee pension benefit plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) in respect of which a Person or an ERISA Affiliate is, or within the immediately preceding five (5) years was, an "employer" as defined in Section 3(5) of ERISA.

"BORROWER DEBT" means (without duplication) all Indebtedness of Borrower or any Subsidiary of Borrower, without offset or reduction in respect of prepaid interest, restructuring fees or similar items MINUS, in the case of Nonrecourse Indebtedness of a Partnership that is otherwise included in Indebtedness of Borrower, the amount of such Indebtedness in excess of Borrower's Share thereof, provided, however, Borrower Debt shall not include Indebtedness consisting of an Accommodation Obligation with respect to the Indebtedness of a Simon Partnership.

"BORROWER'S SHARE" means, in the case of a Partnership or a Simon Partnership, Borrower's percentage ownership interest in such Partnership or such Simon Partnership. "BUSINESS DAY" means (i) with respect to any payment or rate determination of LIBOR Loans, a day, other than a Saturday or Sunday, on which Agent is open for business at its head office and on which dealings in Dollars are carried on in the London interbank market, and (ii) for all other purposes any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the Commonwealth of Massachusetts, or is a day on which banking institutions located in Massachusetts are required or authorized by law or other governmental action to close.

"CAPITAL LEASES", as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"CASH EQUIVALENTS" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by an agency thereof and backed by the full faith and credit of the United States, in each case maturing within one (1) year after the date of acquisition thereof; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within ninety (90) days after the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from any two of Standard & Poor's Corporation, Moody's Investors Services, Inc., Duff and Phelps, or Fitch Investors (or, if at any time no two of the foregoing shall be rating such obligations, then from such other nationally recognized rating services as may be acceptable to Agent) and not listed for possible down-grade in Credit Watch published by Standard & Poor's Corporation; (iii) commercial paper, other than commercial paper issued by Borrower or any of its Affiliates, maturing no more than ninety (90) days after the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 or P-1 from either Standard & Poor's Corporation or Moody's Investor's Service, Inc. (or, if at any time neither Standard & Poor's Corporation nor Moody's Investor's Service, Inc. shall be rating such obligations, then the highest rating from such other nationally recognized rating services as may be acceptable to Agent); (iv) domestic and Eurodollar certificates of deposit or time deposits or bankers' acceptances maturing within ninety (90) days after the date of acquisition thereof, overnight securities repurchase agreements, or reverse repurchase agreements secured by any of the foregoing types of securities or debt instruments issued, in each case, by (A) any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than Two Hundred Fifty Million Dollars (\$250,000,000) or (B)

any Lender, and (v) deposits in existing Merrill Lynch money market accounts maintained by Borrower, such deposits being the proceeds from the exercise of stock options pursuant to Borrower's employee stock option plans.

"CIP BUDGET AMOUNT" means the total budgeted cost (as such budget shall be updated from time to time) of all Current Construction Projects (excluding Expansion Projects) owned by Borrower or any of its Subsidiaries or by any GP Partnership or Simon Partnership or with respect to which Borrower or any of its Subsidiaries has any type of funding obligation, construction management obligation or obligation to assure project completion or leasing, provided, however, that with respect to Current Construction Projects owned by a Simon Partnership for which the respective financial responsibilities of Simon and its Subsidiaries on the one hand and Borrower and its Subsidiaries on the other hand are in proportion to the respective ownership interests in the applicable Simon Partnership, there shall be excluded from the CIP Budget Amount the portion of such budgeted cost in excess of Borrower's Share in the applicable Simon Partnership. Such costs shall include, without limitation, all land acquisition costs (but may exclude costs of land used for expansion projects which was not purchased for the purpose of such expansion project), design and permitting costs, construction period real estate taxes, leasing costs including brokers' commissions and tenant improvements, allowances or reimbursements, construction costs and opening costs. With respect to any Construction Projects financed with Indebtedness other than the Revolving Facility, such costs shall also include construction period interest and all fees and expenses associated with such Indebtedness.

"CLOSING DATE" means November 3, 1998.

"COMMISSION" means the Securities and Exchange Commission.

"COMMITMENT" means, with respect to any Lender, the principal amount set out under such Lender's name under the heading "Loan Commitment" on the signature pages attached to this Agreement.

"COMPLETION DATE" means, with respect to a Construction Project, the date on which certificates of occupancy (or the equivalent) have been issued for at least 90% of the gross leasable area of such Construction Project.

"COMPLIANCE CERTIFICATE" means a certificate in the form of EXHIBIT B delivered to Agent by Borrower pursuant to SECTION 2.1.2, SECTION 3.4, SECTION 6.1.4, SECTION 6.1.11 or any other provision of this Agreement and covering Borrower's compliance with the financial covenants contained in ARTICLE IX.

"CONFIDENTIAL INFORMATION" has the meaning ascribed to such term in SECTION 6.3.

"CONSTRUCTION PROJECT" means a project consisting of the construction of new buildings, additions to existing buildings, and/or rehabilitation of existing buildings (other than normal refurbishing and tenant fit-up work when one retail tenant leases space previously occupied by another retail tenant).

"CONTAMINANT" means any pollutant (as that term is defined in 42 U.S.C. 9601(33)) or toxic pollutant (as that term is defined in 42 U.S.C. 1362(13)), hazardous substance (as that term is defined in 42 U.S.C. 9601(14)), hazardous chemical (as that term is defined by 29 CFR Section 1910.1200(c)), toxic substance, hazardous waste (as that term is defined in 42 U.S.C. 6903(5)), radioactive material, special waste, petroleum (including crude oil or any petroleum-derived substance, waste, or breakdown or decomposition product thereof), any constituent of any such substance or waste, including, but not limited to, polychlorinated biphenyls and asbestos, or any other substance or waste deleterious to the environment the release, disposal or remediation of which is now or at any time becomes subject to regulation under any Environmental Law.

"CONTRACTUAL OBLIGATION", as applied to any Person, means any provision of any Securities issued by that Person or any indenture, mortgage, deed of trust, lease, contract, undertaking, document or instrument to which that Person is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject (including, without limitation, any restrictive covenant affecting such Person or any of its properties).

"COURT ORDER" means any judgment, writ, injunction, decree, rule or regulation of any court or Governmental Authority binding upon or applicable to the Person in question.

"CURRENT CONSTRUCTION PROJECT" means a Construction Project from the time of commencement of construction (of footings and foundations with respect to Construction Projects consisting of new buildings) for such Construction Project until the Rent Stabilization Date of such Construction Project.

"DEBT SERVICE" means, for any period, Interest Expense for such period PLUS scheduled principal amortization (I.E., excluding any balloon payment due at maturity) for such period on all Borrower Debt.

"DEFAULTING LENDER" means any Lender which fails or refuses to perform its obligations under this Agreement within the time period specified for performance of such obligation or, if no time frame is specified, if such failure or refusal continues for a period of five (5) Business Days after notice from Agent.

"DOL" means the United States Department of Labor and any successor department or agency.

"DOLLARS" AND "\$" means the lawful money of the United States of America.

"EBITDA" means, at any time, for the most recent Fiscal Quarter, the Borrower's earnings (or loss) before interest, taxes, depreciation and amortization, calculated for such period on a consolidated basis in conformity

with GAAP and excluding earnings attributable to Simon Partnerships or minority interests MINUS gains (and PLUS losses) from extraordinary items or asset sales or write-ups or forgiveness of Indebtedness, MINUS percentage rent income for such Fiscal Quarter, PLUS twenty-five percent (25%) of the total percentage rent income during such Fiscal Quarter and the three immediately preceding Fiscal Quarters.

"ELIGIBLE ASSIGNEE" means (i) (A) (1) a commercial bank organized under the laws of the United States or any state thereof; (2) a savings and loan association or savings bank organized under the laws of the United States or any state thereof; or (3) a commercial bank organized under the laws of any other country or a political subdivision thereof, PROVIDED that (x) such bank is acting through a branch or agency located in the United States, or (y) such bank is organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development or a political subdivision of such country; that (B) in each case, is (1) reasonably acceptable to Agent and Borrower, and (2) has total assets in excess of \$10,000,000,000 and a rating on its (or its parent's) senior unsecured debt obligations of at least BBB by one of the Rating Agencies; or (ii) any Lender or Affiliate of any Lender; PROVIDED that no Affiliate of Borrower shall be an Eligible Assignee.

"ENVIRONMENTAL LAWS" has the meaning set forth in SECTION 5.22.

"ENVIRONMENTAL LIEN" means a Lien in favor of any Governmental Authority for (i) any liability under Environmental Laws, or (ii) damages arising from, or costs incurred by such Governmental Authority in response to, a Release or threatened Release of a Contaminant into the environment.

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

"ERISA AFFILIATE" of any Person means any (i) corporation which is, becomes, or is deemed to be a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as such Person, (ii) partnership, trade or business (whether or not incorporated) which is, becomes or is deemed to be under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with such Person, (iii) other Person which is, becomes or is deemed to be a member of the same "affiliated service group" (as defined in Section 414(m) of the Internal Revenue Code) as such Person, or (iv) any other organization or arrangement described in Section 414(o) of the Internal Revenue Code which is, becomes or is deemed to be required to be aggregated pursuant to regulations issued under Section 414(o) of the Internal Revenue Code with such Person pursuant to Section 414(o) of the Internal Revenue Code.

"EVENT OF DEFAULT" means any of the occurrences set forth in ARTICLE X after the expiration of any applicable grace period expressly provided therein.

"EXECUTIVE OFFICERS" mean David C. Bloom, William D. Bloom, Barry M. Ginsburg, Leslie T. Chao and Thomas J. Davis.

"EXPANSION PROJECTS" means Construction Projects consisting of the construction of additional buildings or building additions at a Portfolio Property or a Simon Property which has been open and operating as a retail center with a Property Occupancy Rate of at least 90% as of the start of such Construction Project so long as the increase in the gross leasable area of such Property as a result of such Construction Project does not exceed 150,000 square feet.

"FACILITY" means the term loan facility of Sixty Million Dollars (\$60,000,000) described in SECTION 2.1.1.

"FAIR MARKET NET WORTH" means the Borrower's Adjusted Asset Value less Total Liabilities.

"FDIC" means the Federal Deposit Insurance Corporation or any successor thereto.

"FEDERAL FUNDS RATE" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal Funds brokers of recognized standing selected by Agent.

"FEDERAL RESERVE BOARD" means the Board of Governors of the Federal Reserve System or any governmental authority succeeding to its functions.

"FEE LETTER" means a certain fee letter between the Borrower and the Agent dated October 20, 1998, as amended, modified or replaced from time to time.

"FINANCIAL STATEMENTS" has the meaning given to such term in SECTION 6.1.2.

"FISCAL QUARTER" means each three-month period ending on March 31, June 30, September 30 and December 31.

"FISCAL YEAR" means the fiscal year of Borrower which shall be the twelve (12) month period ending on the last day of December in each year.

"FIXED CHARGES" means, for any period, Debt Service PLUS scheduled dividends or distributions due with respect to preferred partnership units in the Borrower or preferred stock in the REIT.

"FIXED RATE NOTICE" means, with respect to a LIBOR Loan pursuant to

SECTION 2.1.2, a notice substantially in the form of EXHIBIT E.

"FIXED RATE PREPAYMENT FEE" has the meaning given to such term in SECTION 2.4.8(C).

"FOREIGN AFFILIATES" means Value Retail PLC, a corporation formed under the laws of Great Britain and any other partnership or entity which may be sponsored by or affiliated with Value Retail PLC and any other Affiliate (which may need to be approved by Agent pursuant to SECTION 8.3) which may develop, own or finance one or more Foreign Properties.

"FOREIGN INVESTMENTS" means the aggregate amount of all Investments by Borrower in Borrower's Foreign Affiliates plus the face amount of all Letters of Credit issued under the Revolving Credit Agreement (or letters of credit issued by any other Person with respect to which Borrower is directly or contingently liable) for the benefit of such Foreign Affiliates, plus the aggregate Acquisition Prices of all Foreign Properties owned by Borrower or its Subsidiaries.

"FOREIGN PROPERTIES" means all Properties which are not located within the boundaries of the United States.

"FUNDS FROM OPERATIONS" means, for any period, the Borrower's Funds From Operations determined in accordance with the definition approved by the National Association of Real Estate Investment Trusts.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination.

"GOVERNMENTAL AUTHORITY" means any nation or government, any federal, state, local, municipal or other political subdivision thereof or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GP PARTNERSHIP" means any Partnership in which Borrower, the REIT or any Subsidiary of Borrower or the REIT is a general partner. As provided in SECTION 8.8.1 the REIT may not become a partner in any additional Partnerships.

"GUARANTOR SUBSIDIARY" means a Wholly-Owned Subsidiary which executes and delivers a guaranty of the Obligations in favor of the Agent and the Lenders, which guaranty shall be substantially in the form of the Guaranty from the REIT and shall be accompanied by certificates and a legal opinion reasonably acceptable to the Agent.

"GUARANTY" means the Guaranty of even date herewith executed by the REIT in favor of the Agent and the Lenders.

"INDEBTEDNESS", as applied to any Person (determined on a consolidated basis and without duplication), means the sum of (i) all indebtedness, obligations or other liabilities of such Person for borrowed money, (ii) all indebtedness, obligations or other liabilities of such Person evidenced by Securities or other similar instruments, (iii) all reimbursement obligations and other liabilities of such Person with respect to letters of credit or banker's acceptances issued for such Person's account, (iv) all obligations of such Person to pay the deferred purchase price of Property or services or to reimburse tenants for the costs of improvements constructed by such tenants on the Property of such Person, (v) all obligations in respect of Capital Leases of such Person, (vi) all Accommodation Obligations of such Person, (vii) all indebtedness, obligations or other liabilities of such Person or others secured by a Lien on any asset of such Person, whether or not such indebtedness, obligations or liabilities are assumed by, or are a personal liability of, such Person (including, without limitation, the principal amount of any assessment or similar indebtedness encumbering any property), (viii) all indebtedness, obligations or other liabilities (other than interest expense liability) in respect of Interest Rate Contracts and foreign currency exchange agreements, and (ix) ERISA obligations currently due and payable. Indebtedness shall not include accrued ordinary operating expenses payable on a current basis.

"INTEREST EXPENSE" means, for any period, total interest expense, whether paid, accrued or capitalized (including the interest component of Capital Leases) in respect of Borrower Debt, including, without limitation, amortization of loan acquisition costs, all commissions, discounts and other fees and charges owed with respect to letters of credit, net costs under Interest Rate Contracts, and unused facility fees payable to the lenders pursuant to the Revolving Credit Agreement.

"INTEREST PERIOD" means, relative to any LIBOR Loans, the period beginning on (and including) the date on which such LIBOR Loans are made as, or converted into, LIBOR Loans, and ending on (but excluding) the day which numerically corresponds to such date thirty (30), sixty (60) or ninety (90) days thereafter, in either case as Borrower may select in its relevant Notice of Interest Rate Selection pursuant to SECTION 2.1.2; PROVIDED, HOWEVER, that:

(a) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day; and

(b) no Interest Period may end later than the then applicable Termination Date.

"INTEREST RATE CONTRACTS" means, collectively, interest rate swap, collar, cap or similar agreements providing interest rate protection.

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as

amended from time to time hereafter, and any successor statute.

"INVESTMENT" means, as applied to any Person, any direct or indirect purchase or other acquisition by that Person of Securities, or of a beneficial interest in Securities, of any other Person, and any direct or indirect loan, advance (other than deposits with financial institutions available for withdrawal on demand, prepaid expenses, advances to employees and similar items made or incurred in the ordinary course of business), or capital contribution by such Person to any other Person, including all Indebtedness and accounts owed by that other Person which are not current assets or did not arise from sales of goods or services to that Person in the ordinary course of business.

"INVESTMENT MORTGAGES" mean notes receivable or other indebtedness secured by mortgages or other security interests directly or indirectly owned by Borrower or any Subsidiary of Borrower, including certificates of interest in real estate mortgage investment conduits.

"INVESTMENT PARTNERSHIP" means any Partnership in which Borrower or any Subsidiary of Borrower has an ownership interest, whose financial results are not consolidated under GAAP in the Financial Statements. Investment Partnerships do not include Simon Partnerships.

"IRS" means the Internal Revenue Service and any Person succeeding to the functions thereof.

"LAND" means unimproved real estate, including future phases of a partially completed project, owned by Borrower or any Subsidiary of Borrower for the purpose of future development of improvements. For purposes of the foregoing definition, "unimproved" shall mean Land on which the construction of building improvements has not commenced or land on which construction has been discontinued for a continuous period longer than sixty (60) days prior to completion.

"LEASE" means a lease or license between Borrower and a tenant or licensee with respect to premises located within a Portfolio Property.

"LENDER TAXES" has the meaning given to such term in SECTION 2.4.7.

"LENDERS" means BankBoston and any other bank, finance company, insurance or other financial institution which is or becomes a party to this Agreement by execution of a counterpart signature page hereto or an Assignment and Assumption, as assignee. With respect to matters requiring the consent to or approval of all Lenders at any given time, all then existing Defaulting Lenders will be disregarded and excluded, and, for voting purposes only, "all Lenders" shall be deemed to mean "all Lenders other than Defaulting Lenders".

"LETTER OF CREDIT" means a letter of credit issued by the Lender for the account of Borrower pursuant to the Revolving Credit Agreement.

"LIABILITIES AND COSTS" means all claims, judgments, liabilities, obligations, responsibilities, losses, damages (including lost profits), punitive or treble damages, costs, disbursements and expenses (including, without limitation, reasonable attorneys, experts' and consulting fees and costs of investigation and feasibility studies), fines, penalties and monetary sanctions, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future.

"LIBOR" means, relative to any Interest Period for any LIBOR Loan, the per annum rate (reserve adjusted as hereinbelow provided) of interest quoted by Agent, rounded upwards, if necessary, to the nearest one-sixteenth of one percent (0.0625%) at which Dollar deposits in immediately available funds are offered to Agent by leading banks in the Eurodollar interbank market two (2) Business Days prior to the beginning of such Interest Period, for delivery on the first day of such Interest Period for a period approximately equal to such Interest Period and in an amount equal or comparable to the LIBOR Loan to which such Interest Period relates. The foregoing rate of interest shall be reserve adjusted by dividing LIBOR by one (1.00) minus the LIBOR Reserve Percentage, with such quotient to be rounded upward to the nearest whole multiple of one-hundredth of one percent (0.01%). All references in this Agreement or other Loan Documents to LIBOR shall mean and include the aforesaid reserve adjustment.

"LIBOR LOAN" means a Loan bearing interest, at all times during an Interest Period applicable to such Loan, at a fixed rate of interest determined by reference to LIBOR.

"LIBOR OFFICE" means, relative to any Lender, the office of such Lender designated as such on the counterpart signature pages hereto or such other office of a Lender as designated from time to time by notice from such Lender to Agent, whether or not outside the United States, which shall be making or maintaining LIBOR Loans of such Lender.

"LIBOR RESERVE PERCENTAGE" means, relative to any Interest Period for LIBOR Loans made by any Lender, the reserve percentage (expressed as a decimal) equal to the actual aggregate reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transactional adjustments or other scheduled changes in reserve requirements) announced within Agent as the reserve percentage applicable to Agent as specified under regulations issued from time to time by the Federal Reserve Board. The LIBOR Reserve Percentage shall be based on Regulation D of the Federal Reserve Board or other regulations from time to time in effect concerning reserves for "Eurocurrency Liabilities" from related institutions as though Agent were in a net borrowing position.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance (including, but not limited to, easements, rights-of-way, zoning restrictions and the like), lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including without limitation any conditional sale or other title retention agreement, the interest

of a lessor under a Capital Lease, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement or document having similar effect (other than a financing statement filed by a "true" lessor pursuant to Section 9408 of the Uniform Commercial Code) naming the owner of the asset to which such Lien relates as debtor, under the Uniform Commercial Code or other comparable law of any jurisdiction.

"LOAN ACCOUNT" has the meaning given to such term in SECTION 2.3.

"LOAN DOCUMENTS" means this Agreement, the Loan Notes, the Guaranty and all other agreements, instruments and documents (together with amendments and supplements thereto and replacements thereof) now or hereafter executed by the Borrower, which evidences or relates to the Obligations.

"LOAN NOTES" means the promissory notes evidencing the Loans in the aggregate original principal amount of Sixty Million Dollars (\$60,000,000) executed by Borrower in favor of Lenders, as they may be amended, supplemented, replaced or modified from time to time. The initial Loan Notes and any replacements thereof shall be substantially in the form of EXHIBIT C.

"LOANS" means the Loans made pursuant to the Facility.

"LONG TERM UNSECURED INDEBTEDNESS" means all Unsecured Indebtedness which at the time of determination has a maturity of not less than five (5) years.

"MAJORITY PARTNERSHIP" means any Partnership in which Borrower has an ownership interest, whose financial results are consolidated under GAAP in the Financial Statements.

"MATERIAL ADVERSE EFFECT" means, with respect to a Person or Property, a material adverse effect upon the condition (financial or otherwise), operations, performance or properties of such Person or Property. The phrase "has a Material Adverse Effect" or "will result in a Material Adverse Effect" or words substantially similar thereto shall in all cases be intended to mean "has resulted, or will or could reasonably be anticipated to result, in a Material Adverse Effect", and the phrase "has no (or does not have a) Material Adverse Effect" or "will not result in a Material Adverse Effect" or words substantially similar thereto shall in all cases be intended to mean "does not or will not or could not reasonably be anticipated to result in a Material Adverse Effect".

"MATERIALLY DEFAULTED LEASES" means Leases under which the tenant has failed to make any payment of base rent, percentage rent or additional rent when due and such failure has continued for more than ninety (90) days after the due date of the applicable payment or any Lease which the Borrower has terminated based on any default by the Tenant thereunder.

"MULTIEMPLOYER PLAN" means an employee benefit plan defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding six (6) years was, contributed to by a Person or an ERISA Affiliate of such Person.

"NET OPERATING INCOME" means with respect to any Fiscal Quarter of the Borrower and with respect to any one or more of its Properties, (i) the total rental and other operating income from the operation of such Properties after deducting all expenses and other proper charges incurred by the Borrower in connection with the operation of such Properties during such Fiscal Quarter, including, without limitation, property operating expenses, real estate taxes and bad debt expenses, but before payment or provision for debt service, income taxes, and depreciation, amortization, and other non-cash expenses, all as determined in accordance with generally accepted accounting principles, MINUS (ii) percentage rent income of such Properties for such Fiscal Quarter, PLUS (iii) twenty-five percent (25%) of the total percentage rent income of such Properties during such Fiscal Quarter and the three immediately preceding Fiscal Quarters, minus (iv) the Replacement Reserve Amount for such Properties. With respect to Properties located outside of the United States, Net Operating Income shall be converted from the currency in which the applicable income and expenses are paid to Dollars using the currency exchange rates in effect as of the end of the applicable Fiscal Quarter.

"NET OFFERING PROCEEDS" means all cash proceeds received by the REIT as a result of the sale of common, preferred or other classes of stock in the REIT (if and only to the extent reflected in stockholders' equity on the consolidated balance sheet of the REIT prepared in accordance with GAAP) LESS customary costs and discounts of issuance paid by the REIT, all of which proceeds shall have been concurrently contributed by the REIT to Borrower as additional capital.

"NON-RETAIL PROPERTIES" means Portfolio Properties which are not intended to be used as or in connection with a retail Property including residential or other Properties in the vicinity of Construction Projects acquired to facilitate the obtaining of governmental permits or the resolution of zoning or land use issues related to such Construction Projects.

"NONRECOURSE INDEBTEDNESS" means Indebtedness with respect to which recourse for payment is contractually limited to specific assets encumbered by a Lien securing such Indebtedness.

"NOTICE OF INTEREST RATE SELECTION" means a notice substantially in the form of EXHIBIT D given pursuant to SECTION 2.1.2.

"OBLIGATIONS" means, from time to time, all Indebtedness of Borrower owing to Agent, any Lender or any Person entitled to indemnification pursuant to SECTION 12.2, or any of their respective successors, transferees or assigns, of every type and description, whether or not evidenced by any note, guaranty or other instrument, arising under or in connection with this Agreement or any other Loan Document, whether or not for the payment of money, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees,

reasonable attorneys' fees and disbursements, reasonable fees and disbursements of expert witnesses and other consultants, and any other sum now or hereinafter chargeable to Borrower under or in connection with this Agreement or any other Loan Document.

"OFFICER'S CERTIFICATE" means a certificate signed by a specified officer of a Person certifying as to the matters set forth therein.

"OPERATING CASH FLOW" means, at any time, for the most recent Fiscal Quarter, EBITDA MINUS cash income taxes paid during such Fiscal Quarter and not deducted on the Financial Statements in determining earnings for such Fiscal Quarter or any prior period MINUS the Replacement Reserve Amount for the Portfolio Properties.

"PARTNERSHIP" means any general or limited partnership, joint venture, corporation, limited liability company or limited liability partnership in which Borrower, the REIT or any Subsidiary of Borrower or the REIT has an ownership interest and which is not a Wholly-Owned Subsidiary, excluding, however, the Simon Partnerships.

"PARTNERSHIP AGREEMENT" means, with respect to any Partnership, on a collective basis, its partnership agreement, its agreement of limited partnership agreement and certificate of limited partnership (if any), its operating or management agreement and articles or certificate of organization, or other organizational or governance document(s).

"PBGC" means the Pension Benefit Guaranty Corporation or any Person succeeding to the functions thereof.

"PERMIT" means any permit, approval, authorization, license, variance or permission required from a Governmental Authority under an applicable Requirement of Law.

"PERMITTED LIENS" means:

(a) Liens (other than Environmental Liens and any Lien imposed under ERISA) for taxes, assessments or charges of any Governmental Authority or claims not yet due or not yet required to be paid pursuant to SECTION 7.4;

(b) Liens (other than any Lien imposed under ERISA) incurred or deposits made in the ordinary course of business (including without limitation surety bonds and appeal bonds) in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids, leases, contracts (other than for the repayment of Indebtedness), statutory obligations;

(c) any laws, ordinances, easements, rights of way, restrictions, exemptions, reservations, conditions, defects or irregularities in title, limitations, covenants or other matters that, in the aggregate, do not in the reasonable opinion of Borrower (i) materially interfere with the occupation, use and enjoyment of the Property or other assets encumbered thereby, by the Person owning such Property or other assets, in the normal course of its business or (ii) materially impair the value of the Property subject thereto;

(d) Liens imposed by laws, such as mechanics' liens and other similar liens arising in the ordinary course of business which either (i) have been in existence for less than 120 days from the date of filing or (ii) have been in existence for longer than said 120 days so long as the aggregate amount of all such Liens is less than \$100,000 for each Construction Project and the Borrower is in good faith contesting the validity or amount thereof by appropriate proceedings, provided however that any Lien permitted under this paragraph must be discharged prior to foreclosure thereof;

(e) Leases to tenants which are not Affiliates of Borrower existing on the date hereof or subsequently entered into in the ordinary course of business;

(f) Liens securing judgments or awards permitted by SECTION 8.10(D); and

(g) Liens securing purchase money Indebtedness permitted by SECTION 8.10(F) provided that each such Lien shall encumber only the specific item of equipment purchased with the proceeds of the Indebtedness secured thereby.

"PERSON" means any natural person, employee, corporation, limited partnership, general partnership, joint stock company, limited liability company, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, or any other non-governmental entity, or any Governmental Authority.

"PLAN" means an employee benefit plan defined in Section 3(3) of ERISA (other than a Multiemployer Plan) in respect of which Borrower or an ERISA Affiliate, as applicable, is an "employer" as defined in Section 3(5) of ERISA.

"PORTFOLIO OCCUPANCY RATE" means, with respect to the Portfolio Properties at any time, the ratio, as of such date, expressed as a percentage, of (i) the gross leasable area of all Portfolio Properties occupied by tenants paying rent pursuant to Leases other than Materially Defaulted Leases, to (ii) the aggregate gross leasable area of all Portfolio Properties excluding from both (i) and (ii) the gross leasable area of Construction Projects thereon prior to the date which is 3 months after the Rent Stabilization Date for such Construction Project. Only premises which are actually open for business shall be counted as occupied. Non-Retail Properties shall be excluded from Portfolio Properties for purposes of this definition.

"PORTFOLIO PROPERTIES" means real property improved with one or more completed buildings that is owned directly or indirectly, in whole or in part, by Borrower, any Subsidiary of Borrower or any Partnership, including the Unencumbered Properties and the Properties listed on SCHEDULE 1.1, as such schedule may be updated from time to time to reflect the acquisition or disposition of Portfolio Properties. Portfolio Properties do not include the Simon Properties.

"PREPAYMENT DATE" has the meaning given to such term in SECTION 2.4.8(C).

"PRIOR FINANCIALS" has the meaning given to such term in SECTION 5.9.

"PRO FORMA UNSECURED DEBT SERVICE CHARGES" means, for any Fiscal Quarter of the Borrower, the sum of (a) an amount determined by the Borrower (and approved by the Agent in its sole discretion) based on a twenty-five (25) year mortgage style amortization schedule, calculated on the outstanding principal amount of all Unsecured Indebtedness excluding Long Term Unsecured Indebtedness and an interest rate equal to the greater of (i) the weighted average annual interest rate actually applicable to all Unsecured Indebtedness excluding Long Term Unsecured Indebtedness during such Fiscal Quarter or (ii) the then current ten (10) year U.S. Treasury bill yield plus one and three-quarters percent (1.75%) plus (b) one-quarter of the actual debt service charges due during the current fiscal year pursuant to the Long Term Unsecured Indebtedness.

"PRO RATA SHARE" means, with respect to any Lender, a fraction (expressed as a percentage), the numerator of which shall be the amount of such Lender's Loans outstanding and the denominator of which shall be the aggregate amount of all of the Lenders' Loans outstanding.

"PROCEEDINGS" means, collectively, all actions, suits and proceedings before, and investigations commenced or threatened by or before, any court or Governmental Authority with respect to a Person.

"PROPERTY" means, as to any Person, all real or personal property (including, without limitation, buildings, facilities, structures, equipment and other assets, tangible or intangible) owned by such Person.

"PROPERTY OCCUPANCY RATE" means, with respect to any Portfolio Property or Simon Property at any time, the ratio, as of such date, expressed as a percentage, of (i) the gross leasable area of such Portfolio Property or Simon Property occupied by tenants paying rent pursuant to Leases other than Materially Defaulted Leases, to (ii) the aggregate gross leasable area of such Portfolio Property or Simon Property, excluding from both (i) and (ii) the gross leasable area of Construction Projects prior to the date which is 3 months after the Rent Stabilization Date for such Construction Project. Only premises which are actually open for business shall be counted as occupied.

"RATING AGENCY" means either of (i) Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or (ii) Moody's Investors Services, Inc.

"RECOURSE SIMON DEBT AMOUNT" means the aggregate amount of the Indebtedness of any Simon Partnership for which the Borrower has recourse liability pursuant to a guaranty or other Accommodation Obligation provided, however, that with respect to any such Indebtedness guaranteed jointly and severally by Borrower and Simon (and with respect to which Borrower would have a contribution claim against Simon) the Recourse Simon Debt Amount shall exclude the amount of such guaranteed Indebtedness in excess of Borrower's Share in the applicable Simon Partnership.

"REGULATIONS T, U AND X" mean such Regulations of the Federal Reserve Board as in effect from time to time.

"REIT" means Chelsea GCA Realty, Inc., a Maryland corporation.

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

"REMEDIAL ACTION" means any action required by applicable Environmental Laws to (i) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment; (ii) prevent the Release or threat of Release or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; or (iii) perform preresidential studies and investigations and post-remedial monitoring and care.

"RENT STABILIZATION DATE" means, with respect to each Construction Project, the date which shall be (i) the first day of a Fiscal Quarter (ii) not more than six (6) months after the date on which the first certificate of occupancy (or the equivalent) has been issued for any portion of such Construction Project and (iii) set forth in a notice from Borrower to Agent given prior to such Rent Stabilization Date.

"REPLACEMENT RESERVE AMOUNT" means, with respect to any Property or group of Properties for any Fiscal Quarter, a reserve for replacement reserves, leasing costs and recurring capital expenditures equal to the product of \$0.075 TIMES the gross leasable area of such Property or group of Properties excluding the gross leasable area of any Construction Project thereon prior to the Rent Stabilization Date with respect to such Construction Project.

"REPORTABLE EVENT" means any of the events described in Section 4043(b) of ERISA, other than an event for which the thirty (30) day notice requirement is waived by regulations.

"REQUIREMENTS OF LAW" mean, as to any Person, the charter and by-laws, Partnership Agreement or other organizational or governing documents of such Person, and any law, rule or regulation, Permit, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, including without limitation, the Securities Act, the Securities Exchange Act, Regulations T, U and X, FIRREA and any certificate of occupancy, zoning ordinance, building, environmental or land use requirement or Permit or occupational safety or health law, rule or regulation.

"REQUISITE LENDERS" mean, collectively, Lenders whose Pro Rata Shares, in the aggregate, are at least sixty-six and two-thirds percent (66-2/3%), PROVIDED that, in determining such percentage at any given time, all then existing Defaulting Lenders will be disregarded and excluded and the Pro Rata Shares of Lenders shall be redetermined, for voting purposes only, to exclude the Pro Rata Shares of such Defaulting Lenders and PROVIDED, FURTHER, that the Agent must always be among the Requisite Lenders except that after an Event of Default described in SECTION 10.1.1 decisions by the Requisite Lenders to accelerate and/or exercise remedies pursuant to SECTION 10.2.1 shall be made without regard to whether the Agent is among the Requisite Lenders.

"REVOLVING CREDIT AGREEMENT" means the Credit Agreement dated as of March 30, 1998, among Borrower, the Agent and the lenders party thereto, as hereafter amended pursuant to its terms.

"REVOLVING FACILITY" means the Borrower's revolving line of credit facility in the maximum principal amount of \$160,000,000, a portion of which may be used for Letters of Credit, all as provided in the Revolving Credit Agreement.

"SECURED BORROWER DEBT" means all Borrower Debt that is secured by a Lien on any Property.

"SECURITIES" means any stock, shares, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities", or any certificates of interest, shares, or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire any of the foregoing, but shall not include any evidence of the Obligations, PROVIDED that Securities shall not include Cash Equivalents, Investment Mortgages or interests in Partnerships.

"SECURITIES ACT" means the Securities Act of 1933, as amended to the date hereof and from time to time hereafter, and any successor statute.

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

"SIMON" means Simon Property Group, L.P.

"SIMON PARTNERSHIP" means each limited liability company general or limited partnership, corporation or joint venture in which ownership interests are held by (i) Borrower or one of its Wholly-Owned Subsidiaries and (ii) Simon or one of its wholly-owned Subsidiaries.

"SIMON PARTNERSHIP CASH FLOW" means, at any time, with respect to any Simon Partnership, for the most recent Fiscal Quarter, Simon Partnership EBITDA of such Simon Partnership MINUS the Replacement Reserve Amount for the Simon Property owned by such Simon Partnership.

"SIMON PARTNERSHIP EBITDA" means, at any time, with respect to any Simon Partnership, for the most recent Fiscal Quarter, such Simon Partnership's earnings (or loss) before interest, taxes, depreciation and amortization, calculated for such period on a consolidated basis in conformity with GAAP minus gains (and PLUS losses) from extraordinary items or asset sales or write-ups or forgiveness of Indebtedness, MINUS percentage rent income for such Fiscal Quarter, PLUS twenty-five percent (25%) of the total percentage rent income during such Fiscal Quarter and the three immediately preceding Fiscal Quarters.

"SIMON PARTNERSHIP VALUE" means, as at any date of determination, with respect to any Simon Partnership, the Borrower's Share of an amount equal to the excess, if any, of (i) (A) Simon Partnership Cash Flow of such Simon Partnership for the most recently ended Fiscal Quarter, TIMES (B) four (4), DIVIDED BY (C) 0.095, MINUS (ii) all Indebtedness and other liabilities of such Simon Partnership. "SIMON PROPERTY" means any Property owned by a Simon Partnership.

"SOLVENT" means, as to any Person at the time of determination, that such Person (i) owns property the value of which (both at fair valuation and at present fair saleable value) is greater than the amount required to pay all of such Person's liabilities (including contingent liabilities and debts); (ii) is able to pay all of its debts as such debts mature; and (iii) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

"SUBSIDIARY" of a Person means any corporation, Partnership, trust or other non-Partnership entity of which a majority of the stock (or equivalent ownership or controlling interest) having voting power to elect a majority of the Board of Directors (if a corporation) or to select the trustee or equivalent controlling interest, shall, at the time such reference becomes operative, be directly or indirectly owned or controlled by such Person.

"TAXES" means all federal, state, local and foreign income and gross receipts taxes.

"TERMINATION DATE" has the meaning given to such term in SECTION

"TERMINATION EVENT" means (i) any Reportable Event, (ii) the withdrawal of a Person, or an ERISA Affiliate from a Benefit Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (iii) the occurrence of an obligation arising under Section 4041 of ERISA of a Person or an ERISA Affiliate to provide affected parties with a written notice of an intent to terminate a Benefit Plan in a distress termination described in Section 4041(c) of ERISA, (iv) the institution by the PBGC of proceedings to terminate any Benefit Plan under Section 4042 of ERISA, (v) any event or condition which constitutes grounds under Section 4042 of ERISA for the appointment of a trustee to administer a Benefit Plan, (vi) the partial or complete withdrawal of such Person or any ERISA Affiliate from a Multiemployer Plan, or (vii) the adoption of an amendment by any Person or any ERISA Affiliate to terminate any Benefit Plan.

"TOTAL LIABILITIES" means (i) all Indebtedness of Borrower and its Subsidiaries (excluding Indebtedness relating to the Indebtedness of Simon Partnerships), whether or not such Indebtedness would be included as a liability on the balance sheet of Borrower in accordance with GAAP, plus (ii) all other liabilities of every nature and kind of Borrower and its Subsidiaries that would be included as liabilities on the balance sheet of Borrower in accordance with GAAP plus (iii) the Recourse Simon Debt Amount.

"UNENCUMBERED NET OPERATING INCOME" means, with respect to any Fiscal Quarter of the Borrower, the sum of the Net Operating Income of all of its Properties which were Unencumbered Properties hereunder during such Fiscal Quarter.

"UNENCUMBERED PROPERTY" means a Property which at the date of determination, (i) is owned in fee by Borrower or by a Guarantor Subsidiary, (ii) is improved with one or more completed retail buildings of a type consistent with Borrower's business strategy; (iii) is not directly or indirectly subject to any Lien (other than Permitted Liens) or to any negative pledge agreement or other agreement (other than this Agreement) that prohibits the creation of any Lien thereon; (iv) is a Property with respect to which each of the representations contained in SECTION 5.22 and in SECTION 5.23 hereof is true and accurate as of such date of determination; (v) may be legally conveyed separately from any other Real Estate without the need to obtain any subdivision approval, zoning variance or other consent or approval from an unrelated Person; (vi) is located in the United States, and (vii) to the extent requested by the Agent, the Borrower has delivered to the Agent historical operating and leasing information relating to such Unencumbered Property, in form and substance satisfactory to the Agent.

"UNENCUMBERED PROPERTY VALUE" means, with respect to any Unencumbered Property at any time, an amount computed as follows: (a) the Net Operating Income of such Unencumbered Property for the most recent Fiscal Quarter for which financial statements have been delivered to the Agent pursuant to SECTION 6.1; (b) then multiplying by four (4); and (c) dividing such product by 0.095. With respect to any Unencumbered Property which, during the applicable Fiscal Quarter, has been acquired by Borrower or has had the building or buildings being constructed thereon completed and occupied by tenants, Borrower may compute the Unencumbered Property Value for such Unencumbered Property based on a pro forma Net Operating Income for such Fiscal Quarter, which computation must be approved by the Agent.

"UNMATURED EVENT OF DEFAULT" means an event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default.

"UNSECURED INDEBTEDNESS" means all Indebtedness of Borrower or of any of its Subsidiaries which is not secured by a Lien on any Properties including, without limitation, the Loans, the loans under the Revolving Facility, the Borrower's reimbursement obligations relating to the Letters of Credit issued pursuant to the Revolving Facility, the BankBoston Term Loan, the Unsecured Term Notes and any Indebtedness evidenced by any bonds, debentures, notes or other debt securities which may be hereafter issued by Borrower or by the REIT. Unsecured Indebtedness shall not include accrued ordinary operating expenses payable on a current basis.

"UNSECURED TERM NOTE INDENTURE" means the Indenture dated as of January 23, 1996 among the Borrower, the REIT and State Street Bank and Trust Company, as trustee, as supplemented by First Supplemental Indenture dated as of January 23, 1996, by Second Supplemental Indenture dated as of October 23, 1996 and by Third Supplemental Indenture dated as of October 21, 1997, and as hereafter amended or further supplemented.

"UNSECURED TERM NOTE SECURED DEBT LIMITATION" means the provision contained in the Unsecured Term Note Indenture which limits the Borrower's "Secured Debt" to not more than 40% of its "Adjusted Total Assets" (as such quoted terms are defined in said Indenture). If the Unsecured Term Note Indenture is amended to reduce the permitted amount of Secured Borrower Debt this defined term shall automatically be deemed to incorporate such amendment, but if the Unsecured Term Note Indenture is amended to increase the permitted amount of Secured Borrower Debt this definition shall not be deemed to incorporate such amendment until the same has been approved by the Requisite Lenders.

"UNSECURED TERM NOTES" means, collectively, (i) Borrower's 7 3/4% notes due 2001 in the aggregate principal amount of \$100,000,000, (ii) Borrower's 7 1/4% notes due 2007 in the aggregate principal amount of \$125,000,000 and (iii) any other unsecured indebtedness of the Borrower which at the time of its issuance matures not earlier than 24 months after the then applicable Termination Date.

"VALUE OF ALL UNENCUMBERED PROPERTIES" means, when determined as of the end of a Fiscal Quarter, an amount computed as follows: (a) Unencumbered Net Operating Income; (b) then multiplying by four (4); and (c) dividing such product by 0.095. When determined as of a date which is during a Fiscal Quarter based on an updated list of Unencumbered Properties attached to the applicable Compliance Certificate, the Value of All Unencumbered Properties most recently

computed as provided in the preceding sentence of this definition will be adjusted by subtracting the Unencumbered Property Value of the previous Unencumbered Properties which have been deleted from such list and by adding the Unencumbered Property Value of the Unencumbered Properties which have been added to such list

"WHOLLY-OWNED SUBSIDIARY" means a Subsidiary which is 100% owned by Borrower.

"WOODBURY COMMON" means the Property owned by Borrower located at the intersection of NY State Route 32 and the New York State Thruway in the Town of Woodbury, Orange County, New York, including all expansions and additions thereto.

"YEAR 2000 COMPLIANT" has the meaning given to such term in SECTION 5.33.

1.2 COMPUTATION OF TIME PERIODS. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to and including". Periods of days referred to in this Agreement shall be counted in calendar days unless Business Days are expressly prescribed.

1.3 TERMS.

1.3.1 Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with GAAP. All references herein to Borrower, the REIT or any other Person, in connection with any financial or related covenant, representation or calculation, shall be understood to mean and refer to Borrower, the REIT and such other Person on a consolidated basis in accordance with GAAP, unless otherwise specifically provided and subject in all events to any adjustments herein set forth.

1.3.2 Any time the phrase "to the best of Borrower's knowledge" or a phrase similar thereto is used herein, it means: "to the actual knowledge of the then executive or senior officers of Borrower and the REIT, after reasonable inquiry of those agents, employees or contractors of the REIT or Borrower who could reasonably be anticipated to have knowledge with respect to the subject matter or circumstances in question and after review of those documents or instruments which could reasonably be anticipated to be relevant to the subject matter or circumstances in question provided that such reasonable inquiry need not be undertaken at the time of each Compliance Certificate."

1.3.3 In each case where the consent or approval of Agent, all Lenders and/or Requisite Lenders is required, or their non-obligatory action is requested by Borrower, such consent, approval or action shall be in the sole and absolute discretion of Agent and, as applicable, each Lender, unless otherwise specifically indicated.

1.3.4 Any time the word "or" is used herein, unless the context otherwise clearly requires, it has the inclusive meaning represented by the phrase "and/or". The words "hereof", "herein", "hereby", "hereunder" and similar terms refer to this Agreement as a whole and not to any particular provision of this Agreement. Article, section, subsection, clause, exhibit and schedule references are to this Agreement unless otherwise specified. Any reference in this Agreement to this Agreement or to any other Loan Document includes any and all amendments, modifications, supplements, renewals or restatements thereto or thereof, as applicable.

ARTICLE II

LOANS

2.1 ADVANCE AND REPAYMENT OF LOANS.

2.1.1 ADVANCE OF LOANS. Subject to the terms and conditions set forth in this Agreement, Lenders hereby severally agree to make the Loans to Borrower on the Closing Date. Loans under this Agreement shall be made by Lenders simultaneously and in the full amount of their respective Commitments, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make a Loan hereunder and that the Commitment of any Lender shall not be increased or decreased as a result of the failure by any other Lender to perform its obligation to make a Loan. The Loans may be voluntarily prepaid pursuant to SECTION 2.6.1 and, any amounts so prepaid may not be reborrowed. The principal balance of the Loans shall be payable in full on the Termination Date. The Loans will be evidenced by the Loan Notes.

2.1.2 NOTICE OF SELECTION OF INTEREST RATE.

(a) (i) Borrower shall give Agent, at 115 Perimeter Center Place, N.E., Suite 500, Atlanta, GA 30346, Attn: Lori Y. Litow (Fax No. (770)390-8434) or such other address as Agent shall designate, an original or facsimile NOTICE OF INTEREST RATE SELECTION no later than 9:00 A.M. (Eastern time), not less than three (3) nor more than five (5) Business Days prior to the proposed Closing Date and prior to the expiration of each Interest Period thereafter. The Agent shall promptly provide a copy of each Notice of Interest Rate Selection to each Lender.

(ii) Notwithstanding the foregoing or any other provision hereof to the contrary a Notice of Interest Rate Selection may be given not less than two (2) Business Days prior to Closing Date or the expiration of an Interest Period if such notice elects a Base Rate Loan.

(iii) Each Notice of Interest Rate Selection shall specify whether the Loan to be made on the Closing Date

(or thereafter continued or converted) will be a Base Rate Loan or a LIBOR Loan and, if a LIBOR Loan, the Interest Period.

(b) Borrower may elect (i) to convert a LIBOR Loan into a Base Rate Loan, (ii) to convert a Base Rate Loan to a LIBOR Loan, or (iii) to continue any LIBOR Loan for an additional Interest Period, PROVIDED, HOWEVER, that the aggregate amount of the Loans being converted into or continued as LIBOR Loans shall equal Four Million Dollars (\$4,000,000) or an integral multiple of One Million Dollars (\$1,000,000) in excess thereof. The applicable Interest Period for the continuation of any LIBOR Loan shall commence on the day on which the next preceding Interest Period expires. The conversion of a LIBOR Loan to a Base Rate Loan shall only occur on the last Business Day of the Interest Period relating to such LIBOR Loan; such conversion shall occur automatically in the absence of an election under CLAUSE (III) above. Each election under CLAUSE (II) or CLAUSE (III) above shall be made by Borrower giving Agent an original or facsimile Notice of Interest Rate Selection no later than 9:00 A.M. (Eastern time), not less than three (3) nor more than five (5) Business Days prior to the date of a conversion to or continuation of a LIBOR Loan, specifying, in each case (1) the amount of the conversion or continuation, (2) the Interest Period therefor, and (3) the date of the conversion or continuation (which date shall be a Business Day).

(c) Upon receipt of a Notice of Interest Rate Selection in proper form requesting LIBOR Loans under SUBPARAGRAPH (A) or (B) above, Agent shall determine the LIBOR applicable to the Interest Period for such LIBOR Loans, and shall, prior to the beginning of such Interest Period, give (by facsimile) a FIXED RATE NOTICE in respect thereof to Borrower and Lenders; PROVIDED, HOWEVER, that failure to give such notice to Borrower shall not affect the validity of such rate. Each determination by Agent of the LIBOR shall be conclusive and binding upon the parties hereto in the absence of manifest error.

2.1.3 MAKING OF THE LOANS. Subject to SECTION 11.3, Agent shall make the proceeds of the Loans available to Borrower on the Closing Date and shall disburse such funds in Dollars in immediately available funds to repay loans outstanding under the Revolving Facility.

2.1.4. TERM. The outstanding balance of the Loans shall be payable in full on the earliest to occur of (i) April 30, 2000, (ii) the acceleration of the Loans pursuant to SECTION 10.2.1, or (iii) Borrower's written notice to Agent (pursuant to SECTION 2.6.1) of Borrower's election to prepay all accrued obligations and terminate this Agreement (the "TERMINATION DATE").

2.2 AUTHORIZATION TO SELECT INTEREST RATE OPTIONS. Each of Borrower's President, Chief Financial Officer, Senior Vice President-Finance and Treasurer are hereby authorized by Borrower to sign Notices of Interest Rate Selection. Borrower may provide Agent with documentation satisfactory to Agent indicating the names of other officers or employees of Borrower authorized by Borrower to sign Notices of Interest Rate Selection, and Agent and Lenders shall be entitled to rely on such documentation until notified in writing by Borrower of any change(s) of the persons so authorized. Agent shall be entitled to act on the instructions of anyone identifying himself or herself as one of the Persons authorized to execute a Notice of Interest Rate Selection, and Borrower shall be bound thereby in the same manner as if such Person were actually so authorized. Borrower agrees to indemnify, defend and hold Lenders and Agent harmless from and against any and all Liabilities and Costs which may arise or be created by the acceptance of instructions in any Notice of Interest Rate Selection, unless caused by the gross negligence of the Person to be indemnified.

2.3 LENDERS' ACCOUNTING. Agent shall maintain a loan account (the "LOAN ACCOUNT") on its books in which shall be recorded (i) the names and addresses of each Lender and the principal amount of the Loans owing to each Lender from time to time, and (ii) all advances and repayments of principal and payments of accrued interest under the Loans, as provided in this Agreement.

2.4 INTEREST ON THE LOANS.

2.4.1 BASE RATE LOANS. Subject to SECTION 2.4.4, all Base Rate Loans shall bear interest on the average daily unpaid principal amount thereof from the date made until paid in full at a fluctuating rate per annum equal to the Base Rate. Base Rate Loans shall be made in minimum amounts of Four Million Dollars (\$4,000,000) or an integral multiple of One Million (\$1,000,000) in excess thereof.

2.4.2 LIBOR LOANS. Subject to SECTIONS 2.4.4 and 2.4.8, all LIBOR Loans shall bear interest on the unpaid principal amount thereof during the Interest Period applicable thereto at a rate per annum equal to the sum of LIBOR for such Interest Period PLUS the Applicable LIBOR Rate Margin. LIBOR Loans shall be in tranches of Four Million Dollars (\$4,000,000) or One Million Dollar (\$1,000,000) increments in excess thereof. No more than three (3) LIBOR Loan tranches shall be outstanding at any one time. Notwithstanding anything to the contrary contained herein and subject to the Default Interest provisions contained in SECTION 2.4.4, if an Event of Default occurs and as a result thereof the Loans are declared due and payable, all LIBOR Loans will convert to Base Rate Loans upon the expiration of the applicable Interest Periods therefor or the date all Loans become due, whichever occurs first.

2.4.3 INTEREST PAYMENTS. Subject to SECTION 2.4.4, interest accrued on all Loans shall be payable by Borrower, in the manner provided in SECTION 2.6.2, in arrears on the first Business Day of the first calendar month following the Closing Date, the first Business Day of each succeeding calendar month thereafter, and on the Termination Date.

2.4.4 DEFAULT INTEREST. Notwithstanding the rates of interest specified in SECTIONS 2.4.1 and 2.4.2 and the payment dates specified in SECTION 2.4.3, effective immediately upon the occurrence and during the continuance of any Event of Default, the principal balance of all Loans then outstanding and, to the extent permitted by applicable law, any interest payments on the Loans

not paid when due shall bear interest payable upon demand at a rate which is four percent (4%) per annum in excess of the Base Rate. All other amounts due Agent or Lenders (whether directly or for reimbursement) under this Agreement or any of the other Loan Documents if not paid when due, or if no time period is expressed, if not paid within thirty (30) days after demand, shall bear interest from and after demand at the rate set forth in this SECTION 2.4.4.

2.4.5 LATE FEE. Borrower acknowledges that late payment to Agent will cause Agent and Lenders to incur costs not contemplated by this Agreement. Such costs include, without limitation, processing and accounting charges. Therefore, if Borrower fails timely to pay any sum due and payable hereunder through the Termination Date, unless waived by Agent pursuant to SECTION 11.11.1 or Requisite Lenders, a late charge of four cents (\$.04) for each dollar of any principal payment, interest or other charge due hereon and which is not paid within ten (10) days after such payment is due, shall be charged by Agent (for the benefit of Lenders) and paid by Borrower for the purpose of defraying the expense incident to handling such delinquent payment; PROVIDED, HOWEVER, that no late charges shall be assessed with respect to any period during which Borrower is obligated to pay interest at the rate specified in SECTION 2.4.4, or in respect of any failure to pay all obligations on the Termination Date. Borrower and Agent agree that this late charge represents a reasonable sum considering all of the circumstances existing on the date hereof and represents a fair and reasonable estimate of the costs that Agent and Lenders will incur by reason of late payment. Borrower and Agent further agree that proof of actual damages would be costly and inconvenient. Acceptance of any late charge shall not constitute a waiver of the default with respect to the overdue installment, and shall not prevent Agent from exercising any of the other rights available hereunder or any other Loan Document. Such late charge shall be paid without prejudice to any other rights of Agent.

2.4.6 COMPUTATION OF INTEREST. Interest shall be computed on the basis of the actual number of days elapsed in the period during which interest or fees accrue and a year of three hundred sixty (360) days. In computing interest on any Loan, the date of the making of the Loan shall be included and the date of payment shall be excluded; PROVIDED, HOWEVER, that if a Loan is repaid on the same day on which it is made, one (1) day's interest shall be paid on that Loan. Notwithstanding any provision in this SECTION 2.4, interest in respect of any Loan shall not exceed the maximum rate permitted by applicable law.

2.4.7 CHANGES; LEGAL RESTRICTIONS. In the event that after the Closing Date (i) the adoption of or any change in any law, treaty, rule, regulation, guideline or determination of a court or Governmental Authority or any change in the interpretation or application thereof by a court or Governmental Authority, or (ii) compliance by Agent or any Lender with any request or directive made or issued after the Closing Date from any central bank or other Governmental Authority or quasi-governmental authority:

(a) subjects Agent or any Lender to any tax, duty or other charge of any kind with respect to the Facility, this Agreement or any of the other Loan Documents or the Loans, or changes the basis of taxation of payments to Agent or such Lender of principal, fees, interest or any other amount payable hereunder, except for net income, gross receipts, gross profits or franchise taxes imposed by any jurisdiction and not specifically based upon loan transactions (all such non-excepted taxes, duties and other charges being hereinafter referred to as "LENDER TAXES");

(b) imposes, modifies or holds applicable, in the determination of Agent or any Lender, any reserve, special deposit, compulsory loan, FDIC insurance, capital allocation or similar requirement (other than a requirement of the type described in SECTION 2.7) against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, Agent or such Lender or any applicable lending office; or

(c) imposes on Agent or any Lender any other condition (OTHER THAN ONE DESCRIBED IN SECTION 2.7) materially more burdensome in nature, extent or consequence than those in existence as of the Closing Date,

and the result of any of the foregoing is to increase the cost to Agent or any Lender of making, renewing, maintaining or participating in the Loans or to reduce any amount receivable thereunder; THEN, in any such case, Borrower shall promptly pay to Agent or such Lender, as applicable, upon demand, such amount or amounts (based upon a reasonable allocation thereof by Agent or such Lender to the financing transactions contemplated by this Agreement and affected by this SECTION 2.4.7) as may be necessary to compensate Agent or such Lender for any such additional cost incurred or reduced amounts received; PROVIDED, HOWEVER, that if the payment of such compensation may not be legally made whether by modification of the applicable interest rate or otherwise, then all affected Loans shall become immediately due and payable by Borrower. Agent or such Lender shall deliver to Borrower and in the case of a delivery by Lender, such Lender shall also deliver to Agent, a written statement of the claimed additional costs incurred or reduced amounts received and the basis therefor as soon as reasonably practicable after such Lender obtains knowledge thereof. If Agent or any Lender subsequently recovers any amount of Lender Taxes previously paid by Borrower pursuant to this SECTION 2.4.7, whether before or after termination of this Agreement, then, upon receipt of good funds with respect to such recovery, Agent or such Lender will refund such amount to Borrower if no Event of Default or Unmatured Event of Default then exists or, if an Event of Default or Unmatured Event of Default then exists, such amount will be credited to the obligations in the manner determined by Agent or such Lender.

2.4.8 CERTAIN PROVISIONS REGARDING LIBOR LOANS.

(a) LIBOR LENDING UNLAWFUL. If any Lender shall

determine (which determination shall, upon notice thereof to Borrower and Agent, be conclusive and binding on the parties hereto) that the introduction of or any change in or in the interpretation of any law makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Lender to make or maintain any Loan as a LIBOR Loan, (i) the obligations of such Lenders to make or maintain any Loans as LIBOR Loans shall, upon such determination, forthwith be suspended until such Lender shall notify Agent that the circumstances causing such suspension no longer exist, and (ii) if required by such law or assertion, the LIBOR Loans of such Lender shall automatically convert into Base Rate Loans in which case no Fixed Rate Prepayment Fee shall be due upon such conversion.

(b) DEPOSITS UNAVAILABLE. If Agent shall have determined in good faith that adequate means do not exist for ascertaining the interest rate applicable hereunder to LIBOR Loans, then, upon notice from Agent to Borrower the obligations of all Lenders to make or maintain Loans as LIBOR Loans shall forthwith be suspended until Agent shall notify Borrower that the circumstances causing such suspension no longer exist. Agent will give such notice when it determines, in good faith, that such circumstances no longer exist; PROVIDED, HOWEVER, that Agent shall not have any liability to any Person with respect to any delay in giving such notice.

(c) FIXED RATE PREPAYMENT FEE. Borrower acknowledges that prepayment or acceleration of a LIBOR Loan during an Interest Period shall result in Lenders incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. Therefore, on the date a LIBOR Loan is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise ("PREPAYMENT DATE"), Borrower will pay to Agent, for the account of each Lender, (in addition to all other sums then owing), an amount ("FIXED RATE PREPAYMENT FEE") determined by the Agent to be the amount, if any, by which (i) the amount of interest which would have accrued on the prepaid LIBOR Loan for the remainder of the Interest Period at the rate applicable to such LIBOR Loan exceeds (ii) the amount of interest that would accrue for the same period on any readily marketable bond or other obligation of the United States of America designated by the Agent in its sole discretion at or about the time of such payment, such bond or other obligation of the United States of America to be in an amount equal (as nearly as may be) to the amount of principal so paid or not borrowed and to have a maturity comparable to the remainder of such Interest Period, and the interest to accrue thereon to take account of amortization of any discount from par or accretion of premium above par at which the same is selling at the time designation.

(d) Upon the written notice to Borrower from Agent, Borrower shall immediately pay to Agent, for the account of Lenders, the Fixed Rate Prepayment Fee. Such written notice (which shall include calculations in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the parties hereto.

(e) Borrower understands, agrees and acknowledges the following: (i) no Lender has any obligation to purchase, sell and/or match funds in connection with the use of LIBOR as a basis for calculating the rate of interest on a LIBOR Loan; (ii) LIBOR is used merely as a reference in determining such rate; and (iii) Borrower has accepted LIBOR as a reasonable and fair basis for calculating such rate and a Fixed Rate Prepayment Fee. Borrower further agrees to pay the Fixed Rate Prepayment Fee and Lender Taxes, if any, whether or not a Lender elects to purchase, sell and/or match funds.

2.4.9 WITHHOLDING TAX EXEMPTION. At least five (5) Business Days prior to the first day on which interest or fees are payable hereunder for the account of any Lender, each Lender that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to Agent and Borrower two (2) duly completed copies of United States Internal Revenue Service Form 1001 or Form 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes. Each Lender which so delivers a Form 1001 or Form 4224 further undertakes to deliver to Agent and Borrower two (2) additional copies of such form (or any applicable successor form) on or before the date that such form expires (currently, three (3) successive calendar years for Form 1001 and one (1) calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Agent or Borrower, in each case certifying that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income taxes. If any Lender cannot deliver such form, then Borrower may withhold from such payments such amounts as are required by the Internal Revenue Code.

2.5 FEES.

2.5.1 FACILITY FEE. On the Closing Date Borrower shall pay to

Agent, for the account of each Lender, a fee calculated at the rate of 75 basis points of the amount of the Facility and the Agent shall pay to each Lender its Pro Rata Share of such facility fee.

2.5.2 AGENCY AND ARRANGEMENT FEES. Borrower shall pay Agent such fees as are provided for in the Fee Letter between Agent and Borrower, as in existence from time to time.

2.5.3 PAYMENT OF FEES. The fees described in this SECTION 2.5 represent compensation for services rendered and to be rendered separate and apart from the lending of money or the provision of credit and do not constitute compensation for the use, detention or forbearance of money, and the obligation of Borrower to pay the fees described herein shall be in addition to, and not in lieu of, the obligation of Borrower to pay interest, other fees and expenses otherwise described in this Agreement. All fees shall be payable when due in immediately available funds and shall be non-refundable when paid. If Borrower fails to make any payment of fees or expenses specified or referred to in this Agreement due to Agent or Lenders, including without limitation those referred to in this SECTION 2.5, in SECTION 12.1, or otherwise under this Agreement or any separate fee agreement between Borrower and Agent or any Lender relating to this Agreement, when due, the amount due shall bear interest until paid at the Base Rate and, after ten (10) days at the rate specified in SECTION 2.4.4 (but not to exceed the maximum rate permitted by applicable law), and shall constitute part of the Obligations.

2.6 PAYMENTS.

2.6.1 VOLUNTARY PREPAYMENTS. Borrower may, upon not less than three (3) Business Days prior written notice to Agent not later than 11:00 A.M. (Eastern time) on the date given, at any time and from time to time, prepay the Loans in whole or in part. As provided in SECTION 11.13, any partial prepayment will be shared among the Lenders ratably in accordance with their Pro Rata Shares. Any notice of prepayment given to Agent under this SECTION 2.6.1 shall specify the date of prepayment and the principal amount of the prepayment. In the event of a prepayment of LIBOR Loans, Borrower shall concurrently pay any Fixed Rate Prepayment Fee payable in respect thereof. Agent shall provide to each Lender a confirming copy of such notice on the same Business Day such notice is received.

2.6.2 MANNER AND TIME OF PAYMENT. All payments of principal, interest and fees hereunder payable to Agent or the Lenders shall be made without condition or reservation of right and free of set-off or counterclaim, in Dollars and by wire transfer (pursuant to Agent's written wire transfer instructions) of immediately available funds, to Agent, for the account of each Lender, not later than 11:00 A.M. (Eastern time) on the date due; and funds received by Agent after that time and date shall be deemed to have been paid on the next succeeding Business Day.

2.6.3 PAYMENTS ON NON-BUSINESS DAYS. Whenever any payment to be made by Borrower hereunder shall be stated to be due on a day which is not a Business Day, payments shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder and of any of the fees specified in SECTION 2.5, as the case may be.

2.7 INCREASED CAPITAL. If either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) compliance by Agent or any Lender with any guideline or request from any central bank or other Governmental Authority made or issued after the Closing Date affects or would affect the amount of capital required or expected to be maintained by Agent or such Lender or any corporation controlling Agent or such Lender, and Agent or such Lender determines that the amount of such capital is increased by or based upon the existence of Agent's obligations hereunder or such Lender's Commitment, then, upon demand by Agent or such Lender, Borrower shall immediately pay to Agent or such Lender, from time to time as specified by Agent or such Lender, additional amounts sufficient to compensate Agent or such Lender in the light of such circumstances, to the extent that Agent or such Lender determines such increase in capital to be allocable to the existence of Agent's obligations hereunder or such Lender's Commitment. A certificate as to such amounts submitted to Borrower by Agent or such Lender shall, in the absence of manifest error, be conclusive and binding for all purposes.

2.8 NOTICE OF INCREASED COSTS. Each Lender agrees that, as promptly as reasonably practicable after it becomes aware of the occurrence of an event or the existence of a condition which would cause it to be affected by any of the events or conditions described in SECTION 2.4.7 or 2.4.8 or SECTION 2.7, it will notify Borrower, and provide a copy of such notice to Agent, of such event and the possible effects thereof, PROVIDED that the failure to provide such notice shall not affect Lender's rights to reimbursement provided for herein.

ARTICLE III

UNENCUMBERED PROPERTIES AND PORTFOLIO PROPERTIES

3.1. LISTING OF UNENCUMBERED PROPERTIES. The Borrower represents and warrants that each of the Properties listed on SCHEDULE 1 will on the Closing Date satisfy all of the conditions set forth in the definition of Unencumbered Property. From time to time during the term of this Agreement additional Properties may become Unencumbered Properties and certain Properties which previously satisfied the conditions set forth in the definition of Unencumbered Property may cease to be Unencumbered Properties by virtue of property dispositions, creation of Liens or other reasons. There shall be attached to each Compliance Certificate delivered pursuant hereto an updated listing of the Unencumbered Properties relied upon by the Borrower in computing the Value of All Unencumbered Properties and the Unencumbered Net Operating Income stated in such Compliance Certificate.

3.2. WAIVERS BY REQUISITE LENDERS. If any Property fails to satisfy

any of the requirements contained in the definition of Unencumbered Property then the applicable Property may nevertheless be deemed to be Unencumbered Property hereunder if the Requisite Lenders grant the necessary waivers and vote to accept such Property as an Unencumbered Property.

3.3. REJECTION OF UNENCUMBERED PROPERTIES. If at any time the Agent determines that any Property listed as an Unencumbered Property by the Borrower does not satisfy all of the requirements of the definition of Unencumbered Property (to the extent not waived by the Requisite Lenders pursuant to SECTION 3.2) it may reject an Unencumbered Property by notice to the Borrower and if the Agent so requests the Borrower shall revise the applicable Compliance Certificate to reflect the resulting change in the Value of All Unencumbered Properties and the Unencumbered Net Operating Income.

3.4 UPDATED LISTS OF UNENCUMBERED PROPERTIES AND PORTFOLIO PROPERTIES. SCHEDULE 1 contains a list of the Unencumbered Properties and SCHEDULE 1.1 sets forth a list of the Portfolio Properties (other than the Unencumbered Properties) each as of the date hereof. Promptly upon the acquisition or disposition of any of the Portfolio Properties and promptly upon the creation of any Lien or other event which causes any of the Portfolio Properties which previously qualified as an Unencumbered Property to no longer satisfy the definition of Unencumbered Property, Borrower shall deliver to Agent an updated SCHEDULE 1 and/or SCHEDULE 1.1 and any other information as may be reasonably requested by Agent relating to such change in the list of Unencumbered Properties and/or Portfolio Properties, including a Compliance Certificate.

ARTICLE IV

CONDITIONS TO LOANS

4.1 CONDITIONS TO DISBURSEMENT OF LOANS. The obligation of Lenders to make the disbursement of the Loans on the Closing Date shall be subject to satisfaction of each of the following conditions precedent, provided, however that if evidence of qualification and good standing is not available from all required states by the Closing Date, the Agent may permit such evidence to be delivered a reasonable time after the Closing Date:

4.1.1 BORROWER DOCUMENTS. Borrower shall have executed and/or delivered to Agent each of the following, in form and substance acceptable to Agent:

- (a) this Agreement;
- (b) the Loan Notes;
- (c) Certified copy of Borrower's Limited Partnership Agreement, as amended;
- (d) Certified copy of Borrower's Certificate of Limited Partnership from the Delaware Secretary of State;
- (e) Evidence of qualification and good standing of Borrower in Delaware and in each state where any Unencumbered Property is located.

4.1.2 REIT DOCUMENTS. The REIT shall have executed and/or delivered to Agent each of the following, in form and substance acceptable to Agent:

- (a) The Guaranty
- (b) Articles of Incorporation, as amended, of the REIT, as certified by the Secretary of State of Maryland;
- (c) By-laws of the REIT as certified by the Secretary of the REIT;
- (d) Good Standing Certificate for the REIT from the Secretary of State of Maryland;
- (e) Evidence of qualification and good standing of the REIT in each state where any Unencumbered Property is located;
- (f) Certificate of Secretary regarding corporate resolutions of the REIT, and the incumbency of its officers as certified by the Secretary of the REIT.

4.1.3 COMPLIANCE CERTIFICATE. Borrower shall have delivered to Agent a Compliance Certificate demonstrating compliance with the financial covenants in ARTICLE IX on the Closing Date.

4.1.4 MATERIAL ADVERSE CHANGES. No change (other than as reflected in the Prior Financials), as determined by Agent shall have occurred, during the period commencing December 31, 1997, and ending on the Closing Date, which has a Material Adverse Effect on Borrower or the REIT.

4.1.5 LITIGATION PROCEEDINGS. There shall not have been instituted or threatened, during the period commencing December 31, 1997, and ending on the Closing Date, any litigation or proceeding in any court or Governmental Authority affecting or threatening to affect Borrower or the REIT which has a Material Adverse Effect, as reasonably determined by Agent.

4.1.6 NO EVENT OF DEFAULT; SATISFACTION OF FINANCIAL COVENANTS. On the Closing Date, no Event of Default or Unmatured Event of Default shall exist and all of the financial covenants contained in ARTICLE IX shall be

satisfied.

4.1.7 FEES. Agent shall have received the facility fee required by SECTION 2.5.1, certain fees in the amount separately agreed to in the Fee Letter between Agent and Borrower, and all expenses of Agent incurred prior to such Closing Date in connection with this Agreement (including without limitation all attorneys' fees and costs), shall have been paid by Borrower. The Agent shall pay to each Lender its Pro Rata Share of the facility fee.

4.1.8 OPINION OF COUNSEL. Agent shall have received, on behalf of Agent and Lenders, favorable opinions of counsel for Borrower and the REIT dated as of the Closing Date, in form and substance satisfactory to Agent. 4.1.9 REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to make the Loans, Borrower hereby represents and warrants to Lenders as follows:

5.1 BORROWER ORGANIZATION; PARTNERSHIP POWERS. Borrower (i) is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) is duly qualified to do business as a foreign limited partnership and in good standing under the laws of each jurisdiction in which any Portfolio Property is located or in which Borrower owns or leases real property or in which the nature of its business requires it to be so qualified, except for those jurisdictions where failure to so qualify and be in good standing would not have a Material Adverse Effect on Borrower, and (iii) has all requisite partnership power and authority to own and operate its property and assets and to conduct its business as presently conducted.

5.2 BORROWER AUTHORITY. Borrower has the requisite partnership power and authority to execute, deliver and perform each of the Loan Documents to which it is or will be a party. The execution, delivery and performance thereof, and the consummation of the transactions contemplated thereby, have been duly approved by the general partner of Borrower, and no other partnership proceedings or authorizations on the part of Borrower or its general or limited partners are necessary to consummate such transactions. Each of the Loan Documents to which Borrower is a party has been duly executed and delivered by Borrower and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally.

5.3 REIT ORGANIZATION; CORPORATE POWERS. The REIT (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland, (ii) is duly qualified to do business as a foreign corporation and in good standing under the laws of each jurisdiction in which any Portfolio Property is located or in which Borrower or the REIT owns or leases real property or in which the nature of its business requires it to be so qualified, except for those jurisdictions where failure to so qualify and be in good standing would not have a Material Adverse Effect on the REIT, and (iii) has all requisite corporate power and authority to own and operate its property and assets, to perform its duties as general partner of Borrower and to conduct its business as presently conducted.

5.4 REIT AUTHORITY. The REIT has the requisite corporate power and authority to execute, deliver and perform the Guaranty and, in its capacity as general partner of the Borrower, each of the other Loan Documents. The execution, delivery and performance thereof, and the consummation of the transactions contemplated thereby, have been duly approved by the Board of Directors of the REIT, and no other corporate proceedings on the part of the REIT are necessary to consummate such transactions. Each of the Loan Documents to which the REIT is a party has been duly executed and delivered by Borrower and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally.

5.5 OWNERSHIP OF BORROWER, EACH SUBSIDIARY AND PARTNERSHIP. SCHEDULE 5.5 sets forth the general partners and limited partners (or other holders of ownership interests) of each Subsidiary or Partnership and their respective ownership percentages and there are no other partnership (or other ownership) interests outstanding. Except as set forth or referred to in the Partnership Agreement of any Partnership, no partnership (or other ownership) interest (or any securities, instruments, warrants, option or purchase rights, conversion or exchange rights, calls, commitments or claims of any character convertible into or exercisable for such interests) of any such Person is subject to issuance under any security, instrument, warrant, option or purchase rights, conversion or exchange rights, call, commitment or claim of any right, title or interest therein or thereto. All of the partnership (or other ownership) interests in Borrower and each Partnership and all of the stock of each subsidiary have been issued in compliance with all applicable Requirements of Law.

5.6 NO CONFLICT. The execution, delivery and performance by Borrower of the Loan Documents to which it is or will be a party, and each of the transactions contemplated thereby, do not and will not (i) conflict with or violate Borrower's limited partnership agreement or certificate of limited partnership or other organizational documents or the REIT's articles of incorporation, by-laws or other organizational documents, as the case may be, or (ii) conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any Requirement of Law, Contractual Obligation or Court Order of or binding upon Borrower or the REIT, or (iii) require termination of any Contractual Obligation, or (iv) result in or require the creation or imposition of any Lien whatsoever upon any of the Portfolio Properties or assets of Borrower, other than Permitted Liens or Liens created by the Loan Documents.

5.7 CONSENTS AND AUTHORIZATIONS. Each of Borrower and the REIT has obtained all consents and authorizations required pursuant to its Contractual Obligations with any other Person, and shall have obtained all consents and authorizations of, and effected all notices to and filings with, any Governmental Authority, as may be necessary to allow Borrower and the REIT to lawfully execute, deliver and perform the Loan Documents.

5.8 GOVERNMENTAL REGULATION. Neither Borrower, the REIT nor any Partnership is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, the Investment Company Act of 1940 or any other federal or state statute or regulation such that its ability to incur indebtedness is limited or its ability to consummate the transactions contemplated by the Loan Documents is materially impaired.

5.9 PRIOR FINANCIALS. The Consolidated Balance Sheet, Statement of operations and Statement of Cash Flows of (i) the REIT contained in the REIT's Form 10K for the period ending December 31, 1997 and in the REIT's Form 10Q for the period ending June 30, 1998 and (ii) the Borrower contained in the Borrower's Form 10K for the period ending December 31, 1997 and in the Borrower's Form 10Q for the period ending June 30, 1998 (the APRIOR FINANCIALS") delivered to Agent prior to the date hereof were prepared in accordance with GAAP and fairly present the assets, liabilities and financial condition of the REIT on a consolidated basis, at such date and the results of its operations and its cash flows, on a consolidated basis, for the period then ended.

5.10 PROJECTIONS AND FORECASTS. Each of the projections and forecasts delivered to Agent prior to the date hereof (1) has been prepared by Borrower in light of the past business and performance of Borrower on a consolidated basis and (2) represent as of the date thereof, the reasonable good faith estimates of Borrower's financial personnel.

5.11 PRIOR OPERATING STATEMENTS. Each of the consolidating operating statements pertaining to the Portfolio Properties delivered to Agent prior to the date hereof was prepared in accordance with GAAP in effect on the date such operating statement of each Portfolio Property was prepared and fairly presents the results of operations of such Portfolio Property for the period then ended.

5.12 RENT ROLLS. The Rent Rolls for the Portfolio Properties as of June 30, 1998 previously delivered to the Agent pursuant to the Revolving Facility (i) have been prepared in accordance with the books and records of the Portfolio Properties, and (ii) fairly present the leasing status of the Portfolio Properties as of the date thereof. Since the date of said Rent Rolls there has been no substantial adverse change to the leasing status of the Portfolio Properties.

5.13 LITIGATION; ADVERSE EFFECTS.

(a) There is no action, suit, Proceeding, governmental investigation or arbitration, at law or in equity, or before or by any Governmental Authority, pending or, to the best of Borrower's knowledge, threatened against Borrower, the REIT or any Portfolio Property, which, if adversely determined, would (i) result in a Material Adverse Effect on Borrower or the REIT, (ii) materially and adversely affect the ability of any party to any of the Loan Documents to perform its obligations thereunder, or (iii) materially and adversely affect the ability of Borrower to perform its obligations contemplated in the Loan Documents.

(b) Neither Borrower nor the REIT is (1) in violation of any applicable law, which violation has a Material Adverse Effect on Borrower or the REIT, or (ii) in default with respect to any Court Order.

5.14 NO MATERIAL ADVERSE CHANGE. Since December 31, 1997, there has occurred no event (other than as reflected in the Prior Financials) which has a Material Adverse Effect on Borrower or the REIT, and no material adverse change in Borrower's ability to perform its obligations under the Loan Documents to which it is a party or the transactions contemplated thereby.

5.15 PAYMENT OF TAXES. All tax returns and reports to be filed by Borrower and the REIT have been timely filed, and all taxes, assessments, fees and other governmental charges shown on such returns or otherwise payable by Borrower have been paid when due and payable (other than real property taxes, which may be paid prior to delinquency so long as no penalty or interest shall attach thereto), except such taxes, if any, as are reserved against in accordance with GAAP and are being contested in good faith by appropriate proceedings or such taxes, the failure to make payment of which when due and payable will not have, in the aggregate, a Material Adverse Effect on Borrower or the REIT. Borrower has no knowledge of any proposed tax assessment against Borrower or the REIT that will have a Material Adverse Effect on Borrower or the REIT.

5.16 MATERIAL ADVERSE AGREEMENTS. Neither the Borrower nor the REIT is a party to or subject to any Contractual Obligation or other restriction contained in the Borrower's limited partnership agreement or certificate of limited partnership, the REIT's Articles of Incorporation or bylaws or similar governing documents which has a Material Adverse Effect on Borrower or the ability of Borrower to perform its obligations under the Loan Documents.

5.17 PERFORMANCE. Neither Borrower nor the REIT is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation applicable to it, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute a default under such Contractual Obligation in each case, except where the consequences, direct or indirect, of such default or defaults, if any, will not have a Material Adverse Effect on Borrower or the REIT.

5.18 FEDERAL RESERVE REGULATIONS. Neither Borrower nor the REIT is engaged primarily in the business of extending credit for the purpose of

purchasing or carrying any "margin stock" as defined in Regulation U. No part of the proceeds of the Loan hereunder will be used for any purpose that violates, or which is inconsistent with, the provisions of Regulation X or any other regulation of the Federal Reserve Board.

5.19 UNSECURED TERM NOTES. The Unsecured Term Notes were issued in compliance with all applicable Requirements of Law and there is no existing "Event of Default" as defined in the Unsecured Term Note Indenture. There have been no further supplements or amendments to the Unsecured Term Note Indenture except as set forth in the definition of Unsecured Term Note Indenture.

5.20 REQUIREMENTS OF LAW. Borrower and the REIT are in compliance with all Requirements of Law (including without limitation the Securities Act and the Securities Exchange Act, and the applicable rules and regulations thereunder, state securities law and "Blue Sky" laws) applicable to it and its respective businesses, in each case, where the failure to so comply will have a Material Adverse Effect on any such Person. The REIT has made all filings with and obtained all consents of the Commission required under the Securities Act and the Securities Exchange Act in connection with the execution, delivery and performance by the REIT of the Loan Documents.

5.21 PATENTS, TRADEMARKS, PERMITS, ETC. Borrower and the REIT own, are licensed or otherwise have the lawful right to use, or have all permits and other governmental approvals, patents, trademarks, trade names, copyrights, technology, know-how and processes used in or necessary for the conduct of each such Person's business as currently conducted, the absence of which would have a Material Adverse Effect upon such Person. The use of such permits and other governmental approvals, patents, trademarks, trade names, copyrights, technology, know-how and processes by each such Person does not infringe on the rights of any Person, subject to such claims and infringements as do not, in the aggregate, give rise to any liability on the part of any such Person which would have a Material Adverse Effect on any such Person.

5.22 ENVIRONMENTAL MATTERS. Except as set forth on SCHEDULE 5.22, to the best of Borrower's knowledge, (i) the operations of Borrower and its Subsidiaries and Partnerships and the Simon Partnerships comply in all material respects with all applicable local, state and federal environmental, health and safety Requirements of Law ("ENVIRONMENTAL LAWS"); (ii) none of the Portfolio Properties or the Simon Properties are subject to any Remedial Action or other Liabilities and Costs arising from the Release or threatened Release of a Contaminant into the environment in violation of any Environmental Laws; (iii) neither Borrower, the REIT nor any Partnership or Subsidiary has filed any notice under applicable Environmental Laws reporting a Release of a Contaminant into the environment in violation of any Environmental Laws, except as the same may have been heretofore remedied; (iv) there is not now on or in any of the Portfolio Properties or the Simon Properties (except in compliance in all material respects with all applicable Environmental Laws): (A) any underground storage tanks, (B) any asbestos-containing material, or (C) any polychlorinated biphenyls (PCB's) used in hydraulic oils, electrical transformers or other equipment owned by such Person; and (v) neither Borrower, the REIT nor any Partnership or Subsidiary has received any notice or claim to the effect that it is or may be liable to any Person as a result of the Release or threatened Release of a Contaminant into the environment.

5.23 UNENCUMBERED PROPERTIES. Each of the Properties listed on SCHEDULE 1 (i) qualifies as an Unencumbered Property (ii) has a Property Occupancy Rate of at least eighty-five percent (85%) and (iii) is free of any material defects in the roof, foundation, structural elements and masonry walls of the buildings thereon or their hvac, electrical, sprinkler or plumbing systems.

5.24 SOLVENCY. Borrower is and will be Solvent after giving effect to the disbursements of the Loans and the payment and accrual of all fees then payable.

5.25 TITLE TO ASSETS; NO LIENS. Borrower has good, indefeasible and merchantable title to all Properties owned or leased by it, and each of the Unencumbered Properties is free and clear of all Liens, except Permitted Liens, and there are no negative pledge agreements affecting any of the Unencumbered Properties, except for SECTION 8.1 hereof and similar provisions in the Revolving Credit Agreement and in the term loan agreement for the BankBoston Term Loan.

5.26 USE OF PROCEEDS. Borrower's use of the proceeds of the Loans are, and will continue to be, legal and proper uses (and to the extent necessary, duly authorized by Borrower's partners) and such uses are consistent with all applicable laws and statutes and SECTION 7.9.

5.27 REIT CAPITALIZATION. All of the capital stock of the REIT has been issued in compliance with all applicable Requirements of Law.

5.28 ERISA. Neither the REIT nor any ERISA Affiliate thereof (including, for all purposes under this SECTION 5.28, Borrower) has in the past five (5) years maintained or contributed to or currently maintains or contributes to any Benefit Plan. No Investment Partnership has or is likely to incur any liability with respect to any Benefit Plan maintained or contributed to by such Investment Partnership or its ERISA Affiliates, which would have a Material Adverse Effect on Borrower. Neither the REIT nor any ERISA Affiliate thereof has during the past five (5) years maintained or contributed to or currently maintains or contributes to any employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides benefits to retirees. Neither the REIT nor any ERISA Affiliate thereof is now contributing nor has it ever contributed to or been obligated to contribute to any Multiemployer Plan, no employees or former employees of the REIT, or such ERISA Affiliate have been covered by any Multiemployer Plan in respect of their employment by the REIT, and no ERISA Affiliate of the REIT has or is likely to incur any withdrawal liability with respect to any Multiemployer Plan which would have a Material Adverse Effect on the REIT.

5.29 STATUS AS A REIT. The REIT (i) is a real estate investment trust as defined in Section 856 of the Internal Revenue Code (or any successor provision thereto), (ii) has not revoked its election to be a real estate investment trust, (iii) has not engaged in any "prohibited transactions" as defined in Section 856(b)(6)(iii) of the Internal Revenue Code (or any successor provision thereto), and (iv) for its current "tax year" (as defined in the Internal Revenue Code) is and for all prior tax years subsequent to its election to be a real estate investment trust has been entitled to a dividends paid deduction which meets the requirements of Section 857 of the Internal Revenue Code.

5.30 OWNERSHIP. The REIT does not own or have any interest in any other Person, other than its general partnership interests in Borrower and in the ATC Partnership.

5.31 NYSE LISTING. The common stock of the REIT is and will continue to be listed for trading on either the New York Stock Exchange or the American Stock Exchange.

5.32 CURRENT CONSTRUCTION PROJECTS. SCHEDULE 5.32 sets forth a description of all of the Current Construction Projects and all of the Construction Projects presently planned for 1998 including with respect to each project: its location, gross leasable area, total budgeted cost, construction commencement date and expected Rent Stabilization Date which information shall be deemed to be updated to reflect information set forth in Compliance Certificates delivered to Agent.

5.33 YEAR 2000 COMPLIANCE. Borrower has (i) initiated a review and assessment of all areas within its and each of its Affiliates' business and operations (including those affected by suppliers and vendors) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by the Borrower or any of its Affiliates (or its suppliers and vendors) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable. The Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its or any of its Affiliates' business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, be "Year 2000 Compliant"), except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

ARTICLE VI

REPORTING COVENANTS

Borrower covenants and agrees that, on and after the date hereof, until payment in full of all of the Obligations and termination of this Agreement:

6.1 FINANCIAL STATEMENTS AND OTHER FINANCIAL AND OPERATING INFORMATION. Borrower shall maintain or cause to be maintained a system of accounting established and administered in accordance with sound business practices and consistent with past practice to permit preparation of quarterly and annual financial statements in conformity with GAAP, and each of the financial statements described below shall be prepared on a consolidated basis for the REIT and for the Borrower from such system and records. Borrower shall deliver or cause to be delivered to Agent (with copies sufficient for each Lender):

6.1.1 SEMI-ANNUAL RENT ROLLS. As soon as practicable, and in any event within fifty (50) days after the end of each Fiscal Quarter ending on June 30 or December 31 rent rolls (on Borrower's detailed form of rent roll) for each Portfolio Property dated as of the last day of such Fiscal Quarter, in form and substance satisfactory to Agent, certified by the REIT's chief financial officer, senior vice president or treasurer. Copies of the rent rolls will be provided only to those Lenders which expressly request copies thereof.

6.1.2 QUARTERLY FINANCIAL STATEMENTS CERTIFIED BY CFO. As soon as practicable, and in any event within fifty (50) days after the end of each of the first three Fiscal Quarters, consolidated balance sheets, statements of operations and statements of cash flow for the REIT and the Borrower ("FINANCIAL STATEMENTS"), which may be in the form provided to the Commission on the REIT's Form 10Q and the Borrower's Form 10Q (unless the Borrower is not required to file a Form 10Q), and certified by the REIT's chief financial officer, senior vice president or treasurer.

6.1.3 ANNUAL FINANCIAL STATEMENTS. Within ninety (90) days after the close of each Fiscal Year, annual Financial Statements of the REIT and of the Borrower, on a consolidated basis (in the form provided to the Commission on the REIT's Form 10K and the Borrower's Form 10K), audited and certified without qualification by the Accountants provided, however, that at such time as the Borrower is no longer required to file a Form 10K with the Commission, Borrower may deliver only the REIT's audited Financial Statement accompanied by a letter from the Accountants stating that with the exception of the minority interest line there is no material difference between the Financial Statements of Borrower and such audited Financial Statements of the REIT. To the extent Agent desires additional details or supporting information with respect to Partnerships or individual Portfolio Properties or the Simon Properties not contained in the REIT's or Borrower's Form 10K, Borrower shall provide Agent with such details or supporting information as Agent requests which is reasonably available to Borrower.

6.1.4 OFFICER'S CERTIFICATE. (i) Together with each delivery of any Financial Statement pursuant to SECTIONS 6.1.2 and 6.1.3, (A) an Officer's Certificate of the REIT stating that each of the Financial Statements delivered to Agent therewith (i) has been prepared in accordance with the books and records of the REIT and Borrower on a consolidated basis, and (ii) fairly

presents the financial condition of the REIT and Borrower on a consolidated basis, at the dates thereof (and, if applicable, subject to normal year-end adjustments) and the results of its operations and cash flows, on a consolidated basis, for the period then ended; (B) an Officer's Certificate of the REIT, stating that the executive officer who is the signatory thereto (which officer shall be the chief executive officer, the chief operating officer, the chief financial officer, any senior vice president or the treasurer of the REIT) has reviewed, or caused under his supervision to be reviewed, the terms of this Agreement and the other principal Loan Documents, and has made, or caused to be made under his supervision, a review in reasonable detail of the transactions and condition of Borrower and the REIT, during the accounting period covered by such Financial Statements, and that such review has not disclosed the existence during or at the end of such accounting period, and that the signers do not have knowledge of the existence as of the date of the Officer's Certificate, of any condition or event which constitutes an Event of Default or Unmatured Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action has been taken, is being taken and is proposed to be taken with respect thereto; and (C) a Compliance Certificate demonstrating in reasonable detail (which detail shall include actual calculation and supporting information) compliance during and at the end of such accounting periods with the financial covenants contained in ARTICLE IX.

6.1.5 BORROWING PROJECTIONS. At least ten (10) days prior to the end of each Fiscal Year, projections of Borrower, on a consolidated basis, detailing expected borrowing and repayment of the loans under the Revolving Facility for the following Fiscal Year together with an Officer's Certificate of the REIT stating that such projections (1) have been prepared by Borrower in light of the past business and performance of Borrower on a consolidated basis and (2) represent, as of the date thereof, the reasonable good faith estimates of Borrower's financial personnel. Borrower shall also provide such additional supporting details as Agent may reasonably request.

6.1.6 COMPLIANCE WITH UNENCUMBERED PROPERTY REQUIREMENTS. Promptly upon becoming aware of any condition or event which causes any of the Properties listed as Unencumbered Properties on the most recent Compliance Certificate to no longer comply with the requirements set forth in the definition of Unencumbered Properties, an Officer's Certificate specifying the relevant information and a revised Compliance Certificate.

6.1.7 KNOWLEDGE OF EVENT OF DEFAULT. Promptly upon Borrower obtaining knowledge (i) of any condition or event which constitutes an Event of Default or Unmatured Event of Default, or becoming aware that any Lender has given notice or taken any other action with respect to a claimed Event of Default or Unmatured Event of Default or (ii) of any condition or event which has a Material Adverse Effect on Borrower or the REIT, an Officer's Certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given or action taken by such Lender and the nature of such claimed Event of Default, Unmatured Event of Default, event or condition, and what action Borrower and/or the REIT has taken, is taking and proposes to take with respect thereto.

6.1.8 LITIGATION, ARBITRATION OR GOVERNMENT INVESTIGATION. Promptly upon Borrower or the REIT obtaining knowledge of (i) the institution of, or threat of, any material action, suit, proceeding, governmental investigation or arbitration against or affecting Borrower or the REIT not previously disclosed in writing by Borrower to Agent pursuant to this SECTION 6.1.8, or (ii) any material development in any action, suit, proceeding, governmental investigation or arbitration already disclosed, which, in either case, has a Material Adverse Effect on Borrower or the REIT, a notice thereof to Agent and such other information as may be reasonably available to it to enable Agent, Lenders and their counsel to evaluate such matters.

6.1.9 ESTABLISHMENT OF BENEFIT PLAN AND INCREASE IN CONTRIBUTIONS TO THE BENEFIT PLAN. Not less than ten (10) days prior to the effective date thereof, a notice to Agent of the establishment of a Benefit Plan (or the incurrence of any obligation to contribute to a Multiemployer Plan) by Borrower, the REIT or any ERISA Affiliate. Within thirty (30) days after the first to occur of an amendment of any then existing Benefit Plan of Borrower, the REIT or any ERISA Affiliate which will result in an increase in the benefits under such Benefit Plan or a notification of any such increase, or the establishment of any new Benefit Plan by Borrower, the REIT or any ERISA Affiliate or the commencement of contributions to any Benefit Plan to which Borrower, the REIT or any ERISA Affiliate was not previously contributing, a copy of said amendment, notification or Benefit Plan. For so long as any such Benefit Plan exists, prompt notice of any Termination Event, prohibited transaction, funding waiver request, unfavorable determination letter or withdrawal liability under a Multiemployer Plan.

6.1.10 FAILURE OF THE REIT TO QUALIFY AS REAL ESTATE INVESTMENT TRUST. Promptly upon, and in any event within forty-eight (48) hours after Borrower first has actual knowledge of (i) the REIT failing to continue to qualify as a real estate investment trust as defined in Section 856 of the Internal Revenue Code (or any successor provision thereof), (ii) any act by the REIT causing its election to be taxed as a real estate investment trust to be terminated, (iii) any act causing the REIT to be subject to the taxes imposed by Section 857(b)(6) of the Internal Revenue Code (or any successor provision thereto), or (iv) the REIT failing to be entitled to a dividends paid deduction which meets the requirements of Section 857 of the Internal Revenue Code, a notice of any such occurrence or circumstance.

6.1.11 ASSET ACQUISITIONS AND DISPOSITIONS, INDEBTEDNESS, ETC. Without limiting ARTICLE VIII or any other restriction in the Loan Documents, and in all events not later than the same Business Day on which there is public disclosure of any material Investments (other than in Cash Equivalents), acquisitions, dispositions, disposals, divestitures or similar transactions involving Property, the creation of Liens on any of the Portfolio Properties, other than Non-Retail Properties, the execution of any long term leases of real estate in which the Borrower or its Subsidiary is the lessee, the raising of additional equity or the incurring or repayment of material Indebtedness, by or

with Borrower, any GP Partnership or Subsidiary or the REIT, telephonic or facsimile notice thereof to Lori Y. Litow or such other person(s) as Agent may designate from time to time, and, if requested by Agent, promptly upon consummation of such transaction, a Compliance Certificate demonstrating in reasonable detail (which detail shall include actual calculations) compliance, after giving effect to such proposed transaction(s), with the covenants contained in ARTICLE IX.

6.1.12 OTHER INFORMATION. Such other information, reports, contracts, schedules, lists, documents, agreements and instruments in the possession of the REIT or Borrower with respect to (i) the Portfolio Properties or the Simon Properties, (ii) any material change in the REIT's investment, finance or operating policies, or (iii) Borrower's or the REIT's business, condition (financial or otherwise), operations, performance, properties or prospects as Agent may from time to time reasonably request, including, without limitation, annual information with respect to cash flow projections, budgets, operating statements (current year and immediately preceding year), rent rolls, lease expiration reports, leasing status reports, tenant sales reports (to the extent available), note payable summaries, equity funding requirements, contingent liability summaries, line of credit summaries, tenant improvement allowance summaries, note receivable summaries, schedules of outstanding letters of credit, summaries of cash and Cash Equivalents, projections of management and leasing fees and overhead budgets. Provided that Agent gives Borrower reasonable prior notice and an opportunity to participate, Borrower hereby authorizes Agent to communicate with the Accountants and authorizes the Accountants to disclose to Agent any and all financial statements and other information of any kind, including copies of any management letter or the substance of any oral information, that such accountants may have with respect to Borrower's or the REIT's condition (financial or otherwise), operations, properties, performance and prospects. At Agent's request, Borrower shall deliver a letter addressed to the Accountants instructing them to disclose such information in compliance with this SECTION 6.1.12.

6.1.13 PRESS RELEASES; SEC FILINGS AND FINANCIAL STATEMENTS. Telephonic or teletype notice to Agent concurrent with or prior to issuance of any material press release concerning the REIT or Borrower and, as soon as practicable after filing with the Commission, all reports and notices, proxy statements, registration statements and prospectuses of the REIT. All materials sent or made available generally by the REIT to the holders of its publicly-held Securities or to a trustee under any indenture or filed with the Commission, including all periodic reports required to be filed with the commission, will be delivered to Agent and Lenders as soon as available.

6.1.14 ACCOUNTANT REPORTS. Copies of all reports prepared by the Accountants and submitted to Borrower or the REIT in connection with each annual, interim or special audit or review of the financial statements or practices of Borrower or the REIT, including the comment letter submitted by the Accountants in connection with their annual audit.

6.1.15 TERMINATION OR MODIFICATION OF EARTHQUAKE COVERAGE. Promptly upon, and in any event within thirty (30) days after Borrower first has knowledge of the termination or modification (with respect to the amount of either the coverage provided or the applicable deductible) of the coverage provided by the blanket property insurance rider regarding earthquake insurance for Portfolio Properties located in "Zone 1" maintained by Borrower as of the date of this Agreement, a notice of such termination or modification.

6.1.16 YEAR 2000 PROBLEM. Promptly upon Borrower obtaining knowledge that any computer application (including those of its suppliers and vendors) that is material to its or any of its Affiliates' business and operations will not be Year 2000 Compliant on a timely basis, (except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect) a notice thereof to Agent and such other information as may be reasonably available to enable Agent and Lenders to evaluate such matters.

6.1.17 DELIVERIES TO THE AGENT AND THE LENDERS. For so long as BankBoston is both the Agent under the Revolving Credit Agreement and the Agent hereunder, it may consider any item delivered to it as Agent pursuant to the Revolving Credit Agreement to also constitute a delivery to it as Agent hereunder, provided that Agent may also require that separate or duplicate documents be delivered hereunder. For so long as any Lender hereunder is also a lender under the Revolving Credit Agreement it may consider any item delivered to it as a lender pursuant to the Revolving Credit Agreement to also constitute a delivery to it as a Lender hereunder, provided that any Lender may also require that separate or duplicate documents be delivered hereunder.

6.2 ENVIRONMENTAL NOTICES. Borrower shall notify Agent, in writing, as soon as practicable, and in any event within ten (10) days after Borrower's or the REIT's learning thereof, of any: (i) written notice or claim to the effect that Borrower or the REIT is or may be liable to any Person as a result of any material Release or threatened Release of any Contaminant into the environment; (ii) written notice that Borrower or the REIT is subject to investigation by any Governmental Authority evaluating whether any Remedial Action is needed to respond to the Release or threatened Release of any Contaminant into the environment; (iii) written notice that any Portfolio Property or any Simon Property is subject to an Environmental Lien; (iv) written notice that Borrower, any Subsidiary or Partnership, any Simon Partnership or the REIT has received a notice of violation of any Environmental Laws by Borrower, any Subsidiary or Partnership or the REIT; (v) commencement or written threat of any judicial or administrative proceeding alleging a violation of any Environmental Laws; (vi) written notice from a Governmental Authority of any changes to any existing Environmental Laws that will have a Material Adverse Effect on the operations of Borrower or the REIT; or (vii) any proposed acquisition of stock, assets, real estate or leasing of property, or any other action by Borrower that, to the best of Borrower's knowledge, could subject Borrower, any Subsidiary or Partnership or the REIT to environmental, health or safety Liabilities and Costs that will have a Material Adverse Effect on Borrower or the REIT.

6.3 CONFIDENTIALITY. Confidential Information obtained by Agent or

Lenders pursuant to this Agreement or in connection with the Facility shall not be disseminated by Agent or Lenders and shall not be disclosed to third parties except to regulators, taxing authorities and other governmental agencies having jurisdiction over Agent or such Lender or otherwise in response to Requirements of Law, to their respective auditors and legal counsel and in connection with regulatory, administrative and judicial proceedings as necessary or relevant including enforcement proceedings relating to the Loan Documents, and to any prospective assignee of or participant in a Lender's interest under this Agreement or any prospective purchaser of the assets or a controlling interest in any Lender, PROVIDED that such prospective assignee, participant or purchaser first agrees to be bound by the provisions of this SECTION 6.3. For purposes hereof, "CONFIDENTIAL INFORMATION" shall mean all nonpublic information obtained by Agent or Lenders, unless and until such information becomes publicly known, other than as a result of unauthorized disclosure by Agent or Lenders of such information.

ARTICLE VII

AFFIRMATIVE COVENANTS

Borrower covenants and agrees that, on and after the date hereof, until payment in full of all of the Obligations and termination of this Agreement:

7.1 EXISTENCE. Each of Borrower and the REIT shall at all times maintain its existence and preserve and keep in full force and effect its rights and franchises. Borrower shall remain a Delaware limited partnership with the REIT as its sole general partner.

7.2 QUALIFICATION, NAME. Each of Borrower and the REIT shall qualify and remain qualified to do business in each jurisdiction in which any Portfolio Property is located or in which the nature of its business requires it to be so qualified except for those jurisdictions where failure to so qualify would not have a material Adverse Effect on Borrower. Borrower will transact business solely in its own name or in the commonly known name of one of the Portfolio Properties.

7.3 COMPLIANCE WITH LAWS, ETC. Each of Borrower and REIT shall (i) comply with all Requirements of Law, and all restrictive covenants affecting it or its properties, performance, prospects, assets or operations, and (ii) obtain as needed all Permits necessary for its operations and maintain such in good standing, except where the failure to do so will not have a Material Adverse Effect on Borrower.

7.4 PAYMENT OF TAXES AND CLAIMS. Each of Borrower and the REIT shall pay (i) all taxes, assessments and other governmental charges imposed upon it or on any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon, and (ii) all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien other than a judgment lien upon any of Borrower's properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto, provided, however that the payment of such taxes, assessments, charges and claims may be deferred so long as the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if Borrower shall have set aside in its books adequate reserves specifically with respect thereto, but Borrower shall pay such matters prior to the foreclosure of a Lien which may have attached as security therefor.

7.5 MAINTENANCE OF PROPERTIES; INSURANCE. Borrower shall maintain in good repair, working order and condition, excepting ordinary wear and tear, all of the Portfolio Properties and will make or cause to be made all appropriate repairs, renewals and replacements thereof. Borrower shall maintain commercially reasonable and appropriate amounts of "all risk" property and liability insurance, which insurance shall include in any event:

(a) with respect to each Property: (i) property and casualty insurance (including coverage for flood and water damage for any Portfolio Property located within a 100-year flood plain) in an amount not less than the replacement costs of the improvements thereon (subject to reasonable deductibles and, in the case of flood insurance, subject to the maximum coverages available under the National Flood Insurance Program), and (ii) loss of rental insurance income in an amount not less than one year's gross revenues of such Portfolio Property; and

(b) comprehensive general liability insurance in an amount not less than \$20,000,000 per occurrence, including all insurance pursuant to umbrella and excess liability policies.

At the request of Agent, Borrower shall provide, evidence of insurance, including certificates of insurance and binders.

7.6 INSPECTION OF PROPERTY; BOOKS AND RECORDS; DISCUSSIONS. Borrower shall permit, and shall cause the REIT and each Subsidiary or Partnership to permit, any authorized representative(s) designated by any Lender to visit and inspect any of its properties, to inspect financial and accounting records and leases, and to make copies and take extracts therefrom, all at such times after reasonable advance notice during normal business hours and as often as any Lender may reasonably request. In connection therewith, Borrower shall pay all expenses of the Agent (but not of the other Lenders) of the types described in SECTION 12.1 subject to the limitation that prior to an Event of Default the Borrower shall not be required to reimburse expenses for inspections of Properties made more frequently than annually. Borrower will keep proper books of record and account in which entries, in conformity with GAAP and as otherwise required by this Agreement and applicable Requirements of Law, shall be made of all dealings and transactions in relation to its businesses and activities and as otherwise required under SECTION 6.1.

7.7 MAINTENANCE OF PERMITS, ETC. Each of Borrower and the REIT will

maintain in full force and effect all Permits, franchises, patents, trademarks, trade names, copyrights, authorizations or other rights necessary for the operation of its business, except where the failure to obtain any of the foregoing would not have a Material Adverse Effect on Borrower; and notify Agent in writing, promptly after learning thereof, of the suspension, cancellation, revocation or discontinuance of or of any pending or threatened action or proceeding seeking to suspend, cancel, revoke or discontinue any material Permit, patent, trademark, trade name, copyright, governmental approval, franchise authorization or right.

7.8 CONDUCT OF BUSINESS. Except for Permitted Investments pursuant to SECTION 9.10 and Investments in cash and Cash Equivalents, Borrower shall engage only in the business of direct ownership, operation and development of retail properties and any other business activities of Borrower will remain incidental thereto.

7.9 USE OF PROCEEDS. Borrower shall use the proceeds of the Loans only for repayment of loans outstanding under the Revolving Facility.

7.10 SECURITIES LAW COMPLIANCE. Each of the Borrower and the REIT shall comply in all material respects with all rules and regulations of the Commission and file all reports required by the Commission relating to the Borrower's or the REIT's publicly-held Securities.

7.11 CONTINUED STATUS AS A REIT; PROHIBITED TRANSACTIONS. The REIT (i) will continue to be a real estate investment trust as defined in Section 856 of the Internal Revenue Code (or any successor provision thereto), (ii) will not revoke its election to be a real estate investment trust, (iii) will not engage in any "prohibited transactions" as defined in Section 856(b)(6)(iii) of the Internal Revenue Code (or any successor provision thereto), and (iv) will continue to be entitled to a dividend paid deduction meeting the requirements of Section 857 of the Internal Revenue Code.

7.12 NYSE LISTED COMPANY. The common stock of the REIT shall at all times be listed for trading on the New York Stock Exchange.

7.13 PROPERTY MANAGEMENT. All Portfolio Properties (other than Non-Retail Properties) in which the direct or indirect ownership interest of Borrower exceeds fifty percent (50%) shall be directly managed by Borrower.

7.14 INTEREST RATE CONTRACTS. At all times when LIBOR for 30 day Interest Periods has, for 30 consecutive days, exceeded eight and one-quarter percent (8.25%), Borrower shall maintain in effect Interest Rate Contracts which are satisfactory to the Agent covering at least forty percent (40%) of the aggregate amount of variable interest rate Indebtedness of Borrower (including the Facility, the Revolving Facility and the BankBoston Term Loan) then outstanding plus any additional loans under the Revolving Facility which are projected to be advanced thereunder within 90 days after the acquisition of such Interest Rate Contracts. In determining whether such Interest Rate Contracts are satisfactory, the Agent shall not require that the terms thereof extend beyond the Termination Date.

ARTICLE VIII

NEGATIVE COVENANTS

Borrower covenants and agrees that, on and after the date hereof, until payment in full of all of the Obligations and termination of this Agreement:

8.1 LIENS. Neither Borrower nor the REIT shall (i) directly or indirectly create, incur, assume or permit to exist any Lien, except for Permitted Liens, on or with respect to all or any portion of Woodbury Common; (ii) directly or indirectly create, assume or permit to exist any agreement (other than the Loan Documents and the Unsecured Term Note Secured Debt Limitation set forth in the Unsecured Term Note Indenture) prohibiting the creation of any Lien on Woodbury Common. This SECTION 8.1 shall only be applicable so long as Borrower's senior long-term unsecured debt obligations are rated below BBB or Baa2 by one or both of the Rating Agencies.

8.2 TRANSFERS OF WOODBURY COMMON. Borrower shall not transfer, directly or indirectly, all or any interest in Woodbury Common except Leases to tenants which are not Affiliates of Borrower entered into in the ordinary course of business.

8.3 RESTRICTIONS ON FUNDAMENTAL CHANGES. Neither Borrower nor the REIT shall, without the prior written consent of the Agent

(a) Enter into any merger or consolidation or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution);

(b) Change its Fiscal Year;

(c) Except for Permitted Investments, engage in any line of business other than as expressly permitted under SECTION 7.8;

(d) Create or acquire any Subsidiary or become a partner or member in any Partnership (except a Simon Partnership) PROVIDED, however that the Agent shall not unreasonably withhold its consent under this paragraph (d) after a review of all information requested by the Agent regarding the applicable entity including the names of others having an ownership interest therein, the proposed structure of the entity, the size, location and leasing of the Property owned or proposed to be owned by such entity and the terms of any existing or contemplated Indebtedness of such entity.

8.4 ERISA. Neither the Borrower nor the REIT shall permit any ERISA Affiliates to do any of the following to the extent that such act or failure to

act would result in the aggregate, after taking into account any other such acts or failure to act, in a Material Adverse Effect on Borrower or the REIT:

(a) Engage, or knowingly permit an ERISA Affiliate to engage, in any prohibited transaction described in Section 406 of the ERISA or Section 4975 of the Internal Revenue Code which is not exempt under Section 407 or 408 of ERISA or Section 4975(d) of the Internal Revenue Code for which a class exemption is not available or a private exemption has not been previously obtained from the DOL;

(b) Permit to exist any accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Internal Revenue Code), whether or not waived;

(c) Fail, or permit an ERISA Affiliate to fail, to pay timely required contributions or annual installments due with respect to any waived funding deficiency to any Plan if such failure could result in the imposition of a Lien or otherwise would have a Material Adverse Effect on Borrower or the REIT;

(d) Terminate, or permit an ERISA Affiliate to terminate, any Benefit Plan which would result in any liability of Borrower or an ERISA Affiliate under Title IV of ERISA or the REIT; or

(e) Fail, or permit any ERISA Affiliate to fail, to pay any required installment under section (m) of Section 412 of the Internal Revenue Code or any other payment required under Section 412 of the Internal Revenue Code on or before the due date for such installment or other payment, if such failure could result in the imposition of a Lien or otherwise would have a Material Adverse Effect on Borrower or the REIT.

8.5 AMENDMENT OF CONSTITUENT DOCUMENTS. Except for any such amendment that is required (i) under any Requirement of Law imposed by any Governmental Authority or (ii) in order to maintain compliance with SECTION 7.11: (1) neither Borrower nor any Partnership shall amend its Partnership Agreement (including, without limitation, as to the admission of any new partner, directly or indirectly), and (2) the REIT shall not amend its articles of incorporation or by-laws; in any such case, except amendments which do not materially affect the ability of the Borrower or the REIT to perform its obligations under the Loan Documents or other amendments which have received the prior written consent of the Agent.

8.6 DISPOSAL OF PARTNERSHIP INTERESTS OR STOCK IN SUBSIDIARIES. Neither Borrower nor the REIT will directly or indirectly convey, sell, transfer, assign, pledge or otherwise encumber or dispose of any of its partnership (or other ownership) interests or stock in any Partnership or Subsidiary without first providing the notice and (if required) Compliance Certificate pursuant to SECTION 6.1.11 with such disposition or encumbrance of such partnership interest or stock being treated the same as disposition or encumbrance of the Property owned by the applicable Partnership or Subsidiary.

8.7 MARGIN REGULATIONS. No portion of the proceeds of any Loans shall be used in any manner which might cause the extension of credit or the application of such proceeds to violate Regulation U or X or any other regulation of the Federal Reserve Board or to violate the Securities Exchange Act or the Securities Act, in each case as in effect on the Closing Date.

8.8 WITH RESPECT TO THE REIT:

8.8.1 The REIT shall not own any material assets (other than its interest in the ATC Partnership) or engage in any line of business other than owning partnership interests in Borrower.

8.8.2 The REIT shall not directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except the Obligations and other Borrower Debt.

8.8.3 The REIT shall not directly or indirectly create, incur, assume or permit to exist any Lien (other than Permitted Liens) on or with respect to any of its Property or assets.

8.8.4 The REIT will not directly or indirectly convey, sell, transfer, assign, pledge or otherwise encumber or dispose of any of its partnership interests in Borrower so as to reduce its interest in Borrower to less than 60%.

8.9 ADDITIONAL UNSECURED BANK DEBT. Neither Borrower nor any Subsidiaries of Borrower shall create, incur, assume or otherwise become liable for any unsecured line of credit or other unsecured loan from any bank or financial institution, other than the Facility, the Revolving Facility and the BankBoston Term Loan, nor shall the Borrower cause any letter of credit to be issued by any bank or financial institution for the account of Borrower or any Subsidiaries of Borrower, other than the Letters of Credit issued under the Revolving Credit Agreement.

8.10 RESTRICTIONS ON INDEBTEDNESS. Except with the prior written consent of Requisite Lenders, the Borrower will not create, incur, assume, guarantee or become or remain liable, contingently or otherwise, or agree not to do any of same, with respect to any Indebtedness other than:

(a) Indebtedness to the Lenders arising under this Agreement, Indebtedness to the lenders under the Revolving Credit Agreement, Indebtedness to BankBoston arising under the BankBoston Term Loan and Indebtedness to the holders of the Unsecured Term Notes arising thereunder;

(b) current liabilities of the Borrower incurred in the ordinary course of business but not incurred through (i) the borrowing of money, or (ii) the obtaining of credit except for credit on an open account basis

customarily extended and in fact extended in connection with normal purchases of goods and services;

(c) Indebtedness in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made in accordance with the provisions of SECTION 7.4;

(d) Indebtedness in respect of judgments or awards that have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Borrower shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(e) Endorsements for collection, deposit or negotiation and warranties of products or services, in each case incurred in the ordinary course of business;

(f) Indebtedness consisting of purchase money financing for equipment used in the ordinary course of Borrower's business provided that the amount of each such financing may not exceed 100% of the cost of the purchased property.

(g) Nonrecourse Indebtedness of Borrower secured by a Lien on a Portfolio Property (other than Woodbury Common for so long as SECTION 8.1 remains in effect) which is completely non-recourse to the Borrower and to the REIT to the extent the same does not create a violation of SECTIONS 9.4, 9.5, 9.6 OR 9.7 provided that (i) upon the creation or assumption of any such Indebtedness Borrower shall provide the Agent with a notice describing the terms of such Indebtedness and the security therefor and a copy of the promissory note or other instrument containing the nonrecourse provisions, and (ii) if the terms of such Indebtedness include financial covenants, such covenants are determined by the Agent in its sole discretion to be less stringent than the covenants set forth in ARTICLE IX.

(h) Indebtedness of Borrower other than Nonrecourse Indebtedness for borrowed money to the extent the same does not create a violation of SECTIONS 9.4, 9.5, 9.6 OR 9.7 provided that (i) upon the creation or assumption of any such Indebtedness Borrower shall provide the Agent with a notice describing the terms of such Indebtedness, (ii) such Indebtedness must be permitted under the terms of the Unsecured Term Notes, (iii) if the terms of such Indebtedness include financial covenants such covenants are determined by the Agent, in its sole discretion, to be not more stringent than the covenants set forth in ARTICLE IX, and (iv) except for facilities having BankBoston as sole lender or as agent for a group of lenders, such Indebtedness has a term which matures at least twenty-four (24) months after the Termination Date.

(i) Indebtedness consisting of purchase money financing for Land intended for development in connection with future Construction Projects to the extent the same does not create a violation of SECTIONS 9.4, 9.5, 9.6 OR 9.7 provided that (i) the amount of such Indebtedness does not exceed 100% of the cost of the purchased Land, (ii) the Indebtedness is secured by a Lien on the purchased Land, (iii) the aggregate amount of the Indebtedness described in this paragraph outstanding at any time shall not exceed \$15,000,000.00, and (iv) upon the creation of any such Indebtedness Borrower shall provide the Agent with a notice describing the terms of such Indebtedness.

(j) Indebtedness of Borrower related to the Indebtedness of any Simon Partnership to the extent the same does not create a violation of SECTION 9.4 provided that the respective recourse liability of Simon and Borrower with respect thereto shall be in proportion to their respective percentage ownership interests in the applicable Simon Partnership.

8.11 CONSTRUCTION PROJECTS. Borrower shall not commence construction of any Construction Project if the addition of the budgeted project costs for such project to the CIP Budget Amount would result in a violation of SECTION 9.11. At all times when the Portfolio Occupancy Rate is less than ninety-five percent (95%) Borrower shall not commence construction of any Construction Project prior to the earlier of (a) the date that premises which in the aggregate constitute at least twenty percent (20%) of the gross leasable area of such Construction Project are subject to executed leases under which (i) occupancy by the tenant thereunder is conditioned only upon completion of construction of the relevant improvements and (ii) such tenant is otherwise unconditionally committed to take occupancy upon completion of such construction or (b) the date that the Portfolio Occupancy Rate again exceeds ninety-five percent (95%).

8.12 DISCONTINUITY IN MANAGEMENT. In the event that any three of the five Executive Officers shall cease to be active on a full time, continuous basis in the senior management of Borrower and the REIT ("DISCONTINUITY IN MANAGEMENT"), Borrower shall have up to one hundred eighty (180) days to obtain the approval of Requisite Lenders to additional executives, such that the remaining and new management executives, as a group, have substantial and sufficient knowledge, experience and capabilities in the management of a publicly-held company engaged in the operation of a multi-asset real estate business of the type engaged in by Borrower. In the event Borrower shall fail to obtain approval of Requisite Lenders as aforesaid within said 180-day period, then Borrower shall, at the election and upon the demand of Requisite Lenders, pay in full all Obligations under the Loan Documents not later than sixty (60) days after the end of such 180-day period, whereupon this Agreement shall be terminated. Any Lender which abstains or otherwise fails to respond to any request by Borrower for approval under this SECTION 8.12 within ten (10) Business Days shall be counted among the Requisite Lenders approving the proposed additional executives. In the event that Barry Ginsburg should retire prior to the time that there has been any other changes in the Executive Officers, the Borrower may designate another officer to replace Mr. Ginsburg among the Executive Officers and such replacement shall not be counted when determining whether there has been a Discontinuity in Management.

ARTICLE IX

FINANCIAL COVENANTS

Borrower covenants and agrees that, on and after the date of this Agreement and until payment in full of all the Obligations and the termination of this Agreement:

9.1. VALUE OF ALL UNENCUMBERED PROPERTIES. The Borrower will not at any time permit the Value of All Unencumbered Properties to be less than one hundred seventy five percent (175%) of the outstanding balance of Unsecured Indebtedness.

9.2. MINIMUM DEBT SERVICE COVERAGE. The Borrower will not at any time permit the outstanding principal amount of the Unsecured Indebtedness to exceed an amount such that: (a) the Unencumbered Net Operating Income, divided by (b) Pro Forma Unsecured Debt Service Charges would be less than 1.5 for any Fiscal Quarter.

9.3 MINIMUM FAIR MARKET NET WORTH. Borrower will maintain a Fair Market Net Worth of not less than Three Hundred Million Dollars (\$300,000,000) plus seventy-five percent (75%) of Net Offering Proceeds received by Borrower or the REIT after the Closing Date.

9.4 TOTAL LIABILITIES TO ADJUSTED ASSET VALUE RATIO. Borrower will not at any time permit its Total Liabilities to exceed fifty-five percent (55%) of Adjusted Asset Value.

9.5 MAXIMUM SECURED BORROWER DEBT. The Secured Borrower Debt shall not exceed thirty percent (30%) of Adjusted Asset Value.

9.6 OPERATING CASH FLOW TO DEBT SERVICE RATIO. The ratio of Operating Cash Flow to Debt Service shall not be less than 2.0:1 for any Fiscal Quarter.

9.7 EBITDA TO FIXED CHARGES RATIO. The ratio of EBITDA to Fixed Charges shall not be less than 1.75:1 for any Fiscal Quarter.

9.8 AGGREGATE OCCUPANCY RATE. The Aggregate Occupancy Rate of the Unencumbered Properties shall not be less than ninety percent (90%).

9.9 DISTRIBUTIONS.

9.9.1 Subject to SECTION 9.9.2, aggregate distributions to common shareholders of the REIT and all partners of Borrower holding common units other than the REIT shall not exceed the lesser of (i) ninety percent (90%) of Funds From Operations for any Fiscal Year or (ii) one hundred percent (100%) of Funds From Operations for more than two (2) consecutive Fiscal Quarters. For purposes of this SECTION 9.9, the term "distributions" shall mean and include all dividends and other distributions to, and the repurchase of stock or partnership interests from, the holder of any equity interests in Borrower or the REIT.

9.9.2 Aggregate distributions during the continuance of any Event of Default shall not exceed the lesser of (i) the aggregate amount permitted to be made during the continuance thereof under SECTION 9.9.1, and (ii) the minimum amount that the REIT must distribute to its shareholders in order to maintain compliance with SECTION 7.11. If the Loans are not paid in full on the Termination Date, no distributions shall be made thereafter except to the extent expressly authorized in advance by Agent.

9.10 PERMITTED INVESTMENTS. Notwithstanding the limitations set forth in SECTION 7.8, Borrower may make the following Permitted Investments, so long as (i) the aggregate amount of all Permitted Investments does not exceed, at any time, twenty-five percent (25%) of Adjusted Asset Value, and (ii) the aggregate amount of each of the following categories of Permitted Investments does not exceed the specified percentage of Adjusted Asset Value, in each case as of the date made:

Permitted Investment	Maximum Percentage of Adjusted Asset Value
Land and Non-Retail Properties:	15%
Foreign Investments:	10%
Investment Mortgages:	10%
Partnerships (other than Simon Partnerships):	15%.

For purposes of calculating compliance with the foregoing: (1) the amount of each Investment will be deemed to be the original Acquisition Price thereof; (2) in the case of each Investment in Land, Investment Mortgages and Partnerships, the nature of underlying real property asset and the conduct of business in respect thereof shall in all respects comply with the limitations set forth in SECTION 7.8; and (3) Investments in Foreign Affiliates (other than in Foreign Affiliates which are Wholly-Owned Subsidiaries) shall be counted as both an investment in Partnerships and as a Foreign Investment but shall be counted only once when determining the overall 25% limit. In addition, Borrower may also make Investments in Simon Partnerships and such Investments shall not be subject to, or counted against, the limitations on the amount of Permitted Investments described in this SECTION 9.10.

9.11 CIP BUDGET AMOUNT TO ADJUSTED ASSET VALUE. The ratio of the CIP Budget Amount to Adjusted Asset Value shall not exceed 0.25:1.

9.12 CALCULATION. Each of the foregoing ratios and financial requirements shall be calculated as of the last day of each Fiscal Quarter,

provided, however that each of the foregoing ratios and financial requirements which is affected by an increase in the outstanding balance of Unsecured Indebtedness or by the sale or encumbrance of a Portfolio Property shall also be recalculated as of the time of such event. For purposes of determining compliance with SECTION 9.6, the period covered thereby shall be the immediately preceding Fiscal Quarter.

ARTICLE X

EVENTS OF DEFAULT; RIGHTS AND REMEDIES

10.1 EVENTS OF DEFAULT. Each of the following occurrences shall constitute an Event of Default under this Agreement:

10.1.1 FAILURE TO MAKE PAYMENTS WHEN DUE. Borrower shall fail to pay (i) any amount due on the Termination Date, (ii) any principal when due, or (iii) any interest on any Loan, or any fee or other amount payable under any Loan Documents, within five (5) days after the same becomes due.

10.1.2 REIT AND FINANCIAL COVENANTS. Borrower or the REIT shall breach any covenant set forth in SECTION 7.11 or in ARTICLE IX (excluding SECTION 9.8).

10.1.3 AGGREGATE OCCUPANCY RATE. Borrower shall fail to satisfy the financial covenant regarding the Aggregate Occupancy Rate set forth in SECTION 9.8 and such failure shall continue for sixty (60) days.

10.1.4 OTHER DEFAULTS. Borrower or the REIT shall fail duly and punctually to perform or observe any agreement, covenant or obligation binding on Borrower or the REIT under this Agreement or under any of the other Loan Documents (other than as described in any other provision of this SECTION 10.1), and with respect to agreements, covenants or obligations for which no time period for performance is otherwise provided, such failure shall continue for fifteen (15) days after Borrower or the REIT knew of such failure (or such lesser period of time as is mandated by applicable Requirements of Law); PROVIDED, however, if such failure is capable of cure but is not capable of cure within such fifteen (15) day period, then if Borrower promptly undertakes action to cure such failure and thereafter diligently prosecutes such cure to completion within forty-five (45) days after Borrower or the REIT knew of such failure, then Borrower shall not be in default hereunder.

10.1.5 BREACH OF REPRESENTATION OR WARRANTY. Any representation or warranty made or deemed made by Borrower or the REIT to Agent or any Lender herein or in any of the other Loan Documents or in any statement, certificate or financial statements at any time given by Borrower pursuant to any of the Loan Documents shall be false or misleading in any material respect on the date as of which made.

10.1.6 DEFAULT AS TO OTHER INDEBTEDNESS. (i) Borrower, the REIT or any GP Partnership shall have (A) failed to pay when due (beyond any applicable grace period), any amount in respect of any Indebtedness (other than Nonrecourse Indebtedness) of such party other than the Obligations if the aggregate amount of such other Indebtedness is Ten Million Dollars (\$10,000,000) or more; or (B) otherwise defaulted (beyond any applicable grace period) under any Indebtedness of such party other than the Obligations if (1) the aggregate amount of such other Indebtedness is Ten Million Dollars (\$10,000,000) or more, and (2) the holder of such Indebtedness has accelerated such Indebtedness; or (ii) any such other Indebtedness shall have otherwise become payable, or be required to be purchased or redeemed, prior to its scheduled maturity; or (iii) the holder(s) of any Lien, in any amount, commence foreclosure of such Lien upon any Property having an aggregate value in excess of Ten Million Dollars (\$10,000,000); or (iv) any "Event of Default" shall exist under the Unsecured Term Note Indenture, or (v) any "Event of Default" shall exist under the Term Loan Agreement relating to the BankBoston Term Loan; or (vi) any "Event of Default" shall exist under the Revolving Credit Agreement.

10.1.7 INVOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC.

(a) An involuntary case shall be commenced against the REIT, Borrower or any GP Partnership, and the petition shall not be dismissed within sixty (60) days after commencement of the case, or a court having jurisdiction shall enter a decree or order for relief in respect of any such Person in an involuntary case, under any applicable bankruptcy, insolvency or other similar law now or hereinafter in effect; or any other similar relief shall be granted under any applicable federal, state or foreign law; or

(b) A decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the REIT, Borrower or any GP Partnership, or over all or a substantial part of the property of any such Person, shall be entered; or an interim receiver, trustee or other custodian of any such Person or of all or a substantial part of the property of any such Person, shall be appointed or a warrant of attachment, execution or similar process against any substantial part of the property of any such Person, shall be issued and any such event shall not be stayed, vacated, dismissed, bonded or discharged within sixty (60) days of entry, appointment or issuance.

10.1.8 VOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC. The REIT, Borrower, or any GP Partnership shall have an order for relief entered with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to

the appointment of or taking of possession by a receiver, trustee or other custodian for all or a substantial part of its property; any such Person shall make any assignment for the benefit of creditors or shall be unable or fail, or admit in writing its inability, to pay its debts as such debts become due; or the general partner (or Person(s) serving in a similar capacity) of Borrower or the REIT's Board of Directors (or any committee thereof) adopts any resolution or otherwise authorizes any action to approve any of the foregoing.

10.1.9 JUDGMENTS AND ATTACHMENTS. (i) Any money judgment (other than a money judgment covered by insurance but only if the insurer has admitted liability with respect to such money judgment), writ or warrant of attachment, or similar process involving in any case an amount in excess of One Million Dollars (\$1,000,000) shall be entered or filed against the REIT, Borrower, or any GP Partnership or their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of thirty (30) days, or (ii) any judgment or order of any court or administrative agency awarding material damages shall be entered against any such Person in any action under the Federal securities laws seeking rescission of the purchase or sale of, or for damages arising from the purchase or sale of, any Securities, such judgment or order shall have become final after exhaustion of all available appellate remedies and, in Agent's judgment, the payment of such judgment or order would have a Material Adverse Effect on such Person.

10.1.10 DISSOLUTION. Any order, judgment or decree shall be entered against the REIT, Borrower, or any GP Partnership decreeing its involuntary dissolution or split up and such order shall remain undischarged and unstayed for a period in excess of thirty (30) days; or the REIT or Borrower shall otherwise dissolve or cease to exist.

10.1.11 LOAN DOCUMENTS; FAILURE OF SUBORDINATION. If for any reason (i) any Loan Document shall cease to be in full force and effect, or (ii) any Obligation shall be subordinated in right of payment to any other unsecured liability of the Borrower.

10.1.12 ERISA LIABILITIES. Any Termination Event occurs which will or is reasonably likely to subject Borrower, the REIT or any ERISA Affiliate to a liability which Agent reasonably determines will have a Material Adverse Effect on Borrower or the REIT, or the plan administrator of any Benefit Plan applies for approval under Section 412(d) of the Internal Revenue Code for a waiver of the minimum funding standards of Section 412(a) of the Internal Revenue Code and Agent reasonably determines that the business hardship upon which the Section 412(d) waiver was based will or would reasonably be anticipated to subject Borrower or the REIT to a liability which Agent determines will have a Material Adverse Effect on Borrower or the REIT.

10.1.13 ENVIRONMENTAL LIABILITIES. Borrower, the REIT or any Subsidiary or Partnership becomes subject to any Liabilities and Costs which Agent reasonably deems to have a Material Adverse Effect on such Person arising out of or related to the Release at any Property of any Contaminant into the environment, or any Remedial Action in response thereto, or any other violation of any Environmental Laws.

10.1.14 SOLVENCY; MATERIAL ADVERSE CHANGE. Borrower or the REIT shall cease to be Solvent, or there shall have occurred any material adverse change in the business, operations, properties, assets or condition (financial or otherwise) of Borrower or the REIT.

An Event of Default shall be deemed "continuing" until cured or waived in writing in accordance with SECTION 12.4.

10.2 RIGHTS AND REMEDIES.

10.2.1 ACCELERATION, ETC. Upon the occurrence of any Event of Default described in the foregoing SECTION 10.1.7 or 10.1.8 with respect to the REIT or Borrower, the unpaid principal amount of and any and all accrued interest on the Loans shall automatically become immediately due and payable, with all additional interest from time to time accrued thereon and without presentment, demand or protest or other requirements of any kind (including, without limitation, valuation and appraisalment, diligence, presentment, notice of intent to demand or accelerate or notice of acceleration), all of which are hereby expressly waived by Borrower; and upon the occurrence and during the continuance of any other Event of Default, Agent shall, at the request, or may, with the consent of Requisite Lenders, by written notice to Borrower, declare the unpaid principal amount of, any and all accrued and unpaid interest on the Loans and all of the other Obligations to be, and the same shall thereupon be, immediately due and payable with all additional interest from time to time accrued thereon and without presentment, demand, or protest or other requirements of any kind (including without limitation, valuation and appraisalment, diligence, presentment, notice of intent to demand or accelerate and of acceleration), all of which are hereby expressly waived by Borrower. Without limiting Agent's authority hereunder, on or after the Termination Date, Agent shall, at the request, or may, with the consent, of Requisite Lenders exercise any or all rights and remedies under the Loan Documents or applicable law. Upon the occurrence of and during the continuance of an Event of Default, Agent shall be entitled to request and receive, by or through Borrower or appropriate legal process, any and all information concerning the REIT, Borrower or any property of any of them, which is reasonably available to or obtainable by Borrower.

10.2.2 WAIVER OF DEMAND. Demand, presentment, protest and notice of nonpayment are hereby waived by Borrower. Borrower also waives, to the extent permitted by law, the benefit of all exemption laws.

10.2.3 WAIVERS, AMENDMENTS AND REMEDIES. No delay or omission of Agent or Lenders to exercise any right under any Loan Document shall impair such right or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of

the Loan Documents whatsoever shall be valid unless in writing signed by Agent after obtaining written approval thereof or the signature thereon of those Lenders required to approve such waiver, amendment or other variation, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to Agent and Lenders until the Obligations have been paid in full and this Agreement has been terminated.

10.3 RESCISSION. If at any time after acceleration of the maturity of the Loans, Borrower shall pay all arrears of interest and all payments on account of principal of the Loans which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in this Agreement) and all Events of Default and Unmatured Events of Default (other than nonpayment of principal of and accrued interest on the Loans due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to SECTION 12.4, then by written notice to Borrower, Requisite Lenders may elect, in their sole discretion, to rescind and annul the acceleration and its consequences; but such action shall not affect any subsequent Event of Default or Unmatured Event of Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind Lenders to a decision which may be made at the election of Requisite Lenders; they are not intended to benefit Borrower and do not give Borrower the right to require Lenders to rescind or annul any acceleration hereunder, even if the conditions set forth herein are met.

ARTICLE XI

AGENCY PROVISIONS

11.1 APPOINTMENT.

11.1.1 Each Lender hereby (i) designates and appoints BankBoston as Agent of such Lender under this Agreement and the Loan Documents, (ii) authorizes and directs Agent to enter into the Loan Documents other than this Agreement for the benefit of Lenders, and (iii) authorizes Agent to take such action on its behalf under the provisions of this Agreement and the Loan Documents and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto, subject to the limitations referred to in SECTIONS 11.10.1 and 11.10.2. Agent agrees to act as such on the express conditions contained in this ARTICLE XI.

11.1.2 The provisions of this ARTICLE XI are solely for the benefit of Agent and Lenders, and Borrower shall not have any rights to rely on or enforce any of the provisions hereof (other than as expressly set forth in SECTIONS 11.3 and 11.9, PROVIDED, HOWEVER, that the foregoing shall in no way limit Borrower's obligations under this ARTICLE XI. In performing its functions and duties under this Agreement, Agent shall act solely as Agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for Borrower or any other Person.

11.2 NATURE OF DUTIES. Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement or in the Loan Documents. Subject to the provisions of SECTIONS 11.5 and 11.7, Agent shall administer the Loans in the same manner as it administers its own loans. Promptly following the effectiveness of this Agreement, Agent shall send to each Lender its originally executed Note and the executed original, to the extent the same are available in sufficient numbers, of each other Loan Document other than the Notes in favor of other Lenders. Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender. Nothing in this Agreement or any of the Loan Documents, expressed or implied, is intended or shall be construed to impose upon Agent any obligation in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of the REIT, Borrower and each Portfolio Property in connection with the making and the continuance of the Loans hereunder and shall make its own appraisal of the creditworthiness of the REIT and Borrower, and, except as specifically provided herein, Agent shall not have any duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the Closing Date or at any time or times thereafter.

11.3 LOAN DISBURSEMENT.

11.3.1 Not later than 1:00 P.M. (Eastern time) on the Closing Date each Lender shall make available to Agent, the full amount of such Lender's Commitment in immediately available funds. Unless Agent shall have been notified by any Lender prior to such time for funding that such Lender does not intend to make available to Agent such Lender's Loan, Agent may assume that such Lender has made such amount available to Agent. In any case where a Lender does not for any reason make available to Agent such Lender's Loan, Agent, in its sole discretion, may, but shall not be obligated to, fund to Borrower such Lender's Loan. If the amount so funded by Agent is not in fact made available to Agent by the responsible Lender, then Borrower agrees to repay to Agent such amount, together with interest thereon at the Base Rate for each day from the date such amount is made available to Borrower until the date such amount is repaid to Agent, not later than three (3) Business Days following Agent's demand to Borrower that such repayment be made. In addition, such Lender agrees to pay to Agent forthwith on demand such corresponding amount, together with interest thereon at the Federal Funds Rate. If such Lender shall pay to Agent such corresponding amount, such amount so paid shall constitute such Lender's Loan, and if both such Lender and Borrower shall have paid and repaid, respectively, such corresponding amount, Agent shall promptly return to Borrower such corresponding amount in same day funds; interest paid by Borrower in respect of such corresponding amount shall be prorated, as of the date of payment thereof by such Lender to Agent. In the event that Agent shall not have funded such Lender's Pro Rata Share under this SECTION 11.3.1, then Borrower shall not be

obligated to accept a late funding of such Lender's Pro Rata Share if such funding is made more than two (2) Business Days following the applicable Funding Date. If Borrower declines to accept such delinquent funding, Agent shall promptly return to such Lender the amount of such funding. Nothing in this SECTION 11.3.1 shall alter the respective rights and obligations of the parties hereunder in respect of a Defaulting Lender.

11.3.2 Nothing in this SECTION 11.3 shall be deemed to relieve any Lender of its obligation hereunder to make its Loan on the Closing Date, nor shall any Lender be responsible for the failure of any other Lender to perform its obligations to make any Loan hereunder, and the Commitment of any Lender shall not be increased or decreased as a result of the failure by any other Lender to perform its obligation to make its Loan.

11.4 DISTRIBUTION AND APPORTIONMENT OF PAYMENTS. Payments actually received by Agent for the account of Lenders shall be paid to them promptly after receipt thereof by Agent, but in any event within two (2) Business Days, PROVIDED that Agent shall pay to Lenders interest thereon, at the lesser of (i) Federal Funds Rate and (ii) the rate of interest applicable to such Loans, from the Business Day following receipt of such funds by Agent until such funds are paid in immediately available funds to Lenders. Subject to SECTION 11.4.2, all payments of principal and interest in respect of outstanding Loans, all payments of the fees described in this Agreement, and all payments in respect of any other Obligations shall be allocated among such of Lenders as are entitled thereto, in proportion to their respective Pro Rata Shares or otherwise as provided herein. Agent shall promptly distribute, but in any event within two (2) Business Days, to each Lender at its primary address set forth on the appropriate signature page hereof or on the Assignment and Assumption, or at such other address as a Lender may request in writing, such funds as it may be entitled to receive, PROVIDED that Agent shall in any event not be bound to inquire into or determine the validity, scope or priority of any interest or entitlement of any Lender and may suspend all payments and seek appropriate relief (including, without limitation, instructions from Requisite Lenders or all Lenders, as applicable, or an action in the nature of interpleader) in the event of any doubt or dispute as to any apportionment or distribution contemplated hereby. The order of priority herein is set forth solely to determine the rights and priorities of Lenders as among themselves and may at any time or from time to time be changed by Lenders as they may elect, in writing in accordance with SECTION 12.4, without necessity of notice to or consent of or approval by Borrower or any other Person. All payments or other sums received by Agent for the account of Lenders shall not constitute property or assets of Agent and shall be held by Agent, solely in its capacity as agent for itself and the other Lenders, subject to the Loan Documents.

11.5 RIGHTS, EXCULPATION, ETC. Neither Agent, any Affiliate of Agent, nor any of their respective officers, directors, employees, agents, attorneys or consultants, shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that Agent shall be liable for its gross negligence or willful misconduct. In the absence of gross negligence or willful misconduct, Agent shall not be liable for any apportionment or distribution of payments made by it in good faith pursuant to SECTION 11.4, and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Person to whom payment was due, but not made, shall be to recover from the recipients of such payments any payment in excess of the amount to which they are determined to have been entitled. Agent shall not be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any of the other Loan Documents, or any of the transactions contemplated hereby and thereby; or for the financial condition of the REIT, Borrower or any of their Affiliates. Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the Loan Documents or the financial condition of the REIT, Borrower or any of their Affiliates, or the existence or possible existence of any Unmatured Event of Default or Event of Default.

11.6 RELIANCE. Agent shall be entitled to rely upon any written notices, statements, certificates, orders or other documents, telecopies or any telephone message believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder, upon advice of legal counsel (including counsel for Borrower), independent public accountant and other experts selected by it.

11.7 INDEMNIFICATION. To the extent that Agent is not reimbursed and indemnified by Borrower, Lenders will reimburse, within ten (10) Business Days after notice from Agent, and indemnify and defend Agent for and against any and all Liabilities and Costs (other than losses in the collection of principal and interest on the Loans which losses shall be shared among all Lenders including the Agent as provided in SECTIONS 11.4 and 11.13) which may be imposed on, incurred by, or asserted against it in any way relating to or arising out of this Agreement or any of the other Loan Documents or any action taken or omitted by Agent or under this Agreement or any of the other Loan Documents, in proportion to each Lender's Pro Rata Share; PROVIDED that no Lender shall be liable for any portion of such Liabilities and Costs resulting from Agent's gross negligence or willful misconduct or in respect of normal administrative costs and expenses incurred by Agent (prior to any Event of Default or any Unmatured Event of Default) in connection with its performance of administrative duties under this Agreement and the other Loan Documents. The obligations of Lenders under this SECTION 11.7 shall survive the payment in full of all Obligations and the termination of this Agreement. In the event that after payment and distribution of any amount by Agent to Lenders, any Lender or third party, including Borrower, any creditor of Borrower or a trustee in bankruptcy, recovers from Agent any amount found to have been wrongfully paid to Agent or disbursed by Agent to Lenders, then Lenders, in proportion to their respective Pro Rata Shares, shall reimburse Agent for all such amounts. Notwithstanding the foregoing, Agent shall not be obligated to advance Liabilities and Costs and may require the deposit by each Lender of its Pro Rata Share of any material

Liabilities and Costs anticipated by Agent before they are incurred or made payable.

11.8 AGENT INDIVIDUALLY. With respect to its Pro Rata Share of the Obligations hereunder and the Loans made by it, Agent shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders", "Requisite Lenders" or any similar terms may include Agent in its individual capacity as a Lender or one of the Requisite Lenders. Agent and any Lender and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with Borrower or any of its Affiliates as if it were not acting as Agent or Lender pursuant hereto.

11.9 SUCCESSOR AGENT; RESIGNATION OF AGENT; REMOVAL OF AGENT.

11.9.1 Agent may resign from the performance of all its functions and duties hereunder at any time by giving at least thirty (30) Business Days, prior written notice to Lenders and Borrower, and shall automatically cease to be Agent hereunder in the event a petition in bankruptcy shall be filed by or against Agent or the Federal Deposit Insurance Corporation or any other Governmental Authority shall assume control of Agent or Agent's interests under the Facility. Further, Lenders whose aggregate outstanding Loans constitute at least sixty-six and two-thirds percent (66-2/3%) of the outstanding Loans of all Lenders excluding the Agent may remove Agent for cause at any time by giving at least thirty (30) Business Days' prior written notice to Agent, Borrower and all other Lenders. If Agent enters into one or more assignments pursuant to SECTION 11.12 having the effect of reducing its outstanding Loans to less than \$8,000,000 then any Lender whose outstanding Loans exceed those of Agent may remove Agent by notice given within thirty (30) days after such Lender receives notice of the assignments which reduce the Agent's outstanding Loans below such level. Such resignation or removal shall take effect upon the acceptance by a successor Agent appointed pursuant to SECTION 11.9.2 or 11.9.3.

11.9.2 Upon any such notice of resignation by or removal of Agent, Requisite Lenders shall appoint a successor Agent with the consent of Borrower, which consent shall not be unreasonably withheld or delayed AND which consent shall not be required if there shall then exist any Event of Default. Any successor Agent must be a bank (i) the senior debt obligations of which (or such bank's parent's senior unsecured debt obligations) are rated not less than BBB by one of the Rating Agencies and (ii) which has total assets in excess of Ten Billion Dollars (\$10,000,000,000). Such successor Agent shall separately confirm in writing with Borrower the fee to be paid to such Agent pursuant to SECTION 2.5.2.

11.9.3 If a successor Agent shall not have been so appointed within said thirty (30) Business Day period, the retiring or removed Agent, shall then appoint a successor Agent who shall meet the requirements described in SECTION 11.9.2 and who shall serve as Agent until such time, if any, as Requisite Lenders, appoint a successor Agent as provided above.

11.10 CONSENT AND APPROVALS.

11.10.1 Each of the following shall require the approval or consent of Requisite Lenders:

- (a) Approval of notes receivable pursuant to definition of Adjusted Asset Value (SECTION 1.1);
- (b) Consent to Indebtedness (SECTION 8.10);
- (c) Approval of additional executives upon a Discontinuity in Management (SECTION 8.12);
- (d) Acceleration following an Event of Default (SECTION 10.2.1) or rescission of such acceleration (SECTION 10.3);
- (e) Approval of the exercise of rights and remedies under the Loan Documents following an Event of Default (SECTION 10.2.1);
- (f) Appointment of a successor Agent (SECTION 11.9);
- (g) Except as referred to in SECTION 11.10.2 or 11.11.1, approval of any amendment, modification or termination of this Agreement, or waiver of any provision herein (SECTION 12.4).

11.10.2 Each amendment, modification or waiver specifically enumerated in SECTION 12.4.1 shall require the consent of all Lenders.

11.10.3 In addition to the required consents or approvals referred to in SECTION 11.10.1, Agent may at any time request instructions from Requisite Lenders with respect to any actions or approvals which, by the terms of this Agreement or of any of the Loan Documents, Agent is permitted or required to take or to grant without instructions from any Lenders, and if such instructions are promptly requested, Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from taking any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from Requisite Lenders. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders or, where applicable, all Lenders. Agent shall promptly notify each Lender at any time that the Requisite Lenders have instructed Agent to act or refrain from acting pursuant to this SECTION 11.10.3.

11.10.4 Each Lender agrees that any action taken by Agent at the direction or with the consent of Requisite Lenders in accordance with the

provisions of this Agreement or any Loan Document, and the exercise by Agent at the direction or with the consent of Requisite Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all Lenders, except for actions specifically requiring the approval of all Lenders. All communications from Agent to Lenders requesting Lenders' determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Lender, (ii) shall be accompanied by a description of the matter or thing as to which such determination, approval, consent or disapproval is requested, or shall advise each Lender where such matter or thing may be inspected, or shall otherwise describe the matter or issue to be resolved, (iii) shall include, if reasonably requested by a Lender and to the extent not previously provided to such Lender, written materials and a summary of all oral information provided to Agent by Borrower in respect of the matter or issue to be resolved, and (iv) may include Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within ten (10) Business Days (the "LENDER REPLY Period"). Unless a Lender shall give written notice to Agent that it objects to the recommendation or determination of Agent (together with a written explanation of the reasons behind such objection) within the Lender Reply Period, such Lender shall be deemed to have approved of or consented to such recommendation or determination. With respect to decisions requiring the approval of Requisite Lenders or all Lenders, Agent shall submit its recommendation or determination for approval of or consent to such recommendation or determination to all Lenders and upon receiving the required approval or consent shall follow the course of action or determination recommended to Lenders by Agent or such other course of action recommended by Requisite Lenders, and each non-responding Lender shall be deemed to have concurred with such recommended course of action.

11.11 AGENCY PROVISIONS RELATING TO CERTAIN ENFORCEMENT ACTIONS.

11.11.1 Agent is hereby authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, to waive the imposition of late fees provided for in SECTION 2.4.5 up to a maximum of three (3) times during the term of this Agreement.

11.11.2 Should Agent (i) employ counsel for advice or other representation (whether or not any suit has been or shall be filed) with respect to any of the Loan Documents, or (ii) commence any proceeding or in any way seek to enforce its rights or remedies under the Loan Documents, each Lender, upon demand therefor from time to time, shall contribute its share (based on its Pro Rata Share) of the reasonable costs and/or expenses of any such advice or other representation, enforcement or acquisition, including, but not limited to, fees of receivers, court costs and fees and expenses of attorneys to the extent not otherwise reimbursed by Borrower; PROVIDED that Agent shall not be entitled to reimbursement of its attorneys' fees and expenses incurred in connection with the resolution of disputes between Agent and other Lenders unless Agent shall be the prevailing party in any such dispute. Any loss of principal and interest resulting from any Event of Default shall be shared by Lenders in accordance with their respective Pro Rata Shares.

11.12 ASSIGNMENTS AND PARTICIPATIONS.

11.12.1 Each Lender may assign, to one or more Eligible Assignees, all or a portion of its rights and obligations under this Agreement (including without limitation all or a portion of the Loans owing to it) and other Loan Documents; PROVIDED, HOWEVER, that (i) each such assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement and other Loan Documents, and the assignment shall cover the same percentage of such Lender's Loans, (ii) unless Agent and Borrower otherwise consent (except that after an Event of Default only the consent of Agent shall be required), the aggregate amount of the Loans of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Assumption with respect to such assignment) shall in no event be less than Five Million Dollars (\$5,000,000) and shall be an integral multiple of One Million Dollars (\$1,000,000), (iii) after giving effect to such assignment, the aggregate amount of the Loans retained by the assigning Lender shall in no event be less than Five Million Dollars (\$5,000,000), (iv) the parties to each such assignment shall execute and deliver to Agent, for its approval and acceptance, an Assignment and Assumption, and (v) Agent shall receive from the assignor a processing fee of Three Thousand Dollars (\$3,000). Upon such execution, delivery, approval and acceptance, and upon the effective date specified in the applicable Assignment and Assumption, (X) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Assumption, have the rights and obligations of a Lender hereunder, and (Y) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Assumption, relinquish its rights and be released from its obligations under this Agreement.

11.12.2 By executing and delivering an Assignment and Assumption, the assigning Lender thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Assumption, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the REIT or Borrower or the performance or observance by the REIT or Borrower of any of their respective obligations under any Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in ARTICLE V or delivered pursuant to ARTICLE VI to the date of such assignment and such other Loan Documents and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (iv) such assignee will,

independently and without reliance upon Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes Agent to take such action as Agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

11.12.3 Agent shall maintain, at its address referred to on the counterpart signature pages hereof, a copy of each Assignment and Assumption delivered to and accepted by it and shall record in the Loan Account the names and addresses of each Lender and the principal amount of the Loans owing to, such Lender from time to time. Borrower, Agent and Lenders may treat each Person whose name is recorded in the Loan Account as a Lender hereunder for all purposes of this Agreement.

11.12.4 Upon its receipt of an Assignment and Assumption executed by an assigning Lender and an assignee, Agent shall, if such Assignment and Assumption has been properly completed and is in substantially the form of EXHIBIT A, (i) accept such Assignment and Assumption, (ii) record the information contained therein in the Loan Account, and (iii) give prompt notice thereof to Borrower. Upon request, Borrower will execute and deliver to Agent an appropriate replacement promissory note or replacement promissory notes in favor of each assignee (and assignor, if such assignor is retaining a portion of its Loans) reflecting such assignee's (and assignor's) Pro Rata Share(s) of the Facility. Upon execution and delivery of such replacement promissory notes the original promissory note or notes evidencing all or a portion of the Loans being assigned shall be cancelled and returned to Borrower.

11.12.5 Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including without limitation all or a portion of the Loans owing to it) and other Loan Documents; PROVIDED, HOWEVER, that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) Borrower, Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and with regard to any and all payments to be made under this Agreement, and (iv) the holder of any such participation shall not be entitled to voting rights under this Agreement except for voting rights with respect to (A) increases in the Facility; (B) extensions of the Termination Date; and (C) decreases in the interest rates described in this Agreement. No participant shall be entitled to vote on any matter until the Lender with which such participant is participating in the Facility and the Loans confirms such participant's status as a participant hereunder.

11.12.6 Borrower will use reasonable efforts to cooperate with Agent and Lenders in connection with the assignment of interests under this Agreement or the sale of participations herein.

11.12.7 Anything in this Agreement to the contrary notwithstanding, and without the need to comply with any of the formal or procedural requirements of this Agreement, including this SECTION 11.12, any Lender may at any time and from time to time pledge and assign all or any portion of its rights under all or any of the Loan Documents to a Federal Reserve Bank; PROVIDED that no such pledge or assignment shall release such Lender from its obligations thereunder. To facilitate any such pledge or assignment, Agent shall, at the request of such Lender, enter into a letter agreement with the Federal Reserve Bank in substantially the form of the exhibit to Appendix C to the Federal Reserve Bank of New York Operating circular No. 12.

11.12.8 Anything in this Agreement to the contrary notwithstanding, any Lender may assign all or any portion of its rights and obligations under this Agreement to another branch or Affiliate of such Lender, PROVIDED that (i) at the time of such assignment such Lender is not a Defaulting Lender, (ii) such Lender gives Agent and Borrower at least fifteen (15) days' prior written notice of any such assignment, (iii) the parties to each such assignment execute and deliver to Agent an Assignment and Assumption, and (iv) Agent receives from assignor a processing fee of Three Thousand Dollars (\$3,000).

11.12.9 No assignee of any rights and obligations under this Agreement shall be permitted to subassign such rights and obligations.

11.12.10 No Lender shall be permitted to assign or sell all or any portion of its rights and obligations under this Agreement to Borrower or any Affiliate of Borrower.

11.13 RATABLE SHARING. Subject to SECTIONS 11.3 and 11.4, Lenders agree among themselves that (i) with respect to all amounts received by them which are applicable to the payment of the Obligations, equitable adjustment will be made so that, in effect, all such amounts will be shared among them ratably in accordance with their Pro Rata Shares, whether received by voluntary payment, by counterclaim or cross action or by the enforcement of any or all of the Obligations, (ii) if any of them shall by voluntary payment or by the exercise of any right of counterclaim or otherwise, receive payment of a proportion of the aggregate amount of the Obligations held by it which is greater than its Pro Rata Share of the payments on account of the Obligations, the one receiving such excess payment shall purchase, without recourse or warranty, an undivided interest and participation (which it shall be deemed to have done simultaneously upon the receipt of such payment) in such Obligations owed to the others so that all such recoveries with respect to such Obligations shall be applied ratably in accordance with their Pro Rata Shares; PROVIDED, that if all or part of such excess payment received by the purchasing party is thereafter recovered from it, those purchases shall be rescinded and the purchase prices paid for such participations shall be returned to that party to

the extent necessary to adjust for such recovery, but without interest except to the extent the purchasing party is required to pay interest in connection with such recovery. Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this SECTION 11.13 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of Borrower in the amount of such participation.

11.14 DELIVERY OF DOCUMENTS. Agent shall as soon as reasonably practicable distribute to each Lender at its primary address set forth on the appropriate counterpart signature page hereof, or at such other address as a Lender may request in writing, (i) all documents to which such Lender is a party or of which such Lender is a beneficiary set forth in SECTION 4.1, (ii) all documents of which Agent receives copies from Borrower pursuant to SECTION 6.1 (except as provided in SECTION 6.1.1) and SECTION 12.6, (iii) all other documents or information which Agent is required to send to Lenders pursuant to the terms of this Agreement; (iv) other information or documents received by Agent at the request of any Lender, and (v) all notices received by Agent pursuant to SECTION 6.2. In addition, within fifteen (15) Business Days after receipt of a request in writing from a Lender for written information or documents provided by or prepared by Borrower or the REIT, Agent shall deliver such written information or documents to such requesting Lender if Agent has possession of such written information or documents in its capacity as Agent or as a Lender.

11.15 NOTICE OF EVENTS OF DEFAULT. Agent shall not be deemed to have knowledge or notice of the occurrence of any Unmatured Event of Default or Event of Default (other than nonpayment of principal of or interest on the Loans) unless Agent has received notice in writing from a Lender or Borrower referring to this Agreement or the other Loan Documents, describing such event or condition and expressly stating that such notice is a notice of an Unmatured Event of Default or Event of Default. Should Agent receive such notice of the occurrence of an Unmatured Event of Default or Event of Default, or should Agent send Borrower a notice of Unmatured Event of Default or Event of Default, Agent shall promptly give notice thereof to each Lender.

ARTICLE XII

MISCELLANEOUS

12.1 EXPENSES.

12.1.1 GENERALLY. Borrower agrees upon demand to pay, or reimburse Agent for, all of Agent's external audit, legal and investigation expenses and for all other reasonable out-of-pocket costs and expenses of every type and nature (including, without limitation, the reasonable fees, expenses and disbursements of Agent's internal appraisers, environmental advisors or legal counsel) incurred by Agent at any time (whether prior to, on or after the date of this Agreement) in connection with (i) its own audit and investigation of Borrower and the Portfolio Properties provided that prior to an Event of Default Borrower shall not be required to reimburse expenses for any inspections of the Portfolio Properties by Agent's loan officers or other employees which are made more frequently than annually; (ii) the negotiation, preparation and execution of this Agreement (including, without limitation, the satisfaction or attempted satisfaction of any of the conditions set forth in ARTICLE IV) and the other Loan Documents and the making of the Loans; (iii) administration of this Agreement, the other Loan Documents and the Loans, including, without limitation, consultation with attorneys in connection therewith; and (iv) the protection, collection or enforcement of any of the Obligations.

12.1.2 AFTER EVENT OF DEFAULT. Borrower further agrees to pay, or reimburse Agent and Lenders, for all reasonable out-of-pocket costs and expenses, including without limitation reasonable attorneys' fees and disbursements incurred by Agent or Lenders after the occurrence of an Event of Default (i) in enforcing any Obligation or exercising or enforcing any other right or remedy available by reason of such Event of Default; (ii) in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or in any insolvency or bankruptcy proceeding; (iii) in commencing, defending or intervening in any litigation or in filing a petition, complaint, answer, motion or other pleadings in any legal proceeding relating to Borrower, the REIT or any Affiliate and related to or arising out of the transactions contemplated hereby; or (iv) in taking any other action in or with respect to any suit or proceeding (whether in bankruptcy or otherwise).

12.2 INDEMNITY. Borrower further agrees to defend, protect, indemnify and hold harmless Agent, each and all of the Lenders, each of their respective Affiliates and participants and each of the respective officers, directors, employees, agents, attorneys and consultants (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth in ARTICLE IV) of each of the foregoing (collectively called the "INDEMNITEES") from and against any and all Liabilities and Costs imposed on, incurred by, or asserted against such Indemnitees (whether based on any federal or state laws or other statutory regulations, including, without limitation, securities and commercial laws and regulations, under common law or in equity, and based upon contract or otherwise, including any Liabilities and Costs arising as a result of a "prohibited transaction" under ERISA to the extent arising from or in connection with the past, present or future operations of the REIT or Borrower or their respective predecessors in interest) in any manner relating to or arising out of this Agreement or the other Loan Documents, or any act, event or transaction related or attendant thereto, the making of and participation in the Loans and the management of the Loans, or the use or intended use of the proceeds of the Loans (collectively, the "INDEMNIFIED MATTERS"); PROVIDED, HOWEVER, that Borrower shall have no obligation to an Indemnitee hereunder with respect to (i) matters for which such Indemnitee has been compensated pursuant to or for which an exemption is provided in SECTION 2.4.7 or any other provision of this Agreement, (ii) Indemnified Matters to the extent caused by or resulting from the willful

misconduct or gross negligence of that Indemnitee, as determined by a court of competent jurisdiction, and (iii) Indemnified Matters arising from any dispute among the Lenders not attributable to the actions or omissions of Borrower or the REIT. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, Borrower shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees. 12.3 CHANGE IN ACCOUNTING PRINCIPLES. Except as otherwise provided herein, if any changes in accounting principles from those used in the preparation of the most recent financial statements delivered to Agent pursuant to the terms hereof are hereinafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and are adopted by the REIT or Borrower with the agreement of its independent certified public accountants and such changes result in a change in the method of calculation of any of the financial covenants, standards or terms found herein, the parties hereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the financial condition of the REIT or Borrower shall be the same after such changes as if such changes had not been made; PROVIDED, HOWEVER, that no change in GAAP that would affect the method of calculation of any of the financial covenants, standards or terms shall be given effect in such calculations until such provisions are amended pursuant to SECTION 12.4, to so reflect such change in accounting principles.

12.4 AMENDMENTS AND WAIVERS. (i) No amendment or modification of any provision of this Agreement shall be effective without the written agreement of Requisite Lenders (after notice to all Lenders) and Borrower (except for amendments to SECTION 11.4.1 which do not require the consent of Borrower), and (ii) no termination or waiver of any provision of this Agreement, or consent to any departure by Borrower therefrom (except as expressly provided in SECTION 11.11.1 with respect to waivers of late fees), shall in any event be effective without the written concurrence of Requisite Lenders (after notice to all Lenders), which Requisite Lenders shall have the right to grant or withhold at their sole discretion, EXCEPT THAT:

12.4.1 The following amendments, modifications or waivers shall require the consent of all Lenders:

- (a) increasing the Facility or increasing any Lender's Commitment without the consent of the affected Lender;
- (b) changing the principal amount or final maturity of the Loans;
- (c) reducing the interest rates applicable to the Loans;
- (d) reducing the rates on which fees payable pursuant hereto are determined;
- (e) forgiving or delaying any amount payable or receivable under ARTICLE II (other than late fees);
- (f) changing the definition of "Requisite Lenders", "Pro Rata Shares" or "Event of Default";
- (g) changing any provision contained in this SECTION 12.4;
- (h) releasing any obligor or guarantor under any Loan Document or amending the Guaranty to reduce the guarantor's liability thereunder;
- (i) consent to assignment by Borrower of all of its duties and Obligations hereunder pursuant to SECTION 12.14; or
- (j) changing any of the financial covenants set forth in ARTICLE IX or any of the definitions used in the computation of such covenants or waiving any failure of the Borrower to comply with any one of such covenants for two or more consecutive Fiscal Quarters.

12.4.2 No amendment, modification, termination or waiver of any provision of ARTICLE XI or any other provision referring to Agent shall be effective without the written concurrence of Agent, but only if such amendment, modification, termination or waiver alters the obligations or rights of Agent.

Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on Borrower in any case shall entitle Borrower to any other further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this SECTION 12.4 shall be binding on each assignee, transferee or recipient of Agent's or any Lender's interest under this Agreement or the Loans at the time outstanding.

12.5 INDEPENDENCE OF COVENANTS. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Unmatured Event of Default if such action is taken or condition exists, and if a particular action or condition is expressly permitted under any covenant, unless expressly limited to such covenant, the fact that it would not be permitted under the general provisions of another covenant shall not constitute an Event of Default or Unmatured Event of Default if such action is taken or condition exists.

12.6 NOTICES AND DELIVERY. Unless otherwise specifically provided herein, any consent, notice or other communication herein required or permitted

to be given shall be in writing and may be personally served, telecopied or sent by courier service or United States mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy (or on the next Business Day if such telecopy is received on a non-Business Day or after 5:00 p.m. (at the office of the recipient) on a Business Day) or four (4) Business Days after deposit in the United States mail (registered or certified, with postage prepaid and properly addressed). Notices to Agent pursuant to ARTICLE II shall not be effective until received by Agent. For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this SECTION 12.6) shall be as set forth below each party's name on the signature pages hereof, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties. All deliveries to be made to Agent for distribution to the Lenders shall be made to Agent at the addresses specified for notice on the signature page hereto and in addition, a sufficient number of copies of each such delivery shall be delivered to Agent for delivery to each Lender at the address specified for deliveries on the signature page hereto or such other address as may be designated by Agent in a written notice.

12.7 SURVIVAL OF WARRANTIES, INDEMNITIES AND AGREEMENTS. All agreements, representations, warranties and indemnities made or given herein shall survive the execution and delivery of this Agreement and the other Loan Documents and the making and repayment of the Loans hereunder and such indemnities shall survive termination hereof.

12.8 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES Cumulative. No failure or delay on the part of Agent or any Lender in the exercise of any power, right or privilege under any of the Loan Documents shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under the Loan Documents are cumulative to and not exclusive of any rights or remedies otherwise available.

12.9 PAYMENTS SET ASIDE. To the extent that Borrower makes a payment or payments to Agent or the Lenders or Agent or the Lenders exercise their rights of setoff, and such payment or payments or the proceeds of such setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

12.10 SEVERABILITY. In case any provision in or obligation under this Agreement or the other Loan Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby, PROVIDED, HOWEVER, that if the rates of interest or any other amount payable hereunder, or the collectibility thereof, are declared to be or become invalid, illegal or unenforceable, Lenders' obligations to make Loans shall not be enforceable.

12.11 HEADING. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

12.12 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

12.13 LIMITATION OF LIABILITY. To the extent permitted by applicable law, no claim may be made by Borrower, any Lender or any other Person against Agent or any Lender, or the affiliates, directors, officers, employees, attorneys or agents of any of them, for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and Borrower and each Lender hereby waive, release and agree not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

12.14 SUCCESSORS AND ASSIGNS. This Agreement and the other Loan Documents shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and permitted assigns of Agent and Lenders. The terms and provisions of this Agreement shall inure to the benefit of any assignee or transferee of the Loans of Lenders under this Agreement, and in the event of such transfer or assignment, the rights and privileges herein conferred upon Agent and Lenders shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. Borrower's rights or any interest therein hereunder, and Borrower's duties and Obligations hereunder, shall not be assigned without the consent of all Lenders.

12.15 CONSENT TO JURISDICTION AND SERVICE OF PROCESS; WAIVER OF JURY TRIAL AND CERTAIN DAMAGE CLAIMS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST BORROWER WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE, AND ALL JUDICIAL PROCEEDINGS BROUGHT BY BORROWER WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE, BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION HAVING SITUS WITHIN THE COMMONWEALTH OF MASSACHUSETTS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, BORROWER ACCEPTS, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY FINAL JUDGMENT RENDERED THEREBY FROM WHICH NO APPEAL HAS BEEN TAKEN OR IS AVAILABLE. BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ITS NOTICE ADDRESS SPECIFIED ON THE SIGNATURE PAGES HEREOF. BORROWER, AGENT AND LENDERS EACH

IRREVOCABLY WAIVES (i) TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, AND (ii) ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY JURISDICTION SET FORTH ABOVE. EXCEPT TO THE EXTENT EXPRESSLY PROHIBITED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY ACTION OR PROCEEDING REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, INCLUDING ANY DAMAGES PURSUANT TO M.G.L. C.93A ET SEQ. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

12.16 COUNTERPARTS; EFFECTIVENESS; INCONSISTENCIES. This Agreement and any amendments, waivers, consents or supplements may be executed in counterparts, each of which when so executed and delivered shall be deemed an original, but all such together shall constitute but one and the same instrument. This Agreement shall become effective when Borrower, the initial Lenders and Agent have duly executed and delivered execution pages of this Agreement to each other (delivery by Borrower to Lenders and by any Lender to Borrower and any other Lender being deemed to have been made by delivery to Agent). This Agreement and each of the other Loan Documents shall be construed to the extent reasonable to be consistent one with the other, but to the extent that the terms and conditions of this Agreement are actually and directly inconsistent with the terms and conditions of any other Loan Document, this Agreement shall govern.

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

12.18 OBLIGATIONS UNSECURED. It is the intent of the parties that the Obligations shall constitute unsecured obligations of Borrower. Neither the restrictions and prohibitions set forth herein with respect to the creation, incurrence, assumption or existence of any Lien on any Property of Borrower or any other Person, nor those set forth in any other Loan Document, are intended to create or constitute a Lien of any nature upon any Property of Borrower or any other Person, and no such restriction or prohibition shall be deemed to constitute any such Lien. This SECTION 12.18 shall not be deemed to prevent the Agent or any Lender from obtaining a Lien as security for the Obligations at any time hereafter pursuant to a mutual agreement among the parties hereto expressly providing for such Lien or during the continuance of any Event of Default.

12.19 ENTIRE AGREEMENT. This Agreement, taken together with all of the other Loan Documents and all certificates and other documents delivered by Borrower to Agent (including documents incorporating separate agreements relating to the payment of fees), embodies the entire agreement and supersedes all prior agreements, written and oral, relating to the subject matter hereof.

IN WITNESS WHEREOF, this Agreement has been duly executed on the date set forth above.

BORROWER: CHELSEA GCA REALTY PARTNERSHIP, L.P.,
a Delaware limited partnership

By: CHELSEA GCA REALTY, INC.,
a Maryland corporation, its general
partner

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

103 Eisenhower Parkway
Roseland, NJ 07068
Attn: Michael J. Clarke,
Senior Vice President
Tel: (973)228-6111
Fax: (973)228-1694

AGENT/LENDER:

BANKBOSTON, N.A.

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

100 Federal Street
Boston, MA 02110
Attn: Real Estate Division

with a copy to the following address:
115 Perimeter Center Place N.E.
Suite 500
Atlanta, GA 30346
Attn: Lori Y. Litow

Telephone: (770) 390-6544
Telecopy: (770) 390-8434

Pro Rata Share: 20%
Loan Commitment: \$12,000,000

LIBOR OFFICE:

BankBoston, N.A.
100 Federal Street
Boston, MA 02110

LENDER:

KEYBANK NATIONAL ASSOCIATION

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

Address:
127 Public Square
Cleveland, OH 44114
Attn: Mary Ellen Fowler

Telephone: (216) 689-4975
Telecopy: (216) 689-3566

Pro Rata Share: 20%
Loan Commitment: \$12,000,000

LIBOR OFFICE:

Address:
127 Public Square
Cleveland, OH 44114
Attn: Mary Ellen Fowler

Telephone: (216) 689-4975
Telecopy: (216) 689-3566

LENDER:

PNC BANK

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

Address:
Two Tower Center, 18th Floor
East Brunswick, NJ 08816
Attn: Greg McMannus

Telephone: (732) 220-3542
Telecopy: (732) 220-3744

Pro Rata Share: 20%
Loan Commitment: \$12,000,000

LIBOR OFFICE:

Address:
Two Tower Center, 18th Floor
East Brunswick, NJ 08816
Attn: Greg McMannus

Telephone: (732) 220-3542
Telecopy: (732) 220-3744

LENDER:

NATIONSBANK, N.A.

By _____
Printed Name _____
Title _____

ADDRESS FOR NOTICE AND DELIVERY:

Address: 600 Peachtree Street, N.E.
6th Floor, South
GA1-006-06-25
Atlanta, GA 30308
Attn: S. Ellen Porter

Telephone: (404) 607-4127
Telecopy: (404) 607-4145

Pro Rata Share: 20%
Loan Commitment: \$12,000,000

LIBOR OFFICE:
Address: 600 Peachtree Street, N.E.
6th Floor, South
Atlanta, GA 30308
Attn: S. Ellen Porter

LENDER:

COMMERZBANK AG, NEW YORK BRANCH

By _____
Printed Name _____
Title _____

By _____
Printed Name _____
Title _____

ADDRESS FOR NOTICE AND DELIVERY:

Address: Two World Financial Center
34th Floor
New York, NY 10281
Attn: Douglas P. Traynor

Telephone: (212)266-7569
Telecopy: (212)266-7530

Pro Rata Share: 20%
Loan Commitment: \$12,000,000

LIBOR OFFICE:
Address: Two World Financial Center
34th Floor
New York, NY 10281
Attn: Douglas P. Traynor

CREDIT AGREEMENT

AMONG

CHELSEA GCA REALTY PARTNERSHIP, L.P.,
A DELAWARE LIMITED PARTNERSHIP,
AS BORROWER,

AND

BANKBOSTON, N.A.
TOGETHER WITH THOSE ASSIGNEES
BECOMING PARTIES HERETO PURSUANT
TO SECTION 11.12, AS LENDERS,

AND

BANKBOSTON, N.A.
AS AGENT

Dated as of March 30, 1998

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LIST OF EXHIBITS AND SCHEDULES

Exhibits:

A	-	Form of Assignment and Assumption
B	-	Form of Compliance Certificate
C	-	Form of Loan Notes
D	-	Form of Notice of Borrowing
E	-	Form of Fixed Rate Notice
F	-	Form of Letter of Credit Request

Schedules:

1	-	List of Unencumbered Properties
1.1	-	List of Portfolio Properties which are not Unencumbered Properties
5.5	-	Partnerships and Subsidiaries
5.22	-	Environmental Matters
5.32	-	Current Construction Projects

CREDIT AGREEMENT

THIS CREDIT AGREEMENT is dated as of March 30, 1998 and is among CHELSEA GCA REALTY PARTNERSHIP, L.P., a Delaware limited partnership ("Borrower"), each of the Lenders, as hereinafter defined, and BANKBOSTON, N.A. a national banking association ("BankBoston") in its capacity as agent and as a Lender.

RECITALS

A. The Borrower is the borrower under certain credit facilities (each having BankBoston as agent for the applicable lenders) which mature on March 29, 1998 (collectively, the "PRIOR FACILITIES") consisting of (i) an unsecured revolving credit facility in the amount of up to \$100,000,000 (which includes a term loan in the amount of \$5,034,536); and (iii) an unsecured revolving credit facility in the amount of up to \$50,000,000.

B. Borrower has requested that the existing revolving credit facilities be replaced with the unsecured revolving credit facility provided for herein (the "FACILITY") and that the outstanding indebtedness thereunder be refinanced with the initial advance of loans under the Facility, and the Lenders are willing to provide the requested Facility on the terms and conditions set forth herein.

C. The existing term loan will be refinanced with a \$5,034,536 term loan from BankBoston to Borrower pursuant to a Term Loan Agreement of even date herewith (the "BankBoston Term Loan").

NOW, THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 CERTAIN DEFINED TERMS. The following terms used in this Agreement shall have the following meanings (such meanings to be applicable, except to the extent otherwise indicated in a definition of a particular term, both to the singular and the plural forms of the terms defined):

"ACCOMMODATION OBLIGATIONS", as applied to any Person, means any Indebtedness or other contractual obligation or liability, contingent or otherwise, of another Person in respect of which that Person is liable, including, without limitation, any such Indebtedness, obligation or liability directly or indirectly guaranteed, endorsed (otherwise than for collection or deposit in the ordinary course of business), co-made or discounted or sold with recourse by that Person, or in respect of which that Person is otherwise directly or indirectly liable, including in respect of any Partnership in which that Person is a general partner, Contractual Obligations (contingent or otherwise) arising through any agreement to purchase, repurchase or otherwise acquire such Indebtedness, obligation or liability or any security therefor, or to provide funds for the payment or discharge thereof (whether in the form of loans, advances, stock purchases, capital contributions or otherwise), or to maintain solvency, assets, level of income, or other financial condition, or to make payment other than for value received.

"ACCOUNTANTS" means Ernst & Young LLP, any other "big six" accounting firm or another firm of certified public accountants of national standing selected by Borrower and acceptable to Agent.

"ACQUISITION PRICE" means the aggregate purchase price for an asset including bona fide purchase money financing provided by the seller and all (or Borrower's Share of, as applicable) existing Indebtedness pertaining to such asset.

"ADJUSTED ASSET VALUE" means, as at any date of determination, the sum (without duplication of any item) of (i) cash and Cash Equivalents owned by Borrower (excluding any tenant deposits), (ii) the outstanding principal balance of the notes receivable reflected on the December 31, 1997 Financials and such other notes receivable hereafter owned by Borrower as may be approved by the Requisite Lenders, (iii) an amount equal to (A) Operating Cash Flow for the most recently ended Fiscal Quarter (as adjusted by Borrower to take into account any acquisitions or dispositions of Properties owned by Borrower or any of its Subsidiaries which adjustments must be approved by the Agent in its reasonable discretion), TIMES (B) four (4), DIVIDED BY (C) 0.095, and (iv) an amount equal to the lesser of (A) the aggregate Simon Partnership Values of all of the Simon Partnerships or (B) fifteen percent (15%) of the sum of items (i), (ii) and (iii) of this definition of Adjusted Asset Value.

"AFFILIATES" as applied to any Person, means any other Person directly or indirectly controlling, controlled by, or under common control with, that Person. For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control with"), as applied to any Person, means (i) the possession, directly or indirectly, of the power to vote twenty-five percent (25%) or more of the Securities having voting power for the election of directors of such Person or otherwise to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities or by contract or otherwise, or (ii) the ownership of a general partnership interest or a limited partnership interest (or other ownership interest) representing twenty-five percent (25%) or more of the outstanding limited partnership interests or other ownership interests of such Person. In addition, any corporation, partnership or other entity in which the ownership interests of Borrower and its Subsidiaries represents ten percent (10%) or more of the outstanding ownership interests shall be deemed to be an Affiliate of Borrower.

"AGENT" means BankBoston in its capacity as agent for the Lenders under this Agreement, and shall include any successor Agent appointed pursuant hereto and shall be deemed to refer to BankBoston in its individual capacity as a Lender where the context so requires.

"AGGREGATE OCCUPANCY RATE" means, with respect to the Unencumbered Properties at any time, the ratio, as of such date, expressed as a percentage, of (i) the gross leasable area of all Unencumbered Properties occupied by tenants paying rent pursuant to Leases other than Materially Defaulted Leases, to (ii) the aggregate gross leasable area of all Unencumbered Properties, excluding from both (i) and (ii) the gross leasable area of Construction Projects prior to the date which is 3 months after the Rent Stabilization Date for such Construction Project. Only premises which are actually open for business shall be counted as occupied.

"AGREEMENT" means this Credit Agreement as the same may be amended, supplemented or modified from time to time.

"APPLICABLE LIBOR RATE MARGIN" means, as of any date of determination: (i) 0.85%, if Borrower's senior long-term unsecured debt obligations are rated at least BBB+ or Baa1 by one or both of the Rating Agencies, (ii) 0.95%, if Borrower's senior long-term unsecured debt obligations are rated at least BBB or Baa2 by one or both of the Rating Agencies, (iii) 1.05%, if Borrower's senior long-term unsecured debt obligations are rated at least BBB- or Baa3 by one or both of the Rating Agencies, (iv) 1.25% if Borrower's senior long-term unsecured debt obligations are rated at least Ba1/Ba2 or BB+/BB by one or both of the Rating Agencies or (v) 1.50%, in any other case (including, without limitation, if Borrower's senior long-term unsecured debt obligations are not rated by either of the Rating Agencies).

"ASSIGNMENT AND ASSUMPTION" means an Assignment and Assumption in the form of EXHIBIT A hereto (with blanks appropriately filled in) delivered to Agent in connection with each assignment of a Lender's interest under this Agreement pursuant to SECTION 11.12.

"ATC PARTNERSHIP" means Cannery Row Associates, a California limited partnership in which the Borrower is the sole limited partner (having a 99% interest) and the REIT is the sole general partner (having a 1% interest).

"BANKBOSTON TERM LOAN" means the term loan from BankBoston to Borrower in the principal amount of \$5,046,536 pursuant to a Term Loan Agreement of even date herewith and any replacements, extensions or refinancing thereof. Such Term Loan Agreement provides for the same interest rate and substantially the same terms and conditions as set forth in this Agreement.

"BASE RATE" means, on any day, the higher of (i) the base rate of interest per annum established from time to time by BankBoston at its principal office in Boston, Massachusetts, and designated as its "base rate" as in effect on such day, or (ii) the Federal Funds Rate in effect on such day PLUS one-half percent (0.5%) per annum.

"BASE RATE LOANS" means those Loans bearing interest at the Base Rate.

"BENEFIT PLAN" means any employee pension benefit plan as defined in Section 3(2) of ERISA (other than a Multiemployer Plan) in respect of which a Person or an ERISA Affiliate is, or within the immediately preceding five (5) years was, an "employer" as defined in Section 3(5) of ERISA.

"BORROWER DEBT" means (without duplication) all Indebtedness of Borrower or any Subsidiary of Borrower, without offset or reduction in respect of prepaid interest, restructuring fees or similar items MINUS, in the case of Nonrecourse Indebtedness of a Partnership that is otherwise included in Indebtedness of Borrower, the amount of such Indebtedness in excess of Borrower's Share thereof, provided, however, Borrower Debt shall not include Indebtedness consisting of an Accommodation Obligation with respect to the Indebtedness of a Simon Partnership.

"BORROWER'S SHARE" means, in the case of a Partnership or a Simon Partnership, Borrower's percentage ownership interest in such Partnership or such Simon Partnership.

"BORROWING" means a borrowing of Loans under the Facility.

"BUSINESS DAY" means (i) with respect to any Borrowing, payment or rate determination of LIBOR Loans, a day, other than a Saturday or Sunday, on which Agent is open for business at its head office and on which dealings in Dollars are carried on in the London interbank market, and (ii) for all other purposes any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the Commonwealth of Massachusetts, or is a day on which banking institutions located in Massachusetts are required or authorized by law or other governmental action to close.

"CAPITAL LEASES", as applied to any Person, means any lease of any property (whether real, personal or mixed) by that Person as lessee which, in conformity with GAAP, is or should be accounted for as a capital lease on the balance sheet of that Person.

"CASH EQUIVALENTS" means (i) marketable direct obligations issued or unconditionally guaranteed by the United States Government or issued by an agency thereof and backed by the full faith and credit of the United States, in each case maturing within one (1) year after the date of acquisition thereof; (ii) marketable direct obligations issued by any state of the United States of America or any political subdivision of any such state or any public instrumentality thereof maturing within ninety (90) days after the date of acquisition thereof and, at the time of acquisition, having one of the two highest ratings obtainable from any two of Standard & Poor's Corporation, Moody's Investors Services, Inc., Duff and Phelps, or Fitch Investors (or, if at any time no two of the foregoing shall be rating such obligations, then from

such other nationally recognized rating services as may be acceptable to Agent) and not listed for possible down-grade in Credit Watch published by Standard & Poor's Corporation; (iii) commercial paper, other than commercial paper issued by Borrower or any of its Affiliates, maturing no more than ninety (90) days after the date of creation thereof and, at the time of acquisition, having a rating of at least A-1 or P-1 from either Standard & Poor's Corporation or Moody's Investor's Service, Inc. (or, if at any time neither Standard & Poor's Corporation nor Moody's Investor's Service, Inc. shall be rating such obligations, then the highest rating from such other nationally recognized rating services as may be acceptable to Agent); (iv) domestic and Eurodollar certificates of deposit or time deposits or bankers' acceptances maturing within ninety (90) days after the date of acquisition thereof, overnight securities repurchase agreements, or reverse repurchase agreements secured by any of the foregoing types of securities or debt instruments issued, in each case, by (A) any commercial bank organized under the laws of the United States of America or any state thereof or the District of Columbia having combined capital and surplus of not less than Two Hundred Fifty Million Dollars (\$250,000,000) or (B) any Lender, and (v) deposits in existing Merrill Lynch money market accounts maintained by Borrower, such deposits being the proceeds from the exercise of stock options pursuant to Borrower's employee stock option plans.

"CIP BUDGET AMOUNT" means the total budgeted cost (as such budget shall be updated from time to time) of all Current Construction Projects (excluding Expansion Projects) owned by Borrower or any of its Subsidiaries or by any GP Partnership or Simon Partnership or with respect to which Borrower or any of its Subsidiaries has any type of funding obligation, construction management obligation or obligation to assure project completion or leasing, provided, however, that with respect to Current Construction Projects owned by a Simon Partnership for which the respective financial responsibilities of Simon and its Subsidiaries on the one hand and Borrower and its Subsidiaries on the other hand are in proportion to the respective ownership interests in the applicable Simon Partnership, there shall be excluded from the CIP Budget Amount the portion of such budgeted cost in excess of Borrower's Share in the applicable Simon Partnership. Such costs shall include, without limitation, all land acquisition costs (but may exclude costs of land used for expansion projects which was not purchased for the purpose of such expansion project), design and permitting costs, construction period real estate taxes, leasing costs including brokers' commissions and tenant improvements, allowances or reimbursements, construction costs and opening costs. With respect to any Construction Projects financed with Indebtedness other than this Facility, such costs shall also include construction period interest and all fees and expenses associated with such Indebtedness.

"CLOSING DATE" means March 30, 1998.

"COMMISSION" means the Securities and Exchange Commission.

"COMMITMENT" means, with respect to any Lender, the principal amount set out under such Lender's name under the heading "Loan Commitment" on the signature pages attached to this Agreement or to any Amendment pursuant to SECTION 2.10 or as set forth on an Assignment and Assumption executed by such Lender, as assignee.

"COMPLETION DATE" means, with respect to a Construction Project, the date on which certificates of occupancy (or the equivalent) have been issued for at least 90% of the gross leasable area of such Construction Project.

"COMPLIANCE CERTIFICATE" means a certificate in the form of EXHIBIT B delivered to Agent by Borrower pursuant to SECTION 2.1.2, SECTION 2.9.2, SECTION 3.1, SECTION 6.1.4, SECTION 6.1.11 or any other provision of this Agreement and covering Borrower's compliance with the financial covenants contained in ARTICLE IX.

"CONFIDENTIAL INFORMATION" has the meaning ascribed to such term in SECTION 6.3.

"CONSTRUCTION PROJECT" means a project consisting of the construction of new buildings, additions to existing buildings, and/or rehabilitation of existing buildings (other than normal refurbishing and tenant fit-up work when one retail tenant leases space previously occupied by another retail tenant).

"CONTAMINANT" means any pollutant (as that term is defined in 42 U.S.C. 9601(33)) or toxic pollutant (as that term is defined in 33 U.S.C. 1362(13)), hazardous substance (as that term is defined in 42 U.S.C. 9601(14)), hazardous chemical (as that term is defined by 29 CFR Section 1910.1200(c)), toxic substance, hazardous waste (as that term is defined in 42 U.S.C. 6903(5)), radioactive material, special waste, petroleum (including crude oil or any petroleum-derived substance, waste, or breakdown or decomposition product thereof), any constituent of any such substance or waste, including, but not limited to, polychlorinated biphenyls and asbestos, or any other substance or waste deleterious to the environment the release, disposal or remediation of which is now or at any time becomes subject to regulation under any Environmental Law.

"CONTRACTUAL OBLIGATION", as applied to any Person, means any provision of any Securities issued by that Person or any indenture, mortgage, deed of trust, lease, contract, undertaking, document or instrument to which that Person is a party or by which it or any of its properties is bound, or to which it or any of its properties is subject (including, without limitation, any restrictive covenant affecting such Person or any of its properties).

"COURT ORDER" means any judgment, writ, injunction, decree, rule or regulation of any court or Governmental Authority binding upon or applicable to the Person in question.

"CURRENT CONSTRUCTION PROJECT" means a Construction Project from the time of commencement of construction of footings and foundations for such Construction Project until the Rent Stabilization Date of such Construction Project.

"DEBT SERVICE" means, for any period, Interest Expense for such period PLUS scheduled principal amortization (I.E., excluding any balloon payment due at maturity) for such period on all Borrower Debt.

"DECEMBER 31, 1997 FINANCIALS" has the meaning given to such term in SECTION 5.9.

"DEFAULTING LENDER" means any Lender which fails or refuses to perform its obligations under this Agreement within the time period specified for performance of such obligation or, if no time frame is specified, if such failure or refusal continues for a period of five (5) Business Days after notice from Agent.

"DOL" means the United States Department of Labor and any successor department or agency.

"DOLLARS" AND "\$" means the lawful money of the United States of America.

"DRAWING DATE" means the date on which a draft under a Letter of Credit is paid by the Agent.

"EBITDA" means, at any time, for the most recent Fiscal Quarter, the Borrower's earnings (or loss) before interest, taxes, depreciation and amortization, calculated for such period on a consolidated basis in conformity with GAAP and excluding earnings attributable to Simon Partnerships or minority interests MINUS gains (and PLUS losses) from extraordinary items or asset sales or write-ups or forgiveness of Indebtedness, MINUS percentage rent income for such Fiscal Quarter, PLUS twenty-five percent (25%) of the total percentage rent income during such Fiscal Quarter and the three immediately preceding Fiscal Quarters.

"ELIGIBLE ASSIGNEE" means (i) (A) (1) a commercial bank organized under the laws of the United States or any state thereof; (2) a savings and loan association or savings bank organized under the laws of the United States or any state thereof; or (3) a commercial bank organized under the laws of any other country or a political subdivision thereof, PROVIDED that (x) such bank is acting through a branch or agency located in the United States, or (y) such bank is organized under the laws of a country that is a member of the Organization for Economic Cooperation and Development or a political subdivision of such country; that (B) in each case, is (1) reasonably acceptable to Agent and Borrower, and (2) has total assets in excess of \$10,000,000,000 and a rating on its (or its parent's) senior unsecured debt obligations of at least BBB by one of the Rating Agencies; or (ii) any Lender or Affiliate of any Lender; PROVIDED that no Affiliate of Borrower shall be an Eligible Assignee.

"ENVIRONMENTAL LAWS" has the meaning set forth in SECTION 5.22.

"ENVIRONMENTAL LIEN" means a Lien in favor of any Governmental Authority for (i) any liability under Environmental Laws, or (ii) damages arising from, or costs incurred by such Governmental Authority in response to, a Release or threatened Release of a Contaminant into the environment.

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

"ERISA AFFILIATE" of any Person means any (i) corporation which is, becomes, or is deemed to be a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Internal Revenue Code) as such Person, (ii) partnership, trade or business (whether or not incorporated) which is, becomes or is deemed to be under common control (within the meaning of Section 414(c) of the Internal Revenue Code) with such Person, (iii) other Person which is, becomes or is deemed to be a member of the same "affiliated service group" (as defined in Section 414(m) of the Internal Revenue Code) as such Person, or (iv) any other organization or arrangement described in Section 414(o) of the Internal Revenue Code which is, becomes or is deemed to be required to be aggregated pursuant to regulations issued under Section 414(o) of the Internal Revenue Code with such Person pursuant to Section 414(o) of the Internal Revenue Code.

"EVENT OF DEFAULT" means any of the occurrences set forth in ARTICLE X after the expiration of any applicable grace period expressly provided therein.

"EXECUTIVE OFFICERS" mean David C. Bloom, William D. Bloom, Barry M. Ginsburg, Leslie T. Chao and Thomas J. Davis.

"EXIT DATE" has the meaning given to such term in SECTION 2.10.

"EXPANSION PROJECTS" means Construction Projects consisting of the construction of additional buildings or building additions at a Portfolio Property or a Simon Property which has been open and operating as a retail center with a Property Occupancy Rate of at least 90% as of the start of such Construction Project so long as the increase in the gross leasable area of such Property as a result of such Construction Project does not exceed 150,000 square feet.

"FACILITY" means the loan facility of One Hundred Sixty Million Dollars (\$160,000,000) described in SECTION 2.1.1.

"FAIR MARKET NET WORTH" means the Borrower's Adjusted Asset Value less Total Liabilities.

"FDIC" means the Federal Deposit Insurance Corporation or any successor thereto.

"FEDERAL FUNDS RATE" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal

Reserve System arranged by Federal Funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by Agent from three Federal Funds brokers of recognized standing selected by Agent.

"FEDERAL RESERVE BOARD" means the Board of Governors of the Federal Reserve System or any governmental authority succeeding to its functions.

"FEE LETTER" means a certain fee letter between the Borrower and the Agent dated February 26, 1998, as amended, modified or replaced from time to time.

"FINANCIAL STATEMENTS" has the meaning given to such term in SECTION 6.1.2.

"FISCAL QUARTER" means each three-month period ending on March 31, June 30, September 30 and December 31.

"FISCAL YEAR" means the fiscal year of Borrower which shall be the twelve (12) month period ending on the last day of December in each year.

"FIXED CHARGES" means, for any period, Debt Service PLUS scheduled dividends or distributions due with respect to preferred partnership units in the Borrower or preferred stock in the REIT.

"FIXED RATE NOTICE" means, with respect to a LIBOR Loan pursuant to SECTION 2.1.2, a notice substantially in the form of EXHIBIT E.

"FIXED RATE PREPAYMENT FEE" has the meaning given to such term in SECTION 2.4.8(C).

"FOREIGN AFFILIATES" means Value Retail PLC, a corporation formed under the laws of Great Britain and any other partnership or entity which may be sponsored by or affiliated with Value Retail PLC and any other Affiliate (which may need to be approved by Agent pursuant to SECTION 8.3) which may develop, own or finance one or more Foreign Properties.

"FOREIGN INVESTMENTS" means the aggregate amount of all Investments by Borrower in Borrower's Foreign Affiliates plus the face amount of all Letters of Credit issued hereunder (or letters of credit issued by any other Person with respect to which Borrower is directly or contingently liable) for the benefit of such Foreign Affiliates, plus the aggregate Acquisition Prices of all Foreign Properties owned by Borrower or its Subsidiaries.

"FOREIGN PROPERTIES" means all Properties which are not located within the boundaries of the United States.

"FUNDING DATE" means, with respect to any Loan made after the Closing Date, the date of the funding of such Loan.

"FUNDS FROM OPERATIONS" means, for any period, the Borrower's Funds From Operations determined in accordance with the definition approved by the National Association of Real Estate Investment Trusts.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other entity as may be in general use by significant segments of the accounting profession, which are applicable to the circumstances as of the date of determination.

"GOVERNMENTAL AUTHORITY" means any nation or government, any federal, state, local, municipal or other political subdivision thereof or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GP PARTNERSHIP" means any Partnership in which Borrower, the REIT or any Subsidiary of Borrower or the REIT is a general partner. As provided in SECTION 8.8.1 the REIT may not become a partner in any additional Partnerships.

"GUARANTOR SUBSIDIARY" means a Wholly-Owned Subsidiary which executes and delivers a guaranty of the Obligations in favor of the Agent and the Lenders, which guaranty shall be substantially in the form of the Guaranty from the REIT and shall be accompanied by certificates and a legal opinion reasonably acceptable to the Agent.

"GUARANTY" means the Guaranty of even date herewith executed by the REIT in favor of the Agent and the Lenders.

"INDEBTEDNESS", as applied to any Person (determined on a consolidated basis and without duplication), means the sum of (i) all indebtedness, obligations or other liabilities of such Person for borrowed money, (ii) all indebtedness, obligations or other liabilities of such Person evidenced by Securities or other similar instruments, (iii) all reimbursement obligations and other liabilities of such Person with respect to letters of credit or banker's acceptances issued for such Person's account, (iv) all obligations of such Person to pay the deferred purchase price of Property or services or to reimburse tenants for the costs of improvements constructed by such tenants on the Property of such Person, (v) all obligations in respect of Capital Leases of such Person, (vi) all Accommodation Obligations of such Person, (vii) all indebtedness, obligations or other liabilities of such Person or others secured by a Lien on any asset of such Person, whether or not such indebtedness, obligations or liabilities are assumed by, or are a personal liability of, such Person (including, without limitation, the principal amount of any assessment or similar indebtedness encumbering any property), (viii) all indebtedness, obligations or other liabilities (other than interest expense liability) in

respect of Interest Rate Contracts and foreign currency exchange agreements, and (ix) ERISA obligations currently due and payable. Indebtedness shall not include accrued ordinary operating expenses payable on a current basis.

"INTEREST EXPENSE" means, for any period, total interest expense, whether paid, accrued or capitalized (including the interest component of Capital Leases) in respect of Borrower Debt, including, without limitation, amortization of loan acquisition costs, all commissions, discounts and other fees and charges owed with respect to letters of credit, net costs under Interest Rate Contracts, and Unused Facility Fees payable to Lenders.

"INTEREST PERIOD" means, relative to any LIBOR Loans comprising part of the same Borrowing, the period beginning on (and including) the date on which such LIBOR Loans are made as, or converted into, LIBOR Loans, and ending on (but excluding) the day which numerically corresponds to such date thirty (30), sixty (60) or ninety (90) days thereafter, in either case as Borrower may select in its relevant Notice of Borrowing pursuant to SECTION 2.1.2; PROVIDED, HOWEVER, that:

(a) if such Interest Period would otherwise end on a day which is not a Business Day, such Interest Period shall end on the next following Business Day; and

(b) no Interest Period may end later than the then applicable Termination Date.

"INTEREST RATE CONTRACTS" means, collectively, interest rate swap, collar, cap or similar agreements providing interest rate protection.

"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended from time to time hereafter, and any successor statute.

"INVESTMENT" means, as applied to any Person, any direct or indirect purchase or other acquisition by that Person of Securities, or of a beneficial interest in Securities, of any other Person, and any direct or indirect loan, advance (other than deposits with financial institutions available for withdrawal on demand, prepaid expenses, advances to employees and similar items made or incurred in the ordinary course of business), or capital contribution by such Person to any other Person, including all Indebtedness and accounts owed by that other Person which are not current assets or did not arise from sales of goods or services to that Person in the ordinary course of business.

"INVESTMENT MORTGAGES" mean notes receivable or other indebtedness secured by mortgages or other security interests directly or indirectly owned by Borrower or any Subsidiary of Borrower, including certificates of interest in real estate mortgage investment conduits.

"INVESTMENT PARTNERSHIP" means any Partnership in which Borrower or any Subsidiary of Borrower has an ownership interest, whose financial results are not consolidated under GAAP in the Financial Statements. Investment Partnerships do not include Simon Partnerships.

"IRS" means the Internal Revenue Service and any Person succeeding to the functions thereof.

"ISSUANCE DATE" means the date of issuance of any Letters of Credit.

"LAND" means unimproved real estate, including future phases of a partially completed project, owned by Borrower or any Subsidiary of Borrower for the purpose of future development of improvements. For purposes of the foregoing definition, "unimproved" shall mean Land on which the construction of building improvements has not commenced or land on which construction has been discontinued for a continuous period longer than sixty (60) days prior to completion.

"LEASE" means a lease or license between Borrower and a tenant or licensee with respect to premises located within a Portfolio Property.

"LENDER TAXES" has the meaning given to such term in SECTION 2.4.7.

"LENDERS" means BankBoston and any other bank, finance company, insurance or other financial institution which is or becomes a party to this Agreement by execution of a counterpart signature page hereto or an Assignment and Assumption, as assignee. With respect to matters requiring the consent to or approval of all Lenders at any given time, all then existing Defaulting Lenders will be disregarded and excluded, and, for voting purposes only, "all Lenders" shall be deemed to mean "all Lenders other than Defaulting Lenders".

"LETTER OF CREDIT" means a letter of credit issued by the Agent for the account of Borrower pursuant to SECTION 2.9.

"LIABILITIES AND COSTS" means all claims, judgments, liabilities, obligations, responsibilities, losses, damages (including lost profits), punitive or treble damages, costs, disbursements and expenses (including, without limitation, reasonable attorneys, experts' and consulting fees and costs of investigation and feasibility studies), fines, penalties and monetary sanctions, interest, direct or indirect, known or unknown, absolute or contingent, past, present or future.

"LIBOR" means, relative to any Interest Period for any LIBOR Loan included in any Borrowing, the per annum rate (reserve adjusted as hereinbelow provided) of interest quoted by Agent, rounded upwards, if necessary, to the nearest one-sixteenth of one percent (0.0625%) at which Dollar deposits in immediately available funds are offered to Agent by leading banks in the Eurodollar interbank market two (2) Business Days prior to the beginning of such Interest Period, for delivery on the first day of such Interest Period for a period approximately equal to such Interest Period and in an amount equal or comparable to the LIBOR Loan to which such Interest Period relates. The foregoing rate of interest shall be reserve adjusted by dividing LIBOR by one

(1.00) minus the LIBOR Reserve Percentage, with such quotient to be rounded upward to the nearest whole multiple of one-hundredth of one percent (0.01%). All references in this Agreement or other Loan Documents to LIBOR shall mean and include the aforesaid reserve adjustment.

"LIBOR LOAN" means a Loan bearing interest, at all times during an Interest Period applicable to such Loan, at a fixed rate of interest determined by reference to LIBOR.

"LIBOR OFFICE" means, relative to any Lender, the office of such Lender designated as such on the counterpart signature pages hereto or such other office of a Lender as designated from time to time by notice from such Lender to Agent, whether or not outside the United States, which shall be making or maintaining LIBOR Loans of such Lender.

"LIBOR RESERVE PERCENTAGE" means, relative to any Interest Period for LIBOR Loans made by any Lender, the reserve percentage (expressed as a decimal) equal to the actual aggregate reserve requirements (including all basic, emergency, supplemental, marginal and other reserves and taking into account any transactional adjustments or other scheduled changes in reserve requirements) announced within Agent as the reserve percentage applicable to Agent as specified under regulations issued from time to time by the Federal Reserve Board. The LIBOR Reserve Percentage shall be based on Regulation D of the Federal Reserve Board or other regulations from time to time in effect concerning reserves for "Eurocurrency Liabilities" from related institutions as though Agent were in a net borrowing position.

"LIEN" means any mortgage, deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, encumbrance (including, but not limited to, easements, rights-of-way, zoning restrictions and the like), lien (statutory or other), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever, including without limitation any conditional sale or other title retention agreement, the interest of a lessor under a Capital Lease, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement or document having similar effect (other than a financing statement filed by a "true" lessor pursuant to Section 9408 of the Uniform Commercial Code) naming the owner of the asset to which such Lien relates as debtor, under the Uniform Commercial Code or other comparable law of any jurisdiction.

"LOAN ACCOUNT" has the meaning given to such term in SECTION 2.3.

"LOAN DOCUMENTS" means this Agreement, the Loan Notes, the Guaranty and all other agreements, instruments and documents (together with amendments and supplements thereto and replacements thereof) now or hereafter executed by the Borrower, which evidences or relates to the Obligations.

"LOAN NOTES" means the promissory notes evidencing the Loans in the aggregate original principal amount of One Hundred Sixty Million Dollars (\$160,000,000) executed by Borrower in favor of Lenders, as they may be amended, supplemented, replaced or modified from time to time. The initial Loan Notes and any replacements thereof shall be substantially in the form of EXHIBIT C.

"LOANS" means the Loans made pursuant to the Facility.

"LONG TERM UNSECURED INDEBTEDNESS" means all Unsecured Indebtedness which at the time of determination has a maturity of not less than five (5) years.

"MAJORITY PARTNERSHIP" means any Partnership in which Borrower has an ownership interest, whose financial results are consolidated under GAAP in the Financial Statements.

"MATERIAL ADVERSE EFFECT" means, with respect to a Person or Property, a material adverse effect upon the condition (financial or otherwise), operations, performance or properties of such Person or Property. The phrase "has a Material Adverse Effect" or "will result in a Material Adverse Effect" or words substantially similar thereto shall in all cases be intended to mean "has resulted, or will or could reasonably be anticipated to result, in a Material Adverse Effect", and the phrase "has no (or does not have a) Material Adverse Effect" or "will not result in a Material Adverse Effect" or words substantially similar thereto shall in all cases be intended to mean "does not or will not or could not reasonably be anticipated to result in a Material Adverse Effect".

"MATERIALLY DEFAULTED LEASES" means Leases under which the tenant has failed to make any payment of base rent, percentage rent or additional rent when due and such failure has continued for more than ninety (90) days after the due date of the applicable payment or any Lease which the Borrower has terminated based on any default by the Tenant thereunder.

"MAXIMUM LOAN AMOUNT" means, at any time, the amount of the Facility from time to time less the aggregate face amount of Letters of Credit outstanding hereunder provided, however, that after any Event of Default has occurred and until the same shall have been remedied or waived pursuant to SECTION 12.4, the Maximum Loan Amount shall be zero.

"MULTIEMPLOYER PLAN" means an employee benefit plan defined in Section 4001(a)(3) of ERISA which is, or within the immediately preceding six (6) years was, contributed to by a Person or an ERISA Affiliate of such Person.

"NET OPERATING INCOME" means with respect to any Fiscal Quarter of the Borrower and with respect to any one or more of its Properties, (i) the total rental and other operating income from the operation of such Properties after deducting all expenses and other proper charges incurred by the Borrower in connection with the operation of such Properties during such Fiscal Quarter, including, without limitation, property operating expenses, real estate taxes and bad debt expenses, but before payment or provision for debt service, income taxes, and depreciation, amortization, and other non-cash expenses, all as

determined in accordance with generally accepted accounting principles, MINUS (ii) percentage rent income of such Properties for such Fiscal Quarter, PLUS (iii) twenty-five percent (25%) of the total percentage rent income of such Properties during such Fiscal Quarter and the three immediately preceding Fiscal Quarters, minus (iv) the Replacement Reserve Amount for such Properties. With respect to Properties located outside of the United States, Net Operating Income shall be converted from the currency in which the applicable income and expenses are paid to Dollars using the currency exchange rates in effect as of the end of the applicable Fiscal Quarter.

"NET OFFERING PROCEEDS" means all cash proceeds received by the REIT as a result of the sale of common, preferred or other classes of stock in the REIT (if and only to the extent reflected in stockholders' equity on the consolidated balance sheet of the REIT prepared in accordance with GAAP) LESS customary costs and discounts of issuance paid by the REIT, all of which proceeds shall have been concurrently contributed by the REIT to Borrower as additional capital.

"NON PRO RATA LOAN" means a Loan with respect to which fewer than all Lenders have funded their respective Pro Rata Shares of such Loans and the failure of the non-funding Lender or Lenders to fund its or their respective Pro Rata Shares of such Loan constitutes a breach of this Agreement.

"NON-RETAIL PROPERTIES" means Portfolio Properties which are not intended to be used as or in connection with a retail Property including residential or other Properties in the vicinity of Construction Projects acquired to facilitate the obtaining of governmental permits or the resolution of zoning or land use issues related to such Construction Projects.

"NONRECOURSE INDEBTEDNESS" means Indebtedness with respect to which recourse for payment is contractually limited to specific assets encumbered by a Lien securing such Indebtedness.

"NON-RENEWING LENDER" has the meaning given to such term in SECTION 2.10.

"NOTICE OF BORROWING" means, with respect to a proposed Borrowing pursuant to SECTION 2.1.2, a notice substantially in the form of EXHIBIT D.

"OBLIGATIONS" means, from time to time, all Indebtedness of Borrower owing to Agent, any Lender or any Person entitled to indemnification pursuant to SECTION 12.2, or any of their respective successors, transferees or assigns, of every type and description, whether or not evidenced by any note, guaranty or other instrument, arising under or in connection with this Agreement or any other Loan Document, whether or not for the payment of money, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term includes, without limitation, all interest, charges, expenses, fees, reasonable attorneys' fees and disbursements, reasonable fees and disbursements of expert witnesses and other consultants, and any other sum now or hereinafter chargeable to Borrower under or in connection with this Agreement or any other Loan Document.

"OFFICER'S CERTIFICATE" means a certificate signed by a specified officer of a Person certifying as to the matters set forth therein.

"OPERATING CASH FLOW" means, at any time, for the most recent Fiscal Quarter, EBITDA MINUS cash income taxes paid during such Fiscal Quarter and not deducted on the Financial Statements in determining earnings for such Fiscal Quarter or any prior period MINUS the Replacement Reserve Amount for the Portfolio Properties.

"PARTNERSHIP" means any general or limited partnership, joint venture, corporation, limited liability company or limited liability partnership in which Borrower, the REIT or any Subsidiary of Borrower or the REIT has an ownership interest and which is not a Wholly-Owned Subsidiary, excluding, however, the Simon Partnerships.

"PARTNERSHIP AGREEMENT" means, with respect to any Partnership, on a collective basis, its partnership agreement, its agreement of limited partnership agreement and certificate of limited partnership (if any), its operating or management agreement and articles or certificate of organization, or other organizational or governance document(s).

"PBGC" means the Pension Benefit Guaranty Corporation or any Person succeeding to the functions thereof.

"PERMIT" means any permit, approval, authorization, license, variance or permission required from a Governmental Authority under an applicable Requirement of Law.

"PERMITTED LIENS" means:

(a) Liens (other than Environmental Liens and any Lien imposed under ERISA) for taxes, assessments or charges of any Governmental Authority or claims not yet due or not yet required to be paid pursuant to SECTION 7.4;

(b) Liens (other than any Lien imposed under ERISA) incurred or deposits made in the ordinary course of business (including without limitation surety bonds and appeal bonds) in connection with workers' compensation, unemployment insurance and other types of social security benefits or to secure the performance of tenders, bids, leases, contracts (other than for the repayment of Indebtedness), statutory obligations;

(c) any laws, ordinances, easements, rights of way, restrictions, exemptions, reservations, conditions, defects or irregularities in title, limitations, covenants or other matters that,

in the aggregate, do not in the reasonable opinion of Borrower (i) materially interfere with the occupation, use and enjoyment of the Property or other assets encumbered thereby, by the Person owning such Property or other assets, in the normal course of its business or (ii) materially impair the value of the Property subject thereto;

(d) Liens imposed by laws, such as mechanics' liens and other similar liens arising in the ordinary course of business which either (i) have been in existence for less than 120 days from the date of filing or (ii) have been in existence for longer than said 120 days so long as the aggregate amount of all such Liens is less than \$100,000 for each Construction Project and the Borrower is in good faith contesting the validity or amount thereof by appropriate proceedings, provided however that any Lien permitted under this paragraph must be discharged prior to foreclosure thereof;

(e) Leases to tenants which are not Affiliates of Borrower existing on the date hereof or subsequently entered into in the ordinary course of business;

(f) Liens securing judgments or awards permitted by SECTION 8.10(D); and

(g) Liens securing purchase money Indebtedness permitted by SECTION 8.10(F) provided that each such Lien shall encumber only the specific item of equipment purchased with the proceeds of the Indebtedness secured thereby.

"PERSON" means any natural person, employee, corporation, limited partnership, general partnership, joint stock company, limited liability company, joint venture, association, company, trust, bank, trust company, land trust, business trust or other organization, whether or not a legal entity, or any other non-governmental entity, or any Governmental Authority.

"PLAN" means an employee benefit plan defined in Section 3(3) of ERISA (other than a Multiemployer Plan) in respect of which Borrower or an ERISA Affiliate, as applicable, is an "employer" as defined in Section 3(5) of ERISA.

"PORTFOLIO OCCUPANCY RATE" means, with respect to the Portfolio Properties at any time, the ratio, as of such date, expressed as a percentage, of (i) the gross leasable area of all Portfolio Properties occupied by tenants paying rent pursuant to Leases other than Materially Defaulted Leases, to (ii) the aggregate gross leasable area of all Portfolio Properties excluding from both (i) and (ii) the gross leasable area of Construction Projects thereon prior to the date which is 3 months after the Rent Stabilization Date for such Construction Project. Only premises which are actually open for business shall be counted as occupied. Non-Retail Properties shall be excluded from Portfolio Properties for purposes of this definition.

"PORTFOLIO PROPERTIES" means real property improved with one or more completed buildings that is owned directly or indirectly, in whole or in part, by Borrower, any Subsidiary of Borrower or any Partnership, including the Unencumbered Properties and the Properties listed on SCHEDULE 1.1, as such schedule may be updated from time to time to reflect the acquisition or disposition of Portfolio Properties. Portfolio Properties do not include the Simon Properties.

"PREPAYMENT DATE" has the meaning given to such term in SECTION 2.4.8(C).

"PRO FORMA UNSECURED DEBT SERVICE CHARGES" means, for any Fiscal Quarter of the Borrower, the sum of (a) an amount determined by the Borrower (and approved by the Agent in its sole discretion) based on a twenty-five (25) year mortgage style amortization schedule, calculated on the outstanding principal amount of all Unsecured Indebtedness excluding Long Term Unsecured Indebtedness and an interest rate equal to the greater of (i) the weighted average annual interest rate actually applicable to all Unsecured Indebtedness excluding Long Term Unsecured Indebtedness during such Fiscal Quarter or (ii) the then current ten (10) year U.S. Treasury bill yield plus one and three-quarters percent (1.75%) plus (b) one-quarter of the actual debt service charges due during the current fiscal year pursuant to the Long Term Unsecured Indebtedness.

"PRO RATA SHARE" means, with respect to any Lender, a fraction (expressed as a percentage), the numerator of which shall be the amount of such Lender's Commitment and the denominator of which shall be the aggregate amount of all of the Lenders' Commitments.

"PROCEEDINGS" means, collectively, all actions, suits and proceedings before, and investigations commenced or threatened by or before, any court or Governmental Authority with respect to a Person.

"PROPERTY" means, as to any Person, all real or personal property (including, without limitation, buildings, facilities, structures, equipment and other assets, tangible or intangible) owned by such Person.

"PROPERTY OCCUPANCY RATE" means, with respect to any Portfolio Property or Simon Property at any time, the ratio, as of such date, expressed as a percentage, of (i) the gross leasable area of such Portfolio Property or Simon Property occupied by tenants paying rent pursuant to Leases other than Materially Defaulted Leases, to (ii) the aggregate gross leasable area of such Portfolio Property or Simon Property, excluding from both (i) and (ii) the gross leasable area of Construction Projects prior to the date which is 3 months after the Rent Stabilization Date for such Construction Project. Only premises which are actually open for business shall be counted as occupied.

"RATING AGENCY" means either of (i) Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or (ii) Moody's Investors Services, Inc.

"RECOURSE SIMON DEBT AMOUNT" means the aggregate amount of the Indebtedness of any Simon Partnership for which the Borrower has recourse liability pursuant to a guaranty or other Accommodation Obligation provided, however, that with respect to any such Indebtedness guaranteed jointly and severally by Borrower and Simon (and with respect to which Borrower would have a contribution claim against Simon) the Recourse Simon Debt Amount shall exclude the amount of such guaranteed Indebtedness in excess of Borrower's Share in the applicable Simon Partnership.

"REGULATIONS G, T, U AND X" mean such Regulations of the Federal Reserve Board as in effect from time to time.

"REIT" means Chelsea GCA Realty, Inc., a Maryland corporation.

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

"REMEDIAL ACTION" means any action required by applicable Environmental Laws to (i) clean up, remove, treat or in any other way address Contaminants in the indoor or outdoor environment; (ii) prevent the Release or threat of Release or minimize the further Release of Contaminants so they do not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment; or (iii) perform preresidential studies and investigations and post-remedial monitoring and care.

"RENEWAL DATE" has the meaning given to such term in SECTION 2.10.

"RENT STABILIZATION DATE" means, with respect to each Construction Project, the date which shall be (i) the first day of a Fiscal Quarter (ii) not more than six (6) months after the date on which the first certificate of occupancy (or the equivalent) has been issued for any portion of such Construction Project and (iii) set forth in a notice from Borrower to Agent given prior to such Rent Stabilization Date.

"REPLACEMENT RESERVE AMOUNT" means, with respect to any Property or group of Properties for any Fiscal Quarter, a reserve for replacement reserves, leasing costs and recurring capital expenditures equal to the product of \$0.075 TIMES the gross leasable area of such Property or group of Properties excluding the gross leasable area of any Construction Project thereon prior to the Rent Stabilization Date with respect to such Construction Project.

"REPORTABLE EVENT" means any of the events described in Section 4043(b) of ERISA, other than an event for which the thirty (30) day notice requirement is waived by regulations.

"REQUIREMENTS OF LAW" mean, as to any Person, the charter and by-laws, Partnership Agreement or other organizational or governing documents of such Person, and any law, rule or regulation, Permit, or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject, including without limitation, the Securities Act, the Securities Exchange Act, Regulations G, T, U and X, FIRREA and any certificate of occupancy, zoning ordinance, building, environmental or land use requirement or Permit or occupational safety or health law, rule or regulation.

"REQUISITE LENDERS" mean, collectively, Lenders whose Pro Rata Shares, in the aggregate, are at least sixty-six and two-thirds percent (66-2/3%), PROVIDED that, in determining such percentage at any given time, all then existing Defaulting Lenders will be disregarded and excluded and the Pro Rata Shares of Lenders shall be redetermined, for voting purposes only, to exclude the Pro Rata Shares of such Defaulting Lenders and PROVIDED, FURTHER, that the Agent must always be among the Requisite Lenders except that after an Event of Default described in SECTION 10.1.1 decisions by the Requisite Lenders to accelerate and/or exercise remedies pursuant to SECTION 10.2.1 shall be made without regard to whether the Agent is among the Requisite Lenders.

"REVOLVING LOANS" means the Revolving Loans made pursuant to the Facility under SECTION 2.1.1.

"SECURED BORROWER DEBT" means all Borrower Debt that is secured by a Lien on any Property.

"SECURITIES" means any stock, shares, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities", or any certificates of interest, shares, or participations in temporary or interim certificates for the purchase or acquisition of, or any right to subscribe to, purchase or acquire any of the foregoing, but shall not include any evidence of the Obligations, PROVIDED that Securities shall not include Cash Equivalents, Investment Mortgages or interests in Partnerships.

"SECURITIES ACT" means the Securities Act of 1933, as amended to the date hereof and from time to time hereafter, and any successor statute.

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

"SENIOR LOANS" has the meaning given to such term in SECTION 11.4.2.

"SIMON" means Simon DeBartolo Group, L.P.

"SIMON PARTNERSHIP" means each limited liability company general or limited partnership, corporation or joint venture in which ownership interests are held by (i) Borrower or one of its Wholly-Owned Subsidiaries and (ii) Simon

or one of its wholly-owned Subsidiaries.

"SIMON PARTNERSHIP CASH FLOW" means, at any time, with respect to any Simon Partnership, for the most recent Fiscal Quarter, Simon Partnership EBITDA of such Simon Partnership MINUS the Replacement Reserve Amount for the Simon Property owned by such Simon Partnership.

"SIMON PARTNERSHIP EBITDA" means, at any time, with respect to any Simon Partnership, for the most recent Fiscal Quarter, such Simon Partnership's earnings (or loss) before interest, taxes, depreciation and amortization, calculated for such period on a consolidated basis in conformity with GAAP minus gains (and PLUS losses) from extraordinary items or asset sales or write-ups or forgiveness of Indebtedness, MINUS percentage rent income for such Fiscal Quarter, PLUS twenty-five percent (25%) of the total percentage rent income during such Fiscal Quarter and the three immediately preceding Fiscal Quarters.

"SIMON PARTNERSHIP VALUE" means, as at any date of determination, with respect to any Simon Partnership, the Borrower's Share of an amount equal to the excess, if any, of (i) (A) Simon Partnership Cash Flow of such Simon Partnership for the most recently ended Fiscal Quarter, TIMES (B) four (4), DIVIDED BY (C) 0.095, MINUS (ii) all Indebtedness and other liabilities of such Simon Partnership.

"SIMON PROPERTY" means any Property owned by a Simon Partnership.

"SOLVENT" means, as to any Person at the time of determination, that such Person (i) owns property the value of which (both at fair valuation and at present fair saleable value) is greater than the amount required to pay all of such Person's liabilities (including contingent liabilities and debts); (ii) is able to pay all of its debts as such debts mature; and (iii) has capital sufficient to carry on its business and transactions and all business and transactions in which it is about to engage.

"SUBSIDIARY" of a Person means any corporation, Partnership, trust or other non-Partnership entity of which a majority of the stock (or equivalent ownership or controlling interest) having voting power to elect a majority of the Board of Directors (if a corporation) or to select the trustee or equivalent controlling interest, shall, at the time such reference becomes operative, be directly or indirectly owned or controlled by such Person.

"TAXES" means all federal, state, local and foreign income and gross receipts taxes.

"TERMINATION DATE" has the meaning given to such term in SECTION 2.1.4.

"TERMINATION EVENT" means (i) any Reportable Event, (ii) the withdrawal of a Person, or an ERISA Affiliate from a Benefit Plan during a plan year in which it was a "substantial employer" as defined in Section 4001(a)(2) of ERISA, (iii) the occurrence of an obligation arising under Section 4041 of ERISA of a Person or an ERISA Affiliate to provide affected parties with a written notice of an intent to terminate a Benefit Plan in a distress termination described in Section 4041(c) of ERISA, (iv) the institution by the PBGC of proceedings to terminate any Benefit Plan under Section 4042 of ERISA, (v) any event or condition which constitutes grounds under Section 4042 of ERISA for the appointment of a trustee to administer a Benefit Plan, (vi) the partial or complete withdrawal of such Person or any ERISA Affiliate from a Multiemployer Plan, or (vii) the adoption of an amendment by any Person or any ERISA Affiliate to terminate any Benefit Plan.

"TOTAL LIABILITIES" means (i) all Indebtedness of Borrower and its Subsidiaries (excluding Indebtedness relating to the Indebtedness of Simon Partnerships), whether or not such Indebtedness would be included as a liability on the balance sheet of Borrower in accordance with GAAP, plus (ii) all other liabilities of every nature and kind of Borrower and its Subsidiaries that would be included as liabilities on the balance sheet of Borrower in accordance with GAAP plus (iii) the Recourse Simon Debt Amount.

"UNENCUMBERED NET OPERATING INCOME" means, with respect to any Fiscal Quarter of the Borrower, the sum of the Net Operating Income of all of its Properties which were Unencumbered Properties hereunder during such Fiscal Quarter.

"UNENCUMBERED PROPERTY" means a Property which at the date of determination, (i) is owned in fee by Borrower or by a Guarantor Subsidiary, (ii) is improved with one or more completed retail buildings of a type consistent with Borrower's business strategy; (iii) is not directly or indirectly subject to any Lien (other than Permitted Liens) or to any negative pledge agreement or other agreement (other than this Agreement) that prohibits the creation of any Lien thereon; (iv) is a Property with respect to which each of the representations contained in SECTION 5.22 and in SECTION 5.23 hereof is true and accurate as of such date of determination; (v) may be legally conveyed separately from any other Real Estate without the need to obtain any subdivision approval, zoning variance or other consent or approval from an unrelated Person; (vi) is located in the United States, and (vii) to the extent requested by the Agent, the Borrower has delivered to the Agent historical operating and leasing information relating to such Unencumbered Property, in form and substance satisfactory to the Agent.

"UNENCUMBERED PROPERTY VALUE" means, with respect to any Unencumbered Property at any time, an amount computed as follows: (a) the Net Operating Income of such Unencumbered Property for the most recent Fiscal Quarter for which financial statements have been delivered to the Agent pursuant to SECTION 6.1; (b) then multiplying by four (4); and (c) dividing such product by 0.095. With respect to any Unencumbered Property which, during the applicable Fiscal Quarter, has been acquired by Borrower or has had the building or buildings being constructed thereon completed and occupied by tenants, Borrower may compute the Unencumbered Property Value for such Unencumbered Property based on a pro forma Net Operating Income for such Fiscal Quarter, which computation must

be approved by the Agent.

"UNMATURED EVENT OF DEFAULT" means an event which, with the giving of notice or the lapse of time, or both, would constitute an Event of Default.

"UNSECURED INDEBTEDNESS" means all Indebtedness of Borrower or of any of its Subsidiaries which is not secured by a Lien on any Properties including, without limitation, the Loans, the Borrower's reimbursement obligations relating to the Letters of Credit, the BankBoston Term Loan, the Unsecured Term Notes and any Indebtedness evidenced by any bonds, debentures, notes or other debt securities which may be hereafter issued by Borrower or by the REIT. Unsecured Indebtedness shall not include accrued ordinary operating expenses payable on a current basis.

"UNSECURED TERM NOTE INDENTURE" means the Indenture dated as of January 23, 1996 among the Borrower, the REIT and State Street Bank and Trust Company, as trustee, as supplemented by First Supplemental Indenture dated as of January 23, 1996, by Second Supplemental Indenture dated as of October 23, 1996 and by Third Supplemental Indenture dated as of October 21, 1997, and as hereafter amended or further supplemented.

"UNSECURED TERM NOTE SECURED DEBT LIMITATION" means the provision contained in the Unsecured Term Note Indenture which limits the Borrower's "Secured Debt" to not more than 40% of its "Adjusted Total Assets" (as such quoted terms are defined in said Indenture). If the Unsecured Term Note Indenture is amended to reduce the permitted amount of Secured Borrower Debt this defined term shall automatically be deemed to incorporate such amendment, but if the Unsecured Term Note Indenture is amended to increase the permitted amount of Secured Borrower Debt this definition shall not be deemed to incorporate such amendment until the same has been approved by the Requisite Lenders.

"UNSECURED TERM NOTES" means, collectively, (i) Borrower's 7 3/4% notes due 2001 in the aggregate principal amount of \$100,000,000, (ii) Borrower's Remarketed Floating Rate Reset Notes due 2001 in the aggregate principal amount of \$60,000,000, (iii) Borrower's 7 1/4% notes due 2007 in the aggregate principal amount of \$125,000,000 and (iv) any other unsecured indebtedness of the Borrower which at the time of its issuance matures not earlier than 24 months after the then applicable Termination Date.

"UNUSED AMOUNT" has the meaning given to such term in SECTION 2.5.1.

"UNUSED FACILITY FEE" has the meaning given to such term in SECTION 2.5.1.

"VALUE OF ALL UNENCUMBERED PROPERTIES" means, when determined as of the end of a Fiscal Quarter, an amount computed as follows: (a) Unencumbered Net Operating Income; (b) then multiplying by four (4); and (c) dividing such product by 0.095. When determined as of a date which is during a Fiscal Quarter based on an updated list of Unencumbered Properties attached to the applicable Compliance Certificate, the Value of All Unencumbered Properties most recently computed as provided in the preceding sentence of this definition will be adjusted by subtracting the Unencumbered Property Value of the previous Unencumbered Properties which have been deleted from such list and by adding the Unencumbered Property Value of the Unencumbered Properties which have been added to such list

"WHOLLY-OWNED SUBSIDIARY" means a Subsidiary which is 100% owned by Borrower.

"WOODBURY COMMON" means the Property owned by Borrower located at the intersection of NY State Route 32 and the New York State Thruway in the Town of Woodbury, Orange County, New York, including all expansions and additions thereto.

1.2 COMPUTATION OF TIME PERIODS. In this Agreement, in the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to and including". Periods of days referred to in this Agreement shall be counted in calendar days unless Business Days are expressly prescribed.

1.3 TERMS.

1.3.1 Any accounting terms used in this Agreement which are not specifically defined shall have the meanings customarily given them in accordance with GAAP. All references herein to Borrower, the REIT or any other Person, in connection with any financial or related covenant, representation or calculation, shall be understood to mean and refer to Borrower, the REIT and such other Person on a consolidated basis in accordance with GAAP, unless otherwise specifically provided and subject in all events to any adjustments herein set forth.

1.3.2 Any time the phrase "to the best of Borrower's knowledge" or a phrase similar thereto is used herein, it means: "to the actual knowledge of the then executive or senior officers of Borrower and the REIT, after reasonable inquiry of those agents, employees or contractors of the REIT or Borrower who could reasonably be anticipated to have knowledge with respect to the subject matter or circumstances in question and after review of those documents or instruments which could reasonably be anticipated to be relevant to the subject matter or circumstances in question provided that such reasonable inquiry need not be undertaken at the time of each Compliance Certificate."

1.3.3 In each case where the consent or approval of Agent, all Lenders and/or Requisite Lenders is required, or their non-obligatory action is requested by Borrower, such consent, approval or action shall be in the sole and absolute discretion of Agent and, as applicable, each Lender, unless otherwise specifically indicated.

1.3.4 Any time the word "or" is used herein, unless the context

otherwise clearly requires, it has the inclusive meaning represented by the phrase "and/or". The words "hereof", "herein", "hereby", "hereunder" and similar terms refer to this Agreement as a whole and not to any particular provision of this Agreement. Article, section, subsection, clause, exhibit and schedule references are to this Agreement unless otherwise specified. Any reference in this Agreement to this Agreement or to any other Loan Document includes any and all amendments, modifications, supplements, renewals or restatements thereto or thereof, as applicable.

ARTICLE II

LOANS AND LETTERS OF CREDIT

2.1 LOAN ADVANCES AND REPAYMENT.

2.1.1 MAXIMUM LOAN AMOUNT. Subject to the terms and conditions set forth in this Agreement, Lenders hereby agree to make Loans to Borrower from time to time during the period from the Closing Date to the Business Day next preceding the Termination Date, in an aggregate outstanding principal amount which shall not exceed the Maximum Loan Amount at any time. All Loans under this Agreement shall be made by Lenders simultaneously and proportionately to their respective Pro Rata Shares, it being understood that no Lender shall be responsible for any failure by any other Lender to perform its obligation to make a Loan hereunder and that the Commitment of any Lender shall not be increased or decreased as a result of the failure by any other Lender to perform its obligation to make a Loan. Loans may be voluntarily prepaid pursuant to SECTION 2.6.1 and, subject to the provisions of this Agreement, any amounts so prepaid may be reborrowed under this SECTION 2.1.1. The principal balance of the Loans shall be payable in full on the Termination Date. The Loans will be evidenced by the Loan Notes.

2.1.2 NOTICE OF BORROWING.

(a) (i) Whenever Borrower desires to borrow under this SECTION 2.1, but in no event more than three (3) times during any one (1) calendar month, Borrower shall give Agent, at 115 Perimeter Center Place, N.E., Suite 500, Atlanta, GA 30346, Attn: Lori Y. Litow (Fax No. (770)390-8434) or such other address as Agent shall designate, an original or facsimile NOTICE OF BORROWING no later than 9:00 A.M. (Eastern time), not less than three (3) nor more than five (5) Business Days prior to the proposed Funding Date of each Loan. Each Notice of Borrowing shall be accompanied by a Compliance Certificate which shall update the information as of the end of a Fiscal Quarter provided in the Compliance Certificate most recently delivered pursuant to SECTION 6.1.4 to demonstrate on a pro forma basis compliance with the covenant set forth in SECTION 9.4 after the advance of the requested Loan, provided, however, that no such Compliance Certificate will be required if the aggregate amount of the requested Loan and all other Loans advanced and Letters of Credit issued since the most recently delivered Compliance Certificate is less than \$25,000,000. Such pro forma Compliance Certificate shall take into account all borrowings and loan repayments, the issuance, expiration or cancellation of any Letters of Credit and all Property acquisitions and sales which may have occurred between the end of the last Fiscal Quarter and the proposed Funding Date. The Agent shall notify each Lender by telephone or facsimile with regard to each Notice of Borrowing not later than 11:00 A.M. (Eastern Time) on the second Business Day preceding the proposed Funding Date.

(ii) Notwithstanding the foregoing or any other provision hereof to the contrary a Notice of Borrowing may be given not less than two (2) Business Days prior to the proposed Funding Date of a Loan if the additional Borrowing shall be requested as a Base Rate Loan.

(iii) Each Notice of Borrowing shall specify (1) the Funding Date (which shall be a Business Day) in respect of the Loan, (2) the amount of the proposed Loan, PROVIDED that the aggregate amount of such proposed Loan shall equal Four Million Dollars (\$4,000,000) or integral multiples of One Million Dollars (\$1,000,000) in excess thereof, (3) whether the Loan to be made thereunder will be a Base Rate Loan or a LIBOR Loan and, if a LIBOR Loan, the Interest Period, (4) to which account of Borrower the funds are to be directed, and (5) the proposed use of such Loan. Any Notice of Borrowing pursuant to this SECTION 2.1.2 shall be irrevocable.

(b) Borrower may elect (i) to convert LIBOR Loans or any portion thereof into Base Rate Loans, (ii) to convert Base Rate Loans or any portion thereof to LIBOR Loans, or (iii) to continue any LIBOR Loans or any portion thereof for an additional Interest Period, PROVIDED, HOWEVER, that the aggregate amount of the Loans being converted into or continued as LIBOR Loans shall equal Four Million Dollars (\$4,000,000) or an integral multiple of One Million Dollars (\$1,000,000) in excess thereof. The applicable Interest Period for the continuation of any LIBOR Loan shall commence on the day on which the next preceding Interest Period expires. The conversion of a LIBOR Loan to a Base Rate Loan shall only occur on the last Business Day of the Interest Period relating to such LIBOR Loan; such conversion shall occur automatically in the absence of an election under CLAUSE (III) above. Each election under CLAUSE (II) or CLAUSE (III) above shall be made by Borrower giving Agent an original or facsimile Notice of Borrowing no later than 9:00 A.M. (Eastern time), not less than three (3) nor more than five (5) Business Days prior to the date of a conversion to or continuation of a LIBOR Loan, specifying, in each case (1) the amount of the conversion or continuation, (2) the Interest Period therefor, and (3) the date of the conversion or continuation (which date shall be a Business Day).

(c) Upon receipt of a Notice of Borrowing in proper form requesting LIBOR Loans under SUBPARAGRAPH (A) or (B) above,

Agent shall determine the LIBOR applicable to the Interest Period for such LIBOR Loans, and shall, prior to the beginning of such Interest Period, give (by facsimile) a FIXED RATE NOTICE in respect thereof to Borrower and Lenders; PROVIDED, HOWEVER, that failure to give such notice to Borrower shall not affect the validity of such rate. Each determination by Agent of the LIBOR shall be conclusive and binding upon the parties hereto in the absence of manifest error.

2.1.3 MAKING OF LOANS. Subject to SECTION 11.3, Agent shall make the proceeds of Loans available to Borrower on such Funding Date and shall disburse such funds in Dollars in immediately available funds to Borrower's commercial demand account at BankBoston or such other account specified in the Notice of Borrowing acceptable to Agent.

2.1.4. TERM. The outstanding balance of the Loans shall be payable in full on the earliest to occur of (i) the third anniversary of the Closing Date, or, if the Facility has been renewed pursuant to SECTION 2.10, the third anniversary of the last Renewal Date, (ii) the acceleration of the Loans pursuant to SECTION 10.2.1, or (iii) Borrower's written notice to Agent (pursuant to SECTION 2.6.1) of Borrower's election to prepay all accrued obligations and terminate all Commitments (the "TERMINATION DATE").

2.2 AUTHORIZATION TO OBTAIN LOANS. Each of Borrower's President, Chief Financial Officer, Senior Vice President-Finance and Treasurer are hereby authorized by Borrower to sign Notices of Borrowing and Letter of Credit Requests. Borrower may provide Agent with documentation satisfactory to Agent indicating the names of other officers or employees of Borrower authorized by Borrower to sign Notices of Borrowing and Letter of Credit Requests, and Agent and Lenders shall be entitled to rely on such documentation until notified in writing by Borrower of any change(s) of the persons so authorized. Agent shall be entitled to act on the instructions of anyone identifying himself or herself as one of the Persons authorized to execute a Notice of Borrowing or Letter of Credit Request, and Borrower shall be bound thereby in the same manner as if such Person were actually so authorized. Borrower agrees to indemnify, defend and hold Lenders and Agent harmless from and against any and all Liabilities and Costs which may arise or be created by the acceptance of instructions in any Notice of Borrowing or Letter of Credit Request, unless caused by the gross negligence of the Person to be indemnified.

2.3 LENDERS' ACCOUNTING. Agent shall maintain a loan account (the "LOAN ACCOUNT") on its books in which shall be recorded (i) the names and addresses and the Commitments of Lenders, and principal amount of Loans owing to each Lender from time to time, and (ii) all advances and repayments of principal and payments of accrued interest under the Loans, as well as payments of the Unused Facility Fee, as provided in this Agreement.

2.4 INTEREST ON THE LOANS.

2.4.1 BASE RATE LOANS. Subject to SECTION 2.4.4, all Base Rate Loans shall bear interest on the average daily unpaid principal amount thereof from the date made until paid in full at a fluctuating rate per annum equal to the Base Rate. Base Rate Loans shall be made in minimum amounts of Four Million Dollars (\$4,000,000) or an integral multiple of One Million (\$1,000,000) in excess thereof.

2.4.2 LIBOR LOANS. Subject to SECTIONS 2.4.4 and 2.4.8, all LIBOR Loans shall bear interest on the unpaid principal amount thereof during the Interest Period applicable thereto at a rate per annum equal to the sum of LIBOR for such Interest Period PLUS the Applicable LIBOR Rate Margin. LIBOR Loans shall be in tranches of Four Million Dollars (\$4,000,000) or One Million Dollar (\$1,000,000) increments in excess thereof. No more than eight (8) LIBOR Loan tranches shall be outstanding at any one time. Notwithstanding anything to the contrary contained herein and subject to the Default Interest provisions contained in SECTION 2.4.4, if an Event of Default occurs and as a result thereof the Commitments are terminated, all LIBOR Loans will convert to Base Rate Loans upon the expiration of the applicable Interest Periods therefor or the date all Loans become due, whichever occurs first.

2.4.3 INTEREST PAYMENTS. Subject to SECTION 2.4.4, interest accrued on all Loans shall be payable by Borrower, in the manner provided in SECTION 2.6.2, in arrears on the first Business Day of the first calendar month following the Closing Date, the first Business Day of each succeeding calendar month thereafter, and on the Termination Date.

2.4.4 DEFAULT INTEREST. Notwithstanding the rates of interest specified in SECTIONS 2.4.1 and 2.4.2 and the payment dates specified in SECTION 2.4.3, effective immediately upon the occurrence and during the continuance of any Event of Default, the principal balance of all Loans then outstanding and, to the extent permitted by applicable law, any interest payments on the Loans not paid when due shall bear interest payable upon demand at a rate which is four percent (4%) per annum in excess of the Base Rate. All other amounts due Agent or Lenders (whether directly or for reimbursement) under this Agreement or any of the other Loan Documents if not paid when due, or if no time period is expressed, if not paid within thirty (30) days after demand, shall bear interest from and after demand at the rate set forth in this SECTION 2.4.4.

2.4.5 LATE FEE. Borrower acknowledges that late payment to Agent will cause Agent and Lenders to incur costs not contemplated by this Agreement. Such costs include, without limitation, processing and accounting charges. Therefore, if Borrower fails timely to pay any sum due and payable hereunder through the Termination Date, unless waived by Agent pursuant to SECTION 11.11.1 or Requisite Lenders, a late charge of four cents (\$.04) for each dollar of any principal payment, interest or other charge due hereon and which is not paid within ten (10) days after such payment is due, shall be charged by Agent (for the benefit of Lenders) and paid by Borrower for the purpose of defraying the expense incident to handling such delinquent payment; PROVIDED, HOWEVER, that no late charges shall be assessed with respect to any period during which Borrower is obligated to pay interest at the rate specified in SECTION 2.4.4, or in respect of any failure to pay all Obligations on the Termination Date. Borrower

and Agent agree that this late charge represents a reasonable sum considering all of the circumstances existing on the date hereof and represents a fair and reasonable estimate of the costs that Agent and Lenders will incur by reason of late payment. Borrower and Agent further agree that proof of actual damages would be costly and inconvenient. Acceptance of any late charge shall not constitute a waiver of the default with respect to the overdue installment, and shall not prevent Agent from exercising any of the other rights available hereunder or any other Loan Document. Such late charge shall be paid without prejudice to any other rights of Agent.

2.4.6 COMPUTATION OF INTEREST. Interest shall be computed on the basis of the actual number of days elapsed in the period during which interest or fees accrue and a year of three hundred sixty (360) days. In computing interest on any Loan, the date of the making of the Loan shall be included and the date of payment shall be excluded; PROVIDED, HOWEVER, that if a Loan is repaid on the same day on which it is made, one (1) day's interest shall be paid on that Loan. Notwithstanding any provision in this SECTION 2.4, interest in respect of any Loan shall not exceed the maximum rate permitted by applicable law. Changes in the Applicable LIBOR Rate Margin shall take effect as of the date on which the condition set forth in the relevant clause of the definition of each such term is satisfied.

2.4.7 CHANGES; LEGAL RESTRICTIONS. In the event that after the Closing Date (i) the adoption of or any change in any law, treaty, rule, regulation, guideline or determination of a court or Governmental Authority or any change in the interpretation or application thereof by a court or Governmental Authority, or (ii) compliance by Agent or any Lender with any request or directive made or issued after the Closing Date from any central bank or other Governmental Authority or quasi-governmental authority:

(a) subjects Agent or any Lender to any tax, duty or other charge of any kind with respect to the Facility, this Agreement or any of the other Loan Documents or the Loans, or changes the basis of taxation of payments to Agent or such Lender of principal, fees, interest or any other amount payable hereunder, except for net income, gross receipts, gross profits or franchise taxes imposed by any jurisdiction and not specifically based upon loan transactions (all such non-excepted taxes, duties and other charges being hereinafter referred to as "LENDER TAXES");

(b) imposes, modifies or holds applicable, in the determination of Agent or any Lender, any reserve, special deposit, compulsory loan, FDIC insurance, capital allocation or similar requirement (other than a requirement of the type described in SECTION 2.7) against assets held by, or deposits or other liabilities in or for the account of, advances or loans by, or other credit extended by, or any other acquisition of funds by, Agent or such Lender or any applicable lending office; or

(c) imposes on Agent or any Lender any other condition (OTHER THAN ONE DESCRIBED IN SECTION 2.7) materially more burdensome in nature, extent or consequence than those in existence as of the Closing Date,

and the result of any of the foregoing is to increase the cost to Agent or any Lender of making, renewing, maintaining or participating in the Loans or to reduce any amount receivable thereunder; THEN, in any such case, Borrower shall promptly pay to Agent or such Lender, as applicable, upon demand, such amount or amounts (based upon a reasonable allocation thereof by Agent or such Lender to the financing transactions contemplated by this Agreement and affected by this SECTION 2.4.7) as may be necessary to compensate Agent or such Lender for any such additional cost incurred or reduced amounts received; PROVIDED, HOWEVER, that if the payment of such compensation may not be legally made whether by modification of the applicable interest rate or otherwise, then Lenders shall have no further obligation to make Loans that cause Agent or any Lender to incur such increased cost, and all affected Loans shall become immediately due and payable by Borrower. Agent or such Lender shall deliver to Borrower and in the case of a delivery by Lender, such Lender shall also deliver to Agent, a written statement of the claimed additional costs incurred or reduced amounts received and the basis therefor as soon as reasonably practicable after such Lender obtains knowledge thereof. If Agent or any Lender subsequently recovers any amount of Lender Taxes previously paid by Borrower pursuant to this SECTION 2.4.7, whether before or after termination of this Agreement, then, upon receipt of good funds with respect to such recovery, Agent or such Lender will refund such amount to Borrower if no Event of Default or Unmatured Event of Default then exists or, if an Event of Default or Unmatured Event of Default then exists, such amount will be credited to the Obligations in the manner determined by Agent or such Lender.

2.4.8 CERTAIN PROVISIONS REGARDING LIBOR LOANS.

(a) LIBOR LENDING UNLAWFUL. If any Lender shall determine (which determination shall, upon notice thereof to Borrower and Agent, be conclusive and binding on the parties hereto) that the introduction of or any change in or in the interpretation of any law makes it unlawful, or any central bank or other Governmental Authority asserts that it is unlawful, for such Lender to make or maintain any Loan as a LIBOR Loan, (i) the obligations of such Lenders to make or maintain any Loans as LIBOR Loans shall, upon such determination, forthwith be suspended until such Lender shall notify Agent that the circumstances causing such suspension no longer exist, and (ii) if required by such law or assertion, the LIBOR Loans of such Lender shall automatically convert into Base Rate Loans in which case no Fixed Rate Prepayment Fee shall be due upon such conversion.

(b) DEPOSITS UNAVAILABLE. If Agent shall have determined in good faith that adequate means do not exist for ascertaining the interest rate applicable hereunder to LIBOR Loans, then, upon notice from Agent to Borrower the obligations of all Lenders

to make or maintain Loans as LIBOR Loans shall forthwith be suspended until Agent shall notify Borrower that the circumstances causing such suspension no longer exist. Agent will give such notice when it determines, in good faith, that such circumstances no longer exist; PROVIDED, HOWEVER, that Agent shall not have any liability to any Person with respect to any delay in giving such notice.

(c) FIXED RATE PREPAYMENT FEE. Borrower acknowledges that prepayment or acceleration of a LIBOR Loan during an Interest Period shall result in Lenders incurring additional costs, expenses and/or liabilities and that it is extremely difficult and impractical to ascertain the extent of such costs, expenses and/or liabilities. (For all purposes of this subparagraph (c), any Loan not being made as a LIBOR Loan in accordance with the Notice of Borrowing therefor, as a result of Borrower's cancellation thereof, shall be treated as if such LIBOR Loan had been prepaid.) Therefore, on the date a LIBOR Loan is prepaid or the date all sums payable hereunder become due and payable, by acceleration or otherwise ("PREPAYMENT DATE"), Borrower will pay to Agent, for the account of each Lender, (in addition to all other sums then owing), an amount ("FIXED RATE PREPAYMENT FEE") determined by the Agent to be the amount, if any, by which (i) the amount of interest which would have accrued on the prepaid LIBOR Loan for the remainder of the Interest Period at the rate applicable to such LIBOR loan exceeds (ii) the amount of interest that would accrue for the same period on any readily marketable bond or other obligation of the United States of America designated by the Agent in its sole discretion at or about the time of such payment, such bond or other obligation of the United States of America to be in an amount equal (as nearly as may be) to the amount of principal so paid or not borrowed and to have a maturity comparable to the remainder of such Interest Period, and the interest to accrue thereon to take account of amortization of any discount from par or accretion of premium above par at which the same is selling at the time designation.

(d) Upon the written notice to Borrower from Agent, Borrower shall immediately pay to Agent, for the account of Lenders, the Fixed Rate Prepayment Fee. Such written notice (which shall include calculations in reasonable detail) shall, in the absence of manifest error, be conclusive and binding on the parties hereto.

(e) Borrower understands, agrees and acknowledges the following: (i) no Lender has any obligation to purchase, sell and/or match funds in connection with the use of LIBOR as a basis for calculating the rate of interest on a LIBOR Loan; (ii) LIBOR is used merely as a reference in determining such rate; and (iii) Borrower has accepted LIBOR as a reasonable and fair basis for calculating such rate and a Fixed Rate Prepayment Fee. Borrower further agrees to pay the Fixed Rate Prepayment Fee and Lender Taxes, if any, whether or not a Lender elects to purchase, sell and/or match funds.

2.4.9 WITHHOLDING TAX EXEMPTION. At least five (5) Business Days prior to the first day on which interest or fees are payable hereunder for the account of any Lender, each Lender that is not incorporated under the laws of the United States of America, or a state thereof, agrees that it will deliver to Agent and Borrower two (2) duly completed copies of United States Internal Revenue Service Form 1001 or Form 4224, certifying in either case that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes. Each Lender which so delivers a Form 1001 or Form 4224 further undertakes to deliver to Agent and Borrower two (2) additional copies of such form (or any applicable successor form) on or before the date that such form expires (currently, three (3) successive calendar years for Form 1001 and one (1) calendar year for Form 4224) or becomes obsolete or after the occurrence of any event requiring a change in the most recent forms so delivered by it, and such amendments thereto or extensions or renewals thereof as may be reasonably requested by Agent or Borrower, in each case certifying that such Lender is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes, unless an event (including without limitation any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender advises Agent that it is not capable of receiving payments without any deduction or withholding of United States federal income taxes. If any Lender cannot deliver such form, then Borrower may withhold from such payments such amounts as are required by the Internal Revenue Code.

2.5 FEES.

2.5.1 UNUSED FACILITY FEE. From and after the Closing Date and until the Obligations are paid in full and this Agreement is terminated or, if sooner, the date the Commitments terminate, and subject to SECTION 11.4.2, Borrower shall pay to Agent, for the account of each Lender, a fee calculated at the rates set forth below per annum based on an amount equal to (i) the amount of the Facility MINUS (ii) the average daily principal balance of all Loans MINUS (iii) the average daily face amount of Letters of Credit outstanding hereunder (said difference being the "UNUSED AMOUNT"), as determined for each Fiscal Quarter. The aforesaid fee (the "UNUSED FACILITY FEE") shall be payable, in the manner provided in SECTION 2.6.2, in arrears on the first Business Day in each Fiscal Quarter, beginning with the first Fiscal Quarter after the Closing Date, and on the date of payment in full of all obligations to Lenders pursuant to SECTION 2.1.4 with the Unused Facility Fee to be prorated to the date of such payment in such case. The rates for the Unused Facility Fee shall be as follows:

UNUSED AMOUNT	FEE RATE
less than 1/3 of the amount of the Facility	15 basis points
at least 1/3 of the amount of the Facility but less than 2/3 of the amount of the Facility	20 basis points

2.5.2 AGENCY FEES. Borrower shall pay Agent such fees as are provided for in the Fee Letter between Agent and Borrower, as in existence from time to time.

2.5.3 RENEWAL FEES. On each Renewal Date the Borrower shall pay to the Agent the renewal fee in the amount set forth in the Fee Letter and the Agent shall pay to each Lender which approved the requested renewal a renewal fee in the amount set forth in such Lender's commitment letter to the Agent.

2.5.4 PAYMENT OF FEES. The fees described in this SECTION 2.5 represent compensation for services rendered and to be rendered separate and apart from the lending of money or the provision of credit and do not constitute compensation for the use, detention or forbearance of money, and the obligation of Borrower to pay the fees described herein shall be in addition to, and not in lieu of, the obligation of Borrower to pay interest, other fees and expenses otherwise described in this Agreement. All fees shall be payable when due in immediately available funds and shall be non-refundable when paid. If Borrower fails to make any payment of fees or expenses specified or referred to in this Agreement due to Agent or Lenders, including without limitation those referred to in this SECTION 2.5, in SECTION 12.1, or otherwise under this Agreement or any separate fee agreement between Borrower and Agent or any Lender relating to this Agreement, when due, the amount due shall bear interest until paid at the Base Rate and, after ten (10) days at the rate specified in SECTION 2.4.4 (but not to exceed the maximum rate permitted by applicable law), and shall constitute part of the Obligations. The Unused Facility Fee and the fees referred to in SECTION 2.5.2 which are expressed as a per annum charge shall be calculated on the basis of the actual number of days elapsed in a three hundred sixty (360) day year.

2.6 PAYMENTS.

2.6.1 VOLUNTARY PREPAYMENTS. Borrower may, upon not less than three (3) Business Days prior written notice to Agent not later than 11:00 A.M. (Eastern time) on the date given, at any time and from time to time, prepay any Loans in whole or in part. Any notice of prepayment given to Agent under this SECTION 2.6.1 shall specify the date of prepayment and the principal amount of the prepayment. In the event of a prepayment of LIBOR Loans, Borrower shall concurrently pay any Fixed Rate Prepayment Fee payable in respect thereof. Agent shall provide to each Lender a confirming copy of such notice on the same Business Day such notice is received.

2.6.2 MANNER AND TIME OF PAYMENT. All payments of principal, interest and fees hereunder payable to Agent or the Lenders shall be made without condition or reservation of right and free of set-off or counterclaim, in Dollars and by wire transfer (pursuant to Agent's written wire transfer instructions) of immediately available funds, to Agent, for the account of each Lender, not later than 11:00 A.M. (Eastern time) on the date due; and funds received by Agent after that time and date shall be deemed to have been paid on the next succeeding Business Day.

2.6.3 PAYMENTS ON NON-BUSINESS DAYS. Whenever any payment to be made by Borrower hereunder shall be stated to be due on a day which is not a Business Day, payments shall be made on the next succeeding Business Day and such extension of time shall be included in the computation of the payment of interest hereunder and of any of the fees specified in SECTION 2.5, as the case may be.

2.7 INCREASED CAPITAL. If either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) compliance by Agent or any Lender with any guideline or request from any central bank or other Governmental Authority made or issued after the Closing Date affects or would affect the amount of capital required or expected to be maintained by Agent or such Lender or any corporation controlling Agent or such Lender, and Agent or such Lender determines that the amount of such capital is increased by or based upon the existence of Agent's obligations hereunder or such Lender's Commitment, then, upon demand by Agent or such Lender, Borrower shall immediately pay to Agent or such Lender, from time to time as specified by Agent or such Lender, additional amounts sufficient to compensate Agent or such Lender in the light of such circumstances, to the extent that Agent or such Lender determines such increase in capital to be allocable to the existence of Agent's obligations hereunder or such Lender's Commitment. A certificate as to such amounts submitted to Borrower by Agent or such Lender shall, in the absence of manifest error, be conclusive and binding for all purposes.

2.8 NOTICE OF INCREASED COSTS. Each Lender agrees that, as promptly as reasonably practicable after it becomes aware of the occurrence of an event or the existence of a condition which would cause it to be affected by any of the events or conditions described in SECTION 2.4.7 or 2.4.8 or SECTION 2.7, it will notify Borrower, and provide a copy of such notice to Agent, of such event and the possible effects thereof, PROVIDED that the failure to provide such notice shall not affect Lender's rights to reimbursement provided for herein.

2.9 LETTERS OF CREDIT

2.9.1 TERMS OF LETTERS OF CREDIT. Up to \$20,000,000 of the Facility may be used by Borrower for the issuance of Letters of Credit by the Agent for the account of the Borrower subject to the terms and conditions set forth herein. Each Letter of Credit shall be denominated in dollars and shall be a standby letter of credit issued to support the obligations of Borrower (i) in connection with any purpose for which Loan proceeds may be used hereunder, or (ii) to advance loans to Foreign Affiliates, or to make other forms of Foreign Investment, provided that upon the issuance of a Letter of Credit for the purpose set forth in this clause (ii) the face amount thereof shall be added to the amount of Foreign Investments as of the time of issuance when determining compliance with SECTION 9.10. Each Letter of Credit shall have an initial term of not more than one (1) year, and shall expire no later than five (5) Business

Days prior to the Termination Date. Although the Agent shall be the issuing bank of the Letter of Credit, each Lender hereby accepts for its own account and risk an undivided interest equal to its Pro Rata Share in the Agent's obligations and rights under each Letter of Credit issued hereunder. Each Lender unconditionally and irrevocably agrees with the Agent that, if a draft is paid under any Letter of Credit, such Lender shall promptly pay to the Agent an amount equal to such Lender's Pro Rata Share of the amount of such draft or any part thereof. Upon the issuance of each Letter of Credit hereunder, there shall be reserved from each Lender's Commitment an amount equal to such Lender's Pro Rata Share of the face amount of the Letter of Credit. Such reserved amounts shall remain in place and shall be unavailable for borrowing under SECTION 2.1 until the date that the Letter of Credit expires, is fully drawn or is terminated.

2.9.2 LETTER OF CREDIT REQUEST. The Borrower shall give to the Agent a written notice in the form of EXHIBIT F hereto of each Letter of Credit requested hereunder (a "LETTER OF CREDIT REQUEST") no less than six (6) Business Days prior to the proposed Issuance Date of the requested Letter of Credit, provided that Agent may, in its sole discretion, reduce said 6 Business Day period to not less than 3 Business Days. Each Letter of Credit Request shall specify (i) the name and address of the beneficiary of the requested Letter of Credit, (ii) the face amount of the requested Letter of Credit, (iii) the proposed Issuance Date and expiration date of the requested Letter of Credit, (iv) the proposed form of the requested Letter of Credit, and (v) the permitted purpose for which the Letter of Credit will be used, and shall be accompanied by a Compliance Certificate demonstrating on a pro forma basis compliance with the covenant set forth in SECTION 9.4 after issuance of the requested Letter of Credit provided, however, that no such Compliance Certificate will be required if the aggregate amount of the requested Letter of Credit and all other Loans advanced and Letters of Credit issued since the most recently delivered Compliance Certificate is less than \$25,000,000.. Such pro forma Compliance Certificate shall take into account all borrowings and loan repayments, the issuance, expiration or cancellation of Letters of Credit (including the requested Letter of Credit), and all Property acquisitions and sales which may have occurred between the end of the last Fiscal Quarter and the proposed Issuance Date. The Agent may also require that the Borrower complete its standard letter of credit application form and submit the same together with the Letter of Credit Request. The Agent shall provide a copy of the Letter of Credit Request to the Lenders at least two (2) Business Days before the Issuance Date of the Letter of Credit. If the issuance of the requested Letter of Credit will not cause the outstanding principal of the Loans to exceed the Maximum Loan Amount and the Agent determines, in its discretion, that it is willing to issue the requested Letter of Credit, and that it is satisfied with the proposed form thereof, the Letter of Credit shall be issued by the Agent and each of the Lenders shall then be obligated to the Agent with respect to its Pro Rata Share of the Letter of Credit as provided above in SECTION 2.9.1.

2.9.3 LETTER OF CREDIT FEES. On or before the Issuance Date of any requested Letters of Credit, the Borrower shall pay to the Agent for its own account an issuance fee equal to fifteen basis points (.15%) of the face amount of the Letter of Credit. On or before the date of any renewal or extension of a Letter of Credit, the Borrower shall pay to the Agent for its own account a renewal fee equal to seven and one half basis points (.075%) of the face amount of the Letter of Credit. The Borrower shall pay to the Agent for the account of the Lenders a Letter of Credit fee equal to the then prevailing Applicable LIBOR Rate Margin per annum of the face amount of the Letter of Credit, which Letter of Credit fee shall be due and payable on the Issuance Date of the Letter of Credit and on the date of each renewal or extension thereof, and shall be prorated for any partial year based on a 360-day year and paid for the actual number of days elapsed. Promptly after its receipt thereof the Agent shall distribute such Letter of Credit fee to the Lenders in accordance with their respective Pro Rata Shares. Such fees shall be nonrefundable and shall not be further prorated in the event that the Letter of Credit terminates prior to its scheduled expiration date. The Borrower also agrees to reimburse the Agent for all reasonable fees, costs, expenses and disbursements of the Agent in issuing, effecting payment under, amending or otherwise administering any Letter of Credit.

2.9.4 DRAWING. Promptly after each Drawing Date the Agent shall notify the Lenders and the Borrower of the amount of the draft paid by the Agent on such Drawing Date. The payment of a draft under a Letter of Credit shall constitute an advance of a Loan which shall bear interest as a Base Rate Loan from the Drawing Date. On the Drawing Date each Lender shall pay to the Agent its Pro Rata Share of the amount of the draft under the Letter of Credit so paid. If the Agent receives such payment from any Lender on a date after the Drawing Date, such Lender shall pay to the Agent on demand interest on said amount at the Federal Funds Rate. Each Lender's obligation to pay its Pro Rata Share of each draft under a Letter of Credit shall not be subject to the satisfaction of any conditions set forth in this Agreement and shall not depend on whether there may then be an Event of Default or an Unmatured Event of Default. Within three (3) Business Days after each Drawing Date, the Borrower shall deliver to the Agent a written explanation of the facts and circumstances relating to such drawing and a Compliance Certificate and any other information requested by the Agent for the purpose of allowing the Lenders to determine whether the drawing or related events have resulted in an Event of Default. The Agent shall promptly provide copies of such explanation and information to the Lenders.

2.9.5 BORROWER'S OBLIGATIONS REGARDING LETTERS OF CREDIT. The Borrower's obligations under this SECTION 2.9 shall be absolute and unconditional under any and all circumstances and irrespective of any set-off, counterclaim or defense to payment which the Borrower may have or have had against the Agent, any Lender or any beneficiary of a Letter of Credit. The Borrower also agrees that the Agent shall not be responsible for, and the Borrower's reimbursement obligations hereunder shall not be affected by, among other things, (i) the validity or genuineness of documents or of any endorsements thereon, even though such documents shall in fact prove to be invalid, fraudulent or forged, or (ii) any dispute between or among the Borrower and any beneficiary of any Letter of Credit or any other party to which such Letter of Credit may be transferred or (iii) any claims whatsoever of the

Borrower against any beneficiary of such Letter of Credit or any such transferee. The Agent shall not be liable for any error, omission, interruption or delay in transmission, dispatch or delivery of any message or advice, however transmitted, in connection with any Letter of Credit, except for errors, omissions, interruptions or delays caused by the Agent's gross negligence or willful misconduct. The Borrower agrees that any action taken or omitted by the Agent under or in connection with any Letter of Credit or the related drafts or documents, if done in the absence of gross negligence or willful misconduct and in accordance with the standards of care specified in the Uniform Customs and Practices for Documentary Credits as the same may be amended from time to time, shall be binding on the Borrower and shall not result in any liability of the Agent to the Borrower.

2.10 RENEWAL OF THE FACILITY. The Facility may be renewed annually as of any anniversary of the Closing Date with the approval of the Agent and all Lenders and as otherwise set forth in this Section. If the Borrower desires such a renewal, it shall notify the Agent on or before February 1 of the applicable year. If the Agent decides to seek its own internal credit approval for the requested renewal, the Agent shall notify the Lenders and within thirty (30) days thereafter each Lender shall notify the Agent whether it approves the renewal. Any Lender which fails to approve the requested renewal shall be deemed to grant the Agent the right to acquire such Lender's rights and interests hereunder by assignment pursuant to SECTION 11.12 for consideration equal to the outstanding balance of Loans owed to such Lender. If the Requisite Lenders fail to approve the requested renewal, then the Facility shall not be renewed. If all Lenders approve such renewal, then the Facility shall be renewed and such anniversary of the Closing Date shall be a "RENEWAL DATE" hereunder. If the Requisite Lenders approve a requested renewal but one or more Lenders fail to approve such renewal (each a "NON-RENEWING LENDER"), the Borrower shall have the following options, to be exercised within fifteen (15) days after the Agent gives the Borrower a notice of the Lenders' response to the renewal request:

(a) The Borrower may withdraw its request for the renewal.

(b) The Borrower may elect to renew the Facility in part with respect to the Commitments of those Lenders which have approved the requested renewal. In such event the Commitments of the Non-Renewing Lenders (the "Expiring Commitments") shall expire effective upon the second anniversary of the applicable Renewal Date (the "EXIT DATE"). Unless the Expiring Commitments are resyndicated pursuant to SECTION 2.11, the amount of the Facility shall be decreased on the Exit Date by an amount equal to the Expiring Commitments. On the Exit Date the Borrower shall pay to the Non-Renewing Lender the amount of all Loans owed to it hereunder (with interest and any Fixed Rate Prepayment Fee thereon), the Non-Renewing Lender shall cancel its Loan Note and shall no longer be a Lender hereunder and the Pro Rata Shares of the remaining Lenders will be adjusted accordingly. If the Borrower elects to renew the Facility in part as provided in this paragraph then the applicable anniversary of the Closing Date shall be a "RENEWAL DATE" hereunder.

2.11 RESYNDICATION OF EXPIRING COMMITMENTS. If Borrower elects to renew the facility in part pursuant to paragraph (b) of SECTION 2.10, then at least ninety (90) days prior to the Exit Date, the Borrower shall notify the Agent as to whether it desires that the Agent commit to underwrite a resyndication of the Expiring Commitments. If the Agent decides, in its sole discretion, to seek its own internal credit approval for a commitment to underwrite the resyndication of the Expiring Commitments, the Agent and the Borrower shall negotiate an agreement with respect to the amount of resyndication fees to be paid by the Borrower to the Agent in connection therewith. If such agreement is reached and the Agent commits to underwrite such resyndication, then on the Exit Date (or another date designated by the Agent prior to the Exit Date) each Non-Renewing Lender shall assign its Commitment and Loans hereunder to the Agent or to an Eligible Assignee designated by the Agent and shall receive from such assignee an amount equal to the outstanding principal balance of Loans owed to such Non-Renewing Lender. The Assignment and Assumption Agreement to be executed in connection with such assignment shall confirm that the Commitment thereby being assumed by the assignee thereunder shall not expire on the Exit Date but shall remain in effect until the Termination Date then applicable hereunder.

ARTICLE III

UNENCUMBERED PROPERTIES AND PORTFOLIO PROPERTIES

3.1. LISTING OF UNENCUMBERED PROPERTIES. The Borrower represents and warrants that each of the Properties listed on SCHEDULE 1 will on the Closing Date satisfy all of the conditions set forth in the definition of Unencumbered Property. From time to time during the term of this Agreement additional Properties may become Unencumbered Properties and certain Properties which previously satisfied the conditions set forth in the definition of Unencumbered Property may cease to be Unencumbered Properties by virtue of property dispositions, creation of Liens or other reasons. There shall be attached to each Compliance Certificate delivered pursuant hereto an updated listing of the Unencumbered Properties relied upon by the Borrower in computing the Value of All Unencumbered Properties and the Unencumbered Net Operating Income stated in such Compliance Certificate.

3.2. WAIVERS BY REQUISITE LENDERS. If any Property fails to satisfy any of the requirements contained in the definition of Unencumbered Property then the applicable Property may nevertheless be deemed to be Unencumbered Property hereunder if the Requisite Lenders grant the necessary waivers and vote to accept such Property as an Unencumbered Property.

3.3. REJECTION OF UNENCUMBERED PROPERTIES. If at any time the Agent determines that any Property listed as an Unencumbered Property by the Borrower does not satisfy all of the requirements of the definition of Unencumbered Property (to the extent not waived by the Requisite Lenders pursuant to SECTION 3.2) it may reject an Unencumbered Property by notice to the Borrower and if the Agent so requests the Borrower shall revise the applicable Compliance Certificate to reflect the resulting change in the Value of All Unencumbered Properties and the Unencumbered Net Operating Income.

3.4 UPDATED LISTS OF UNENCUMBERED PROPERTIES AND PORTFOLIO PROPERTIES. SCHEDULE 1 contains a list of the Unencumbered Properties and SCHEDULE 1.1 sets forth a list of the Portfolio Properties (other than the Unencumbered Properties) each as of the date hereof. Promptly upon the acquisition or disposition of any of the Portfolio Properties and promptly upon the creation of any Lien or other event which causes any of the Portfolio Properties which previously qualified as an Unencumbered Property to no longer satisfy the definition of Unencumbered Property, Borrower shall deliver to Agent an updated SCHEDULE 1 and/or SCHEDULE 1.1 and any other information as may be reasonably requested by Agent relating to such change in the list of Unencumbered Properties and/or Portfolio Properties, including a Compliance Certificate.

ARTICLE IV

CONDITIONS TO LOANS

4.1 CONDITIONS TO INITIAL DISBURSEMENT OF LOANS. The obligation of Lenders to make the initial disbursement of the Loans on the Closing Date shall be subject to satisfaction of each of the following conditions precedent:

4.1.1 BORROWER DOCUMENTS. Borrower shall have executed and/or delivered to Agent each of the following, in form and substance acceptable to Agent:

- (a) this Agreement;
- (b) the Loan Notes;
- (c) Certified copy of Borrower's Limited Partnership Agreement, as amended;
- (d) Certified copy of Borrower's Certificate of Limited Partnership from the Delaware Secretary of State;
- (e) Evidence of qualification and good standing of Borrower in Delaware and in each state where any Unencumbered Property is located.

4.1.2 REIT DOCUMENTS. The REIT shall have executed and/or delivered to Agent each of the following, in form and substance acceptable to Agent:

- (a) The Guaranty
- (b) Articles of Incorporation, as amended, of the REIT, as certified by the Secretary of State of Maryland;
- (c) By-laws of the REIT as certified by the Secretary of the REIT;
- (d) Good Standing Certificate for the REIT from the Secretary of State of Maryland;
- (e) Evidence of qualification and good standing of the REIT in each state where any Unencumbered Property is located;
- (f) Certificate of Secretary regarding corporate resolutions of the REIT, and the incumbency of its officers as certified by the Secretary of the REIT.

4.1.3 COMPLIANCE CERTIFICATE. Borrower shall have delivered to Agent a Compliance Certificate demonstrating compliance with the financial covenants in ARTICLE IX on the Closing Date.

4.1.4 MATERIAL ADVERSE CHANGES. No change, as determined by Agent shall have occurred, during the period commencing December 31, 1997, and ending on the Closing Date, which has a Material Adverse Effect on Borrower or the REIT.

4.1.5 LITIGATION PROCEEDINGS. There shall not have been instituted or threatened, during the period commencing December 31, 1997, and ending on the Closing Date, any litigation or proceeding in any court or Governmental Authority affecting or threatening to affect Borrower or the REIT which has a Material Adverse Effect, as reasonably determined by Agent.

4.1.6 NO EVENT OF DEFAULT; SATISFACTION OF FINANCIAL COVENANTS. On the Closing Date, no Event of Default or Unmatured Event of Default shall exist and all of the financial covenants contained in ARTICLE IX shall be satisfied.

4.1.7 FEES. Agent shall have received certain fees in the amount separately agreed to in the Fee Letter between Agent and Borrower, and all expenses of Agent incurred prior to such Closing Date in connection with this Agreement (including without limitation all attorneys' fees and costs), shall have been paid by Borrower. The Agent shall pay to each Lender the facility fees set forth in the respective commitment letters from the Lenders to Agent.

4.1.8 OBLIGATIONS UNDER EXISTING FACILITY. Agent shall have received an amount (which may include proceeds of the initial Loan hereunder) equal to all unpaid indebtedness of Borrower under the Prior Facilities, together with instructions to apply such sum to the payment of such obligations in full.

4.1.9 OPINION OF COUNSEL. Agent shall have received, on behalf of

Agent and Lenders, favorable opinions of counsel for Borrower and the REIT dated as of the Closing Date, in form and substance satisfactory to Agent.

4.1.10 REPRESENTATIONS AND WARRANTIES. All representations and warranties contained in this Agreement and the other Loan Documents shall be true and correct in all material respects.

4.2 CONDITIONS PRECEDENT TO ALL LOANS AND LETTERS OF CREDIT. The obligation of each Lender to make any Loan requested to be made by it and the obligation of the Agent to issue any Letter of Credit requested by Borrower, on any date, is subject to satisfaction of the following conditions precedent as of such date:

4.2.1 DOCUMENTS. With respect to a request for a Loan, Agent shall have received, on or before the Funding Date and in accordance with the provisions of SECTION 2.1.2, an original and duly executed Notice of Borrowing. With respect to a request for a Letter of Credit, Agent shall have received, on or before the Issuance Date and in accordance with the provisions of SECTION 2.9.2 an original and duly executed Letter of Credit Request.

4.2.2 ADDITIONAL MATTERS. As of the Funding Date for any Loan and after giving effect to the Loans being requested and as of the Issuance Date of any Letter of Credit after giving effect to the issuance of the requested Letter of Credit:

(a) REPRESENTATIONS AND WARRANTIES. All of the representations and warranties contained in this Agreement and in any other Loan Document (other than representations and warranties which expressly speak only as of a different date and other than for changes permitted or contemplated by this Agreement) shall be true and correct in all material respects on and as of such Funding Date or such Issuance Date, as though made on and as of such date;

(b) NO DEFAULT. No Event of Default or Unmatured Event of Default shall have occurred and be continuing or would result from the making of the requested Loan or the issuance of the requested Letter of Credit, and all of the financial covenants contained in ARTICLE IX shall be satisfied; and

(c) NO MATERIAL ADVERSE CHANGE. Since the Closing Date, no change shall have occurred which shall have a Material Adverse Effect on Borrower or REIT, as determined by Agent, other than any such change the occurrence of which has been waived by Requisite Lenders in connection with any prior Borrowing.

Each submission by Borrower to Agent of a Notice of Borrowing with respect to a Loan and the acceptance by Borrower of the proceeds of each such Loan made hereunder and each submission by Borrower to Agent of a Letter of Credit Request shall constitute a representation and warranty by Borrower as of the Funding Date in respect of such Loan that all the conditions contained in this SECTION 4.2.2 have been satisfied.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

In order to induce Lenders to make the Loans and issue the Letters of Credit, Borrower hereby represents and warrants to Lenders as follows:

5.1 BORROWER ORGANIZATION; PARTNERSHIP POWERS. Borrower (i) is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware, (ii) is duly qualified to do business as a foreign limited partnership and in good standing under the laws of each jurisdiction in which any Portfolio Property is located or in which Borrower owns or leases real property or in which the nature of its business requires it to be so qualified, except for those jurisdictions where failure to so qualify and be in good standing would not have a Material Adverse Effect on Borrower, and (iii) has all requisite partnership power and authority to own and operate its property and assets and to conduct its business as presently conducted.

5.2 BORROWER AUTHORITY. Borrower has the requisite partnership power and authority to execute, deliver and perform each of the Loan Documents to which it is or will be a party. The execution, delivery and performance thereof, and the consummation of the transactions contemplated thereby, have been duly approved by the general partner of Borrower, and no other partnership proceedings or authorizations on the part of Borrower or its general or limited partners are necessary to consummate such transactions. Each of the Loan Documents to which Borrower is a party has been duly executed and delivered by Borrower and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally.

5.3 REIT ORGANIZATION; CORPORATE POWERS. The REIT (i) is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland, (ii) is duly qualified to do business as a foreign corporation and in good standing under the laws of each jurisdiction in which any Portfolio Property is located or in which Borrower or the REIT owns or leases real property or in which the nature of its business requires it to be so qualified, except for those jurisdictions where failure to so qualify and be in good standing would not have a Material Adverse Effect on the REIT, and (iii) has all requisite corporate power and authority to own and operate its property and assets, to perform its duties as general partner of Borrower and to conduct its business as presently conducted.

5.4 REIT AUTHORITY. The REIT has the requisite corporate power and authority to execute, deliver and perform the Guaranty and, in its capacity as general partner of the Borrower each of the other Loan Documents. The execution, delivery and performance thereof, and the consummation of the transactions

contemplated thereby, have been duly approved by the Board of Directors of the REIT, and no other corporate proceedings on the part of the REIT are necessary to consummate such transactions. Each of the Loan Documents to which the REIT is a party has been duly executed and delivered by Borrower and constitutes its legal, valid and binding obligation, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting creditors' rights generally.

5.5 OWNERSHIP OF BORROWER, EACH SUBSIDIARY AND PARTNERSHIP. SCHEDULE 5.5 sets forth the general partners and limited partners (or other holders of ownership interests) of each Subsidiary or Partnership and their respective ownership percentages and there are no other partnership (or other ownership) interests outstanding. Except as set forth or referred to in the Partnership Agreement of any Partnership, no partnership (or other ownership) interest (or any securities, instruments, warrants, option or purchase rights, conversion or exchange rights, calls, commitments or claims of any character convertible into or exercisable for such interests) of any such Person is subject to issuance under any security, instrument, warrant, option or purchase rights, conversion or exchange rights, call, commitment or claim of any right, title or interest therein or thereto. All of the partnership (or other ownership) interests in Borrower and each Partnership and all of the stock of each subsidiary have been issued in compliance with all applicable Requirements of Law.

5.6 NO CONFLICT. The execution, delivery and performance by Borrower of the Loan Documents to which it is or will be a party, and each of the transactions contemplated thereby, do not and will not (i) conflict with or violate Borrower's limited partnership agreement or certificate of limited partnership or other organizational documents or the REIT's articles of incorporation, by-laws or other organizational documents, as the case may be, or (ii) conflict with, result in a breach of or constitute (with or without notice or lapse of time or both) a default under any Requirement of Law, Contractual Obligation or Court Order of or binding upon Borrower or the REIT, or (iii) require termination of any Contractual Obligation, or (iv) result in or require the creation or imposition of any Lien whatsoever upon any of the Portfolio Properties or assets of Borrower, other than Permitted Liens or Liens created by the Loan Documents.

5.7 CONSENTS AND AUTHORIZATIONS. Each of Borrower and the REIT has obtained all consents and authorizations required pursuant to its Contractual Obligations with any other Person, and shall have obtained all consents and authorizations of, and effected all notices to and filings with, any Governmental Authority, as may be necessary to allow Borrower and the REIT to lawfully execute, deliver and perform the Loan Documents.

5.8 GOVERNMENTAL REGULATION. Neither Borrower, the REIT nor any Partnership is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, the Investment Company Act of 1940 or any other federal or state statute or regulation such that its ability to incur indebtedness is limited or its ability to consummate the transactions contemplated by the Loan Documents is materially impaired.

5.9 PRIOR FINANCIALS. The December 31, 1997 Consolidated Balance Sheet, Statement of operations and Statement of Cash Flows of (i) the REIT contained in the REIT's Form 10K and (ii) the Borrower contained in the Borrower's Form 10K (the "DECEMBER 31, 1997 FINANCIALS") delivered to Agent prior to the date hereof were prepared in accordance with GAAP and fairly present the assets, liabilities and financial condition of the REIT on a consolidated basis, at such date and the results of its operations and its cash flows, on a consolidated basis, for the period then ended.

5.10 PROJECTIONS AND FORECASTS. Each of the projections and forecasts delivered to Agent prior to the date hereof (1) has been prepared by Borrower in light of the past business and performance of Borrower on a consolidated basis and (2) represent as of the date thereof, the reasonable good faith estimates of Borrower's financial personnel.

5.11 PRIOR OPERATING STATEMENTS. Each of the consolidating operating statements pertaining to the Portfolio Properties delivered to Agent prior to the date hereof was prepared in accordance with GAAP in effect on the date such operating statement of each Portfolio Property was prepared and fairly presents the results of operations of such Portfolio Property for the period then ended.

5.12 RENT ROLLS. The Rent Rolls for the Portfolio Properties as of December 31, 1997 previously delivered to the Agent pursuant to the Prior Facilities (i) have been prepared in accordance with the books and records of the Portfolio Properties, and (ii) fairly present the leasing status of the Portfolio Properties as of the date thereof. Since the date of said Rent Rolls there has been no substantial adverse change to the leasing status of the Portfolio Properties.

5.13 LITIGATION; ADVERSE EFFECTS.

(a) There is no action, suit, Proceeding, governmental investigation or arbitration, at law or in equity, or before or by any Governmental Authority, pending or, to the best of Borrower's knowledge, threatened against Borrower, the REIT or any Portfolio Property, which, if adversely determined, would (i) result in a Material Adverse Effect on Borrower or the REIT, (ii) materially and adversely affect the ability of any party to any of the Loan Documents to perform its obligations thereunder, or (iii) materially and adversely affect the ability of Borrower to perform its obligations contemplated in the Loan Documents.

(b) Neither Borrower nor the REIT is (i) in violation of any applicable law, which violation has a Material Adverse Effect on Borrower or the REIT, or (ii) in default with respect to any Court Order.

5.14 NO MATERIAL ADVERSE CHANGE. Since December 31, 1997, there has

occurred no event which has a Material Adverse Effect on Borrower or the REIT, and no material adverse change in Borrower's ability to perform its obligations under the Loan Documents to which it is a party or the transactions contemplated thereby.

5.15 PAYMENT OF TAXES. All tax returns and reports to be filed by Borrower and the REIT have been timely filed, and all taxes, assessments, fees and other governmental charges shown on such returns or otherwise payable by Borrower have been paid when due and payable (other than real property taxes, which may be paid prior to delinquency so long as no penalty or interest shall attach thereto), except such taxes, if any, as are reserved against in accordance with GAAP and are being contested in good faith by appropriate proceedings or such taxes, the failure to make payment of which when due and payable will not have, in the aggregate, a Material Adverse Effect on Borrower or the REIT. Borrower has no knowledge of any proposed tax assessment against Borrower or the REIT that will have a Material Adverse Effect on Borrower or the REIT.

5.16 MATERIAL ADVERSE AGREEMENTS. Neither the Borrower nor the REIT is a party to or subject to any Contractual Obligation or other restriction contained in the Borrower's limited partnership agreement or certificate of limited partnership, the REIT's Articles of Incorporation or bylaws or similar governing documents which has a Material Adverse Effect on Borrower or the ability of Borrower to perform its obligations under the Loan Documents.

5.17 PERFORMANCE. Neither Borrower nor the REIT is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Contractual Obligation applicable to it, and no condition exists which, with the giving of notice or the lapse of time or both, would constitute a default under such Contractual Obligation in each case, except where the consequences, direct or indirect, of such default or defaults, if any, will not have a Material Adverse Effect on Borrower or the REIT.

5.18 FEDERAL RESERVE REGULATIONS. No part of the proceeds of the Loan hereunder will be used to purchase or carry any "margin security" as defined in Regulation G or for the purpose of reducing or retiring any indebtedness which was originally incurred to purchase or carry any margin security or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of said Regulation G. Neither Borrower nor the REIT is engaged primarily in the business of extending credit for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U. No part of the proceeds of the Loan hereunder will be used for any purpose that violates, or which is inconsistent with, the provisions of Regulation X or any other regulation of the Federal Reserve Board.

5.19 UNSECURED TERM NOTES. The Unsecured Term Notes were issued in compliance with all applicable Requirements of Law and there is no existing "Event of Default" as defined in the Unsecured Term Note Indenture.

5.20 REQUIREMENTS OF LAW. Borrower and the REIT are in compliance with all Requirements of Law (including without limitation the Securities Act and the Securities Exchange Act, and the applicable rules and regulations thereunder, state securities law and "Blue Sky" laws) applicable to it and its respective businesses, in each case, where the failure to so comply will have a Material Adverse Effect on any such Person. The REIT has made all filings with and obtained all consents of the Commission required under the Securities Act and the Securities Exchange Act in connection with the execution, delivery and performance by the REIT of the Loan Documents.

5.21 PATENTS, TRADEMARKS, PERMITS, ETC. Borrower and the REIT own, are licensed or otherwise have the lawful right to use, or have all permits and other governmental approvals, patents, trademarks, trade names, copyrights, technology, know-how and processes used in or necessary for the conduct of each such Person's business as currently conducted, the absence of which would have a Material Adverse Effect upon such Person. The use of such permits and other governmental approvals, patents, trademarks, trade names, copyrights, technology, know-how and processes by each such Person does not infringe on the rights of any Person, subject to such claims and infringements as do not, in the aggregate, give rise to any liability on the part of any such Person which would have a Material Adverse Effect on any such Person.

5.22 ENVIRONMENTAL MATTERS. Except as set forth on SCHEDULE 5.22, to the best of Borrower's knowledge, (i) the operations of Borrower and its Subsidiaries and Partnerships and the Simon Partnerships comply in all material respects with all applicable local, state and federal environmental, health and safety Requirements of Law ("ENVIRONMENTAL LAWS"); (ii) none of the Portfolio Properties or the Simon Properties are subject to any Remedial Action or other Liabilities and Costs arising from the Release or threatened Release of a Contaminant into the environment in violation of any Environmental Laws; (iii) neither Borrower, the REIT nor any Partnership or Subsidiary has filed any notice under applicable Environmental Laws reporting a Release of a Contaminant into the environment in violation of any Environmental Laws, except as the same may have been heretofore remedied; (iv) there is not now on or in any of the Portfolio Properties or the Simon Properties (except in compliance in all material respects with all applicable Environmental Laws): (A) any underground storage tanks, (B) any asbestos-containing material, or (C) any polychlorinated biphenyls (PCB's) used in hydraulic oils, electrical transformers or other equipment owned by such Person; and (v) neither Borrower, the REIT nor any Partnership or Subsidiary has received any notice or claim to the effect that it is or may be liable to any Person as a result of the Release or threatened Release of a Contaminant into the environment.

5.23 UNENCUMBERED PROPERTIES. Each of the Properties listed on SCHEDULE 1 (i) qualifies as an Unencumbered Property (ii) has a Property Occupancy Rate of at least eighty-five percent (85%) and (iii) is free of any material defects in the roof, foundation, structural elements and masonry walls of the buildings thereon or their hvac, electrical, sprinkler or plumbing systems.

5.24 SOLVENCY. Borrower is and will be Solvent after giving effect to the disbursements of the Loans and the payment and accrual of all fees then payable.

5.25 TITLE TO ASSETS; NO LIENS. Borrower has good, indefeasible and merchantable title to all Properties owned or leased by it, and each of the Unencumbered Properties is free and clear of all Liens, except Permitted Liens.

5.26 USE OF PROCEEDS. Borrower's use of the proceeds of the Loans are, and will continue to be, legal and proper uses (and to the extent necessary, duly authorized by Borrower's partners) and such uses are consistent with all applicable laws and statutes and SECTION 7.9.

5.27 REIT CAPITALIZATION. All of the capital stock of the REIT has been issued in compliance with all applicable Requirements of Law.

5.28 ERISA. Neither the REIT nor any ERISA Affiliate thereof (including, for all purposes under this SECTION 5.28, Borrower) has in the past five (5) years maintained or contributed to or currently maintains or contributes to any Benefit Plan. No Investment Partnership has or is likely to incur any liability with respect to any Benefit Plan maintained or contributed to by such Investment Partnership or its ERISA Affiliates, which would have a Material Adverse Effect on Borrower. Neither the REIT nor any ERISA Affiliate thereof has during the past five (5) years maintained or contributed to or currently maintains or contributes to any employee welfare benefit plan within the meaning of Section 3(1) of ERISA which provides benefits to retirees. Neither the REIT nor any ERISA Affiliate thereof is now contributing nor has it ever contributed to or been obligated to contribute to any Multiemployer Plan, no employees or former employees of the REIT, or such ERISA Affiliate have been covered by any Multiemployer Plan in respect of their employment by the REIT, and no ERISA Affiliate of the REIT has or is likely to incur any withdrawal liability with respect to any Multiemployer Plan which would have a Material Adverse Effect on the REIT.

5.29 STATUS AS A REIT. The REIT (i) is a real estate investment trust as defined in Section 856 of the Internal Revenue Code (or any successor provision thereto), (ii) has not revoked its election to be a real estate investment trust, (iii) has not engaged in any "prohibited transactions" as defined in Section 856(b)(6)(iii) of the Internal Revenue Code (or any successor provision thereto), and (iv) for its current "tax year" (as defined in the Internal Revenue Code) is and for all prior tax years subsequent to its election to be a real estate investment trust has been entitled to a dividends paid deduction which meets the requirements of Section 857 of the Internal Revenue Code.

5.30 OWNERSHIP. The REIT does not own or have any interest in any other Person, other than its general partnership interests in Borrower and in the ATC Partnership.

5.31 NYSE LISTING. The common stock of the REIT is and will continue to be listed for trading on either the New York Stock Exchange or the American Stock Exchange.

5.32 CURRENT CONSTRUCTION PROJECTS. SCHEDULE 5.32 sets forth a description of all of the Current Construction Projects and all of the Construction Projects presently planned for 1998 including with respect to each project: its location, gross leasable area, total budgeted cost, construction commencement date and expected Rent Stabilization Date which information shall be deemed to be updated to reflect information set forth in Compliance Certificates delivered to Agent.

ARTICLE VI

REPORTING COVENANTS

Borrower covenants and agrees that, on and after the date hereof, until payment in full of all of the Obligations, the expiration of the Commitments and termination of this Agreement:

6.1 FINANCIAL STATEMENTS AND OTHER FINANCIAL AND OPERATING INFORMATION. Borrower shall maintain or cause to be maintained a system of accounting established and administered in accordance with sound business practices and consistent with past practice to permit preparation of quarterly and annual financial statements in conformity with GAAP, and each of the financial statements described below shall be prepared on a consolidated basis for the REIT and for the Borrower from such system and records. Borrower shall deliver or cause to be delivered to Agent (with copies sufficient for each Lender):

6.1.1 SEMI-ANNUAL RENT ROLLS. As soon as practicable, and in any event within fifty (50) days after the end of each Fiscal Quarter ending on June 30 or December 31 rent rolls (on Borrower's detailed form of rent roll) for each Portfolio Property dated as of the last day of such Fiscal Quarter, in form and substance satisfactory to Agent, certified by the REIT's chief financial officer, senior vice president or treasurer. Copies of the rent rolls will be provided only to those Lenders which expressly request copies thereof.

6.1.2 QUARTERLY FINANCIAL STATEMENTS CERTIFIED BY CFO. As soon as practicable, and in any event within fifty (50) days after the end of each of the first three Fiscal Quarters, consolidated balance sheets, statements of operations and statements of cash flow for the REIT and the Borrower ("FINANCIAL STATEMENTS"), which may be in the form provided to the Commission on the REIT's Form 10Q and the Borrower's Form 10Q (unless the Borrower is not required to file a Form 10Q), and certified by the REIT's chief financial officer, senior vice president or treasurer.

6.1.3 ANNUAL FINANCIAL STATEMENTS. Within ninety (90) days after the close of each Fiscal Year, annual Financial Statements of the REIT and of

the Borrower, on a consolidated basis (in the form provided basis to the Commission on the REIT's Form 10K and the Borrower's Form 10K), audited and certified without qualification by the Accountants provided, however, that at such time as the Borrower is no longer required to file a Form 10K with the Commission, Borrower may deliver only the REIT's audited Financial Statement accompanied by a letter from the Accountants stating that with the exception of the minority interest line there is no material difference between the Financial Statements of Borrower and such audited Financial Statements of the REIT. To the extent Agent desires additional details or supporting information with respect to Partnerships or individual Portfolio Properties or the Simon Properties not contained in the REIT's or Borrower's Form 10K, Borrower shall provide Agent with such details or supporting information as Agent requests which is reasonably available to Borrower.

6.1.4 OFFICER'S CERTIFICATE. (i) Together with each delivery of any Financial Statement pursuant to SECTIONS 6.1.2 and 6.1.3, (A) an Officer's Certificate of the REIT stating that each of the Financial Statements delivered to Agent therewith (i) has been prepared in accordance with the books and records of the REIT and Borrower on a consolidated basis, and (ii) fairly presents the financial condition of the REIT and Borrower on a consolidated basis, at the dates thereof (and, if applicable, subject to normal year-end adjustments) and the results of its operations and cash flows, on a consolidated basis, for the period then ended; (B) an Officer's Certificate of the REIT, stating that the executive officer who is the signatory thereto (which officer shall be the chief executive officer, the chief operating officer, the chief financial officer, any senior vice president or the treasurer of the REIT) has reviewed, or caused under his supervision to be reviewed, the terms of this Agreement and the other principal Loan Documents, and has made, or caused to be made under his supervision, a review in reasonable detail of the transactions and condition of Borrower and the REIT, during the accounting period covered by such Financial Statements, and that such review has not disclosed the existence during or at the end of such accounting period, and that the signers do not have knowledge of the existence as of the date of the Officer's Certificate, of any condition or event which constitutes an Event of Default or Unmatured Event of Default, or, if any such condition or event existed or exists, specifying the nature and period of existence thereof and what action has been taken, is being taken and is proposed to be taken with respect thereto; and (C) a Compliance Certificate demonstrating in reasonable detail (which detail shall include actual calculation and supporting information) compliance during and at the end of such accounting periods with the financial covenants contained in ARTICLE IX.

6.1.5 BORROWING PROJECTIONS. At least ten (10) days prior to the end of each Fiscal Year, projections of Borrower, on a consolidated basis, detailing expected borrowing and repayment of the Loans for the following Fiscal Year together with an Officer's Certificate of the REIT stating that such projections (1) have been prepared by Borrower in light of the past business and performance of Borrower on a consolidated basis and (2) represent, as of the date thereof, the reasonable good faith estimates of Borrower's financial personnel. Borrower shall also provide such additional supporting details as Agent may reasonably request.

6.1.6 COMPLIANCE WITH UNENCUMBERED PROPERTY REQUIREMENTS. Promptly upon becoming aware of any condition or event which causes any of the Properties listed as Unencumbered Properties on the most recent Compliance Certificate to no longer comply with the requirements set forth in the definition of Unencumbered Properties, an Officer's Certificate specifying the relevant information and a revised Compliance Certificate.

6.1.7 KNOWLEDGE OF EVENT OF DEFAULT. Promptly upon Borrower obtaining knowledge (i) of any condition or event which constitutes an Event of Default or Unmatured Event of Default, or becoming aware that any Lender has given notice or taken any other action with respect to a claimed Event of Default or Unmatured Event of Default or (ii) of any condition or event which has a Material Adverse Effect on Borrower or the REIT, an Officer's Certificate specifying the nature and period of existence of any such condition or event, or specifying the notice given or action taken by such Lender and the nature of such claimed Event of Default, Unmatured Event of Default, event or condition, and what action Borrower and/or the REIT has taken, is taking and proposes to take with respect thereto.

6.1.8 LITIGATION, ARBITRATION OR GOVERNMENT INVESTIGATION. Promptly upon Borrower or the REIT obtaining knowledge of (i) the institution of, or threat of, any material action, suit, proceeding, governmental investigation or arbitration against or affecting Borrower or the REIT not previously disclosed in writing by Borrower to Agent pursuant to this SECTION 6.1.8, or (ii) any material development in any action, suit, proceeding, governmental investigation or arbitration already disclosed, which, in either case, has a Material Adverse Effect on Borrower or the REIT, a notice thereof to Agent and such other information as may be reasonably available to it to enable Agent, Lenders and their counsel to evaluate such matters.

6.1.9 ESTABLISHMENT OF BENEFIT PLAN AND INCREASE IN CONTRIBUTIONS TO THE BENEFIT PLAN. Not less than ten (10) days prior to the effective date thereof, a notice to Agent of the establishment of a Benefit Plan (or the incurrence of any obligation to contribute to a Multiemployer Plan) by Borrower, the REIT or any ERISA Affiliate. Within thirty (30) days after the first to occur of an amendment of any then existing Benefit Plan of Borrower, the REIT or any ERISA Affiliate which will result in an increase in the benefits under such Benefit Plan or a notification of any such increase, or the establishment of any new Benefit Plan by Borrower, the REIT or any ERISA Affiliate or the commencement of contributions to any Benefit Plan to which Borrower, the REIT or any ERISA Affiliate was not previously contributing, a copy of said amendment, notification or Benefit Plan. For so long as any such Benefit Plan exists, prompt notice of any Termination Event, prohibited transaction, funding waiver request, unfavorable determination letter or withdrawal liability under a Multiemployer Plan.

6.1.10 FAILURE OF THE REIT TO QUALIFY AS REAL ESTATE INVESTMENT TRUST. Promptly upon, and in any event within forty-eight (48) hours after

Borrower first has actual knowledge of (i) the REIT failing to continue to qualify as a real estate investment trust as defined in Section 856 of the Internal Revenue Code (or any successor provision thereof), (ii) any act by the REIT causing its election to be taxed as a real estate investment trust to be terminated, (iii) any act causing the REIT to be subject to the taxes imposed by Section 857(b)(6) of the Internal Revenue Code (or any successor provision thereto), or (iv) the REIT failing to be entitled to a dividends paid deduction which meets the requirements of Section 857 of the Internal Revenue Code, a notice of any such occurrence or circumstance.

6.1.11 ASSET ACQUISITIONS AND DISPOSITIONS, INDEBTEDNESS, ETC.

Without limiting ARTICLE VIII or any other restriction in the Loan Documents, and in all events not later than the same Business Day on which there is public disclosure of any material Investments (other than in Cash Equivalents), acquisitions, dispositions, disposals, divestitures or similar transactions involving Property, the creation of Liens on any of the Portfolio Properties, other than Non-Retail Properties, the execution of any long term leases of real estate in which the Borrower or its Subsidiary is the lessee, the raising of additional equity or the incurring or repayment of material Indebtedness, by or with Borrower, any GP Partnership or Subsidiary or the REIT, telephonic or facsimile notice thereof to Lori Y. Litow or such other person(s) as Agent may designate from time to time, and, if requested by Agent, promptly upon consummation of such transaction, a Compliance Certificate demonstrating in reasonable detail (which detail shall include actual calculations) compliance, after giving effect to such proposed transaction(s), with the covenants contained in ARTICLE IX.

6.1.12 OTHER INFORMATION. Such other information, reports,

contracts, schedules, lists, documents, agreements and instruments in the possession of the REIT or Borrower with respect to (i) the Portfolio Properties or the Simon Properties, (ii) any material change in the REIT's investment, finance or operating policies, or (iii) Borrower's or the REIT's business, condition (financial or otherwise), operations, performance, properties or prospects as Agent may from time to time reasonably request, including, without limitation, annual information with respect to cash flow projections, budgets, operating statements (current year and immediately preceding year), rent rolls, lease expiration reports, leasing status reports, tenant sales reports (to the extent available), note payable summaries, equity funding requirements, contingent liability summaries, line of credit summaries, tenant improvement allowance summaries, note receivable summaries, schedules of outstanding letters of credit, summaries of cash and Cash Equivalents, projections of management and leasing fees and overhead budgets. Provided that Agent gives Borrower reasonable prior notice and an opportunity to participate, Borrower hereby authorizes Agent to communicate with the Accountants and authorizes the Accountants to disclose to Agent any and all financial statements and other information of any kind, including copies of any management letter or the substance of any oral information, that such accountants may have with respect to Borrower's or the REIT's condition (financial or otherwise), operations, properties, performance and prospects. At Agent's request, Borrower shall deliver a letter addressed to the Accountants instructing them to disclose such information in compliance with this SECTION 6.1.12.

6.1.13 PRESS RELEASES; SEC FILINGS AND FINANCIAL STATEMENTS.

Telephonic or telecopy notice to Agent concurrent with or prior to issuance of any material press release concerning the REIT or Borrower and, as soon as practicable after filing with the Commission, all reports and notices, proxy statements, registration statements and prospectuses of the REIT. All materials sent or made available generally by the REIT to the holders of its publicly-held Securities or to a trustee under any indenture or filed with the Commission, including all periodic reports required to be filed with the commission, will be delivered to Agent and Lenders as soon as available.

6.1.14 ACCOUNTANT REPORTS. Copies of all reports prepared by the

Accountants and submitted to Borrower or the REIT in connection with each annual, interim or special audit or review of the financial statements or practices of Borrower or the REIT, including the comment letter submitted by the Accountants in connection with their annual audit.

6.1.15 TERMINATION OR MODIFICATION OF EARTHQUAKE COVERAGE.

Promptly upon, and in any event within thirty (30) days after Borrower first has knowledge of the termination or modification (with respect to the amount of either the coverage provided or the applicable deductible) of the coverage provided by the blanket property insurance rider regarding earthquake insurance for Portfolio Properties located in "Zone 1" maintained by Borrower as of the date of this Agreement, a notice of such termination or modification.

6.2 ENVIRONMENTAL NOTICES. Borrower shall notify Agent, in writing, as

soon as practicable, and in any event within ten (10) days after Borrower's or the REIT's learning thereof, of any: (i) written notice or claim to the effect that Borrower or the REIT is or may be liable to any Person as a result of any material Release or threatened Release of any Contaminant into the environment; (ii) written notice that Borrower or the REIT is subject to investigation by any Governmental Authority evaluating whether any Remedial Action is needed to respond to the Release or threatened Release of any Contaminant into the environment; (iii) written notice that any Portfolio Property or any Simon Property is subject to an Environmental Lien; (iv) written notice that Borrower, any Subsidiary or Partnership, any Simon Partnership or the REIT has received a notice of violation of any Environmental Laws by Borrower, any Subsidiary or Partnership or the REIT; (v) commencement or written threat of any judicial or administrative proceeding alleging a violation of any Environmental Laws; (vi) written notice from a Governmental Authority of any changes to any existing Environmental Laws that will have a Material Adverse Effect on the operations of Borrower or the REIT; or (vii) any proposed acquisition of stock, assets, real estate or leasing of property, or any other action by Borrower that, to the best of Borrower's knowledge, could subject Borrower, any Subsidiary or Partnership or the REIT to environmental, health or safety Liabilities and Costs that will have a Material Adverse Effect on Borrower or the REIT.

6.3 CONFIDENTIALITY. Confidential Information obtained by Agent or

Lenders pursuant to this Agreement or in connection with the Facility shall not be disseminated by Agent or Lenders and shall not be disclosed to third parties except to regulators, taxing authorities and other governmental agencies having jurisdiction over Agent or such Lender or otherwise in response to Requirements of Law, to their respective auditors and legal counsel and in connection with regulatory, administrative and judicial proceedings as necessary or relevant including enforcement proceedings relating to the Loan Documents, and to any prospective assignee of or participant in a Lender's interest under this Agreement or any prospective purchaser of the assets or a controlling interest in any Lender, PROVIDED that such prospective assignee, participant or purchaser first agrees to be bound by the provisions of this SECTION 6.3. For purposes hereof, "CONFIDENTIAL INFORMATION" shall mean all nonpublic information obtained by Agent or Lenders, unless and until such information becomes publicly known, other than as a result of unauthorized disclosure by Agent or Lenders of such information.

ARTICLE VII

AFFIRMATIVE COVENANTS

Borrower covenants and agrees that, on and after the date hereof, until payment in full of all of the Obligations, the expiration of the Commitments and termination of this Agreement:

7.1 EXISTENCE. Each of Borrower and the REIT shall at all times maintain its existence and preserve and keep in full force and effect its rights and franchises. Borrower shall remain a Delaware limited partnership with the REIT as its sole general partner.

7.2 QUALIFICATION, NAME. Each of Borrower and the REIT shall qualify and remain qualified to do business in each jurisdiction in which any Portfolio Property is located or in which the nature of its business requires it to be so qualified except for those jurisdictions where failure to so qualify would not have a material Adverse Effect on Borrower. Borrower will transact business solely in its own name or in the commonly known name of one of the Portfolio Properties.

7.3 COMPLIANCE WITH LAWS, ETC. Each of Borrower and REIT shall (i) comply with all Requirements of Law, and all restrictive covenants affecting it or its properties, performance, prospects, assets or operations, and (ii) obtain as needed all Permits necessary for its operations and maintain such in good standing, except where the failure to do so will not have a Material Adverse Effect on Borrower.

7.4 PAYMENT OF TAXES AND CLAIMS. Each of Borrower and the REIT shall pay (i) all taxes, assessments and other governmental charges imposed upon it or on any of its properties or assets or in respect of any of its franchises, business, income or property before any penalty or interest accrues thereon, and (ii) all claims (including, without limitation, claims for labor, services, materials and supplies) for sums which have become due and payable and which by law have or may become a Lien other than a judgment lien upon any of Borrower's properties or assets, prior to the time when any penalty or fine shall be incurred with respect thereto, provided, however that the payment of such taxes, assessments, charges and claims may be deferred so long as the validity or amount thereof shall currently be contested in good faith by appropriate proceedings and if Borrower shall have set aside in its books adequate reserves specifically with respect thereto, but Borrower shall pay such matters prior to the foreclosure of a Lien which may have attached as security therefor.

7.5 MAINTENANCE OF PROPERTIES; INSURANCE. Borrower shall maintain in good repair, working order and condition, excepting ordinary wear and tear, all of the Portfolio Properties and will make or cause to be made all appropriate repairs, renewals and replacements thereof. Borrower shall maintain commercially reasonable and appropriate amounts of "all risk" property and liability insurance, which insurance shall include in any event:

(a) with respect to each Property: (1) property and casualty insurance (including coverage for flood and water damage for any Portfolio Property located within a 100-year flood plain) in an amount not less than the replacement costs of the improvements thereon (subject to reasonable deductibles and, in the case of flood insurance, subject to the maximum coverages available under the National Flood Insurance Program), and (ii) loss of rental insurance income in an amount not less than one year's gross revenues of such Portfolio Property; and

(b) comprehensive general liability insurance in an amount not less than \$20,000,000 per occurrence, including all insurance pursuant to umbrella and excess liability policies.

At the request of Agent, Borrower shall provide, evidence of insurance, including certificates of insurance and binders.

7.6 INSPECTION OF PROPERTY; BOOKS AND RECORDS; DISCUSSIONS. Borrower shall permit, and shall cause the REIT and each Subsidiary or Partnership to permit, any authorized representative(s) designated by any Lender to visit and inspect any of its properties, to inspect financial and accounting records and leases, and to make copies and take extracts therefrom, all at such times after reasonable advance notice during normal business hours and as often as any Lender may reasonably request. In connection therewith, Borrower shall pay all expenses of the Agent (but not of the other Lenders) of the types described in SECTION 12.1 subject to the limitation that prior to an Event of Default the Borrower shall not be required to reimburse expenses for inspections of Properties made more frequently than annually. Borrower will keep proper books of record and account in which entries, in conformity with GAAP and as otherwise required by this Agreement and applicable Requirements of Law, shall be made of all dealings and transactions in relation to its businesses and activities and as otherwise required under SECTION 6.1.

7.7 MAINTENANCE OF PERMITS, ETC. Each of Borrower and the REIT will maintain in full force and effect all Permits, franchises, patents, trademarks, trade names, copyrights, authorizations or other rights necessary for the operation of its business, except where the failure to obtain any of the foregoing would not have a Material Adverse Effect on Borrower; and notify Agent in writing, promptly after learning thereof, of the suspension, cancellation, revocation or discontinuance of or of any pending or threatened action or proceeding seeking to suspend, cancel, revoke or discontinue any material Permit, patent, trademark, trade name, copyright, governmental approval, franchise authorization or right.

7.8 CONDUCT OF BUSINESS. Except for Permitted Investments pursuant to SECTION 9.10 and Investments in cash and Cash Equivalents, Borrower shall engage only in the business of direct ownership, operation and development of retail properties and any other business activities of Borrower will remain incidental thereto.

7.9 USE OF PROCEEDS. Borrower shall use the proceeds of the Loans only for predevelopment costs, development costs, acquisitions, working capital, equity Investments and repayment of Indebtedness, including required interest and/or principal payments thereon.

7.10 SECURITIES LAW COMPLIANCE. Each of the Borrower and the REIT shall comply in all material respects with all rules and regulations of the Commission and file all reports required by the Commission relating to the Borrower's or the REIT's publicly-held Securities.

7.11 CONTINUED STATUS AS A REIT; PROHIBITED TRANSACTIONS. The REIT (i) will continue to be a real estate investment trust as defined in Section 856 of the Internal Revenue Code (or any successor provision thereto), (ii) will not revoke its election to be a real estate investment trust, (iii) will not engage in any "prohibited transactions" as defined in Section 856(b)(6)(iii) of the Internal Revenue Code (or any successor provision thereto), and (iv) will continue to be entitled to a dividend paid deduction meeting the requirements of Section 857 of the Internal Revenue Code.

7.12 NYSE LISTED COMPANY. The common stock of the REIT shall at all times be listed for trading on the New York Stock Exchange.

7.13 PROPERTY MANAGEMENT. All Portfolio Properties (other than Non-Retail Properties) in which the direct or indirect ownership interest of Borrower exceeds fifty percent (50%) shall be directly managed by Borrower.

7.14 INTEREST RATE CONTRACTS. At all times when LIBOR for 30 day Interest Periods has, for 30 consecutive days, exceeded eight and one-quarter percent (8.25%), Borrower shall maintain in effect Interest Rate Contracts which are satisfactory to the Agent covering at least forty percent (40%) of the aggregate amount of variable interest rate Indebtedness of Borrower (including the Facility and the BankBoston Term Loan) then outstanding plus any additional Loans which are projected to be advanced hereunder within 90 days after the acquisition of such Interest Rate Contracts. In determining whether such Interest Rate Contracts are satisfactory, the Agent shall not require that the terms thereof extend beyond the Termination Date.

ARTICLE VIII

NEGATIVE COVENANTS

Borrower covenants and agrees that, on and after the date hereof, until payment in full of all of the Obligations, the expiration of the Commitments and termination of this Agreement:

8.1 LIENS. Neither Borrower nor the REIT shall (i) directly or indirectly create, incur, assume or permit to exist any Lien, except for Permitted Liens, on or with respect to all or any portion of Woodbury Common; (ii) directly or indirectly create, assume or permit to exist any agreement (other than the Loan Documents and the Unsecured Term Note Secured Debt Limitation set forth in the Unsecured Term Note Indenture) prohibiting the creation of any Lien on Woodbury Common. This SECTION 8.1 shall only be applicable so long as Borrower's senior long-term unsecured debt obligations are rated below BBB or Baa2 by one or both of the Rating Agencies.

8.2 TRANSFERS OF WOODBURY COMMON. Borrower shall not transfer, directly or indirectly, all or any interest in Woodbury Common except Leases to tenants which are not Affiliates of Borrower entered into in the ordinary course of business.

8.3 RESTRICTIONS ON FUNDAMENTAL CHANGES. Neither Borrower nor the REIT shall, without the prior written consent of the Agent

(a) Enter into any merger or consolidation or liquidate, wind-up or dissolve (or suffer any liquidation or dissolution);

(b) Change its Fiscal Year;

(c) Except for Permitted Investments, engage in any line of business other than as expressly permitted under SECTION 7.8;

(d) Create or acquire any Subsidiary or become a partner or member in any Partnership (except a Simon Partnership) PROVIDED, however that the Agent shall not unreasonably withhold its consent under this paragraph (d) after a review of all information requested by the Agent regarding the applicable entity including the names of others having an ownership interest therein, the proposed structure of the entity, the size, location and leasing of the Property owned or proposed to be owned by such entity and the terms of

any existing or contemplated Indebtedness of such entity.

8.4 ERISA. Neither the Borrower nor the REIT shall permit any ERISA Affiliates to do any of the following to the extent that such act or failure to act would result in the aggregate, after taking into account any other such acts or failure to act, in a Material Adverse Effect on Borrower or the REIT:

(a) Engage, or knowingly permit an ERISA Affiliate to engage, in any prohibited transaction described in Section 406 of the ERISA or Section 4975 of the Internal Revenue Code which is not exempt under Section 407 or 408 of ERISA or Section 4975(d) of the Internal Revenue Code for which a class exemption is not available or a private exemption has not been previously obtained from the DOL;

(b) Permit to exist any accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the Internal Revenue Code), whether or not waived;

(c) Fail, or permit an ERISA Affiliate to fail, to pay timely required contributions or annual installments due with respect to any waived funding deficiency to any Plan if such failure could result in the imposition of a Lien or otherwise would have a Material Adverse Effect on Borrower or the REIT;

(d) Terminate, or permit an ERISA Affiliate to terminate, any Benefit Plan which would result in any liability of Borrower or an ERISA Affiliate under Title IV of ERISA or the REIT; or

(e) Fail, or permit any ERISA Affiliate to fail, to pay any required installment under section (m) of Section 412 of the Internal Revenue Code or any other payment required under Section 412 of the Internal Revenue Code on or before the due date for such installment or other payment, if such failure could result in the imposition of a Lien or otherwise would have a Material Adverse Effect on Borrower or the REIT.

8.5 AMENDMENT OF CONSTITUENT DOCUMENTS. Except for any such amendment that is required (i) under any Requirement of Law imposed by any Governmental Authority or (ii) in order to maintain compliance with SECTION 7.11: (1) neither Borrower nor any Partnership shall amend its Partnership Agreement (including, without limitation, as to the admission of any new partner, directly or indirectly), and (2) the REIT shall not amend its articles of incorporation or by-laws; in any such case, except amendments which do not materially affect the ability of the Borrower or the REIT to perform its obligations under the Loan Documents or other amendments which have received the prior written consent of the Agent.

8.6 DISPOSAL OF PARTNERSHIP INTERESTS OR STOCK IN SUBSIDIARIES. Neither Borrower nor the REIT will directly or indirectly convey, sell, transfer, assign, pledge or otherwise encumber or dispose of any of its partnership (or other ownership) interests or stock in any Partnership or Subsidiary without first providing the notice and (if required) Compliance Certificate pursuant to SECTION 6.1.11 with such disposition or encumbrance of such partnership interest or stock being treated the same as disposition or encumbrance of the Property owned by the applicable Partnership or Subsidiary.

8.7 MARGIN REGULATIONS. No portion of the proceeds of any Loans shall be used in any manner which might cause the extension of credit or the application of such proceeds to violate Regulation G, U or X or any other regulation of the Federal Reserve Board or to violate the Securities Exchange Act or the Securities Act, in each case as in effect on the applicable Funding Date.

8.8 WITH RESPECT TO THE REIT:

8.8.1 The REIT shall not own any material assets (other than its interest in the ATC Partnership) or engage in any line of business other than owning partnership interests in Borrower.

8.8.2 The REIT shall not directly or indirectly create, incur, assume or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except the Obligations and other Borrower Debt.

8.8.3 The REIT shall not directly or indirectly create, incur, assume or permit to exist any Lien (other than Permitted Liens) on or with respect to any of its Property or assets.

8.8.4 The REIT will not directly or indirectly convey, sell, transfer, assign, pledge or otherwise encumber or dispose of any of its partnership interests in Borrower so as to reduce its interest in Borrower to less than 60%.

8.9 ADDITIONAL UNSECURED BANK DEBT. Neither Borrower nor any Subsidiaries of Borrower shall create, incur, assume or otherwise become liable for any unsecured line of credit or other unsecured loan from any bank or financial institution, other than the Facility and the BankBoston Term Loan, nor shall the Borrower cause any letter of credit to be issued by any bank or financial institution for the account of Borrower or any Subsidiaries of Borrower, other than the Letters of Credit.

8.10 RESTRICTIONS ON INDEBTEDNESS. Except with the prior written consent of Requisite Lenders, the Borrower will not create, incur, assume, guarantee or become or remain liable, contingently or otherwise, or agree not to do any of same, with respect to any Indebtedness other than:

(a) Indebtedness to the Lenders arising under this Agreement, Indebtedness to BankBoston arising under the BankBoston Term Loan and Indebtedness to the holders of the Unsecured Term Notes arising thereunder;

(b) current liabilities of the Borrower incurred in the ordinary course of business but not incurred through (i) the borrowing of money, or (ii) the obtaining of credit except for credit on an open account basis customarily extended and in fact extended in connection with normal purchases of goods and services;

(c) Indebtedness in respect of taxes, assessments, governmental charges or levies and claims for labor, materials and supplies to the extent that payment therefor shall not at the time be required to be made in accordance with the provisions of SECTION 7.4;

(d) Indebtedness in respect of judgments or awards that have been in force for less than the applicable period for taking an appeal so long as execution is not levied thereunder or in respect of which the Borrower shall at the time in good faith be prosecuting an appeal or proceedings for review and in respect of which a stay of execution shall have been obtained pending such appeal or review;

(e) Endorsements for collection, deposit or negotiation and warranties of products or services, in each case incurred in the ordinary course of business;

(f) Indebtedness consisting of purchase money financing for equipment used in the ordinary course of Borrower's business provided that the amount of each such financing may not exceed 100% of the cost of the purchased property.

(g) Nonrecourse Indebtedness of Borrower secured by a Lien on a Portfolio Property (other than Woodbury Common for so long as SECTION 8.1 remains in effect) which is completely non-recourse to the Borrower and to the REIT to the extent the same does not create a violation of SECTIONS 9.4, 9.5, 9.6 OR 9.7 provided that (i) upon the creation or assumption of any such Indebtedness Borrower shall provide the Agent with a notice describing the terms of such Indebtedness and the security therefor and a copy of the promissory note or other instrument containing the nonrecourse provisions, and (ii) if the terms of such Indebtedness include financial covenants, such covenants are determined by the Agent in its sole discretion to be less stringent than the covenants set forth in ARTICLE IX.

(h) Indebtedness of Borrower other than Nonrecourse Indebtedness for borrowed money to the extent the same does not create a violation of SECTIONS 9.4, 9.5, 9.6 OR 9.7 provided that (i) upon the creation or assumption of any such Indebtedness Borrower shall provide the Agent with a notice describing the terms of such Indebtedness, (ii) such Indebtedness must be permitted under the terms of the Unsecured Term Notes, (iii) if the terms of such Indebtedness include financial covenants such covenants are determined by the Agent, in its sole discretion, to be less stringent than the covenants set forth in ARTICLE IX, and (iv) except for facilities having BankBoston as sole lender or as agent for a group of lenders, such Indebtedness has a term which matures at least twenty-four (24) months after the then applicable Termination Date.

(i) Indebtedness consisting of purchase money financing for Land intended for development in connection with future Construction Projects to the extent the same does not create a violation of SECTIONS 9.4, 9.5, 9.6 OR 9.7 provided that (i) the amount of such Indebtedness does not exceed 100% of the cost of the purchased Land, (ii) the Indebtedness is secured by a Lien on the purchased Land, (iii) the aggregate amount of the Indebtedness described in this paragraph outstanding at any time shall not exceed \$15,000,000.00, and (iv) upon the creation of any such Indebtedness Borrower shall provide the Agent with a notice describing the terms of such Indebtedness.

(j) Indebtedness of Borrower related to the Indebtedness of any Simon Partnership to the extent the same does not create a violation of SECTION 9.4 provided that the respective recourse liability of Simon and Borrower with respect thereto shall be in proportion to their respective percentage ownership interests in the applicable Simon Partnership.

8.11 CONSTRUCTION PROJECTS. Borrower shall not commence construction of any Construction Project if the addition of the budgeted project costs for such project to the CIP Budget Amount would result in a violation of SECTION 9.11. At all times when the Portfolio Occupancy Rate is less than ninety-five percent (95%) Borrower shall not commence construction of any Construction Project prior to the earlier of (a) the date that premises which in the aggregate constitute at least twenty percent (20%) of the gross leasable area of such Construction Project are subject to executed leases under which (i) occupancy by the tenant thereunder is conditioned only upon completion of construction of the relevant improvements and (ii) such tenant is otherwise unconditionally committed to take occupancy upon completion of such construction or (b) the date that the Portfolio Occupancy Rate again exceeds ninety-five percent (95%).

8.12 DISCONTINUITY IN MANAGEMENT. In the event that any three of the five Executive Officers shall cease to be active on a full time, continuous basis in the senior management of Borrower and the REIT ("DISCONTINUITY IN MANAGEMENT"), Borrower shall have up to one hundred eighty (180) days to obtain the approval of Requisite Lenders to additional executives, such that the remaining and new management executives, as a group, have substantial and sufficient knowledge, experience and capabilities in the management of a publicly-held company engaged in the operation of a multi-asset real estate business of the type engaged in by Borrower. In the event Borrower shall fail to obtain approval of Requisite Lenders as aforesaid within said 180-day period, then Borrower shall, at the election and upon the demand of Requisite Lenders, pay in full all Obligations under the Loan Documents not later than sixty (60) days after the end of such 180-day period, whereupon this Agreement and all Commitments hereunder shall be terminated. Any Lender which abstains or otherwise fails to respond to any request by Borrower for approval under this SECTION 8.12 within ten (10) Business Days shall be counted among the Requisite

Lenders approving the proposed additional executives. In the event that Barry Ginsburg should retire prior to the time that there has been any other changes in the Executive Officers, the Borrower may designate another officer to replace Mr. Ginsburg among the Executive Officers and such replacement shall not be counted when determining whether there has been a Discontinuity in Management.

ARTICLE IX

FINANCIAL COVENANTS

Borrower covenants and agrees that, on and after the date of this Agreement and until payment in full of all the Obligations, the expiration of all Commitments, the termination of all Letters of Credit and the termination of this Agreement:

9.1. VALUE OF ALL UNENCUMBERED PROPERTIES. The Borrower will not at any time permit the Value of All Unencumbered Properties to be less than one hundred seventy five percent (175%) of the outstanding balance of Unsecured Indebtedness.

9.2. MINIMUM DEBT SERVICE COVERAGE. The Borrower will not at any time permit the outstanding principal amount of the Unsecured Indebtedness to exceed an amount such that: (a) the Unencumbered Net Operating Income, divided by (b) Pro Forma Unsecured Debt Service Charges would be less than 1.5 for any Fiscal Quarter.

9.3 MINIMUM FAIR MARKET NET WORTH. Borrower will maintain a Fair Market Net Worth of not less than Three Hundred Million Dollars (\$300,000,000) plus seventy-five percent (75%) of Net Offering Proceeds received by Borrower after the Closing Date.

9.4 TOTAL LIABILITIES TO ADJUSTED ASSET VALUE RATIO. Borrower will not at any time permit its Total Liabilities to exceed fifty-five percent (55%) of Adjusted Asset Value.

9.5 MAXIMUM SECURED BORROWER DEBT. The Secured Borrower Debt shall not exceed thirty percent (30%) of Adjusted Asset Value.

9.6 OPERATING CASH FLOW TO DEBT SERVICE RATIO. The ratio of Operating Cash Flow to Debt Service shall not be less than 2.0:1 for any Fiscal Quarter.

9.7 EBITDA TO FIXED CHARGES RATIO. The ratio of EBITDA to Fixed Charges shall not be less than 1.75:1 for any Fiscal Quarter.

9.8 AGGREGATE OCCUPANCY RATE. The Aggregate Occupancy Rate of the Unencumbered Properties shall not be less than ninety percent (90%).

9.9 DISTRIBUTIONS.

9.9.1 Subject to SECTION 9.9.2, aggregate distributions to common shareholders of the REIT and all partners of Borrower holding common units other than the REIT shall not exceed the lesser of (i) ninety percent (90%) of Funds From Operations for any Fiscal Year or (ii) one hundred percent (100%) of Funds From Operations for more than two (2) consecutive Fiscal Quarters. For purposes of this SECTION 9.9, the term "distributions" shall mean and include all dividends and other distributions to, and the repurchase of stock or partnership interests from, the holder of any equity interests in Borrower or the REIT.

9.9.2 Aggregate distributions during the continuance of any Event of Default shall not exceed the lesser of (i) the aggregate amount permitted to be made during the continuance thereof under SECTION 9.9.1, and (ii) the minimum amount that the REIT must distribute to its shareholders in order to maintain compliance with SECTION 7.11. If the Loans are not paid in full on the Termination Date, no distributions shall be made thereafter except to the extent expressly authorized in advance by Agent.

9.10 PERMITTED INVESTMENTS. Notwithstanding the limitations set forth in SECTION 7.8, Borrower may make the following Permitted Investments, so long as (i) the aggregate amount of all Permitted Investments does not exceed, at any time, twenty-five percent (25%) of Adjusted Asset Value, and (ii) the aggregate amount of each of the following categories of Permitted Investments does not exceed the specified percentage of Adjusted Asset Value, in each case as of the date made:

Permitted Investment	Maximum Percentage of Adjusted Asset Value
Land and Non-Retail Properties:	15%
Foreign Investments:	10%
Investment Mortgages:	10%
Partnerships (other than Simon Partnerships):	15%.

For purposes of calculating compliance with the foregoing: (1) the amount of each Investment will be deemed to be the original Acquisition Price thereof; (2) in the case of each Investment in Land, Investment Mortgages and Partnerships, the nature of underlying real property asset and the conduct of business in respect thereof shall in all respects comply with the limitations set forth in SECTION 7.8; and (3) Investments in Foreign Affiliates (other than in Foreign Affiliates which are Wholly-Owned Subsidiaries) shall be counted as both an investment in Partnerships and as a Foreign Investment but shall be counted only once when determining the overall 25% limit. In addition, Borrower may also make Investments in Simon Partnerships and such Investments shall not be subject to, or counted against, the limitations on the amount of Permitted Investments

described in this SECTION 9.10.

9.11 CIP BUDGET AMOUNT TO ADJUSTED ASSET VALUE. The ratio of the CIP Budget Amount to Adjusted Asset Value shall not exceed 0.25:1.

9.12 CALCULATION. Each of the foregoing ratios and financial requirements shall be calculated as of the last day of each Fiscal Quarter, provided, however that each of the foregoing ratios and financial requirements which is affected by an increase in the outstanding balance of the Loans, by the issuance of a Letter of Credit or by the sale or encumbrance of a Portfolio Property shall also be recalculated as of the time of such event. For purposes of determining compliance with SECTION 9.6, the period covered thereby shall be the immediately preceding Fiscal Quarter.

ARTICLE X

EVENTS OF DEFAULT; RIGHTS AND REMEDIES

10.1 EVENTS OF DEFAULT. Each of the following occurrences shall constitute an Event of Default under this Agreement:

10.1.1 FAILURE TO MAKE PAYMENTS WHEN DUE. Borrower shall fail to pay (i) any amount due on the Termination Date, (ii) any principal when due, or (iii) any interest on any Loan, or any fee or other amount payable under any Loan Documents, within five (5) days after the same becomes due.

10.1.2 REIT AND FINANCIAL COVENANTS. Borrower or the REIT shall breach any covenant set forth in SECTION 7.11 or in ARTICLE IX (excluding SECTION 9.8).

10.1.3 AGGREGATE OCCUPANCY RATE. Borrower shall fail to satisfy the financial covenant regarding the Aggregate Occupancy Rate set forth in SECTION 9.8 and such failure shall continue for sixty (60) days.

10.1.4 OTHER DEFAULTS. Borrower or the REIT shall fail duly and punctually to perform or observe any agreement, covenant or obligation binding on Borrower or the REIT under this Agreement or under any of the other Loan Documents (other than as described in any other provision of this SECTION 10.1), and with respect to agreements, covenants or obligations for which no time period for performance is otherwise provided, such failure shall continue for fifteen (15) days after Borrower or the REIT knew of such failure (or such lesser period of time as is mandated by applicable Requirements of Law); PROVIDED, however, if such failure is capable of cure but is not capable of cure within such fifteen (15) day period, then if Borrower promptly undertakes action to cure such failure and thereafter diligently prosecutes such cure to completion within forty-five (45) days after Borrower or the REIT knew of such failure, then Borrower shall not be in default hereunder.

10.1.5 BREACH OF REPRESENTATION OR WARRANTY. Any representation or warranty made or deemed made by Borrower or the REIT to Agent or any Lender herein or in any of the other Loan Documents or in any statement, certificate or financial statements at any time given by Borrower pursuant to any of the Loan Documents shall be false or misleading in any material respect on the date as of which made.

10.1.6 DEFAULT AS TO OTHER INDEBTEDNESS. (i) Borrower, the REIT or any GP Partnership shall have (A) failed to pay when due (beyond any applicable grace period), any amount in respect of any Indebtedness (other than Nonrecourse Indebtedness) of such party other than the Obligations if the aggregate amount of such other Indebtedness is Ten Million Dollars (\$10,000,000) or more; or (B) otherwise defaulted (beyond any applicable grace period) under any Indebtedness of such party other than the Obligations if (1) the aggregate amount of such other Indebtedness is Ten Million Dollars (\$10,000,000) or more, and (2) the holder of such Indebtedness has accelerated such Indebtedness; or (ii) any such other Indebtedness shall have otherwise become payable, or be required to be purchased or redeemed, prior to its scheduled maturity; or (iii) the holder(s) of any Lien, in any amount, commence foreclosure of such Lien upon any Property having an aggregate value in excess of Ten Million Dollars (\$10,000,000); or (iv) any "Event of Default" shall exist under the Unsecured Term Note Indenture, or (v) any "Event of Default" shall exist under the Term Loan Agreement relating to the BankBoston Term Loan.

10.1.7 INVOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC.

(a) An involuntary case shall be commenced against the REIT, Borrower or any GP Partnership, and the petition shall not be dismissed within sixty (60) days after commencement of the case, or a court having jurisdiction shall enter a decree or order for relief in respect of any such Person in an involuntary case, under any applicable bankruptcy, insolvency or other similar law now or hereinafter in effect; or any other similar relief shall be granted under any applicable federal, state or foreign law; or

(b) A decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the REIT, Borrower or any GP Partnership, or over all or a substantial part of the property of any such Person, shall be entered; or an interim receiver, trustee or other custodian of any such Person or of all or a substantial part of the property of any such Person, shall be appointed or a warrant of attachment, execution or similar process against any substantial part of the property of any such Person, shall be issued and any such event shall not be stayed, vacated, dismissed, bonded or discharged within sixty (60) days of entry, appointment or issuance.

10.1.8 VOLUNTARY BANKRUPTCY; APPOINTMENT OF RECEIVER, ETC. The REIT, Borrower, or any GP Partnership shall have an order for relief entered

with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking of possession by a receiver, trustee or other custodian for all or a substantial part of its property; any such Person shall make any assignment for the benefit of creditors or shall be unable or fail, or admit in writing its inability, to pay its debts as such debts become due; or the general partner (or Person(s) serving in a similar capacity) of Borrower or the REIT's Board of Directors (or any committee thereof) adopts any resolution or otherwise authorizes any action to approve any of the foregoing.

10.1.9 JUDGMENTS AND ATTACHMENTS. (i) Any money judgment (other than a money judgment covered by insurance but only if the insurer has admitted liability with respect to such money judgment), writ or warrant of attachment, or similar process involving in any case an amount in excess of One Million Dollars (\$1,000,000) shall be entered or filed against the REIT, Borrower, or any GP Partnership or their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of thirty (30) days, or (ii) any judgment or order of any court or administrative agency awarding material damages shall be entered against any such Person in any action under the Federal securities laws seeking rescission of the purchase or sale of, or for damages arising from the purchase or sale of, any Securities, such judgment or order shall have become final after exhaustion of all available appellate remedies and, in Agent's judgment, the payment of such judgment or order would have a Material Adverse Effect on such Person.

10.1.10 DISSOLUTION. Any order, judgment or decree shall be entered against the REIT, Borrower, or any GP Partnership decreeing its involuntary dissolution or split up and such order shall remain undischarged and unstayed for a period in excess of thirty (30) days; or the REIT or Borrower shall otherwise dissolve or cease to exist.

10.1.11 LOAN DOCUMENTS; FAILURE OF SUBORDINATION. If for any reason (i) any Loan Document shall cease to be in full force and effect, or (ii) any Obligation shall be subordinated in right of payment to any other unsecured liability of the Borrower.

10.1.12 ERISA LIABILITIES. Any Termination Event occurs which will or is reasonably likely to subject Borrower, the REIT or any ERISA Affiliate to a liability which Agent reasonably determines will have a Material Adverse Effect on Borrower or the REIT, or the plan administrator of any Benefit Plan applies for approval under Section 412(d) of the Internal Revenue Code for a waiver of the minimum funding standards of Section 412(a) of the Internal Revenue Code and Agent reasonably determines that the business hardship upon which the Section 412(d) waiver was based will or would reasonably be anticipated to subject Borrower or the REIT to a liability which Agent determines will have a Material Adverse Effect on Borrower or the REIT.

10.1.13 ENVIRONMENTAL LIABILITIES. Borrower, the REIT or any Subsidiary or Partnership becomes subject to any Liabilities and Costs which Agent reasonably deems to have a Material Adverse Effect on such Person arising out of or related to the Release at any Property of any Contaminant into the environment, or any Remedial Action in response thereto, or any other violation of any Environmental Laws.

10.1.14 SOLVENCY; MATERIAL ADVERSE CHANGE. Borrower or the REIT shall cease to be Solvent, or there shall have occurred any material adverse change in the business, operations, properties, assets or condition (financial or otherwise) of Borrower or the REIT.

An Event of Default shall be deemed "continuing" until cured or waived in writing in accordance with SECTION 12.4.

10.2 RIGHTS AND REMEDIES.

10.2.1 ACCELERATION, ETC. Upon the occurrence of any Event of Default described in the foregoing SECTION 10.1.7 or 10.1.8 with respect to the REIT or Borrower, the Commitments shall automatically and immediately terminate and the unpaid principal amount of and any and all accrued interest on the Loans shall automatically become immediately due and payable, with all additional interest from time to time accrued thereon and without presentment, demand or protest or other requirements of any kind (including, without limitation, valuation and appraisal, diligence, presentment, notice of intent to demand or accelerate or notice of acceleration), all of which are hereby expressly waived by Borrower, and the obligations of Lenders to make any Loans hereunder shall thereupon terminate; and upon the occurrence and during the continuance of any other Event of Default, Agent shall, at the request, or may, with the consent of Requisite Lenders, by written notice to Borrower, (i) declare that the Commitments are terminated, whereupon the Commitments and the obligation of Lenders to make any Loan hereunder shall immediately terminate, and/or (ii) declare the unpaid principal amount of, any and all accrued and unpaid interest on the Loans and all of the other Obligations to be, and the same shall thereupon be, immediately due and payable with all additional interest from time to time accrued thereon and without presentment, demand, or protest or other requirements of any kind (including without limitation, valuation and appraisal, diligence, presentment, notice of intent to demand or accelerate and of acceleration), all of which are hereby expressly waived by Borrower. Without limiting Agent's authority hereunder, on or after the Termination Date, Agent shall, at the request, or may, with the consent, of Requisite Lenders exercise any or all rights and remedies under the Loan Documents or applicable law. Upon the occurrence of and during the continuance of an Event of Default, Agent shall be entitled to request and receive, by or through Borrower or appropriate legal process, any and all information concerning the REIT, Borrower or any property of any of them, which is reasonably available to or obtainable by Borrower.

10.2.2 WAIVER OF DEMAND. Demand, presentment, protest and notice of nonpayment are hereby waived by Borrower. Borrower also waives, to the extent

permitted by law, the benefit of all exemption laws.

10.2.3 WAIVERS, AMENDMENTS AND REMEDIES. No delay or omission of Agent or Lenders to exercise any right under any Loan Document shall impair such right or be construed to be a waiver of any Event of Default or an acquiescence therein, and any single or partial exercise of any such right shall not preclude other or further exercise thereof or the exercise of any other right, and no waiver, amendment or other variation of the terms, conditions or provisions of the Loan Documents whatsoever shall be valid unless in writing signed by Agent after obtaining written approval thereof or the signature thereon of those Lenders required to approve such waiver, amendment or other variation, and then only to the extent in such writing specifically set forth. All remedies contained in the Loan Documents or by law afforded shall be cumulative and all shall be available to Agent and Lenders until the Obligations have been paid in full, the Commitments have expired or terminated and this Agreement has been terminated.

10.2.4 CASH COLLATERAL ACCOUNT FOR LETTERS OF CREDIT. In the event that any Letters of Credit are in effect at the time of an acceleration of the maturity of the Loans, the amounts which shall thereupon become immediately due and payable by the Borrower shall include a sum equal to the aggregate face amount of such then effective Letters of Credit. Such sum shall be deposited in a cash collateral account to be opened by the Agent. Amounts held in such cash collateral account shall be applied by the Agent on each Drawing Date thereafter to pay any drafts presented pursuant to the Letters of Credit. After all Letters of Credit have been fully drawn upon, expired or otherwise terminated, any balance remaining in such cash collateral account shall be applied in the same manner as proceeds from the enforcement of the Loan Documents.

10.3 RESCISSION. If at any time after acceleration of the maturity of the Loans, Borrower shall pay all arrears of interest and all payments on account of principal of the Loans which shall have become due otherwise than by acceleration (with interest on principal and, to the extent permitted by law, on overdue interest, at the rates specified in this Agreement) and all Events of Default and Unmatured Events of Default (other than nonpayment of principal of and accrued interest on the Loans due and payable solely by virtue of acceleration) shall be remedied or waived pursuant to SECTION 12.4, then by written notice to Borrower, Requisite Lenders may elect, in their sole discretion, to rescind and annul the acceleration and its consequences; but such action shall not affect any subsequent Event of Default or Unmatured Event of Default or impair any right or remedy consequent thereon. The provisions of the preceding sentence are intended merely to bind Lenders to a decision which may be made at the election of Requisite Lenders; they are not intended to benefit Borrower and do not give Borrower the right to require Lenders to rescind or annul any acceleration hereunder, even if the conditions set forth herein are met.

ARTICLE XI

AGENCY PROVISIONS

11.1 APPOINTMENT.

11.1.1 Each Lender hereby (i) designates and appoints BankBoston as Agent of such Lender under this Agreement and the Loan Documents, (ii) authorizes and directs Agent to enter into the Loan Documents other than this Agreement for the benefit of Lenders, and (iii) authorizes Agent to take such action on its behalf under the provisions of this Agreement and the Loan Documents and to exercise such powers as are set forth herein or therein, together with such other powers as are reasonably incidental thereto, subject to the limitations referred to in SECTIONS 11.10.1 and 11.10.2. Agent agrees to act as such on the express conditions contained in this ARTICLE XI.

11.1.2 The provisions of this ARTICLE XI are solely for the benefit of Agent and Lenders, and Borrower shall not have any rights to rely on or enforce any of the provisions hereof (other than as expressly set forth in SECTIONS 11.3 and 11.9, PROVIDED, HOWEVER, that the foregoing shall in no way limit Borrower's obligations under this ARTICLE XI. In performing its functions and duties under this Agreement, Agent shall act solely as Agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for Borrower or any other Person.

11.2 NATURE OF DUTIES. Agent shall not have any duties or responsibilities except those expressly set forth in this Agreement or in the Loan Documents. Subject to the provisions of SECTIONS 11.5 and 11.7, Agent shall administer the Loans in the same manner as it administers its own loans. Promptly following the effectiveness of this Agreement, Agent shall send to each Lender its originally executed Note and the executed original, to the extent the same are available in sufficient numbers, of each other Loan Document other than the Notes in favor of other Lenders. Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Lender. Nothing in this Agreement or any of the Loan Documents, expressed or implied, is intended or shall be construed to impose upon Agent any obligation in respect of this Agreement or any of the Loan Documents except as expressly set forth herein or therein. Each Lender shall make its own independent investigation of the financial condition and affairs of the REIT, Borrower and each Portfolio Property in connection with the making and the continuance of the Loans hereunder and shall make its own appraisal of the creditworthiness of the REIT and Borrower, and, except as specifically provided herein, Agent shall not have any duty or responsibility, either initially or on a continuing basis, to provide any Lender with any credit or other information with respect thereto, whether coming into its possession before the Closing Date or at any time or times thereafter.

11.3 LOAN DISBURSEMENTS.

11.3.1 Not later than 1:00 P.M. (Eastern time) on the next Business Day following receipt of a Notice of Borrowing, Agent shall send a copy

thereof by facsimile to each other Lender and shall otherwise notify each Lender of the proposed Borrowing and the Funding Date. Each Lender shall make available to Agent (or the funding bank or entity designated by Agent), the amount of such Lender's Pro Rata Share of such Borrowing in immediately available funds not later than the times designated in SECTION 11.3.2. Unless Agent shall have been notified by any Lender prior to such time for funding in respect of any Borrowing that such Lender does not intend to make available to Agent such Lender's Pro Rata Share of such Borrowing, Agent may assume that such Lender has made such amount available to Agent. In any case where a Lender does not for any reason make available to Agent such Lender's Pro Rata Share of such Borrowing, Agent, in its sole discretion, may, but shall not be obligated to, fund to Borrower such Lender's Pro Rata Share of such Borrowing. If the amount so funded by Agent is not in fact made available to Agent by the responsible Lender, then Borrower agrees to repay to Agent such amount, together with interest thereon at the Base Rate for each day from the date such amount is made available to Borrower until the date such amount is repaid to Agent, not later than three (3) Business Days following Agent's demand to Borrower that such repayment be made. In addition, such Lender agrees to pay to Agent forthwith on demand such corresponding amount, together with interest thereon at the Federal Funds Rate. If such Lender shall pay to Agent such corresponding amount, such amount so paid shall constitute such Lender's Pro Rata Share of such Borrowing, and if both such Lender and Borrower shall have paid and repaid, respectively, such corresponding amount, Agent shall promptly return to Borrower such corresponding amount in same day funds; interest paid by Borrower in respect of such corresponding amount shall be prorated, as of the date of payment thereof by such Lender to Agent. In the event that Agent shall not have funded such Lender's Pro Rata Share under this SECTION 11.3.1, then Borrower shall not be obligated to accept a late funding of such Lender's Pro Rata Share if such funding is made more than two (2) Business Days following the applicable Funding Date. If Borrower declines to accept such delinquent funding, Agent shall promptly return to such Lender the amount of such funding. Nothing in this SECTION 11.3.1 shall alter the respective rights and obligations of the parties hereunder in respect of a Defaulting Lender or a Non-Pro Rata Loan.

11.3.2 Requests by Agent for funding by Lenders of Loans will be made by teletype. Each Lender shall make the amount of its Loan available to Agent in Dollars and in immediately available funds, to such bank and account, as Agent may designate, not later than 1:00 P.M. (Eastern time) on the Funding Date designated in the Notice of Borrowing with respect to such Loan, provided that to the extent the Agent is late in providing any Lender with notice the applicable time in advance of any Funding Date specified in SECTION 2.1.2(A), such Lender shall not be obligated to make such amount available to the Agent until said time on the Business Day which is the same number of Business Days after the Funding Date as Agent was late in providing such notice.

11.3.3 Nothing in this SECTION 11.3 shall be deemed to relieve any Lender of its obligation hereunder to make its Pro Rata Share of Loans on any Funding Date, nor shall any Lender be responsible for the failure of any other Lender to perform its obligations to make any Loan hereunder, and the Commitment of any Lender shall not be increased or decreased as a result of the failure by any other Lender to perform its obligation to make a Loan.

11.4 DISTRIBUTION AND APPORTIONMENT OF PAYMENTS.

11.4.1 Subject to SECTION 11.4.2, payments actually received by Agent for the account of Lenders shall be paid to them promptly after receipt thereof by Agent, but in any event within two (2) Business Days, PROVIDED that Agent shall pay to Lenders interest thereon, at the lesser of (i) Federal Funds Rate and (ii) the rate of interest applicable to such Loans, from the Business Day following receipt of such funds by Agent until such funds are paid in immediately available funds to Lenders. Subject to SECTION 11.4.2, all payments of principal and interest in respect of outstanding Loans, all payments of the fees described in this Agreement, and all payments in respect of any other Obligations shall be allocated among such of Lenders as are entitled thereto, in proportion to their respective Pro Rata Shares or otherwise as provided herein. Agent shall promptly distribute, but in any event within two (2) Business Days, to each Lender at its primary address set forth on the appropriate signature page hereof or on the Assignment and Assumption, or at such other address as a Lender may request in writing, such funds as it may be entitled to receive, PROVIDED that Agent shall in any event not be bound to inquire into or determine the validity, scope or priority of any interest or entitlement of any Lender and may suspend all payments and seek appropriate relief (including, without limitation, instructions from Requisite Lenders or all Lenders, as applicable, or an action in the nature of interpleader) in the event of any doubt or dispute as to any apportionment or distribution contemplated hereby. The order of priority herein is set forth solely to determine the rights and priorities of Lenders as among themselves and may at any time or from time to time be changed by Lenders as they may elect, in writing in accordance with SECTION 12.4, without necessity of notice to or consent of or approval by Borrower or any other Person. All payments or other sums received by Agent for the account of Lenders shall not constitute property or assets of Agent and shall be held by Agent, solely in its capacity as agent for itself and the other Lenders, subject to the Loan Documents.

11.4.2 Notwithstanding any provision hereof to the contrary, until such time as a Defaulting Lender has funded its Pro Rata Share of a Loan which was previously a Non Pro Rata Loan, or all other Lenders have received payment in full (whether by repayment or prepayment) of the principal and interest due in respect of such Non Pro Rata Loan, all of the Obligations owing to such Defaulting Lender hereunder shall be subordinated in right of payment, as provided in the following sentence, to the prior payment in full of all principal, interest and fees in respect of all Non Pro Rata Loans in which the Defaulting Lender has not funded its Pro Rata Share (such principal, interest and fees being referred to as "Senior Loans"). All amounts paid by Borrower and otherwise due to be applied to the Obligations owing to the Defaulting Lender pursuant to the terms hereof shall be distributed by Agent to the other Lenders in accordance with their respective Pro Rata Shares (recalculated for purposes hereof to exclude the Defaulting Lender's Commitment), until all Senior Loans have been paid in full. This provision governs only the relationship among

Agent, each Defaulting Lender, and the other Lenders; nothing hereunder shall limit the obligation of Borrower to repay all Loans in accordance with the terms of this Agreement. The provisions of this section shall apply and be effective regardless of whether an Event of Default occurs and is then continuing, and notwithstanding (i) any other provision of this Agreement to the contrary, (ii) any instruction of Borrower as to its desired application of payments or (iii) the suspension of such Defaulting Lender's right to vote on matters which are subject to the consent or approval of Requisite Lenders or all Lenders. No Unused Facility Fee shall accrue in favor of, or be payable to, such Defaulting Lender from the date of any failure to fund Loans or reimburse Agent for any Liabilities and Costs as herein provided until such failure has been cured, and Agent shall be entitled to (1) withhold or setoff, and to apply to the payment of the defaulted amount and any related interest, any amounts to be paid to such Defaulting Lender under this Agreement, and (2) bring an action or suit against such Defaulting Lender in a court of competent jurisdiction to recover the defaulted amount and any related interest. In addition, the Defaulting Lender shall indemnify, defend and hold Agent and each of the other Lenders harmless from and against any and all Liabilities and Costs, plus interest thereon at the Default Rate, which they may sustain or incur by reason of or as a direct consequence of the Defaulting Lender's failure or refusal to abide by its obligations under this Agreement.

11.5 RIGHTS, EXCULPATION, ETC. Neither Agent, any Affiliate of Agent, nor any of their respective officers, directors, employees, agents, attorneys or consultants, shall be liable to any Lender for any action taken or omitted by them hereunder or under any of the Loan Documents, or in connection herewith or therewith, except that Agent shall be liable for its gross negligence or willful misconduct. In the absence of gross negligence or willful misconduct, Agent shall not be liable for any apportionment or distribution of payments made by it in good faith pursuant to SECTION 11.4, and if any such apportionment or distribution is subsequently determined to have been made in error the sole recourse of any Person to whom payment was due, but not made, shall be to recover from the recipients of such payments any payment in excess of the amount to which they are determined to have been entitled. Agent shall not be responsible to any Lender for any recitals, statements, representations or warranties herein or for the execution, effectiveness, genuineness, validity, enforceability, collectibility or sufficiency of this Agreement or any of the other Loan Documents, or any of the transactions contemplated hereby and thereby; or for the financial condition of the REIT, Borrower or any of their Affiliates. Agent shall not be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement or any of the Loan Documents or the financial condition of the REIT, Borrower or any of their Affiliates, or the existence or possible existence of any Unmatured Event of Default or Event of Default.

11.6 RELIANCE. Agent shall be entitled to rely upon any written notices, statements, certificates, orders or other documents, telecopies or any telephone message believed by it in good faith to be genuine and correct and to have been signed, sent or made by the proper Person, and with respect to all matters pertaining to this Agreement or any of the Loan Documents and its duties hereunder or thereunder, upon advice of legal counsel (including counsel for Borrower), independent public accountant and other experts selected by it.

11.7 INDEMNIFICATION. To the extent that Agent is not reimbursed and indemnified by Borrower, Lenders will reimburse, within ten (10) Business Days after notice from Agent, and indemnify and defend Agent for and against any and all Liabilities and Costs (other than losses in the collection of principal and interest on the Loans which losses shall be shared among all Lenders including the Agent as provided in SECTIONS 11.4 and 11.13) which may be imposed on, incurred by, or asserted against it in any way relating to or arising out of this Agreement or any of the other Loan Documents or any action taken or omitted by Agent or under this Agreement or any of the other Loan Documents, in proportion to each Lender's Pro Rata Share; PROVIDED that no Lender shall be liable for any portion of such Liabilities and Costs resulting from Agent's gross negligence or willful misconduct or in respect of normal administrative costs and expenses incurred by Agent (prior to any Event of Default or any Unmatured Event of Default) in connection with its performance of administrative duties under this Agreement and the other Loan Documents. The obligations of Lenders under this SECTION 11.7 shall survive the payment in full of all Obligations and the termination of this Agreement. In the event that after payment and distribution of any amount by Agent to Lenders, any Lender or third party, including Borrower, any creditor of Borrower or a trustee in bankruptcy, recovers from Agent any amount found to have been wrongfully paid to Agent or disbursed by Agent to Lenders, then Lenders, in proportion to their respective Pro Rata Shares, shall reimburse Agent for all such amounts. Notwithstanding the foregoing, Agent shall not be obligated to advance Liabilities and Costs and may require the deposit by each Lender of its Pro Rata Share of any material Liabilities and Costs anticipated by Agent before they are incurred or made payable.

11.8 AGENT INDIVIDUALLY. With respect to its Pro Rata Share of the Commitments hereunder and the Loans made by it, Agent shall have and may exercise the same rights and powers hereunder and is subject to the same obligations and liabilities as and to the extent set forth herein for any other Lender. The terms "Lenders", "Requisite Lenders" or any similar terms may include Agent in its individual capacity as a Lender or one of the Requisite Lenders. Agent and any Lender and its Affiliates may accept deposits from, lend money to, and generally engage in any kind of banking, trust or other business with Borrower or any of its Affiliates as if it were not acting as Agent or Lender pursuant hereto.

11.9 SUCCESSOR AGENT; RESIGNATION OF AGENT; REMOVAL OF AGENT.

11.9.1 Agent may resign from the performance of all its functions and duties hereunder at any time by giving at least thirty (30) Business Days, prior written notice to Lenders and Borrower, and shall automatically cease to be Agent hereunder in the event a petition in bankruptcy shall be filed by or against Agent or the Federal Deposit Insurance Corporation or any other Governmental Authority shall assume control of Agent or Agent's interests under

the Facility. Further, Lenders whose aggregate Commitments constitute at least sixty-six and two-thirds percent (66-2/3%) of the Commitments of all Lenders excluding the Agent may remove Agent for cause at any time by giving at least thirty (30) Business Days' prior written notice to Agent, Borrower and all other Lenders. If Agent enters into one or more assignments pursuant to SECTION 11.12 having the effect of reducing its Commitment to less than \$20,000,000 then any Lender whose Commitment exceeds that of Agent may remove Agent by notice given within thirty (30) days after such Lender receives notice of the assignments which reduce the Agent's Commitment below such level. Such resignation or removal shall take effect upon the acceptance by a successor Agent appointed pursuant to SECTION 11.9.2 or 11.9.3.

11.9.2 Upon any such notice of resignation by or removal of Agent, Requisite Lenders shall appoint a successor Agent with the consent of Borrower, which consent shall not be unreasonably withheld or delayed AND which consent shall not be required if there shall then exist any Event of Default. Any successor Agent must be a bank (i) the senior debt obligations of which (or such bank's parent's senior unsecured debt obligations) are rated not less than BBB by one of the Rating Agencies and (ii) which has total assets in excess of Ten Billion Dollars (\$10,000,000,000). Such successor Agent shall separately confirm in writing with Borrower the fee to be paid to such Agent pursuant to SECTION 2.5.2.

11.9.3 If a successor Agent shall not have been so appointed within said thirty (30) Business Day period, the retiring or removed Agent, shall then appoint a successor Agent who shall meet the requirements described in SECTION 11.9.2 and who shall serve as Agent until such time, if any, as Requisite Lenders, appoint a successor Agent as provided above.

11.10 CONSENT AND APPROVALS.

11.10.1 Each of the following shall require the approval or consent of Requisite Lenders:

- (a) Approval of notes receivable pursuant to definition of Adjusted Asset Value (SECTION 1.1);
- (b) Consent to Indebtedness (SECTION 8.10);
- (c) Approval of additional executives upon a Discontinuity in Management (SECTION 8.12);
- (d) Acceleration following an Event of Default (SECTION 10.2.1) or rescission of such acceleration (SECTION 10.3);
- (e) Approval of the exercise of rights and remedies under the Loan Documents following an Event of Default (SECTION 10.2.1);
- (f) Appointment of a successor Agent (SECTION 11.9);
- (g) Except as referred to in SECTION 11.10.2 or 11.11.1, approval of any amendment, modification or termination of this Agreement, or waiver of any provision herein (SECTION 12.4).

11.10.2 Each amendment, modification or waiver specifically enumerated in SECTION 12.4.1 shall require the consent of all Lenders.

11.10.3 In addition to the required consents or approvals referred to in SECTION 11.10.1, Agent may at any time request instructions from Requisite Lenders with respect to any actions or approvals which, by the terms of this Agreement or of any of the Loan Documents, Agent is permitted or required to take or to grant without instructions from any Lenders, and if such instructions are promptly requested, Agent shall be absolutely entitled to refrain from taking any action or to withhold any approval and shall not be under any liability whatsoever to any Person for refraining from taking any action or withholding any approval under any of the Loan Documents until it shall have received such instructions from Requisite Lenders. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting under this Agreement or any of the other Loan Documents in accordance with the instructions of Requisite Lenders or, where applicable, all Lenders. Agent shall promptly notify each Lender at any time that the Requisite Lenders have instructed Agent to act or refrain from acting pursuant to this SECTION 11.10.3.

11.10.4 Each Lender agrees that any action taken by Agent at the direction or with the consent of Requisite Lenders in accordance with the provisions of this Agreement or any Loan Document, and the exercise by Agent at the direction or with the consent of Requisite Lenders of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all Lenders, except for actions specifically requiring the approval of all Lenders. All communications from Agent to Lenders requesting Lenders' determination, consent, approval or disapproval (i) shall be given in the form of a written notice to each Lender, (ii) shall be accompanied by a description of the matter or thing as to which such determination, approval, consent or disapproval is requested, or shall advise each Lender where such matter or thing may be inspected, or shall otherwise describe the matter or issue to be resolved, (iii) shall include, if reasonably requested by a Lender and to the extent not previously provided to such Lender, written materials and a summary of all oral information provided to Agent by Borrower in respect of the matter or issue to be resolved, and (iv) may include Agent's recommended course of action or determination in respect thereof. Each Lender shall reply promptly, but in any event within ten (10) Business Days (the "LENDER REPLY Period"). Unless a Lender shall give written notice to Agent that it objects to the recommendation or determination of Agent (together with a written explanation of the reasons behind such objection) within the Lender Reply Period, such Lender shall be deemed to have approved of or consented to such recommendation or determination. With respect to decisions requiring the approval of Requisite Lenders or all Lenders, Agent shall submit

its recommendation or determination for approval of or consent to such recommendation or determination to all Lenders and upon receiving the required approval or consent shall follow the course of action or determination recommended to Lenders by Agent or such other course of action recommended by Requisite Lenders, and each non-responding Lender shall be deemed to have concurred with such recommended course of action.

11.11 AGENCY PROVISIONS RELATING TO CERTAIN ENFORCEMENT ACTIONS.

11.11.1 Agent is hereby authorized on behalf of all Lenders, without the necessity of any notice to or further consent from any Lender, to waive the imposition of late fees provided for in SECTION 2.4.5 up to a maximum of three (3) times during the term of this Agreement.

11.11.2 Should Agent (i) employ counsel for advice or other representation (whether or not any suit has been or shall be filed) with respect to any of the Loan Documents, or (ii) commence any proceeding or in any way seek to enforce its rights or remedies under the Loan Documents, each Lender, upon demand therefor from time to time, shall contribute its share (based on its Pro Rata Share) of the reasonable costs and/or expenses of any such advice or other representation, enforcement or acquisition, including, but not limited to, fees of receivers, court costs and fees and expenses of attorneys to the extent not otherwise reimbursed by Borrower; PROVIDED that Agent shall not be entitled to reimbursement of its attorneys' fees and expenses incurred in connection with the resolution of disputes between Agent and other Lenders unless Agent shall be the prevailing party in any such dispute. Any loss of principal and interest resulting from any Event of Default shall be shared by Lenders in accordance with their respective Pro Rata Shares.

11.12 ASSIGNMENTS AND PARTICIPATIONS.

11.12.1 Each Lender may assign, to one or more Eligible Assignees, all or a portion of its rights and obligations under this Agreement (including without limitation all or a portion of its Commitment and the Loans owing to it) and other Loan Documents; PROVIDED, HOWEVER, that (i) each such assignment shall be of a constant, and not a varying, percentage of the assigning Lender's rights and obligations under this Agreement and other Loan Documents, and the assignment shall cover the same percentage of such Lender's Commitment and Loans, (ii) unless Agent and Borrower otherwise consent (except that after an Event of Default only the consent of Agent shall be required), the aggregate amount of the Commitment of the assigning Lender being assigned pursuant to each such assignment (determined as of the date of the Assignment and Assumption with respect to such assignment) shall in no event be less than Ten Million Dollars (\$10,000,000) and shall be an integral multiple of One Million Dollars (\$1,000,000), (iii) after giving effect to such assignment, the aggregate amount of the Commitment retained by the assigning Lender shall in no event be less than Twelve Million Dollars (\$12,000,000), (iv) the parties to each such assignment shall execute and deliver to Agent, for its approval and acceptance, an Assignment and Assumption, and (v) Agent shall receive from the assignor a processing fee of Three Thousand Dollars (\$3,000). Upon such execution, delivery, approval and acceptance, and upon the effective date specified in the applicable Assignment and Assumption, (X) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Assumption, have the rights and obligations of a Lender hereunder, and (Y) the assigning Lender thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Assumption, relinquish its rights and be released from its obligations under this Agreement.

11.12.2 By executing and delivering an Assignment and Assumption, the assigning Lender thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in such Assignment and Assumption, such assigning Lender makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or any other Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other Loan Document or any other instrument or document furnished pursuant hereto; (ii) such assigning Lender makes no representation or warranty and assumes no responsibility with respect to the financial condition of the REIT or Borrower or the performance or observance by the REIT or Borrower of any of their respective obligations under any Loan Document or any other instrument or document furnished pursuant hereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in ARTICLE V or delivered pursuant to ARTICLE VI to the date of such assignment and such other Loan Documents and other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Assumption; (iv) such assignee will, independently and without reliance upon Agent, such assigning Lender or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee appoints and authorizes Agent to take such action as Agent on its behalf and to exercise such powers under this Agreement and the other Loan Documents as are delegated to Agent by the terms hereof and thereof, together with such powers as are reasonably incidental thereto; and (vi) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as a Lender.

11.12.3 Agent shall maintain, at its address referred to on the counterpart signature pages hereof, a copy of each Assignment and Assumption delivered to and accepted by it and shall record in the Loan Account the names and addresses of each Lender and the Commitment of, and principal amount of the Loans owing to, such Lender from time to time. Borrower, Agent and Lenders may treat each Person whose name is recorded in the Loan Account as a Lender hereunder for all purposes of this Agreement.

11.12.4 Upon its receipt of an Assignment and Assumption executed by an assigning Lender and an assignee, Agent shall, if such Assignment and

Assumption has been properly completed and is in substantially the form of EXHIBIT A, (i) accept such Assignment and Assumption, (ii) record the information contained therein in the Loan Account, and (iii) give prompt notice thereof to Borrower. Upon request, Borrower will execute and deliver to Agent an appropriate replacement promissory note or replacement promissory notes in favor of each assignee (and assignor, if such assignor is retaining a portion of its Commitment and Loans) reflecting such assignee's (and assignor's) Pro Rata Share(s) of the Facility. Upon execution and delivery of such replacement promissory notes the original promissory note or notes evidencing all or a portion of the Commitments and Loans being assigned shall be cancelled and returned to Borrower.

11.12.5 Each Lender may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including without limitation all or a portion of its Commitment and the Loans owing to it) and other Loan Documents; PROVIDED, HOWEVER, that (i) such Lender's obligations under this Agreement (including without limitation its Commitment to Borrower hereunder) shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) Borrower, Agent and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and with regard to any and all payments to be made under this Agreement, and (iv) the holder of any such participation shall not be entitled to voting rights under this Agreement except for voting rights with respect to (A) increases in the Facility; (B) extensions of the Termination Date; and (C) decreases in the interest rates described in this Agreement. No participant shall be entitled to vote on any matter until the Lender with which such participant is participating in the Facility and the Loans confirms such participant's status as a participant hereunder.

11.12.6 Borrower will use reasonable efforts to cooperate with Agent and Lenders in connection with the assignment of interests under this Agreement or the sale of participations herein.

11.12.7 Anything in this Agreement to the contrary notwithstanding, and without the need to comply with any of the formal or procedural requirements of this Agreement, including this SECTION 11.12, any Lender may at any time and from time to time pledge and assign all or any portion of its rights under all or any of the Loan Documents to a Federal Reserve Bank; PROVIDED that no such pledge or assignment shall release such Lender from its obligations thereunder. To facilitate any such pledge or assignment, Agent shall, at the request of such Lender, enter into a letter agreement with the Federal Reserve Bank in substantially the form of the exhibit to Appendix C to the Federal Reserve Bank of New York Operating circular No. 12.

11.12.8 Anything in this Agreement to the contrary notwithstanding, any Lender may assign all or any portion of its rights and obligations under this Agreement to another branch or Affiliate of such Lender, PROVIDED that (i) at the time of such assignment such Lender is not a Defaulting Lender, (ii) such Lender gives Agent and Borrower at least fifteen (15) days' prior written notice of any such assignment, (iii) the parties to each such assignment execute and deliver to Agent an Assignment and Assumption, and (iv) Agent receives from assignor a processing fee of Three Thousand Dollars (\$3,000).

11.12.9 No assignee of any rights and obligations under this Agreement shall be permitted to subassign such rights and obligations.

11.12.10 No Lender shall be permitted to assign or sell all or any portion of its rights and obligations under this Agreement to Borrower or any Affiliate of Borrower.

11.13 RATABLE SHARING. Subject to SECTIONS 11.3 and 11.4, Lenders agree among themselves that (i) with respect to all amounts received by them which are applicable to the payment of the Obligations, equitable adjustment will be made so that, in effect, all such amounts will be shared among them ratably in accordance with their Pro Rata Shares, whether received by voluntary payment, by counterclaim or cross action or by the enforcement of any or all of the Obligations, (ii) if any of them shall by voluntary payment or by the exercise of any right of counterclaim or otherwise, receive payment of a proportion of the aggregate amount of the Obligations held by it which is greater than its Pro Rata Share of the payments on account of the Obligations, the one receiving such excess payment shall purchase, without recourse or warranty, an undivided interest and participation (which it shall be deemed to have done simultaneously upon the receipt of such payment) in such Obligations owed to the others so that all such recoveries with respect to such Obligations shall be applied ratably in accordance with their Pro Rata Shares; PROVIDED, that if all or part of such excess payment received by the purchasing party is thereafter recovered from it, those purchases shall be rescinded and the purchase prices paid for such participations shall be returned to that party to the extent necessary to adjust for such recovery, but without interest except to the extent the purchasing party is required to pay interest in connection with such recovery. Borrower agrees that any Lender so purchasing a participation from another Lender pursuant to this SECTION 11.13 may, to the fullest extent permitted by law, exercise all its rights of payment with respect to such participation as fully as if such Lender were the direct creditor of Borrower in the amount of such participation.

11.14 DELIVERY OF DOCUMENTS. Agent shall as soon as reasonably practicable distribute to each Lender at its primary address set forth on the appropriate counterpart signature page hereof, or at such other address as a Lender may request in writing, (i) all documents to which such Lender is a party or of which such Lender is a beneficiary set forth in SECTION 4.1, (ii) all documents of which Agent receives copies from Borrower pursuant to SECTION 6.1 (except as provided in SECTION 6.1.1) and SECTION 12.6, (iii) all other documents or information which Agent is required to send to Lenders pursuant to the terms of this Agreement; (iv) other information or documents received by Agent at the request of any Lender, and (v) all notices received by Agent pursuant to SECTION 6.2. In addition, within fifteen (15) Business Days after

receipt of a request in writing from a Lender for written information or documents provided by or prepared by Borrower or the REIT, Agent shall deliver such written information or documents to such requesting Lender if Agent has possession of such written information or documents in its capacity as Agent or as a Lender.

11.15 NOTICE OF EVENTS OF DEFAULT. Agent shall not be deemed to have knowledge or notice of the occurrence of any Unmatured Event of Default or Event of Default (other than nonpayment of principal of or interest on the Loans) unless Agent has received notice in writing from a Lender or Borrower referring to this Agreement or the other Loan Documents, describing such event or condition and expressly stating that such notice is a notice of an Unmatured Event of Default or Event of Default. Should Agent receive such notice of the occurrence of an Unmatured Event of Default or Event of Default, or should Agent send Borrower a notice of Unmatured Event of Default or Event of Default, Agent shall promptly give notice thereof to each Lender.

ARTICLE XII

MISCELLANEOUS

12.1 EXPENSES.

12.1.1 GENERALLY. Borrower agrees upon demand to pay, or reimburse Agent for, all of Agent's external audit, legal and investigation expenses and for all other reasonable out-of-pocket costs and expenses of every type and nature (including, without limitation, the reasonable fees, expenses and disbursements of Agent's internal appraisers, environmental advisors or legal counsel) incurred by Agent at any time (whether prior to, on or after the date of this Agreement) in connection with (i) its own audit and investigation of Borrower and the Portfolio Properties provided that prior to an Event of Default Borrower shall not be required to reimburse expenses for any inspections of the Portfolio Properties by Agent's loan officers or other employees which are made more frequently than annually; (ii) the negotiation, preparation and execution of this Agreement (including, without limitation, the satisfaction or attempted satisfaction of any of the conditions set forth in ARTICLE IV) and the other Loan Documents and the making of the Loans; (iii) administration of this Agreement, the other Loan Documents and the Loans, including, without limitation, consultation with attorneys in connection therewith; and (iv) the protection, collection or enforcement of any of the Obligations.

12.1.2 AFTER EVENT OF DEFAULT. Borrower further agrees to pay, or reimburse Agent and Lenders, for all reasonable out-of-pocket costs and expenses, including without limitation reasonable attorneys' fees and disbursements incurred by Agent or Lenders after the occurrence of an Event of Default (i) in enforcing any Obligation or exercising or enforcing any other right or remedy available by reason of such Event of Default; (ii) in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "work-out" or in any insolvency or bankruptcy proceeding; (iii) in commencing, defending or intervening in any litigation or in filing a petition, complaint, answer, motion or other pleadings in any legal proceeding relating to Borrower, the REIT or any Affiliate and related to or arising out of the transactions contemplated hereby; or (iv) in taking any other action in or with respect to any suit or proceeding (whether in bankruptcy or otherwise).

12.2 INDEMNITY. Borrower further agrees to defend, protect, indemnify and hold harmless Agent, each and all of the Lenders, each of their respective Affiliates and participants and each of the respective officers, directors, employees, agents, attorneys and consultants (including, without limitation, those retained in connection with the satisfaction or attempted satisfaction of any of the conditions set forth in ARTICLE IV) of each of the foregoing (collectively called the "INDEMNITEES") from and against any and all Liabilities and Costs imposed on, incurred by, or asserted against such Indemnitees (whether based on any federal or state laws or other statutory regulations, including, without limitation, securities and commercial laws and regulations, under common law or in equity, and based upon contract or otherwise, including any Liabilities and Costs arising as a result of a "prohibited transaction" under ERISA to the extent arising from or in connection with the past, present or future operations of the REIT or Borrower or their respective predecessors in interest) in any manner relating to or arising out of this Agreement or the other Loan Documents, or any act, event or transaction related or attendant thereto, the making of and participation in the Loans and the management of the Loans, or the use or intended use of the proceeds of the Loans (collectively, the "INDEMNIFIED MATTERS"); PROVIDED, HOWEVER, that Borrower shall have no obligation to an Indemnitee hereunder with respect to (i) matters for which such Indemnitee has been compensated pursuant to or for which an exemption is provided in SECTION 2.4.7 or any other provision of this Agreement, (ii) Indemnified Matters to the extent caused by or resulting from the willful misconduct or gross negligence of that Indemnitee, as determined by a court of competent jurisdiction, and (iii) Indemnified Matters arising from any dispute among the Lenders not attributable to the actions or omissions of Borrower or the REIT. To the extent that the undertaking to indemnify, pay and hold harmless set forth in the preceding sentence may be unenforceable because it is violative of any law or public policy, Borrower shall contribute the maximum portion which it is permitted to pay and satisfy under applicable law, to the payment and satisfaction of all Indemnified Matters incurred by the Indemnitees.

12.3 CHANGE IN ACCOUNTING PRINCIPLES. Except as otherwise provided herein, if any changes in accounting principles from those used in the preparation of the most recent financial statements delivered to Agent pursuant to the terms hereof are hereinafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and are adopted by the REIT or Borrower with the agreement of its independent certified public accountants and such changes result in a change in the method of calculation of any of the financial covenants, standards or terms found herein, the parties hereto agree

to enter into negotiations in order to amend such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the financial condition of the REIT or Borrower shall be the same after such changes as if such changes had not been made; PROVIDED, HOWEVER, that no change in GAAP that would affect the method of calculation of any of the financial covenants, standards or terms shall be given effect in such calculations until such provisions are amended pursuant to SECTION 12.4, to so reflect such change in accounting principles.

12.4 AMENDMENTS AND WAIVERS. (i) No amendment or modification of any provision of this Agreement shall be effective without the written agreement of Requisite Lenders (after notice to all Lenders) and Borrower (except for amendments to SECTION 11.4.1 which do not require the consent of Borrower), and (ii) no termination or waiver of any provision of this Agreement, or consent to any departure by Borrower therefrom (except as expressly provided in SECTION 11.11.1 with respect to waivers of late fees), shall in any event be effective without the written concurrence of Requisite Lenders (after notice to all Lenders), which Requisite Lenders shall have the right to grant or withhold at their sole discretion, EXCEPT THAT:

12.4.1 The following amendments, modifications or waivers shall require the consent of all Lenders:

- (a) increasing the Facility or increasing any Lender's Commitment without the consent of the affected Lender;
- (b) changing the principal amount or final maturity of the Loans;
- (c) reducing the interest rates applicable to the Loans;
- (d) reducing the rates on which fees payable pursuant hereto are determined;
- (e) forgiving or delaying any amount payable or receivable under ARTICLE II (other than late fees);
- (f) changing the definition of "Requisite Lenders", "Pro Rata Shares" or "Event of Default";
- (g) changing any provision contained in this SECTION 12.4;
- (h) releasing any obligor or guarantor under any Loan Document or amending the Guaranty to reduce the guarantor's liability thereunder;
- (i) consent to assignment by Borrower of all of its duties and Obligations hereunder pursuant to SECTION 12.14; or
- (j) changing any of the financial covenants set forth in ARTICLE IX or any of the definitions used in the computation of such covenants or waiving any failure of the Borrower to comply with any one of such covenants for two or more consecutive Fiscal Quarters.

12.4.2 No amendment, modification, termination or waiver of any provision of ARTICLE XI or any other provision referring to Agent shall be effective without the written concurrence of Agent, but only if such amendment, modification, termination or waiver alters the obligations or rights of Agent.

Any waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given. No notice to or demand on Borrower in any case shall entitle Borrower to any other further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this SECTION 12.4 shall be binding on each assignee, transferee or recipient of Agent's or any Lender's Commitment under this Agreement or the Loans at the time outstanding.

12.5 INDEPENDENCE OF COVENANTS. All covenants hereunder shall be given independent effect so that if a particular action or condition is not permitted by any of such covenants, the fact that it would be permitted by an exception to, or be otherwise within the limitations of, another covenant shall not avoid the occurrence of an Event of Default or Unmatured Event of Default if such action is taken or condition exists, and if a particular action or condition is expressly permitted under any covenant, unless expressly limited to such covenant, the fact that it would not be permitted under the general provisions of another covenant shall not constitute an Event of Default or Unmatured Event of Default if such action is taken or condition exists.

12.6 NOTICES AND DELIVERY. Unless otherwise specifically provided herein, any consent, notice or other communication herein required or permitted to be given shall be in writing and may be personally served, telecopied or sent by courier service or United States mail and shall be deemed to have been given when delivered in person or by courier service, upon receipt of a telecopy (or on the next Business Day if such telecopy is received on a non-Business Day or after 5:00 p.m. (at the office of the recipient) on a Business Day) or four (4) Business Days after deposit in the United States mail (registered or certified, with postage prepaid and properly addressed). Notices to Agent pursuant to ARTICLE II shall not be effective until received by Agent. For the purposes hereof, the addresses of the parties hereto (until notice of a change thereof is delivered as provided in this SECTION 12.6) shall be as set forth below each party's name on the signature pages hereof, or, as to each party, at such other address as may be designated by such party in a written notice to all of the other parties. All deliveries to be made to Agent for distribution to the Lenders shall be made to Agent at the addresses specified for notice on the signature page hereto and in addition, a sufficient number of copies of each such delivery shall be delivered to Agent for delivery to each Lender at the

address specified for deliveries on the signature page hereto or such other address as may be designated by Agent in a written notice.

12.7 SURVIVAL OF WARRANTIES, INDEMNITIES AND AGREEMENTS. All agreements, representations, warranties and indemnities made or given herein shall survive the execution and delivery of this Agreement and the other Loan Documents and the making and repayment of the Loans hereunder and such indemnities shall survive termination hereof.

12.8 FAILURE OR INDULGENCE NOT WAIVER; REMEDIES Cumulative. No failure or delay on the part of Agent or any Lender in the exercise of any power, right or privilege under any of the Loan Documents shall impair such power, right or privilege or be construed to be a waiver of any default or acquiescence therein, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege. All rights and remedies existing under the Loan Documents are cumulative to and not exclusive of any rights or remedies otherwise available.

12.9 PAYMENTS SET ASIDE. To the extent that Borrower makes a payment or payments to Agent or the Lenders or Agent or the Lenders exercise their rights of setoff, and such payment or payments or the proceeds of such setoff or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside and/or required to be repaid to a trustee, receiver or any other party under any bankruptcy law, state or federal law, common law or equitable cause, then to the extent of such recovery, the Obligation or part thereof originally intended to be satisfied, and all rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

12.10 SEVERABILITY. In case any provision in or obligation under this Agreement or the other Loan Documents shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby, PROVIDED, HOWEVER, that if the rates of interest or any other amount payable hereunder, or the collectibility thereof, are declared to be or become invalid, illegal or unenforceable, Lenders' obligations to make Loans shall not be enforceable.

12.11 HEADING. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose or be given any substantive effect.

12.12 GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

12.13 LIMITATION OF LIABILITY. To the extent permitted by applicable law, no claim may be made by Borrower, any Lender or any other Person against Agent, Co-Agent or any Lender, or the affiliates, directors, officers, employees, attorneys or agents of any of them, for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith; and Borrower and each Lender hereby waive, release and agree not to sue upon any claim for any such damages, whether or not accrued and whether or not known or suspected to exist in its favor.

12.14 SUCCESSORS AND ASSIGNS. This Agreement and the other Loan Documents shall be binding upon the parties hereto and their respective successors and assigns and shall inure to the benefit of the parties hereto and the successors and permitted assigns of Agent and Lenders. The terms and provisions of this Agreement shall inure to the benefit of any assignee or transferee of the Loans and the Commitments of Lenders under this Agreement, and in the event of such transfer or assignment, the rights and privileges herein conferred upon Agent and Lenders shall automatically extend to and be vested in such transferee or assignee, all subject to the terms and conditions hereof. Borrower's rights or any interest therein hereunder, and Borrower's duties and Obligations hereunder, shall not be assigned without the consent of all Lenders.

12.15 CONSENT TO JURISDICTION AND SERVICE OF PROCESS; WAIVER OF JURY TRIAL AND CERTAIN DAMAGE CLAIMS. ALL JUDICIAL PROCEEDINGS BROUGHT AGAINST BORROWER WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE, AND ALL JUDICIAL PROCEEDINGS BROUGHT BY BORROWER WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE, BROUGHT IN ANY STATE OR FEDERAL COURT OF COMPETENT JURISDICTION HAVING SITUS WITHIN THE COMMONWEALTH OF MASSACHUSETTS, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, BORROWER ACCEPTS, FOR ITSELF AND IN CONNECTION WITH ITS PROPERTIES, GENERALLY AND UNCONDITIONALLY, THE JURISDICTION OF THE AFORESAID COURTS, AND IRREVOCABLY AGREES TO BE BOUND BY ANY FINAL JUDGMENT RENDERED THEREBY FROM WHICH NO APPEAL HAS BEEN TAKEN OR IS AVAILABLE. BORROWER IRREVOCABLY CONSENTS TO THE SERVICE OF PROCESS OF ANY OF THE AFOREMENTIONED COURTS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES THEREOF BY REGISTERED OR CERTIFIED MAIL, POSTAGE PREPAID, TO ITS NOTICE ADDRESS SPECIFIED ON THE SIGNATURE PAGES HEREOF. BORROWER, AGENT AND LENDERS EACH IRREVOCABLY WAIVES (i) TRIAL BY JURY IN ANY ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT, AND (ii) ANY OBJECTION (INCLUDING, WITHOUT LIMITATION, ANY OBJECTION OF THE LAYING OF VENUE OR BASED ON THE GROUNDS OF FORUM NON CONVENIENS) WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY SUCH ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT IN ANY JURISDICTION SET FORTH ABOVE. EXCEPT TO THE EXTENT EXPRESSLY PROHIBITED BY LAW, THE BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO CLAIM OR RECOVER IN ANY ACTION OR PROCEEDING REFERRED TO IN THE PRECEDING SENTENCE ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, ACTUAL DAMAGES, INCLUDING ANY DAMAGES PURSUANT TO M.G.L. C.93A ET SEQ. NOTHING HEREIN SHALL AFFECT THE RIGHT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR SHALL LIMIT THE RIGHT OF AGENT OR ANY LENDER TO BRING PROCEEDINGS AGAINST BORROWER IN THE COURTS OF ANY OTHER JURISDICTION.

12.16 COUNTERPARTS; EFFECTIVENESS; INCONSISTENCIES. This Agreement and any amendments, waivers, consents or supplements may be executed in

counterparts, each of which when so executed and delivered shall be deemed an original, but all such together shall constitute but one and the same instrument. This Agreement shall become effective when Borrower, the initial Lenders and Agent have duly executed and delivered execution pages of this Agreement to each other (delivery by Borrower to Lenders and by any Lender to Borrower and any other Lender being deemed to have been made by delivery to Agent). This Agreement and each of the other Loan Documents shall be construed to the extent reasonable to be consistent one with the other, but to the extent that the terms and conditions of this Agreement are actually and directly inconsistent with the terms and conditions of any other Loan Document, this Agreement shall govern.

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

12.18 OBLIGATIONS UNSECURED. It is the intent of the parties that the Obligations shall constitute unsecured obligations of Borrower. Neither the restrictions and prohibitions set forth herein with respect to the creation, incurrence, assumption or existence of any Lien on any Property of Borrower or any other Person, nor those set forth in any other Loan Document, are intended to create or constitute a Lien of any nature upon any Property of Borrower or any other Person, and no such restriction or prohibition shall be deemed to constitute any such Lien. This SECTION 12.18 shall not be deemed to prevent the Agent or any Lender from obtaining a Lien as security for the Obligations at any time hereafter pursuant to a mutual agreement among the parties hereto expressly providing for such Lien or during the continuance of any Event of Default.

12.19 ENTIRE AGREEMENT. This Agreement, taken together with all of the other Loan Documents and all certificates and other documents delivered by Borrower to Agent (including documents incorporating separate agreements relating to the payment of fees), embodies the entire agreement and supersedes all prior agreements, written and oral, relating to the subject matter hereof.

IN WITNESS WHEREOF, this Agreement has been duly executed on the date set forth above.

BORROWER: CHELSEA GCA REALTY PARTNERSHIP, L.P.,
a Delaware limited partnership

By: CHELSEA GCA REALTY, INC., a
Maryland corporation, its general partner

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

103 Eisenhower Parkway
Roseland, NJ 07068
Attn: Michael J. Clarke,
Senior Vice President
Tel: (973)228-6111
Fax: (973)228-1694

AGENT/LENDER:

BANKBOSTON, N.A.

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

100 Federal Street
Boston, MA 02110
Attn: Real Estate Division

with a copy to the following address:
115 Perimeter Center Place N.E.
Suite 500
Atlanta, GA 30346
Attn: Lori Y. Litow

Telephone: (770) 390-6544
Telecopy: (770) 390-8434

Pro Rata Share: 59.375%
Loan Commitment: \$95,000,000

LIBOR OFFICE:

BankBoston, N.A.
100 Federal Street
Boston, MA 02110

LENDER:

KEYBANK NATIONAL ASSOCIATION

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

Address:
127 Public Square
Cleveland, OH 44114
Attn: Maryellen Fowler

Telephone: (216) 689-4975
Telecopy: (216) 689-3566

Pro Rata Share: 15.625%
Loan Commitment: \$25,000,000

LIBOR OFFICE:

Address:
127 Public Square
Cleveland, OH 44114
Attn: Maryellen Fowler

Telephone: (216) 689-4975
Telecopy: (216) 689-3566

LENDER:

PNC BANK

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

Address:
Two Tower Center, 18th Floor
East Brunswick, NJ 08816
Attn: Greg McMannus

Telephone: (732) 220-3542
Telecopy: (732) 220-3744

Pro Rata Share: 15.625%
Loan Commitment: \$25,000,000

LIBOR OFFICE:

Address:
Two Tower Center, 18th Floor
East Brunswick, NJ 08816
Attn: Greg McMannus

Telephone: (732) 220-3542
Telecopy: (732) 220-3744

LENDER:

TOKAI BANK OF CALIFORNIA

By _____
Its _____

ADDRESS FOR NOTICE AND DELIVERY:

Address:
505 Montgomery Street
San Francisco, CA
Attn: Richard A. Israel

Telephone: (415) 399-0699
Telecopy: (415) 291-8187

Pro Rata Share: 9.375%
Loan Commitment: \$15,000,000

LIBOR OFFICE:

Address:
505 Montgomery Street
San Francisco, CA
Attn: Richard A. Israel

Telephone: (415) 399-0699
Telecopy: (415) 399-1627

AGREEMENT

Agreement dated as of October 23, 1998, by and among Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership ("Chelsea"), Chelsea GCA Realty, Inc., a Maryland corporation ("Chelsea, Inc."), Simon Property Group, L.P., a Delaware limited partnership ("Simon"), Simon/Chelsea Houston Development L.P., a Texas limited partnership (the "Partnership"), Mills Texas Acquisitions Limited Partnership, a Delaware limited partnership ("Mills"), The Mills Limited Partnership, a Delaware limited partnership ("Mills LP"), The Mills Corporation, a Delaware corporation, and Simon Property Group (Texas) L.P. ("Simon Texas").

W I T N E S S E T H :

WHEREAS, the parties hereto have been involved in a dispute relating to the construction by the Partnership of a shopping center in Harris County, Texas (the "Center"); and

WHEREAS, the parties are involved in a lawsuit brought by Mills LP against various parties, including Chelsea and Simon, filed in the 334th Judicial District of Harris County, Texas, Docket Number 98-40212 (the "Lawsuit"); and

WHEREAS, the Lawsuit includes allegations, which the defendants dispute, that defendants, in developing the Center, were engaged in tortious interference with a contract, tortious interference with prospective business relations and utilization of confidential information of Mills LP; and

WHEREAS, S/C Houston Development LLC, a Delaware limited liability company ("Houston Development"), is the sole general partner of the Partnership, and Chelsea Texas Holdings, LLC, a Delaware limited liability company ("Chelsea Texas") whose sole member is Chelsea, and Simon Texas owned by Simon and Affiliates (as defined herein), are the sole limited partners of the Partnership; and

WHEREAS, Chelsea and Simon Texas are the sole members of Houston Development; and

WHEREAS, the parties hereto desire to settle the Lawsuit and any and all claims relating thereto, and therefore to have Mills purchase Chelsea's interest in the Center and to have Chelsea agree to be bound by, and continue to comply with, the restrictive covenant provision contained herein;

NOW, THEREFORE, in consideration of the promises and the mutual covenants and conditions herein contained, the parties agree as follows:

1. ACQUISITION OF INTEREST. Chelsea hereby sells, transfers and assigns to Mills all of its right, title and interest in and to Houston Development and Chelsea Texas, which constitute all the interests, direct and indirect, of Chelsea and its Affiliates in and to the Partnership so that Mills owns Chelsea Texas which is a limited partner in the Partnership and a member of Houston Development. It is the intent of Chelsea and its Affiliates to transfer to Mills all of their interests and rights in the Center. In addition, Chelsea hereby transfers and assigns and agrees to deliver to Houston Development that certain promissory note dated August 12, 1998 in the principal amount of up to \$30,000,000, that certain Deed of Trust executed by the Partnership to John M. Nolan, as trustee for the benefit of Chelsea, dated August 12, 1998 and all other documents executed in connection therewith. Any amounts drawn down under the note are included in the Maximum (as defined herein). Simon and Simon Texas hereby consent to such transfers, which consent is subject to execution and delivery of the S/M Agreement (as defined herein), in form and substance satisfactory to Simon in its sole and absolute discretion. In consideration thereof, Mills hereby agrees to reimburse Chelsea for all direct expenses incurred by Chelsea in connection with the Center (including costs incurred by Chelsea relating to the Lawsuit) (the "Chelsea Expenses") and 50% of all third party development and construction costs incurred by Chelsea on behalf of the Partnership or by the Partnership with respect to the Center on or prior to the date hereof, including, but not limited to, fees and expenses paid or incurred in connection with the acquisition of the land upon which the Center was to be constructed (including the cost of the land), architects, consultants, advisors, appraisers, title insurers, surveyors, attorneys, engineers, construction loan financing and any other third parties (collectively, the "Third Party Expenses"); provided, however, that the Chelsea Expenses and 50% of the Third Party Expenses shall not exceed an aggregate of \$9,137,500 (the "Maximum"). The Chelsea Expenses and Third Party Expenses include all expenses anticipated to be incurred in connection with the termination or cancellation of all contracts and leases entered into by Chelsea on behalf of the Partnership or by the Partnership with respect to the Center. The Maximum does not include the obligations of the Partnership set forth on Schedule A attached hereto which are to be performed after the date hereof and for which Chelsea shall not have any further liability. Chelsea shall terminate all existing contracts relating to the construction of the Center, including all tenant leases; provided, however, that if the Partnership requests that Chelsea not terminate a contract, then Chelsea shall not terminate such contract and it shall not have any further liability with respect to such contract for matters which occur after the date hereof. Nothing in this Agreement shall prohibit Mills LP or its Affiliates from entering into leases with any tenants whose leases were terminated hereunder. Mills is herewith wire transferring to an account designated by Chelsea, in immediately available funds, the Maximum. In addition, as additional consideration for Chelsea transferring its interest in the Partnership to Mills, Mills is herewith wire transferring to an account designated by Chelsea, in immediately available funds, the amount of \$2,500,000. If Chelsea for accounting purposes reports a gain on the sale of its interests hereunder, then the amount of such gain shall promptly be paid to Mills or Mills may set-off such amount against any Annual Payments. Chelsea and Simon severally represent and warrant to Mills and each other as follows: (i) neither they nor the Partnership has any

obligations to construct the Center or any other facility at such location; (ii) the fourth and fifth recitals are true and correct; (iii) the option to acquire additional land has not been exercised; (iv) they are not in breach or violation of the agreement of limited partnership for the Partnership or the operating agreement for Houston Development or any other agreements between Chelsea, Simon or the Partnership with respect to the Center; (v) each of them is responsible for 50% of the costs relating to the Center incurred prior to the date hereof, including anticipated costs and the termination costs involved in connection with the leases and contracts and the payment to the lender if the loan commitment is not closed, and (vi) each of them has not taken any action to encumber the assets of the Partnership, except for the existing deed of trust. Chelsea further covenants with Simon that it will use, to the extent not already paid directly to third parties, the reimbursement received from Mills to pay Chelsea's 50% obligations of the costs relating to the Center referenced in clause (v) above. Each of Simon and Chelsea agrees to indemnify the other for all costs incurred in excess of their 50% share. Chelsea represents and warrants to Mills that it and its Affiliates are transferring the interests contained in this Section 1 free and clear of all taxes, claims, liens and security interests and that no consents are needed to transfer the same, except for the consent of Simon and Simon Texas.

2. RESTRICTIVE COVENANT PAYMENTS. Ancillary to the transfer of Chelsea's interest in the Partnership and the Center and in settlement of the Lawsuit, the parties have agreed to enter into the restrictive covenant (the "Restrictive Covenant") contained in Section 3 hereof. Notwithstanding anything to the contrary contained herein, nothing contained herein shall constitute an admission by Chelsea or Simon of any liability under the Lawsuit. As consideration of Chelsea's agreement to enter into the Restrictive Covenant contained in Section 3 hereof and Chelsea's annual satisfaction of such covenant, Mills agrees to pay to Chelsea \$3,000,000 for such covenant on the date hereof, by wire transfer to an account designated by Chelsea, in immediately available funds, and four annual payments of \$4,600,000 each on each of January 2, 1999, January 2, 2000, January 2, 2001 and January 2, 2002, as adjusted below (the "Annual Payments"), for Chelsea's annual satisfaction of the covenant contained in Section 3 hereof for each respective calendar year containing each such payment date; provided, however, that each Annual Payment shall not exceed 3-1/2% of the gross revenues projected by Chelsea to be received in the year in which such Annual Payment is to be made (the "3-1/2% Amount"); provided, further, however, that (i) if the Annual Payment is limited by the 3-1/2% Amount in a given year, then the excess of the Annual Payment for such year (without regard to the limitation) over the 3-1/2% Amount shall be treated as an addition to the Annual Payment in respect of the next succeeding year, so long as such next succeeding year is prior to calendar year 2004, and shall be payable in the same manner (and subject to the same limitation) as the Annual Payment, and (ii) if prior to the end of a year Chelsea shall have determined that the amount paid to Chelsea in any year as the Annual Payment for such year exceeded or will exceed the 3-1/2% Amount (as calculated based on updated projections for such year), such excess shall promptly be paid by Chelsea to Mills, with interest at the rate of 6% per annum, and then such excess shall be treated as an addition to the Annual Payment in respect of the next succeeding year, subject to the provisions of clause (i) above. Chelsea agrees to notify Mills on or prior to December 15 of each year if the Annual Payment with respect to the payment to be made on January 2 of the following year is projected to exceed the 3-1/2% Amount. The Annual Payments to be paid to Chelsea shall be secured by shares of Common Stock (the "Common Stock") of The Mills Corporation having a market value on the date hereof of \$21,160,000 (the "Escrowed Shares"), which Escrowed Shares are being placed in escrow pursuant to an Escrow Agreement (the "Escrow Agreement") being executed concurrently herewith. Based on the market price of a share of Common Stock on the date hereof, 1,007,620 shares of Common Stock initially are being deposited by The Mills Corporation in escrow; provided, however, that if during the term of the Escrow Agreement the Market Value (as defined in the Escrow Agreement) of the Escrowed Shares for the 20 consecutive trading days preceding December 15 of any year shall fall below 115% of the Annual Payments remaining to be made (calculated solely for this purpose without any limitation on the amount thereof) (the "Remaining Annual Payments"), then The Mills Corporation, within 10 days thereafter, shall deposit into escrow additional shares of Common Stock so that the Market Value at that time will equal 115% of the Remaining Annual Payments. The Mills Corporation agrees that if any Escrowed Shares are to be released to Chelsea from escrow, at the time of such release such Escrowed Shares will be registered for resale by Chelsea pursuant to a Registration Rights Agreement being executed concurrently herewith. The Mills Corporation represents and warrants to Chelsea that the Escrowed Shares are (i) duly authorized, validly issued, fully paid and non-assessable and free and clear of all taxes, claims, liens and security interests, (ii) will be listed in the United States (subject to notice of issuance) on all stock exchanges, including the Nasdaq Stock Market, if any, on which the Common Stock is listed at the time of issuance and (iii) when and if released from the Escrow Agreement to Chelsea, Chelsea will acquire good and marketable title thereto, free and clear of all taxes, claims, liens and security interests. At any time while Annual Payments are payable, Mills shall have the right to replace the Escrowed Shares by an irrevocable letter or letters of credit (the "Letter of Credit") in the aggregate original face amount of the Remaining Annual Payments, in form and substance satisfactory to Chelsea, which Letter of Credit shall provide for (x) four equal annual draw downs in each of January 1999, January 2000, January 2001 and January 2002 or (y) four separate letters of credit expiring seriatim on each of January 31, 1999, January 31, 2000, January 31, 2001 and January 31, 2002. Upon issuance of the Letter of Credit, the Escrow Agreement will be terminated. The payment of the additional consideration provided for in this Section 2 is conditioned upon the continued performance by Chelsea of the obligations under Section 3 through December 31, 2002. Mills shall not have the right to set-off or deduct from any Annual Payments any amounts allegedly owed to Mills by Chelsea arising out of Chelsea's breach of its indemnification obligations contained in this Agreement unless and until Mills shall have delivered to Chelsea at least 10 days prior written notice setting forth the terms of Chelsea's alleged breach and, thereafter, Mills deposits the amount of such claimed breach in an escrow account with a bank or financial institution.

3. RESTRICTIVE COVENANT. The parties acknowledge that this Agreement

arises out of a Lawsuit challenging the right of Chelsea and Simon to build the Center allegedly in contravention of Mills' rights, which Chelsea and Simon dispute, and that it is necessary to enter into this Restrictive Covenant to further the goals of the settlement of the Lawsuit. Chelsea agrees with Mills, Simon and the Partnership that for a period commencing on the date hereof and terminating December 31, 2002, that it shall not directly or indirectly or through any Affiliate, own any interest in, manage, operate or control any Chelsea-type center, manufacturers outlet center or "Mills-type center" (which Mills-type center means a center substantially similar in the mix of tenants to the projects owned and operated by Mills or its Affiliates on the date hereof) (collectively the "Restricted Centers") within the radius of the site of the Center (the "Territory") as specified below; provided, however, that the foregoing (i) shall not prevent Chelsea from investing in securities if such class of securities in which the investment is so made is listed on a national securities exchange or is issued by a company registered under Section 12(g) of the Securities Exchange Act of 1934, so long as such investment holdings do not, in the aggregate, constitute more than 5% of the voting stock of any company's securities, (ii) shall not apply to any Restricted Centers owned or acquired by any entity which is not an Affiliate of Chelsea and which acquires substantially all the assets of Chelsea or into which Chelsea is consolidated or merged or (iii) shall not apply to any Restricted Centers owned or acquired by an entity acquired by Chelsea; provided, further, however, that subclauses (ii) and (iii) shall not permit the development or redevelopment of Restricted Centers by such entities. The radius of the Territory shall be as follows: (i) until December 31, 1999, 50 miles, (ii) thereafter until December 31, 2000, 40 miles, (iii) thereafter until December 31, 2001, 30 miles and (iv) thereafter 20 miles. If Chelsea or any Affiliate violates any provisions of this Section 3, Mills shall be relieved of any further obligation to pay any unpaid amounts due under Section 2 hereof; provided, however, that if such violation occurs on or prior to December 31, 2000, then in addition Chelsea shall also pay to Mills the lesser of (i) \$12,200,000 or (ii) all amounts previously paid to Chelsea pursuant to Section 2 of this Agreement; provided, further, however, that Chelsea shall not have any further liability for such violation. The parties agree that the amounts to be paid upon violation of this Restrictive Covenant are liquidated damages and not a penalty and that actual damages that can reasonably be anticipated as the result of a breach are difficult to ascertain at the date of this Agreement, but these amounts are a reasonable estimate of the actual damages that Mills would incur. In addition, Mills shall also have the right to seek injunctive relief. If any of Mills, Simon or the Partnership institutes a lawsuit or seeks arbitration relating to the violation of this Restrictive Covenant and is successful, Chelsea shall be responsible for the attorneys fees and expenses of Mills, Simon or the Partnership.

4. INDEMNIFICATION. Subject to Chelsea's compliance with its obligation to pay for 50% of the Partnership's costs as set forth in Section 1 hereof, the Partnership hereby agrees to indemnify and hold Chelsea harmless from and reimburse Chelsea for all matters to the extent such matters accrue or arise from conduct or events arising after the date hereof, including any obligations set forth on Schedule A hereto. Chelsea hereby agrees to indemnify and hold Mills and its Affiliates harmless from any and all matters relating to the Center (including, without limitation, liabilities, claims of tenants and expenses in excess of the Maximum) to the extent such matters accrue or arise from conduct or events on or prior to the date hereof except for those matters set forth on Schedule A; provided, however, that Chelsea will not have any liability hereunder for incremental expenses resulting from any action taken by Mills or the Partnership after the date hereof.

5. LAWSUIT. Promptly after the execution of this Agreement, the parties will dismiss the Lawsuit with prejudice and without costs, and file all appropriate documents to effectuate this.

5A. MILLS LP RELEASE. Mills LP releases and discharges each of the parties to this Agreement, its parents, subsidiaries, Affiliates, predecessors, successors, assigns, present and former employees, officers, directors, agents, attorneys and insurers (collectively, "Mills Releasees") from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, liens, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or equity, which Mills LP ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing arising out of or relating to the facts asserted in the Lawsuit, any claims or counterclaims relating to the Center that could have been asserted in the Lawsuit, and any facts occurring on or before the date of this Agreement relating to permitting or other governmental approvals for development at the Center site. Notwithstanding the foregoing, nothing in this release shall affect any claim or right Mills LP may have (a) under this Agreement, (b) under the Joint Venture Agreement between Mills LP and Simon dated November 30, 1995 concerning any shopping center development other than the Center, (c) under the Agreement ("S/M Agreement") between Mills LP, Simon Texas and Simon dated the date hereof or (d) against Simon for any matters relating to the Partnership or Houston Development occurring on or prior to the date hereof.

5B. CHELSEA RELEASE. Chelsea and Chelsea, Inc. release and discharge each of the parties to this Agreement, its parents, subsidiaries, Affiliates, predecessors, successors, assigns, present and former employees, officers, directors, agents, attorneys and insurers (collectively, "Chelsea Releasees") from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, liens, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or equity, which Chelsea or Chelsea, Inc. ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing arising out of or relating to the facts asserted in the Lawsuit, any claims or counterclaims relating to the Center that could have been asserted in the Lawsuit, and any facts occurring on or before the date of this Agreement relating to permitting or other governmental approvals for development at the Center site. Notwithstanding the foregoing, nothing in this release shall affect any claim or right Chelsea or Chelsea, Inc. may have (a) under this Agreement or (b) against

Simon for any matters relating to the Partnership or Houston Development occurring on or prior to the date hereof.

5C. SIMON RELEASE. Simon releases and discharges each of the parties to this Agreement, its parents, subsidiaries, Affiliates, predecessors, successors, assigns, present and former employees, officers, directors, agents, attorneys and insurers (collectively, "Simon Releasees") from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, liens, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims and demands whatsoever, in law or equity, which Simon ever had, now have or hereafter can, shall or may have, for, upon, or by reason of any matter, cause or thing arising out of or relating to the facts asserted in the Lawsuit, any claims or counterclaims relating to the Center that could have been asserted in the Lawsuit, and any facts occurring on or before the date of this Agreement relating to permitting or other governmental approvals for construction of the Center site. Notwithstanding the foregoing, nothing in this release shall affect any right Simon may have (a) under this Agreement, (b) under the Joint Venture Agreement between Mills LP and Simon dated November 30, 1995 concerning any shopping center development other than the Center, (c) under the S/M Agreement or (d) against Chelsea for any matters relating to the Partnership or Houston Development occurring on or prior to the date hereof.

5D. CAPACITY OF PARTIES. The provisions of this Agreement shall apply to all parties both directly and indirectly; accordingly, if a party is subject to a restriction, has undertaken an obligation or has granted a right pursuant to the provisions of this Agreement, then every current or future Affiliate of such party shall be subject to the same provisions of this Agreement (i.e., such party cannot avoid a provision of this Agreement by acting through an Affiliate.) For purposes of this Agreement, "Affiliate" shall have the same meaning as contained in Rule 144 under the Securities Act of 1933, as amended, which term includes David Bloom.

6. CONFIDENTIALITY. All leasing information provided by Chelsea relating to the Center shall remain the confidential and proprietary information of Chelsea and neither Mills nor Simon shall, directly or indirectly, without the prior consent of Chelsea, use or disclose to any other person or entity any of such leasing information, except as required by law or except for information disclosed to Mills or Simon by a source other than Chelsea who, to the knowledge of Mills or Simon, was not restricted from disclosing such information; provided, however, that Simon shall have the right to use leasing information of which it has knowledge for any purpose with respect to development at other locations. Mills hereby agrees and acknowledges that confidential leasing information disclosed by Chelsea to Simon will not be disclosed to Mills by Simon.

7. BINDING EFFECT. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors and permitted assigns, the Mills Releasees, Simon Releasees and Chelsea Releasees; provided, however, that Mills may not assign its rights or obligations hereunder without the consent of Chelsea and Simon, except that Mills may assign its right to acquire the interests specified in Section 1 to an Affiliate, which assignment shall not release Mills from any of its obligations hereunder.

8. ENTIRE AGREEMENT. This Agreement contains the entire agreement between the parties with respect to its subject matter and may only be changed by a writing signed by the party to be charged.

9. NOTICES. All notices, requests, demands, documents and other communications given or due hereunder shall hereafter be made in writing and shall be deemed to have been duly given when hand delivered, when received if sent by telecopier or by same day or overnight recognized commercial courier service or three business days after being mailed by certified or registered mail, return receipt requested, postage prepaid:

If to Simon or Simon Texas:

Simon Property Group, L.P.
National City Center
115 West Washington Street
Indianapolis, Indiana 46204
Attn: Chief Executive Officer

with a copy to:

Simon Property Group, L.P.
National City Center
115 West Washington Street
Indianapolis, Indiana 46204
Attn: General Counsel

If to Mills or Mills LP:

The Mills Corporation
1300 Wilson Blvd., Suite 400
Arlington, Virginia 22209
Attn: President

with a copy to:

The Mills Corporation
1300 Wilson Blvd., Suite 400
Arlington, Virginia 22209
Attn: General Counsel

If to Chelsea or Chelsea, Inc.:

Chelsea GCA Realty Partnership,
L.P.
103 Eisenhower Parkway
Roseland, New Jersey 07068
Attn: Chairman of the Board

with a copy to:

Martin H. Neidell, Esq.
Stroock & Stroock & Lavan LLP
180 Maiden Lane
New York, New York 10038

10. NO THIRD PARTY BENEFICIARIES. This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement, except (a) those designated as Mills Releasees, Chelsea Releasees or Simon Releasees under Section 5A, 5B and 5C hereof and (b) as provided in Section 5D and Section 7 hereof. Without limiting the foregoing, it is agreed that Westside and its Affiliates and Cinemark and its Affiliates are not third party beneficiaries of this Agreement.

11. HEADINGS. The headings of the sections hereof are inserted for convenience only and shall not be deemed to constitute a part hereof nor to affect the meaning hereof.

12. INTERPRETATION. Except for the Restrictive Covenant contained in Section 3 (which is provided for below), if any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, and this Agreement shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein. Moreover, if any one or more of the provisions contained in this Agreement, except for the Restrictive Covenant contained in Section 3 (which is provided for below), shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, that provision shall be construed by limiting and reducing it, so as to cause it to be enforceable to the extent compatible with applicable law. Notwithstanding the foregoing provisions of this Section 12 if Chelsea violates the original terms of the Restrictive Covenant contained in Section 3 (whether or not the Restrictive Covenant contained in Section 3 is held to be invalid, illegal or unenforceable in any respect or is held to be excessively broad as to duration, geographical scope, activity or subject), Mills shall be relieved of any further obligation to pay any unpaid amounts due under Section 2 hereof; provided, however, that if such violation occurs on or prior to December 31, 2000, then Chelsea shall also pay to Mills the lesser of (i) \$12,200,000 or (ii) all amounts previously paid to Chelsea pursuant to Section 2 of this Agreement and Chelsea shall not have any further liability in damages; provided further, however, that if Chelsea continues to abide by the original terms of the Restrictive Covenant set forth herein, Mills shall continue to make the payments set forth in Section 3 hereof.

13. COUNTERPARTS. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all of the parties hereto, notwithstanding that all such parties are not signatories to the same counterpart.

14. ARBITRATION. Mindful of the high cost of litigation, not only in dollars but time and energy as well, the parties intend to and do hereby establish a quick, final and binding out-of-court dispute resolution procedure to be followed in the unlikely event any controversy should arise out of or concerning the performance of this Agreement. Accordingly, the parties do hereby covenant and agree that any controversy, dispute or claim of whatever nature arising out of, in connection with or in relation to the interpretation, performance or breach of this Agreement, including any claim based on contract, tort or statute, other than injunctive relief for which a court action may be commenced, shall be settled, at the request of any party to this Agreement, through arbitration by a dispute resolution process administered by Jams/Endispute or any other mutually agreed upon arbitration firm involving final and binding arbitration conducted in New York, New York, administered by and in accordance with the then existing rules of practice and procedure of such arbitration firm and judgment upon any award rendered by the arbitrator may be entered by any state or federal court having jurisdiction thereof. Nothing in this Agreement shall prevent Mills, Simon or the Partnership at any time from seeking injunctive relief, either instead of, or in addition to, any other remedy provided for herein.

15. FURTHER ASSURANCES. Each party agrees at any time and from time to time after the date hereof, upon the reasonable request of any party, to do, execute, and deliver all such further documents as may be required to carry out the terms of this Agreement. In addition promptly after the date hereof, Chelsea shall deliver to Simon, on behalf of the Partnership, all documents (other than leasing information) in its possession relating to the Center. Mills agrees that Simon shall be entitled to receive all documents on behalf of the Partnership.

16. GOVERNING LAW. This Agreement and its validity, construction and performance shall be governed in all respects by the internal laws of the State of Delaware without giving effect to any principles of conflict of laws.

17. EXPENSES. Each of the parties to this Agreement shall bear its own costs and expenses relating to the execution and delivery of this Agreement, including its legal fees and expenses, and that none of such costs and expenses are Partnership obligations. In any dispute under this Agreement, whether in an arbitration or action at law or in equity, the prevailing party shall be entitled to be reimbursed for its legal fees and expenses.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

CHELSEA GCA REALTY PARTNERSHIP, L.P.

By: Chelsea GCA Realty, Inc., its General Partner

By: _____

CHELSEA GCA REALTY, INC.

By: _____

SIMON PROPERTY GROUP L.P.

By: Simon Property Group, Inc., its General Partner

By: _____

SIMON PROPERTY GROUP (TEXAS) L.P., a Texas limited partnership

By: GOLDEN RING MALL COMPANY LIMITED PARTNERSHIP, an Indiana limited partnership, General Partner

By: SIMON PROPERTY GROUP (DELAWARE), INC., a Delaware corporation, General Partner

By: _____
Its: _____

SIMON/CHELSEA HOUSTON DEVELOPMENT, L.P., a Texas limited partnership

By: S/C Houston Development LLC, a Delaware limited liability company, its General Partner

By: Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership, its Operating Member

By: Chelsea GCA Realty, Inc., a Maryland corporation, its General Partner

By: _____
Name:
Title:

MILLS TEXAS ACQUISITIONS LIMITED PARTNERSHIP

By: Mills Texas Acquisitions, L.L.C., its General Partner

By: The Mills Limited Partnership, its Manager

By: The Mills Corporation, its General Partner

By: _____
Thomas E. Frost, Senior Vice President

THE MILLS LIMITED PARTNERSHIP

By: The Mills Corporation, its General Partner

By: _____

THE MILLS CORPORATION

By: _____

LIMITED LIABILITY COMPANY AGREEMENT
OF
S/C ORLANDO DEVELOPMENT LLC

THIS LIMITED LIABILITY COMPANY AGREEMENT ("Agreement") is entered into as of December 23, 1998 by and between SIMON PROPERTY GROUP, L.P., a Delaware limited partnership ("Simon"), and CHELSEA GCA REALTY PARTNERSHIP, L.P., a Delaware limited partnership ("Chelsea"). Simon and Chelsea and any other persons or entities who shall in the future execute and deliver this Agreement pursuant to the provisions hereof shall hereinafter collectively be referred to as the "Members."

WHEREAS, the Members have formed a limited liability company pursuant to the provisions of the Delaware Limited Liability Act (the "Act" or the "Delaware LLC Act") under the name "S/C Orlando Development LLC" (the "Company") pursuant to a Certificate of Formation, dated December 21, 1998 and filed December 23, 1998 (the "Certificate"); and

WHEREAS, the Members desire to continue the Company for the purposes hereinafter set forth, subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing, and of the covenants and agreements hereinafter set forth, it is hereby agreed as follows:

ARTICLE 1.
DEFINITIONS; EXHIBITS

Section 1.1 CERTAIN DEFINITIONS.

Unless the context otherwise specifies or requires, capitalized terms used herein shall have the respective meanings assigned thereto in EXHIBIT A, attached hereto, and incorporated herein by reference, for all purposes of this Agreement (such definitions to be equally applicable to both the singular and the plural forms of the terms defined). Unless otherwise specified, all references herein to Articles or Sections are to Articles or Sections of this Agreement.

Section 1.2 OTHER DEFINITIONS.

In addition to the terms defined in EXHIBIT A, other terms will have the definitions provided elsewhere in this Agreement.

Section 1.3 EXHIBITS.

Attached hereto and forming an integral part of this Agreement are various exhibits which are listed in the Table of Contents for this Agreement, all of which are incorporated into this Agreement as fully as if the content thereof were set out in full herein at each point of reference thereto.

ARTICLE 2.
FORMATION; NAME; PLACE OF BUSINESS

Section 2.1 FORMATION OF COMPANY; CERTIFICATE OF FORMATION.

The Members of the Company hereby:

(a) acknowledge the formation of the Company by the Members as a limited liability company pursuant to the Delaware LLC Act by virtue of the filing of the Certificate with the appropriate public office in Delaware on December 23, 1998;

(b) confirm and agree to their status as Members of the Company;

(c) execute this Agreement for the purpose of continuing the existence of the Company and establishing the rights, duties, and relationship, of the Members; and

(d) (i) agree that if the laws of any jurisdiction in which the Company transacts business so require, the Company also shall cause to be filed, with the appropriate office in that jurisdiction, any documents necessary for the Company to qualify to transact business under such laws; and (ii) agree and obligate themselves to execute, acknowledge, and cause to be filed for record, in the place or places and manner prescribed by law, any amendments to the Certificate as may be required, either by the Delaware LLC Act, by the laws of any jurisdiction in which the Company transacts business, or by this Agreement, to reflect changes in the information contained therein or otherwise to comply with the requirements of law for the continuation, preservation, and operation of the Company as a limited liability company under the Delaware LLC Act.

Section 2.2 NAME OF COMPANY.

The name under which the Company shall conduct its business is "S/C Orlando Development LLC". The business of the Company may be conducted under any other name permitted by the Delaware LLC Act that is deemed necessary or desirable by the Members. The Company promptly shall cause to be executed, filed, and recorded any assumed or fictitious name certificates required by the laws of the State of Delaware or any state in which the Company conducts business.

Section 2.3 PLACE OF BUSINESS.

The location of the principal place of business of the Company shall be c/o Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068. The Members may hereafter change the principal place of business of the Company to such other place or places within the United States as the Members may from time to time determine, and, if necessary, the Members shall amend the Certificate in accordance with the applicable requirements of the Delaware LLC Act. The Members may establish and maintain such other offices and additional places of business of the Company, either within or without the State of Delaware, as they deem appropriate.

Section 2.4 REGISTERED OFFICE AND REGISTERED AGENT.

The street address of the initial registered office of the Company shall be 1209 Orange Street, Wilmington, Delaware 19801, and the Company's registered agent at such address shall be the Corporation Trust Company.

ARTICLE 3. PURPOSES AND POWERS OF COMPANY

Section 3.1 PURPOSES.

Subject to the provisions of this Agreement, the purposes of the Company are limited and include only the following: investing in, acquiring, holding, owning, developing, operating, maintaining, improving, leasing, selling as a means of recovering the Members' investment and a profit thereon, exchanging and otherwise using the Project, for profit and as an investment, and doing any and all other acts or things which may be incidental or necessary to carry on the business of the Company as herein contemplated. The Members acknowledge and agree that the Company will be acting as the general partner of the Partnership, and that the Partnership will own the Project.

Section 3.2 POWERS.

The Company shall have the power to do any and all acts and things necessary, appropriate, advisable, or convenient for the furtherance and accomplishment of the purposes of the Company, including, without limitation, to engage in any kind of activity and to enter into and perform obligations of any kind necessary to or in connection with, or incidental to, the accomplishment of the purposes of the Company, so long as said activities and obligations may be lawfully engaged in or performed by a limited liability company under the Delaware LLC Act.

Section 3.3 LIMITS OF COMPANY.

(a) The relationship between and among the Members as members of a limited liability company shall be limited to carrying on the business of the Company in accordance with the terms of this Agreement. Such relationship shall be construed and deemed to be a limited liability company only for such sole and limited purpose.

(b) The Members shall each devote such time to the Company as is reasonably necessary to carry out the provisions of this Agreement. Each of the Members understands that the other Member or its Affiliates may be interested, directly or indirectly, in various other businesses and undertakings not included in the Company. Each Member also understands that the conduct of the business of the Company may involve business dealings with such other businesses or undertakings. The Members hereby agree that the creation of the Company and the assumption by each of the Members of their duties hereunder shall be without prejudice to their rights (or the rights of their Affiliates) to have such other interests and activities and to receive and enjoy profits or compensation therefrom, and except as otherwise expressly agreed in writing by the Members, each Member waives any rights it might otherwise have to share or participate in such other interests or activities of the other Member or its Affiliates. Except as otherwise expressly agreed in writing by the Members, the Members may engage in or possess any interest in any other business of any nature or description independently or with others including, but not limited to, the ownership, financing, leasing, operation, management or development of real property which may compete with the business of the Company, and neither the Company nor the other Member shall have any right by virtue of this Agreement in and to any such other business or the income or profits derived therefrom.

Section 3.4 NO INDIVIDUAL AUTHORITY.

Neither Member shall, without the express, prior written consent of the other Member, take any action for or on behalf of or in the name of the Company, the Partnership or the other Member, or assume, undertake or enter into any commitment, debt, duty or obligation binding upon the Company and/or the Partnership, except for (a) actions expressly provided for in this Agreement, (b) actions by either Member within the scope of such authority as may have been granted in this Agreement, and (c) actions Approved by the Members, and any action taken in violation of the foregoing limitation shall be void. Each Member shall indemnify and hold harmless the other Member from and against any and all claims, demands, losses, damages, liabilities, lawsuits and other proceedings, judgments and awards, and costs and expenses (including, but not limited to, reasonable attorneys' fees and all court costs) arising directly or indirectly, in whole or in part, out of any breach of the foregoing provisions by such Member. This provision shall survive dissolution of the Company.

Section 3.5 RESPONSIBILITY OF MEMBERS.

(a) Except for Project costs previously incurred by a Member which are reflected in the Development Budget, the Company and each Member shall not be responsible or liable for any responsibility, indebtedness, or other obligation of any other Member incurred prior to, on the date of or after the execution of this Agreement, except

for those which are undertaken or incurred on behalf of the Company and/or the Partnership after the date of this Agreement under or pursuant to the terms of this Agreement, or assumed in writing by both Members, and each Member hereby indemnifies and agrees to hold the other Member, and the Company and the Partnership harmless from all such obligations and indebtedness except as aforesaid.

(b) Each Member will notify the other Member as quickly as reasonably possible upon receipt of any notice, (i) of the filing of any action in law or in equity naming the Company, the Partnership, or any Member as a party relating in any way to the business of the Company or the Partnership; (ii) of any actions to impose liens of any kind whatsoever or of the imposition of any lien whatsoever against the Company, the Partnership or their assets, including the Project; (iii) of any casualty, damage or injury to persons or property on or related to the Project; or (iv) of the default by the Company of any of its material obligations to creditors or other third parties. Each Member will endeavor to notify the other Member verbally promptly upon learning of any of the foregoing actions, or the threat thereof, which, in such Member's judgment, is material to the Company or the other Member.

ARTICLE 4.
TERM OF COMPANY

The existence of the Company commenced on December 23, 1998, the date upon which the Certificate was duly filed with the Recording Office, and shall continue until December 31, 2050, or such later date as Approved by the Members (the "Termination Date"), unless dissolved and liquidated before the Termination Date in accordance with the provisions of ARTICLE 11.

ARTICLE 5.
CAPITAL

Section 5.1 MEMBERS' INITIAL PERCENTAGE INTERESTS.

The Initial Percentage Interests of the Members for purposes of applying the provisions of this Agreement are set forth below:

MEMBER	INITIAL PERCENTAGE INTERESTS
Simon	50%
Chelsea	50%

The Initial Percentage Interests are subject to adjustment as provided herein.

Section 5.2 CAPITAL CONTRIBUTIONS.

(a) INITIAL CAPITAL CONTRIBUTIONS.

(i) Concurrently with the execution and delivery of this Agreement, Chelsea has contributed \$56,250.00 to the Company ("Chelsea Initial Contribution").

(ii) Concurrently with the execution and delivery of this Agreement, Simon has contributed \$56,250.00 to the Company, which amount is equal to the Chelsea Initial Contribution (the "Simon Initial Contribution").

(iii) As set forth in Section 3.1, the Company will be acting as general of the Partnership which will own the Project. Pursuant to Section 8.6 hereof and the succeeding paragraphs of this Section, the Members will review and approve Budget(s) for the Project. Beyond the initial capital contributions referenced in this Section, the Members will contribute capital as necessary to fund the interest of the Company as general partner of the Partnership in accordance with an Approved Budget as hereinafter set forth.

(b) PRE-CONSTRUCTION EXPENDITURES.

(i) During the Pre-Construction Period of the Project, the Members shall contribute cash capital contributions in an amount sufficient to fund that portion of the Total Project Costs allocated to the General Partner pursuant to the Partnership Agreement (the "Company Portion"), which costs are incurred from time to time in advance of the Construction Period pursuant to an applicable Pre-Construction Budget which has been Approved by the Members. Such expenditures, including the net cash equity investment of any Member in any portion of the Land which is contributed to the Company by such Member, shall be credited as cash capital contributions made by the Members to the Company. To the extent that any Member and its Affiliates have contributed less than 50% of such predevelopment expenditures, such Member shall thereafter contribute 100% of necessary costs until the capital contributions made by and credited to Simon and Chelsea are equal. Thereafter, such contributions shall be divided among them pro rata in accordance with their respective Initial Percentage Interests.

(ii) In no event shall either party be required to contribute amounts during the Pre-Construction Period in respect of either (A) any fees which may be payable to either party in connection with the Project and which are identified in the Development Budget or (B) any other costs or expenses for which the Development and/or Leasing Fees are supposed to reimburse the Members or their Affiliates. Such costs described in subsections (A) or (B) hereof shall be reimbursed to the appropriate Member

from the initial disbursement of construction financing or from contributions by the Members pursuant to SECTION 5.2(C) hereof.

(c) CONSTRUCTION PERIOD.

(i) During the Construction Period of the Project, the Members shall contribute cash capital contributions in the aggregate to the Company in an amount equal to the Company Portion of (i) the Total Project Costs incurred from time to time, less (ii) the amount of any construction financing, public finance assistance or other financing sources obtained for the Partnership, or other sources of funds as to which the Members shall agree, which contributions will be divided among them pro rata in accordance with their respective Initial Percentage Interests. The Operating Member may seek third party construction financing in the amounts and upon the terms and conditions Approved by the Members, which approval shall not be unreasonably withheld so long as such terms and conditions are consistent with the Development Budget. In the event any such construction loan proceeds are less than the balance of the Total Project Costs, the Members shall fund the Company Portion of the shortfall by making additional capital contributions to the Company pro rata in accordance with their Initial Percentage Interests. All such amounts contributed to the capital of the Company pursuant to this Section shall be credited to the Capital Account of each Member when and as such contributions are made by such Member.

(ii) To the extent that guarantees are required in connection with any such construction financing, Simon Property Group, L.P. and/or Simon Property Group, Inc and/or SD Property Group, Inc. and/or SPG Properties, Inc. ("Simon Group"), and Chelsea GCA Realty Partnership L.P. and/or Chelsea GCA Realty, Inc. ("Chelsea Group") or their respective successors shall each be obligated to provide such guarantees on a several or joint and several basis in accordance with their respective Initial Percentage Interests and pursuant to the requirements of the applicable lender. Should any such obligations be subject to a joint and several guarantee by the Simon Group and the Chelsea Group or their Affiliates in connection with the construction financing for the Project, or otherwise (it being agreed that neither the Simon Group, the Chelsea Group nor any Member shall be required to provide a joint and several guaranty without its prior Approval), the Simon Group and the Chelsea Group or their respective successors shall each agree to indemnify and hold the other and its Affiliates harmless from and against any loss, cost, claim, damage or expense thereunder (including reasonable attorneys' fees) in excess of one-half (1/2) of the costs so guaranteed and incurred by both the Simon Group, the Chelsea Group and/or their respective Affiliates or their respective successors. If the Simon Group, the Chelsea Group, or an Affiliate thereof fails to perform under such indemnity, the Affiliated Member shall be deemed a Non-Funding Member and a Non-Contributing Member for purposes of this ARTICLE 5.

(d) COMPLETION OF CONSTRUCTION. Upon completion of construction of the Project, the Members shall seek to obtain third party non-recourse permanent financing in the amounts and upon the terms and conditions Approved by the Members, which approval shall not be unreasonably withheld so long as such terms and conditions are consistent with the financing assumptions set forth in the Development Budget. The Members shall be obligated to make additional capital contributions to the Company pro rata in accordance with their Percentage Interests in order that the Company's Portion of the Total Project Costs which is not financed by such permanent financing shall be funded by equity.

Section 5.3 ADDITIONAL FUNDS.

(a) During the Operating Period of the Project, in the event additional funds are required to operate the Project in accordance with expenditures delineated in one or more Budgets or for other purposes Approved by the Members, the Members hereby agree to provide on a pro rata basis in accordance with their Percentage Interests additional capital contributions in the amount necessary to satisfy the Company's Portion of such obligations. If such additional funds are necessary, any Member may send a notice thereof to the other Member setting forth the purposes for which the additional funds are required and a report stating the amount required as well as the anticipated cash receipts and obligations for the quarter next following the date of the notice with the reasons, if ascertainable, that the available funds of the Company will be insufficient to meet the obligations for which the additional funds have been requested.

(b) If additional funds are needed for the Company as set forth in SECTION 5.3(A), each Member shall be obligated to contribute additional capital to the Company pursuant to the procedure set forth in SECTION 5.4 below.

Section 5.4 CAPITAL CALLS.

(a) GENERAL. If the Members are required to contribute capital under this Agreement, the Members shall make capital contributions in accordance with the provisions herein and in the same percentages as their respective Initial Percentage Interests and in such amounts which are sufficient to provide such funds. Chelsea and any Affiliate Transferee(s) of part of Chelsea's Percentage Interest, on the one hand, and Simon and any Affiliate Transferee(s) of part of Simon's Percentage Interest, on the other hand, shall be jointly and severally liable for making any of their respective required contributions to

the Company under this ARTICLE 5.

(b) NOTICE BY OPERATING MEMBER. If capital contributions are required to be made pursuant to this ARTICLE 5, notice shall be given to each Member in the manner provided in SECTION 12.1. Such notice shall specify in reasonable detail the amount and purpose of any such capital contributions. Each Member shall, within ten (10) calendar days (time being of the essence) after the receipt of such notice, deposit, by wire transfer of immediately available federal funds into the Company's bank account, the capital contribution specified in the notice, to be credited to the contributing Member's capital account.

(c) CONSTRUCTION OVERRUNS. Notwithstanding anything to the contrary set forth herein, excepting, however, the provisions of Section 8.4, in the event that the aggregate capital contributions for which notice is given exceed an approved Budget, then, except as hereinafter set forth in this Section or elsewhere in this Agreement, neither Member hereto shall have any obligation to fund such excess unless and until (i) a modification to the Budget covering such excess is approved by both Members hereto or (ii) pursuant to Section 12.1 hereof an arbitrator or a court having jurisdiction over the Members and/or the Project determines (after appeals, if any, which have been appropriately taken, are exhausted) that the excess (and the proposed modification to the Budget) is reasonable and must be funded.

However, during the Construction Period (and prior to approval of a modification to Budget by both Members or a decision by an arbitrator or a court having jurisdiction), the Operating Member may fund such excess as necessary to permit the Company and/or the Partnership to pay its debts, meet its obligations when due and complete construction of the Project. If the parties subsequently approve a modification to Budget or an arbitrator or court having jurisdiction over the Members and/or the Project determines that the excess (and the proposed modification to the Budget) is reasonable and must be funded, then that portion of the excess which the other Member and its Affiliate(s) are obligated to contribute (and which the Operating Partner previously funded) shall be treated as a Contribution Loan by the Operating Partner to the other Member and as a Contribution Loan, on a joint and several basis, from the Operating Partner to any Affiliate of such Member which is a Partner in the Partnership pursuant to Section 5.4(e) and interest shall accrue from the date that funds were advanced by the Operating Partner on behalf of the Company and/or the Partnership, as the case maybe. In addition, the Operating Partner shall be entitled to all other rights set forth in Section 5.4(e) or elsewhere in this Agreement with respect to the making of a Contribution Loan. If it is subsequently determined that the excess and the proposed modification to Budget is not reasonable, then the excess funded by the Operating Member shall not be credited to the Capital Account of such Member and the Operating Member shall not be entitled to any allocation of Net Profit or distribution of Cash Flow by virtue of same.

If, during the Operating Period, either Member disputes the need for any additional capital contributions requested pursuant to this SECTION 5.4(C), pending the resolution of such dispute the Member disputing the need for additional capital shall nevertheless contribute its additional capital within the time period specified in SECTION 5.4(B) and the Company shall hold the contributions of both Members in an interest-bearing account, or shall otherwise invest such contributions as Approved by the Members, separate from other cash deposits of the Company until such dispute is resolved; provided, however, that during the Operating Period, the Company shall have the right to use the Members' contributions to the extent necessary, subject to the budgetary limitations which are set forth in SECTION 8.9 below, to permit the Company to pay its debts and to meet its obligations when due. If and to the extent that it is ultimately determined that such additional capital was not required in whole or in part, the amount of such capital contributed by each Member that was determined to be not required, less each Member's proportionate share (based on such Member's Percentage Interest) of any portion of the Members' contributed capital which was expended in accordance with the foregoing, shall be promptly refunded to each Member, together with a proportionate share of interest, if any, earned thereon while on deposit with the Company.

(d) DILUTION.

(i) If a Member fails to fund its pro rata share of any capital contributions and such failure continues for a period of thirty (30) days (the first such failure by either Member, if uncured, being hereinafter referred to as an "Initial Uncured Default"), such Member shall be considered to be a "Non-Funding Member" and the other Member (the "Funding Member") if it has funded its pro rata share of such contribution, shall be entitled to fund the Non-Funding Member's share of such capital contribution. The Percentage Interest of each Member shall thereupon be recalculated as set forth below. The Funding Member is hereby constituted and appointed as attorney-in-fact, such appointment being coupled with an interest, to execute, acknowledge and deliver all instruments and documents necessary to effect such recalculation of Percentage Interests as herein provided.

(ii) The recalculation of the Percentage Interests on the Percentage Interest Adjustment Date shall be done as follows: First, the total amount of capital contributions made by each Member as of the Percentage Interest Adjustment Date shall be calculated. Second, the Non-Funding Member's Percentage Interest shall be reduced, and the Funding Member's Percentage Interest shall be increased, to reflect each Member's percentage of the total contributions made by both Members as of the Percentage Interest Adjustment Date.

(iii) The Adjusted Percentage Interests of the Members shall be expressed in terms of a decimal rounded to the nearest fourth digit. An example illustrating the operation of this provision is attached hereto as EXHIBIT C.

(iv) (1) If due to the operation of this SECTION 5.4(C) a Non-Funding Member's Initial Percentage Interest is diluted, the other Member shall have the right and option for a period of 60 days after such dilution occurs to purchase the Non-Funding Member's interest in the Company at a price equal to the total amount of cash capital contributions which had been contributed to the Company by the Non-Funding Member at that point in time, less the amount of any distributions of Cash Flow or Capital Proceeds previously made to the Non-Funding Member.

(2) In order to elect to purchase the interest in the Company of a Non-Funding Member pursuant to this SECTION 5.4(D), the Funding Member shall send written notice of election to the Non-Funding Member prior to expiration of such 60-day period. In the event a Funding Member elects to purchase a Non-Funding Member's interest, such election pursuant to this SECTION 5.4(D) shall create a binding contract for the purchase and sale of the Non-Funding Member's interest in the Company. The closing of such purchase and sale shall take place at the office where the principal place of business of the Company is located on the date specified by the Funding Member in its election notice which date shall not be less than 20 days nor more than 60 days following the date of such notice, unless the Members agree to a different mutually acceptable date. The form and substance of the closing documents shall be reasonably satisfactory to the Funding Member and shall consist of an assignment and bill of sale (both with covenants against grantor's acts) from the Non-Funding Member to the Funding Member (or its nominee or designee), together with such other instruments and documents as may be reasonably necessary or desirable to effectuate the sale. The purchase price shall be payable by federal wire transfer of immediately available funds to an account designated by the Non-Funding Member, against delivery of all the closing documents. At either Member's request, the Company's bank or the title company which issued the owner's title policy to the Company may be appointed as escrow agent to receive all closing documents and the purchase price in escrow in order to make simultaneous delivery of closing documents and disbursement of funds at the closing or the next business day thereafter. The instruments and documents shall be legally sufficient to convey all of the Non-Funding Member's interest in the Company (and the Project) to the Funding Member (or its nominee or designee), free and clear of all deeds of trust, security interests, liens, charges and encumbrances. The provisions of this SECTION 5.4(D) shall be enforceable by a decree of specific performance and neither Member shall assert in defense thereto that there exists an adequate remedy at law.

(e) CONTRIBUTION LOANS.

(i) If either Member (a "Non-Contributing Member") fails to make any additional capital contribution within the time specified in SECTION 5.4(b) and such failure continues for a period of thirty (30) days after an Initial Uncured Default, the other Member who makes the requested contribution of additional capital (the "Contributing Member") shall have the right but not the obligation to advance directly to the Company the funds required from the Non-Contributing Member as a loan ("Contribution Loan") to the Non-Contributing Member. If and when a Contribution Loan is made, the Non-Contributing Member shall be deemed to have waived the right to make the requested capital contribution as of the date of such loan. Such Contribution Loan shall bear interest, compounded annually, at a rate equal to the Prime Rate plus four (4) percentage points per annum. Contribution Loans may be prepaid by the Non-Contributing Member at any time after the date the Contribution Loan is made. If not repaid by the Non-Contributing Member, the Contribution Loan shall be repaid pursuant to SECTION 5.4(F) or other applicable provisions of this Agreement, but otherwise shall be and remain a recourse obligation of the Non-Contributing Member.

(ii) If the Contributing Member does not elect to advance the full amount of the additional funds required from the Non-Contributing Member, the Contributing Member may withdraw its additional capital contribution.

(iii) Notwithstanding any other provision of this Agreement to the contrary, if as of the date which is one hundred eighty (180) days after the making of a Contribution Loan, such Contribution Loan shall not have been paid in full, the Contributing Member shall have the right for a period of sixty (60) days to have such Contribution Loan (or the portion thereof remaining unpaid) converted on the books of the Company to a capital contribution by the Contributing Member, in which event the Percentage Interest of the Non-Contributing Member shall be adjusted and recalculated in accordance with SECTION 5.4(D) of this Agreement, and the Contributing Member shall be entitled to exercise all rights and remedies thereunder, including without limitation the purchase option described in SECTION 5.4(D)(IV). In order to elect to convert a Contribution Loan to a capital contribution pursuant to this SECTION 5.4(E)(III), the Contributing Member shall send written notice of election to the Non-Contributing Member prior to the expiration of such 60-day period.

(iv) The rights set forth in this SECTION 5.4(E) are in lieu of the exercise of rights set forth in SECTION 5.4(D) and may not be exercised in addition to such rights.

(f) REPAYMENT THROUGH DISTRIBUTIONS. A Contribution Loan shall be repaid on a first priority basis out of any subsequent distributions to which the Non-Contributing Member for whose account the Contribution Loan was made would otherwise be entitled in accordance with this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full. Each Non-Contributing Member irrevocably assigns its rights to distributions from the Company to the Contributing Member for the purpose of effectuating this repayment. Repayment of either Member's Contribution Loan shall also be secured by the Non-Contributing Member's Percentage Interest in the Company, and the Non-Contributing Member hereby grants a security interest in such Percentage Interest and all distributions related thereto to the Contributing Member who has advanced such Contribution Loan and hereby irrevocably appoints the Contributing Member, and any of its agents, officers or employees, as its attorney-in-fact, such appointment being coupled with an interest, to execute, acknowledge and deliver any documents, instruments and agreements including, but not limited to, any note evidencing the Contribution Loan, and such Uniform Commercial Code financing statements, continuation statements, and other security instruments or documents as may be appropriate to perfect and continue such security interest in favor of the Contributing Member.

(g) TRANSFEREES AND ASSIGNEES. If there shall be a Transfer of part of the Percentage Interest of either Member pursuant to ARTICLE 10 below to an Affiliate of such Member, all of the calculations necessary at any time or from time to time under this SECTION 5.4 shall be made without regard to any such partial Transfer. Any dilution of the Percentage Interest of either Member pursuant to this SECTION 5.4 shall be made effective against the aggregate Percentage Interest of the Transferor and any Affiliate Transferee of which the Company has been notified or, failing any such agreement, or notice thereof, as the Funding Member, acting on behalf of the Company, may elect. It is the intent and agreement of the Members that all of the rights and obligations hereunder, including without limitation participation in management, rights to give or receive notices and contribution obligations, and the various consequences arising from the failure of a Member to make a required capital contribution to the Company hereunder are to be interpreted and applied as if Chelsea and any Chelsea Affiliate that owns a part of its Percentage Interest, on the one hand, and Simon and any Simon Affiliate that owns a part of its Percentage Interest, on the other, is a single entity having a Percentage Interest in an amount equal to the aggregate Percentage Interests owned by such Member and its respective Transferees.

(h) NO THIRD PARTY RIGHTS. The right of the Company or the Members to require any additional contributions under the terms of this Agreement shall not be construed as conferring any rights or benefits to or upon any party not a party to this Agreement including, but not limited to, any tenant of any part of the Project, or the holder of any obligations secured by a deed of trust or other lien or encumbrance upon or affecting the Company, any Percentage Interest, or the Project, or any part thereof or interest therein, or any other creditor of the Company.

(i) ROLE IN MANAGEMENT. Notwithstanding any other provision of this Agreement to the contrary, including without limitation ARTICLE 8 hereof, a Non-Funding Member or Non-Contributing Member (hereinafter, a "Defaulting Member") shall thereafter have no further approval rights, right to make decisions or role in management of the Company or the Partnership until such funding or contribution default has been cured. For the purpose of this paragraph if an Affiliate of a Member has failed to satisfy its funding obligations under the Partnership Agreement, then such Member shall also be deemed a Defaulting Member. Without limitation of the foregoing, in such event (i) if the Defaulting Member is the Operating Member, the other Member (the "Non-Defaulting Member") shall have the right to remove the Defaulting Member as the Operating Member (and to become the Operating Member itself) in accordance with SECTION 8.9 hereof and to terminate the Management Agreement and Development Agreement with any Affiliate of the Defaulting Member in accordance with SECTION 8.11(A) and SECTION 8.12(a), (ii) the Non-Defaulting Member shall have the right to apply any fees payable to the Defaulting Member or its Affiliate in accordance with this Agreement to any amounts owed by the Defaulting Member, (iii) the Non-Defaulting Member shall have the right to make all decisions of the Company and the Members, and (iv) no Defaulting Member shall have the right to initiate the buy-sell procedure pursuant to SECTION 10.6 hereof.

(j) FAILURE TO FUND UNDER PARTNERSHIP AGREEMENT. Notwithstanding anything to the contrary set forth in this Section, in the event that an Affiliate of either Member fails to make a required capital contribution under the Partnership Agreement and is deemed a Defaulting Partner, then such Member shall be deemed a "Defaulting Member" hereunder, to the same extent as if such Member had failed to fund a Capital Contribution required of it hereunder, and the other Member shall be entitled to exercise the rights and remedies set forth in Section 5.4 hereof. Similarly, in the event that either Member fails to make a required capital contribution under this Agreement and is deemed a Defaulting Member, then any Affiliate of such Member which is a Partner in the Partnership shall be deemed a Defaulting Partner under the Partnership Agreement to the same extent as if such Partner had failed to fund a capital contribution required of it thereunder and the other Partner(s) shall be entitled to exercise all applicable rights and remedies set forth in Section 6.4 of the Partnership Agreement.

Section 5.5 NO INTEREST ON CAPITAL.

Interest earned on Company funds shall inure solely to the benefit of the Company, and except as specifically provided herein above, no interest shall be paid upon any contributions or advances to the capital of the Company nor upon any undistributed or reinvested income or profits of the Company.

Section 5.6 REDUCTION OF CAPITAL ACCOUNTS.

Any distribution to a Member, whether pursuant to SECTIONS 6.5 or 6.6 or any other Section of this Agreement, shall reduce the amount of such Member's Capital Account in accordance with SECTION 2.A. of the Tax Allocations Exhibit, but no adjustment in the Percentage Interest of any Member shall be made on account of any such distribution, except as otherwise specifically provided in this Agreement.

Section 5.7 NEGATIVE CAPITAL ACCOUNTS.

Any Member having a deficit or negative balance in its Capital Account shall not be required to restore such deficit capital amount or otherwise to contribute capital to the Company to restore its Capital Account.

Section 5.8 LIMIT ON CONTRIBUTIONS AND OBLIGATIONS OF MEMBERS.

Except as expressly provided in SECTIONS 5.2, 5.3(A) and 5.4 hereof and this SECTION 5.8, the Members shall have no liability or obligation to the Company or to the other Members (i) to make additional capital contributions to the Company, (ii) to make any loans to the Company or (iii) to endorse or guarantee the payment of any loan to the Company. Each Member shall be personally liable to the other Members (but not to any third parties) for its pro rata share of the Company liabilities (such share to be determined as of the time the liabilities are incurred) based on its Initial Percentage Interest in the Company.

ARTICLE 6.
PROFITS, LOSSES, DISTRIBUTIONS, AND ALLOCATIONS

Section 6.1 NET PROFIT.

All Net Profit of the Company for each Fiscal Year shall be allocated to the Members as follows:

(a) First, to each Member until the cumulative Net Profit allocated to each Member pursuant to this clause (a) is equal to the cumulative Net Loss allocated to such Member pursuant to clause (b) of SECTION 6.2 and SECTION 6.3 (such Net Profits to be allocated first with respect to Net Loss allocated pursuant to SECTION 6.3 and thereafter in reverse chronological order of the allocation of the Net Loss which has not been previously offset by an allocation under this SECTION 6.1(A)); and

(b) Thereafter, among the Members in accordance with their respective Percentage Interests.

Section 6.2 NET LOSS.

After giving effect to the special allocations set forth in EXHIBIT B, all Net Loss of the Company for each Fiscal Year shall be allocated to the Members as follows:

(a) First, to each Member until the cumulative Net Loss allocated to each Member pursuant to this clause (i) is equal to the cumulative Net Profit allocated to such Member pursuant to clause (ii) of SECTION 6.1 (such Net Loss to be allocated in reverse chronological order of the allocation of the Net Profit which has not been previously offset by an allocation under this SECTION 6.2(A));

(b) Second, to each Member in accordance with their respective positive Adjusted Capital Account balances until such balances are reduced to zero; and

(c) Thereafter, among the Members in accordance with their respective Percentage Interests.

Section 6.3 LIMITATION ON NET LOSS ALLOCATION.

Notwithstanding any provision of this Agreement to the contrary, in no event shall Net Loss be allocated to a Member if such allocation would result in such Member's having a negative Adjusted Capital Account Balance at the end of any Fiscal Year. All Net Loss in excess of the limitation set forth in this SECTION 6.3 shall be allocated to any remaining Member with a positive Adjusted Capital Account, and if all such Adjusted Capital Account balances are zero or negative to the Members under SECTION 6.2(C).

Section 6.4 OTHER ALLOCATION RULES.

Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), the Members' interests in the Net Profits of the Company are the same as the Members' Percentage Interests.

Section 6.5 DISTRIBUTION OF CASH FLOW.

Except as provided in SECTION 11.2(D), the Company shall distribute Cash Flow to the Members as and when Approved by the Members, not less frequently than quarterly, in the following order of priority:

(a) First, to pay any accrued but unpaid interest on, and then to pay the unpaid principal balance, if any, of any and all loans made by any Member to the Company in accordance with this Agreement, provided, however, that any Contribution Loans shall not be regarded as loans to the Company and shall be repaid on a first priority basis out of any Cash Flow to which the Non-Contributing Member for whose account the Contribution Loan was made would otherwise be entitled to in accordance with SECTION 6.5(B) of this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full; and

(b) Second, to the Members in accordance with their respective Percentage Interests.

Section 6.6 DISTRIBUTION OF CAPITAL PROCEEDS.

Except as provided in SECTION 11.2(D), the Company shall distribute to the Members Capital Proceeds received by the Company within thirty (30) calendar days after receipt (but not prior to the Percentage Interest Adjustment Date) in the following order of priority:

(a) First, to pay any accrued but unpaid interest on, and then to pay the unpaid principal balance, if any, of any and all loans made by any Member to the Company in accordance with this Agreement, provided, however, that any Contribution Loans shall not be regarded as loans to the Company and shall be repaid on a first priority basis out of any Capital Proceeds to which the Non-Contributing Member for whose account the Contribution Loan was made would otherwise be entitled to in accordance with SECTIONS 6.6(B) through 6.6(D) of this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full;

(b) Second, to the Members in repayment of their respective Capital Contribution Balances, in accordance with their respective Percentage Interests; and

(c) Third, to the Members in accordance with their respective Percentage Interests.

ARTICLE 7.

COMPANY BOOKS; ACCOUNTING/FINANCIAL STATEMENTS

Section 7.1 BOOKS AND RECORDS.

The Company shall keep books and records at the Company's principal place of business which are usually maintained by persons engaged in similar businesses, in form and substance Approved by the Members and setting forth a true, accurate and complete account of the Company's business and affairs including a fair presentation of all income, expenditures, assets and liabilities thereof. Such books and records shall be maintained, and its income, gain, losses and deductions shall be determined and accounted for on the accrual basis in accordance with generally accepted accounting principles consistently applied. Each Member and its authorized representatives shall have the right at all reasonable times to have access to, inspect, audit and copy the Company's books, records, files, securities, vouchers, canceled checks, employment records, bank statements, bank deposit slips, bank reconciliations, cash receipts and disbursement records, and other documents (the "Documents"). Each Member and its authorized representatives shall also have the right, in connection with an examination and audit of the Documents, to question during normal business hours, upon at least ten (10) days notice, the employees, if any, of the Company and to question any other Person and the employees of such other Person having custody or control of any Documents, or responsibility for preparing the same. The Documents shall also be open for inspection during normal business hours, upon at least ten (10) days notice, by the legal or accounting representatives of a Withdrawing Member or any Member to the extent necessary and relevant to such Member's withdrawal from the Company and the winding up of such Member's affairs with the Company. Each Member shall be entitled to any additional information necessary for the Member to adjust its financial basis statement to a tax basis as the Member's individual needs may dictate.

Section 7.2 TAX RETURNS.

The Independent Accountants shall either prepare or review and sign, as requested by the Members, the federal, state and local income tax returns of the Company, and the Company shall use its reasonable efforts to cause the Independent Accountants to either prepare or review and sign such tax returns by March 31 of each year, and cause such tax returns to be filed on a timely basis with the appropriate governmental authorities. In all events, should tax returns not be filed by March 31, good faith estimates of the information to be provided in such tax returns shall be provided to each Member no later than March 31 of each year. Copies of each such return shall be furnished for review and Approval by the Members prior to filing.

Section 7.3 REPORTS.

(a) During the Pre-Construction Period and the Construction Period the Company shall cause to be prepared and sent to each Member such reports as may be required pursuant to the Development Agreement.

(b) During the Operating Period, the Company shall cause to be prepared and sent to each Member, by the Member designated to undertake such task on behalf of the Company, the following unaudited statements and reports:

(i) within fifteen (15) calendar days after the last day of each calendar month during the term of the Company's existence, a statement of income and expense (x) showing the actual results of

the operations of the Company for the calendar month then ended and cumulatively to date for the then elapsed portion of the current Fiscal Year and (y) comparing on an itemized basis, all costs and expenses incurred during such month and for such Fiscal Year with the Budgets for such month and such Fiscal Year, with a narrative explanation of any variations to such Budgets; and

(ii) within fifteen (15) calendar days after the last day of each calendar month during the Term, a balance sheet showing the financial position of the Company as of such last day; and

(iii) such other reports as any Member may reasonably request from time to time.

(c) Each monthly report furnished to the Members by such designated Member shall also state, to the best knowledge of such designated Member, whether any default exists with respect to any material obligation of the Company and whether any material litigation is pending against the Company or the Project. Such designated Member shall, upon obtaining knowledge of the occurrence of any event which, if not cured or resolved, would be required by the preceding sentence to be described in the next monthly report to be furnished pursuant to this SECTION 7.3(B), promptly notify each Member of such occurrence.

Section 7.4 AUDITS.

After the end of each Fiscal Year the Operating Member shall cause an audit to be made by the Independent Accountants covering the assets, liabilities and net worth of the Company and its operations during such Fiscal Year, and all other matters customarily included in such audits. By February 20 of each Fiscal Year, the Operating Member shall deliver, or cause to be delivered to each Member the following financial statements with respect to the Company: a balance sheet and statements of income and expense, changes in the financial position of the Company, and the Members' capital position as of the end of and for the prior Fiscal Year, together with, if requested or required pursuant to the preceding sentence of this SECTION 7.4, the report of the Independent Accountants covering the results of such audit and certifying such financial statements as having been prepared in accordance with generally accepted accounting principles consistently applied.

Section 7.5 BANK ACCOUNTS.

All funds of the Company shall be deposited in its name in an account or accounts maintained with a financial institution Approved by the Members. Funds of the Company shall not be commingled with funds of any other Person. Checks shall be drawn upon the Company account or accounts only for the purposes of the Company and shall be signed by either Member or by its duly authorized representative, provided, however, that funds shall only be spent pursuant to applicable Budgets which have been Approved by the Members or otherwise pursuant to Section 8.4, 8.9(b)(iii), and the emergency authority granted to a Member pursuant to SECTION 8.7 of this Agreement.

Section 7.6 TAX ELECTIONS.

If there is a distribution of any property of the Company within the meaning of Section 734 of the Code, or if there is a Transfer of an interest in the Company within the meaning of Section 743 of the Code, then with the Approval of the Members the Company shall cause to be filed an election under Section 754 of the Code to provide for an optional adjustment to the basis of the property or Company interest as appropriate.

Section 7.7 TAX MATTERS MEMBER.

Pursuant to Section 6231(a)(7)(A) of the Code, the Members hereby designate Chelsea as the Company's "Tax Matters Partner."

ARTICLE 8. MANAGEMENT OF THE COMPANY

Section 8.1 MANAGEMENT OF THE COMPANY.

(a) GENERAL. The overall management and control of the business and affairs of the Company (and correspondingly of the Partnership) shall be vested in the Members. The Members may, by written resolution, except for those matters specifically required to be Approved by the Members, delegate to one of the Members (hereinafter called the "Operating Member") the authority to manage and administer the affairs of the Company and the Partnership. Upon such delegation and until the same shall have been revoked by the Members or the Member to which such delegation was made shall become a Defaulting Member or a Non-Contributing Member, all decisions with respect to the management of the Company and/or the Partnership that are approved by the Operating Member shall be binding on the Company, the Partnership and the Non-Operating Member, except as otherwise provided in this Agreement. At such time as a delegation hereunder shall have been made and so long as it remains outstanding, all actions provided hereunder to be taken by the Company either individually or in its capacity as General Partner of the Partnership, shall be carried out by the Operating Member.

(b) MEMBER REPRESENTATIVES. The Members shall, by written resolution, each designate in writing from time to time its representative for purposes of all actions, approvals and decisions under this Agreement, plus an alternate. Each representative shall be fully authorized to provide, on behalf of the Member which he or she represents, any consent or approval which may be required hereunder, and any action or decision so taken by a representative shall be binding upon the Member which he or she represents. Each Member may

change its authorized representative or alternate at any time by written notice to the other Member.

(c) ACTIONS BY THE MEMBERS.

(i) Either Member may initiate a request that the Members approve any matter or take any other action respecting the business and affairs of the Company and/or the Partnership which is required for Approval by the Members pursuant to this Agreement. Any such request may be made at a regularly scheduled meeting of the Members or in writing. Any written request must be labeled "REQUEST FOR ACTION BY MEMBERS" and must include a narrative explanation of the approval or action which is being requested. If pursuant to such a request the Member desires to schedule a special meeting of the Members, such request must be received by the other Member at least ten (10) calendar days prior to the proposed date for such special meeting. Conversely, a Member receiving a request for Approval or action by the Members which does not request that a special meeting be held may then request a special meeting by written notice to the other Member which must be received at least five (5) calendar days before the date proposed for such special meeting. Each Member shall use its best efforts to comply with a request by the other Member that a special meeting of the Members be held.

(ii) If there is a need for any Approval or action by the Members and no special meeting therefor is requested by either Member, the representatives of the Members shall use their best efforts to respond within ten (10) business days after the date the representatives are notified of the need for such Approval or other action either in writing or at a regularly scheduled meeting of the Members. If a representative has not responded within said ten (10) business day period or if a special meeting has been properly requested with respect to such proposed Approval or other action but has not been held within ten (10) days after the date requested for such special meeting, then the Member requesting such Approval or other action may at any time thereafter notify the other Member that failure of such other Member's representative to respond within ten (10) business days after such notice shall be deemed to be Approval by such other Member of the matter or action requested. Such notice must be labeled "FAILURE TO ACT BY MEMBER REPRESENTATIVE" and must include a narrative explanation of the Approval or action which is being requested. If the other Member's representative fails to respond within said ten (10) business day period, such matter or action requested shall be deemed Approved.

(iii) In order for the other Member's representative to be deemed to have responded, the representative must affirmatively agree to the Approval or other action (or have failed to respond within the time frame identified in subparagraph (ii)), or deny same. If the other Member's representative denies the Approval or other action, he must specify his reasons for doing so and suggest an alternative to the Approval or action in question. In such event, the time frames and sequence of events previously specified in subparagraph (ii) of this Section shall apply. The Member who initiated the request for Approval or other action shall have ten (10) business days within which to respond to the counterproposal. If the Member has not responded within said ten (10) business day period, then the Member suggesting the alternative may notify the other Member that failure to respond shall be deemed Approval, in accordance with the procedure previously set forth. If the parties are unable to agree on the Approval or other action after following the sequence outlined, then each Member shall have the right to pursue any rights or remedies that may be set forth herein or available at law or in equity.

(d) MEETINGS. Regular meetings of the Members shall be held at the Company's principal place of business or at such other place as shall be Approved by the Members and at intervals as may be Approved by the Members, but not less than once each calendar quarter. Dates, times and places of such regular meetings shall be Approved by the Members. No meeting of the Members shall be held unless each Member is represented. Both regular and special meetings may be held by means of a conference telephone or similar equipment if all persons participating in the meeting can hear each other at the same time.

Section 8.2 THE OPERATING MEMBER.

(a) The Members shall by written resolution from time to time designate one of the Members as the Operating Member of the Company. Such designated Member shall continue to serve as the Operating Member until (i) the Members mutually agree that such designated Member shall cease to serve as the Operating Member; (ii) the Company is dissolved and wound up in accordance with the provisions of ARTICLE 11 hereof; or (iii) such designated Member is removed as Operating Member pursuant to SECTION 8.10 below. Upon the removal of such designated Member as the Operating Member in accordance with the foregoing, the other Member shall automatically become the Operating Member of the Company. Subject to the provisions of SECTIONS 8.4, 8.5, and 8.6 of this Agreement, but notwithstanding delegation of certain obligations and responsibilities by the Operating Member pursuant to SECTION 8.2(B) below, the operation of the Company and the Partnership and management of the Company's and the Partnership's business and affairs shall rest with and remain the obligation and responsibility of the Operating Member, subject to such further limitations as may be set forth in the resolution designating such Operating Member.

(b) Without limiting the generality of the foregoing, AND SUBJECT TO THE PROVISIONS OF SECTIONS 8.4 AND 8.6 HEREINBELOW, the Operating Member shall have the following rights and powers, subject to the terms, conditions, restrictions and limitations of this Agreement and shall devote such time to the performance of said rights and services as may be necessary, which it may exercise at the cost, expense and risk of the Company:

(i) To protect and preserve the assets of the Company, and the Partnership and to incur liabilities (other than for borrowed money) in the ordinary course of business of the Company and the Partnership consistent with the Budgets for the Project which have been Approved by the Members;

(ii) To collect all rentals and all other income accruing to the Company and/or the Partnership and to pay all construction costs and expenses of operations consistent with the Budgets which have been Approved by the Members and as otherwise set forth herein;

(iii) With the Approval of the Members, to prepare (or have prepared) and file all tax returns for and on behalf of the Company and the Partnership (but not the tax returns or other reports of the individual Members);

(iv) To administer all matters pertaining to insurance with respect to the Project, including obtaining and paying for policies of insurance insuring against (1) loss or damage by fire, windstorm, tornado and hail, and against loss or damage by such other, further and additional risks as now are or hereafter may be embraced by the standard extended coverage forms of endorsements, as may be required by the Company's lenders and Approved by the Members, and consistent with the Budgets Approved by the Members; and (2) liability to the public, tenants or any other person and risk to its properties incident to the operation of the Project in such amounts and upon such terms as are customary for the protection against such risks of liability and loss and Approved by the Members, and consistent with the Budgets Approved by the Members;

(v) Subject to the applicable Budgets which have been Approved by the Members, to employ, terminate the engagement of, supervise and compensate such persons, firms or corporations for and in connection with the business of the Company and the Partnership as it may reasonably deem necessary or desirable;

(vi) Subject to the applicable Budgets which have been Approved by the Members, to repair and replace all fixtures and equipment situated on or constituting a part of the Project (and in connection therewith the Operating Member will consider using the bundled services contracts available through Simon, subject, however, to such contracts complying with the conditions set forth in the Management Agreement);

(vii) Subject to the applicable Budgets which have been Approved by the Members, to acquire such tangible personal property and intangible personal property as may be necessary or desirable to carry on the business of the Company and the Partnership and sell, exchange or otherwise dispose of such personal properties in the ordinary course of business;

(viii) To keep all books of account and other records of the Company and the Partnership ;

(ix) To negotiate and contract with all utility companies servicing the Project (and in connection therewith the Operating Member will consider using the bundled services contracts available through Simon, subject, however, to such contracts complying with the conditions set forth in the Management Agreement);

(x) To pay all debts and other obligations of the Company, and/or the Partnership including amounts due under the financing and other loans to the Company and/or the Partnership and costs of formation of the Company and the Partnership and, subject to the applicable Budget which has been Approved by the Members, of ownership, improvement, operation and maintenance of the Project;

(xi) To pay all taxes, levies, assessments, rents and other impositions applicable to the Company and/or the Partnership, paying same before delinquency and prior to the addition thereto of interest or penalties and undertake when appropriate and subject to Approval of the Members any action or proceeding seeking to reduce such taxes, assessments, rents or other impositions;

(xii) To deposit all monies received by the Operating Member for or on behalf of the Company and/or the Partnership in such financial institutions as may be Approved by the Members, to invest any excess funds and to disburse and pay all funds on deposit on behalf of and in the name of the Company and/or the Partnership in such amounts and at such times as the same are required in connection with the ownership, maintenance and operation of the Project;

(xiii) Subject to the Approval of the other Member, to negotiate financing terms for the Project; and

(xiv) To lease portions of the Project pursuant to the

leasing guidelines established from time to time by the Members as part of a Budget which has been Approved by the Members and on the form lease, or such variations(s) thereto, which has been Approved by the Members.

(c) Documents to which the Company is a party shall be executed and performed on behalf of the Company, acting in its individual capacity or as general partner of the Partnership by all of the Members or by the Operating Member, or by the Non-Operating Member, where the Members or this Agreement give the Operating Member or the Non-Operating Member, as the case may be, the right to do so. No person, firm, partnership, corporation or other entity shall be required to inquire into the authority of the Members or a Member to execute and perform any document on behalf of the Company acting in its individual capacity or as general partner of the Partnership. Except as otherwise expressly provided in this Agreement, no Member or representative thereof shall have the authority or right to bind or act for the Company or any of the other Members.

(d) The Operating Member shall devote itself to the business and purposes of the Company and the Partnership, as set forth in SECTION 3.1 above, to the extent reasonably necessary for the efficient carrying on thereof, without compensation except as otherwise provided herein. Whenever requested by the Non-Operating Member, the Operating Member shall render a just and faithful account of all dealings and transactions relating to the business of the Company and the Partnership. The acts of the Operating Member shall bind the Company and the Partnership when within the scope of the Operating Member's authority expressly granted unless expressly prohibited hereunder.

Section 8.3 DUTIES OF OPERATING MEMBER; CHELSEA AS INITIAL OPERATING MEMBER.

The Operating Member, at the expense of and on behalf of the Company, and the Partnership shall implement or cause to be implemented all decisions Approved by the Members and delegated to the Operating Member by the Members, and shall conduct or cause to be conducted the management of the business and affairs of the Company and the Partnership in accordance with and as limited by this Agreement. Chelsea is hereby appointed as the Operating Member of the Company to implement all decisions Approved by the Members and shall have primary responsibility for the development, leasing and management of the Project.

Section 8.4 AUTHORIZATION FOR EXPENDITURES.

Except for expenditures made and obligations incurred pursuant to a Budget, as revised or exceeded pursuant to Section 5.4 (c), SECTION 8.7 or 8.9(B)(III), the Operating Member shall not make any expenditure or incur any obligation on behalf of the Company or the Partnership unless previously Approved by the Members, provided that the Operating Member shall have the right, without the prior Approval of the Members, to make expenditures and incur obligations not authorized by a Budget (i) to the extent necessary to pay utilities, taxes, and insurance premiums to the extent such charges exceed the amounts budgeted therefor in the applicable Budget, (ii) to pay for other non-capital expenditures in an amount up to 10% or cumulative expenditures of \$25,000 (whichever is less) in excess of the amount authorized under the Applicable Budget for such expenditures or (iii) to pay for annual capital expenditures of up to \$50,000 in the aggregate for items not contemplated in, or in excess of amounts reserved for certain line items in, the applicable Budget. The Operating Member will be reimbursed for out-of-pocket expenses incurred on behalf of the Company and/or the Partnership in accordance with an Approved Budget. The Operating Member may from time to time seek broader fiscal authority from the Members when it is appropriate to do so in connection with the performance of its duties hereunder. In any event, the Operating Member shall not expend more than the amount the Operating Member in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or services engaged on behalf of the Company and/or the Partnership, and shall, upon request, provide the other Member with reasonable documentation evidencing such expenditures.

Section 8.5 RIGHTS NOT ASSIGNABLE.

Except as provided in SECTION 10.2(A) or 10.2(B), the rights and obligations of the Operating Member qua Operating Member under this Agreement shall not be assignable voluntarily or by operation of law by the Operating Member without the express prior written Approval of the Members, and any attempted assignment without such Approval shall be void.

Section 8.6 MAJOR DECISIONS AND PROHIBITED ACTS.

All Major Decisions with respect to the Company's (and the Partnership's) business and operations shall require the Approval of the Members. As used herein, the term "Major Decisions" shall mean the following decisions regarding the acquisition, development, ownership, management, leasing and operation of the Project, except those matters expressly delegated to the Operating Member and/or its Affiliate pursuant to the terms of this Agreement, the Development Agreement and/or the Management Agreement. Accordingly, if a decision is identified as a Major Decision, neither Member shall have the right or the power to make any commitment or engage in any undertaking on behalf of the Company, acting in its individual capacity or as general partner of the Partnership with respect to a Major Decision unless and until the same has been authorized by Approval of the Members. Without the Approval of the Members with respect to SECTIONS 8.6(A) through 8.6(U) below, neither Member shall cause the Company acting in its individual capacity or as general partner of the Partnership to:

(a) Commit to acquire any additional real property or interest in any real property other than the Land or access thereto;

(b) Commit to borrow any funds on behalf of the Company or the

Partnership other than (i) the Construction/Term Loan, (ii) from a Member as set forth in this Agreement, or (iii) from a Third Party Lender as set forth in Section 5.2 of this Agreement.

(c) Sell the Project or any part thereof or interest therein except as provided in the Right of First Refusal provision set forth in Section 10.3 or the Buy-Sell provision set forth in Section 10.6 hereof;

(d) Mortgage the Land and the Company's or the Partnership's interest in the Project (except in connection with the Construction/Term Loan or any Third Party Loan, and any extensions, modifications, renewals or replacements thereof);

(e) Approve any Budget or any amendment or supplement thereto prepared on behalf of the Company or the Partnership;

(f) Terminate or cause the termination of any lease for space at the Project, unless the tenant under such lease is in default, or execute or cause the execution of any lease, sublease, assignment of lease, extension of lease, extension of sublease, amendment of lease or sublease, of the Project, unless such lease, sublease, assignment, extension or amendment to be executed is (a) within the leasing guidelines established from time to time by the Members with respect to the Project as part of an Approved Budget for the Project, (b) in the case of a lease or license, on the form lease (or form license agreement) with such variation(s) thereto as approved by the Members from time to time for such Project, and (x) with a tenant whose tenancy will be compatible with the overall Project, (d) for 10,100 or less square feet, and (y) does not violate the provisions of any other lease of the Project;

(g) Enter into any transaction or agreement with any Affiliate of the Members except the Management Agreement with the Operating Member and the Development Agreement with the Operating Member or as provided in any Approved Budget or as otherwise provided in this Agreement;

(h) Incur any expenses on behalf of the Company or the Partnership not specifically authorized in this Agreement or in any Approved Budget;

(i) Amend or otherwise modify this Agreement;

(j) Partition any of the assets of the Company or the Partnership;

(k) Admit any additional or substitute Member of the Company or the Partnership;

(l) Sell all or any part of any interest in the Company or the Partnership, except as specifically authorized by this Agreement;

(m) Except as specifically authorized by this Agreement, select any successor managing agent to the Operating Member. It is acknowledged by the Members that, except as specifically authorized by this Agreement, the Operating Member shall continue to be the managing agent of the Project so long as Operating Member is a Member in the Company and owns or has an interest in the Project unless any management agreement with the Operating Member terminates pursuant to the provisions thereof, other than by reason of the passage of time.

(n) Settle a condemnation case or insured casualty loss involving more than One Million Dollars (\$1,000,000) and/or decide to reconstruct the Project in such case;

(o) Select or terminate any Accountant for the Company or the Partnership; provided, however, in the event the Members cannot agree on the selection of an Accountant within thirty (30) days after the receipt of proposals from proposed Accountants, the Operating Member shall have the sole right to select the Accountant. The Members hereby designate Ernst & Young as the Accountants for the Company and the Partnership to serve until such time as the Members shall determine otherwise;

(p) Amend or terminate the Development Agreement or the Management Agreement except as expressly authorized in this Agreement;

(q) Approve or enter into (except as permitted in the Development Agreement) any contracts for the construction or development of the Project. Specifically, the Approval of both Members shall be required for contracts, which are with the architect for the Project, any engineer for the Project, the general contractor of the Project or which would, individually, impose an aggregate liability on the Company in excess of \$1,000,000.00.

(r) Approve: (i) the site plan and/or schematic building drawings for the Project which shall be submitted by the Operating Member to the other Member as part of the Final Project Program; or (ii) the design development drawings for the Project.

(s) Enter into or modify any redevelopment agreement, or other documents related to any tax increment financing available for the benefit of the Company, the Partnership or Project;

(t) Modify, cancel, terminate or enter into any new or modified property or liability insurance for the Project, the Partnership or the Company, except as provided in the Budget Approved by the Members; or

(u) File a petition in bankruptcy or for reorganization or for the appointment of a receiver, custodian or trustee of all or a portion of the Company's or the Partnership's property, or an assignment for the benefit of creditors.

The Members must be reasonable in approving or refusing to approve any Major Decision.

Section 8.7 EMERGENCY AUTHORITY.

Notwithstanding the provisions of SECTIONS 8.4 or 8.6 hereof, the Operating Member shall have the right to take such actions and make such emergency expenditures as it, in its reasonable judgment, deems necessary for the protection of life or health or the preservation of Company and/or the Partnership assets if, under the circumstances, in the good faith estimation of the Operating Member, there is insufficient time to allow the Operating Member to obtain the Approval of the Members to such action, a good faith attempt has been made to contact the other Member and any delay would materially increase the risk to life or health or materially increase the magnitude or likelihood of property damage or other potential loss involved; provided, however, that the Operating Member shall notify the other Member of such action contemporaneously therewith or as soon as reasonably practicable thereafter.

Section 8.8 AUTHORIZED ACTS.

No Member shall be liable to the Company, the Partnership or to any other Member for any act performed, or omitted to be performed, by it in the conduct of its duties as a Member, if such act or omission is within the scope of authority of such Member hereunder and if such act or omission is not performed or made fraudulently or in bad faith. The Company and the Partnership, and not the Members, shall indemnify and save harmless each Member from all personal liability, loss, cost, expense or damage incurred or sustained by reason of any act performed, or omitted to be performed by it in the permitted conduct of its duties hereunder except for acts or omissions done or made fraudulently or in bad faith. Such indemnity, or the denial thereof, shall not be construed to limit or diminish the coverage of any Member under any insurance effected or maintained by the Company and/or the Partnership.

Section 8.9 BUDGETS.

(a) The Members shall, by written resolution, Approve a Pre-Construction Budget and a Development Budget for the Project, which Budgets the Members acknowledge are subject to change only as Approved by the Members. The Development Budget is intended to cover all expenditures of the Project through the completion of construction of the Project, including, without limitation, those expenditures included in a Pre-Construction Budget and Prospective Project Budget for the Project. The Members agree that the Development Budget has been approved and a copy is attached to the Development Agreement. Any revisions to the Approved Development Budgets shall be submitted to the Non-Operating Member in accordance with the procedure set forth in the Development Agreement. No later than sixty (60) calendar days prior to the Project Completion Date, the Operating Member shall submit to the Non-Operating Member a proposed Operating Budget for the then remaining Fiscal Year covering anticipated expenses of the Company in owning, operating and maintaining the Project. No later than sixty (60) days prior to the commencement of each Fiscal Year the Operating Member shall submit to the Non-Operating Member a proposed Operating Budget for such Fiscal Year for the Project. Further, projections of current Fiscal Year revenues and expenses shall be prepared by the Operating Member and submitted to the Non-Operating Member on June 1 and November 1 of each Fiscal Year covering the balance of such fiscal year.

(b) After submission of the proposed Operating Budgets to the Non-Operating Member, the following procedures shall be followed in adopting such Operating Budgets:

(i) Within twenty (20) calendar days after the proposed Operating Budgets are submitted to the Non-Operating Member, the Non-Operating Member shall either approve each such proposed Operating Budget or notify the Operating Member of any proposed revisions therein that it deems necessary. If the Non-Operating Member fails to approve or reject any proposed Operating Budget or to make proposed revisions thereto within twenty (20) calendar days after it is submitted to the Non-Operating Member, such proposed Operating Budget shall be deemed Approved and shall thereafter constitute the "Operating Budget" for the Fiscal Year in question for all purposes hereof. Any objections to the proposed Operating Budget must be made on a line item basis, and any line items not objected to shall be deemed Approved by the Members.

(ii) If the Non-Operating Member approves a proposed Operating Budget, or the Non-Operating Member makes proposed revisions thereto and the Operating Member does not make objections to such proposed revisions within ten (10) calendar days after it receives them, such proposed Operating Budget, and revisions if any, shall be deemed Approved by the Members and shall be deemed thereafter to constitute the "Budget" for the Fiscal Year in question for all purposes hereof.

(iii) If either Member makes any objection to any proposed revisions to any proposed Operating Budget, the Members shall cooperate with each other to resolve any questions with respect to such proposed revisions and shall use their best efforts to agree upon such Operating Budget for the Fiscal Year in question prior to the beginning of the Fiscal Year to which such Operating Budget relates. If the Members fail to agree upon an Operating

Budget for any Fiscal Year prior to the commencement thereof, then, pending final resolution of any dispute in the manner provided herein, the Operating Member shall continue to manage, maintain, supervise, direct, and operate the activities for which such Operating Budget was proposed in accordance with the approved Operating Budget for such activities or asset(s), if any, for the previous Fiscal Year until a new Operating Budget is approved; except that the Operating Member shall be authorized during any interim period to pay related expenses which reasonably exceed the prior year's budgeted amounts for interest payments, taxes, utility charges, insurance and other items not within the reasonable control of the Company or the Partnership as well as pay for increases in contract services and personnel costs to the extent reasonably required to maintain the same level of service provided during the previous Fiscal Year.

(c) The Operating Member may from time to time submit to the Non-Operating Member revisions to an Approved Operating Budget for its approval. The Non-Operating Member shall promptly reject or approve the same or make such changes to the proposal as it may deem reasonably necessary and proper within the time frame contemplated by subparagraph (b) hereof. If the Non-Operating Member fails to approve or reject any proposed revisions or to suggest additional modifications thereto within twenty (20) calendar days after submittal to the Non-Operating Member, then such revisions shall be deemed Approved by the Members. The proposal, as finally approved or changed by the Members, shall be incorporated into and become part of such Budget for the remaining period of the Fiscal Year in question.

Section 8.10 REMOVAL OF OPERATING MEMBER.

The Non-Operating Member shall have the right, to be exercised by written notice to the Operating Member, to remove the Operating Member and to appoint itself as the Operating Member of the Company at such time as:

(a) The Operating Member Transfers its Percentage Interest without the consent of the Non-Operating Member, except Transfers permitted as a matter of right under SECTION 10.2 below;

(b) The Operating Member becomes a Non-Funding Member or Non-Contributing Member pursuant to SECTION 5.4;

(c) The Operating Member commits a breach of fiduciary duty or an act of gross negligence or willful misconduct;

(d) The Operating Member experiences a Change in Control; or

(e) Grounds exist for discharging any Affiliate of the Operating Member under any Development Agreement or the Management Agreement, pursuant to SECTION 8.11 or SECTION 8.12 hereof, including without limitation the conditions described in subsections (a), (b), (c) or (d) hereof.

Section 8.11 DEVELOPMENT AGREEMENT.

(a) If an Affiliate of a Member or a Member is to render services to the Partnership in connection with the initial development or redevelopment of the Project, then the Members shall, by written resolution, Approve a Development Agreement with such Affiliate or Member who shall be designated as the "Developer" thereunder. The Member which is not an Affiliate of the Developer shall be responsible for supervising the performance of the Developer under a Development Agreement and for monitoring expenditures incurred by or on behalf of the Partnership by the Developer to determine whether such expenditures are contemplated in, and within the limits prescribed by, the applicable Budget Approved by the Members.

(b) Supplementing the provisions of a Development Agreement which authorize termination thereof, if the Developer thereunder fails to cure an "Event of Default," as such term is defined in a Development Agreement, the Member which is not the Developer or an Affiliate of the Developer shall have the right to exercise the termination rights of the Partnership, discharge on behalf of the Company acting as general partner of the Partnership and to discharge the Developer from its duties thereunder and appoint a new Developer for the Project, including the Member or an Affiliate of such non-affiliated Member, under an agreement on the same terms as the Development Agreement. Such non-affiliated Member may exercise such option by giving the other Member notice of its election. If a new Developer appointed pursuant to this SECTION 8.11 is a Member or an Affiliate of a Member, the other Member shall, if grounds subsequently exist under the new Development Agreement with such new Developer which allow for termination, have the right to exercise the termination rights of the Company as general partner of the Partnership, discharge the new Developer from its duties thereunder and appoint on behalf of the Partnership, a replacement Developer (including an Affiliate) under an agreement on the same terms.

(c) The Members acknowledge and agree that simultaneously with the execution of this Agreement, the Company, as general partner of the Partnership, is executing a Development Agreement appointing an Affiliate of the Operating Member as Developer of the Project and appointing an Affiliate of the Non-Operating Member as Co-Developer. The Members further agree that they may subsequently decide to develop, in one or more phases, certain of the out-parcels which constitute a portion of the Land for purposes which include, but are not limited to, the development of restaurants and/or for other retail projects (a "Subsequent Project"). In such case, the Company, acting as general partner of the Partnership, may negotiate a second development agreement with an Affiliate of the Operating Member on substantially the same terms and conditions as are set forth in the Development Agreement and the Developer under the new Development Agreement shall be entitled to the same fees payable to the Developer under the existing Development Agreement.

Section 8.12 MANAGEMENT AGREEMENT.

(a) If a Member or an Affiliate of a Member is to render services to the Company or the Partnership in connection with the management of the Project, then the Members shall, by written resolution, approve a Management Agreement with such Member or Affiliate who shall be designated as the Manager thereunder. The Member which is not the Manager or an Affiliate of the Manager shall be responsible for supervising the performance of the Manager under a Management Agreement and for monitoring expenditures incurred by or on behalf of the Partnership by the Manager to determine whether such expenditures are contemplated in, and within the limits prescribed by, the applicable Budget Approved by the Members.

(b) Supplementing the provisions of any Management Agreement entered into under SECTION 8.12(A), if grounds exist under the Management Agreement which allow for termination, the Member which is not the Manager or an Affiliate of the Manager shall have the right to exercise the termination rights of the Company and the Partnership discharge on behalf of the Company acting in its capacity as general

partner of the Partnership, the Manager from its duties thereunder and appoint a new Manager for the Project, including an Affiliate of such Member, under an agreement on the same terms as the Management Agreement. Such non-affiliated Member may exercise such option by giving the other Member notice of its election. If a new Manager appointed pursuant to this SECTION 8.12(A) is a Member or an Affiliate of a Member, the other Member shall, if grounds subsequently exist under the new Management Agreement with such new Manager which allow for termination, have the right to exercise the termination rights of the Company and as general partner of the Partnership, discharge the new Manager from its duties thereunder and appoint a replacement Manager on behalf of the Partnership (including an Affiliate) under an agreement on the same terms.

Section 8.13 CONSTRUCTION CONTRACT, ARCHITECT'S CONTRACT AND ENGINEER'S CONTRACT.

The Members shall, by written resolution, approve the Construction Contract and the Architect's and the Engineer's Contract(s) for the Project.

Section 8.14 FEES AND EXPENSE REIMBURSEMENTS FOR MEMBERS.

While it is contemplated that the Operating Member shall be primarily responsible for implementing the decisions of the Members and carrying out their directives with respect to the acquisition, development, construction, leasing and management of each Project, the Members acknowledge that they or their Affiliates will both render valuable services to the Company in connection with the Project. The Members, or such Affiliates, shall be compensated for such services in the form of fees, cost recoveries, expense reimbursements or other means in amounts and upon such other terms and conditions as are set forth in the Development Budget and the Operating Budgets(s) Approved by the Members, and subject to Section 9.1 hereof.

ARTICLE 9. COMPENSATION; REIMBURSEMENTS; CONTRACTS WITH AFFILIATES

Section 9.1 COMPENSATION, REIMBURSEMENTS.

(a) COMPENSATION. Except as may be expressly provided for in SECTION 9.1(B) below or in the agreements referred to in SECTION 9.2, or in another written agreement Approved by the Members, no payment will be made by the Company, to either Member for the services of such Member or any member, shareholder, director or employee, or Affiliate of such Member.

(b) REIMBURSEMENTS.

(i) Subject to the provisions of this Agreement, each of the Members shall be reimbursed promptly by the Company, for all reasonable out-of-pocket costs and expenses incurred by each on behalf of the Company in accordance with Budgets which have been Approved by the Members so long as such costs and expenses are not intended to be paid for from fees otherwise payable to such Member or its Affiliates as set forth in the Development Agreement and the Management Agreement, respectively.

(ii) Neither Member shall be entitled to reimbursement of any costs or expenses incurred by such Member in connection with the preparation and negotiation of this Agreement or any of the Exhibits hereto.

(iii) Requests for reimbursement hereunder shall be paid within thirty (30) days after submission of a request therefore accompanied by reasonable back-up documentation, subject to necessary third-party approvals.

Section 9.2 NO CONTRACTS WITH AFFILIATES.

Except as provided in SECTIONS 8.11 and 8.12, neither Member shall enter into any agreement or other arrangement for the furnishing to or by the Company of goods or services with any Person who is an Affiliate of such Member unless such agreement or arrangement has been Approved by the other Member after the nature of the relationship or affiliation has been disclosed; provided, however, if an Affiliate of either Member is in the business of providing services of a kind needed by the Company, such Affiliate will have the right to provide those services to the Company at market rates of compensation and terms and conditions Approved by the Members.

ARTICLE 10. SALE, TRANSFER OR MORTGAGE

Section 10.1 GENERAL.

Except as expressly permitted in this Agreement, no Member shall directly or indirectly sell, assign, transfer, mortgage, convey, charge or otherwise encumber or contract to do or permit any of the foregoing, whether voluntarily or by operation of law (herein sometimes collectively called a "Transfer"), or suffer any Affiliate or other third party to Transfer, any part or all of its Percentage Interest or its share of capital, profits, losses, allocations or distributions hereunder without the express prior written consent of the other Member, which consent may be withheld for any or no reason whatsoever. Any attempt to Transfer in violation of this ARTICLE 10 shall be null and void. The giving of consent in any one or more instances of Transfer shall not limit or waive the need for such consent in any other or subsequent instances.

Section 10.2 PERMITTED TRANSFERS BY THE MEMBERS.

(a) TRANSFERS BY CHELSEA. Without the consent of Simon, Chelsea

may from time to time Transfer its Percentage Interest, in whole or in part (i) to a Chelsea Affiliate or (ii) from a Chelsea Affiliate to another Chelsea Affiliate so long as such transfer does not result from, or occur in connection with, a Change in Control as defined in Subparagraph (i)(A) or (i)(c) of Paragraph 4 of Exhibit A hereof. Any Transfer under SECTION 10.2(A) shall not relieve Chelsea of its obligations under this Agreement.

(b) TRANSFERS BY SIMON. Without the consent of Chelsea, Simon may from time to time Transfer its Percentage Interest, in whole or in part (i) to a Simon Affiliate, or (ii) from a Simon Affiliate to another Simon Affiliate so long as such transfer does not result from, or occur in connection with, a Change in Control as defined in Subparagraph (ii)(A) or (ii)(C) of Paragraph (1) of Exhibit A hereof. Any Transfer under SECTION 10.2(B) shall not relieve Simon of its obligations under this Agreement.

(c) AGREEMENTS WITH TRANSFEREES.

(i) If pursuant to the provisions of this SECTION 10.2, any Member (the "Transferor") shall purport to make a Transfer of any part of its Percentage Interest to any Person ("Transferee"), no such Transfer shall entitle the Transferee to any benefits or rights hereunder until:

(1) the Transferee agrees in writing to assume and be bound by all the obligations of the Transferor and be subject to all the restrictions to which the Transferor is subject under the terms of this Agreement and any agreements with respect to the Project to which the Transferor is then subject or is then required to be a party; and

(2) the Transferor and Transferee enter into a written agreement with the other Member and the Company which provides (x) that the Transferor is irrevocably designated the proxy of the Transferee to exercise all voting and other approval rights appurtenant to the Percentage Interest acquired by the Transferee, (y) that the Transferor shall remain liable for all obligations arising under this Agreement prior to or after such Transfer in respect of the Percentage Interest so transferred, and (z) that the Transferee shall indemnify the Members from and against all claims, losses, liabilities, damages, costs and expenses (including reasonable attorneys' fees and court costs) which may arise as a result of any breach by the Transferee of its obligations hereunder.

(ii) No Transferee of any Percentage Interest shall make any further disposition except in accordance with the terms and conditions hereof.

(iii) All costs and expenses incurred by the Company, or the non-transferring Member, in connection with any Transfer of a Percentage Interest, including any filing or recording costs and the fees and disbursements of counsel, shall be paid by the Transferor.

Section 10.3 FIRST RIGHT OF REFUSAL PROCEDURE.

(a) FIRST REFUSAL NOTICE. Except as provided in SECTIONS 10.2(A) and 10.2(B), if, subsequent to the date which is 6 (six) full calendar years after the Project Completion Date, either Simon or Chelsea desires to sell all of its and its Affiliates' Percentage Interest in the Company it shall give written notice (the "First Refusal Notice") of such intention to the other Member (the Member issuing the First Refusal Notice is hereinafter called the "Offeror" and the Member receiving the First Refusal Notice is hereinafter called the "Offeree"). The First Refusal Notice must set forth (i) the price (the "Refusal Price") and terms upon which the Offeror has received a bona-fide, third party, arms-length offer to purchase such Percentage Interest (the Percentage Interest in the Company subject to the First Refusal Notice is hereinafter called the "Subject Interest") subject to all liabilities of the Company as of that date, (ii) a copy of such third-party offer, and (iii) the name and address of the proposed purchaser, provided, that the Offeror shall deal with only one such purchaser at a time. The Refusal Price set forth therein must be payable with cash consideration only, although, at the Offeror's election, payment of portions of such cash consideration may be deferred and paid, with interest, in one or more installments after closing. Moreover, in furtherance of SECTION 10.3(E) below, so as to avoid a termination of the Company for federal income tax purposes pursuant to Section 708(b)(1)(B) of the Code the First Refusal Notice must propose a structure for the sale of the Subject Interest so that the sale when combined with previous sales will not cause there to be a sale or exchange of more than a forty-nine percent (49%) interest in the Net Profits or capital of the Company in any 12-month period, or, alternatively to fairly compensate the Offeree for the cost (including loss of benefits and/or increased taxes) of any such tax termination. Any First Refusal Notice providing for non-cash consideration, in whole or in part, (except as permitted in this SECTION 10.3(A)) or a sale that would cause a combined sale or exchange of more than a forty-nine percent (49%) interest in any 12-month period (except as permitted in this SECTION 10.3(A)) shall not be effective to institute the First Refusal procedures. If the First Refusal Notice provides that payment of a portion of the Refusal Price is to be deferred, then the required collateral for such deferred payment shall be described in the First Refusal Notice and shall be the Subject Interest to be purchased and/or a certificate of deposit, irrevocable stand-by letter of credit, or other type of collateral which is generally available,

liquid, and not unique. Such First Refusal Notice shall constitute an offer by the Offeror to sell to the Offeree the Subject Interest specified in the First Refusal Notice for such price and terms, exclusive of any brokerage or similar commission provided for therein. Notwithstanding anything to the contrary set forth herein, neither Member may sell its Percentage Interest in the Company pursuant to the provisions of this Section unless any Affiliate which is a Partner in the Partnership also sells its interest in the Partnership pursuant to the First Right of Refusal Procedure set forth in the Partnership Agreement, and any attempt to do so shall be null and void. Neither Chelsea nor Simon may give a First Refusal Notice during the Construction Period nor until six (6) years after the Project Completion Date.

(b) ELECTION BY OFFEREE.

(i) For a period of thirty (30) days following the date of receipt by the Offeree of the First Refusal Notice (the "First Refusal Period"), the Offeree shall have the option to purchase all, but not less than all, of the Subject Interest specified in the First Refusal Notice for the price and on the terms stated in the First Refusal Notice. In the alternative the Offeree shall also have the option to sell its entire Percentage Interest in the Company to the Purchaser as set forth in subparagraph (d) hereof. If the Offeree elects to purchase the Subject Interest it must so notify the Offeror in writing (the "First Refusal Exercise Notice") within said 30-day period, which notice must be accompanied by a First Refusal Deposit (defined below). If the Offeree fails to send a First Refusal Exercise Notice or to deliver a First Refusal Deposit within said 30-day period it shall be deemed to have elected not to purchase. "First Refusal Deposit" shall mean an amount equal to 5% of the price set forth in the First Refusal Notice.

(c) CLOSING.

(i) If the Offeree elects to so purchase the Subject Interest, the transfer of the Subject Interest specified in the First Refusal Notice from the Offeror to the Offeree shall be closed and consummated in the principal office of the Company at 11:00 a.m., local time, on the sixtieth (60th) day following the date of the First Refusal Exercise Notice (or if such date is not a business day, the business day next following such day), or on such earlier day as may be selected by the Offeree. At the closing, the Offeree shall deliver to the Offeror (i) such portion of the Refusal Price which is payable at closing in accordance with the terms of the First Refusal Notice in cash (U.S. dollars) by wire transfer representing immediately available Federal Reserve System funds and (ii) the promissory note and the applicable security instruments, if any, required by the First Refusal Notice. Simultaneously with the receipt of such payment, the Offeror shall deliver the Subject Interest to the Offeree free and clear of all liens, security interests and competing claims (other than security interests granted in favor of the Offeree to secure any Contribution Loans made by the Offeree on behalf of the Offeror and not fully credited as hereinafter provided) and shall deliver to the Offeree such instruments of transfer and such evidence of due authorization, execution and delivery and of the absence of any such liens, security interests or competing claims as the Offeree shall reasonably request. The Refusal Price paid at closing shall be reduced by the amount of any outstanding Contribution Loans made by the Offeree to the Offeror, together with all accrued interest thereon and the costs (including loss of benefits and/or increased taxes), if any, associated with any termination under Section 708(b) (1) (B) of the Code caused by the transfer.

(ii) If, by virtue of the election of the Offeree to purchase any Subject Interest in accordance with the provisions of this SECTION 10.3, the holder of any loan to the Company under which the Offeror has personal liability has the right to, and notifies the Company of its intent to accelerate the loan, it shall be a condition to the closing that the Offeree repay such loan (plus any deferred and accrued and unpaid interest thereon and any required prepayment premium and/or yield maintenance fees), or have the Offeror released from personal liability for payment of the loan by a written instrument reasonably satisfactory to the Offeror, at the closing of the sale of such Subject Interest.

(d) SALE OF PROJECT TO THIRD PARTY

(i) During the First Refusal Period, the Offeree shall also have the option to sell its entire Percentage Interest in the Company to the Purchaser. If the Offeree elects to sell its Percentage Interest to the Purchaser, it must notify the Offeror in writing (the "Sale Notice") within the First Refusal Period. If Offeree fails to send a Sale Notice within said time 30-day period, it shall be deemed to have elected not to sell its Percentage Interest. In order for the Offeree to elect to sell its Percentage Interest in the Company, any Affiliates of the Offeree which are Partners in the Partnership must also elect to sell all interest which they hold in the Partnership.

(ii) If the Offeree elects to sell its Percentage Interest, the Offeror shall proceed to consummate a sale of both the Subject Interest and the Offeree's Percentage Interest to the Purchaser at a purchase price equal to the product of (i) the Refusal Price and (ii) the quotient resulting from the division

of (x) one (1) by (y) the percentage interest in the Company represented by the Subject Interest, subject to all liabilities of the Company as of the date of the First Refusal Notice. For example, if the Refusal Price for the Offeror's Percentage Interest is \$1,000,000 and Offeror's Percentage Interest equals 50%, then the interest held by the Company in the Partnership may be sold at a purchase price equal to \$2,000,000 (\$1,000,000 times 1.00/.50). The purchase price shall be payable as set forth in Section 10.3 (a); provided however, that if a portion of the purchase price is to be deferred, then the required collateral for such deferred payment shall be a mortgage on the Project and/or a certificate of deposit, irrevocable stand-by letter of credit or other type of collateral which is generally available, liquid and not unique and no more than 50% of the purchase price may be deferred. The form of the contract of sale shall be subject to the reasonable approval of the Offeree, and the contract shall be executed, and close, within the time frames, identified in Subparagraph (e)(i) of this section. If the holder of any loan to the Company under which a Member or Members or their Affiliates have personal liability has the right to and notifies the Company of its intent to accelerate the loan, it shall be a condition to the closing that the Purchaser repay such loan and obtain releases of any guarantees made in connection therewith. Costs incurred in connection with the drafting and negotiation of the contract of sale (excluding, however, costs incurred by the Offeree in commenting on same) and any conveyance, transfer or similar taxes payable in connection with the closing shall be expenses of the Company. The interests of any Affiliates of Offeror and Offeree which are Partners in the Partnership shall be sold at the purchase price and under the terms and conditions set forth in the First Right of Refusal Procedure in the Partnership Agreement.

(e) SALE OF SUBJECT INTEREST TO THIRD PARTY.

(i) If the Offeree fails to exercise its right to purchase the Subject Interest, or if the Offeree exercises its right to purchase but through no fault of the Offeror subsequently fails to purchase the Subject Interest within the time specified, or the Offeree fails to offer to sell its entire Percentage Interest to the Purchaser, or any Affiliates of Offeree which are Partners in the Partnership fail to offer to sell the interest held by such Affiliates, then the Offeror shall have the right, for four (4) months after the expiration of the First Refusal Period, to obtain a bona fide, binding contract for the sale of such Subject Interest to the third party which is identified as the prospective purchaser in the First Refusal Notice, so long as such third party is not an Affiliate of the Offeror (a "Purchaser") for a price and on terms and conditions consistent with SECTION 10.3(A) which are no less favorable to the Offeror than those stated in the First Refusal Notice, except that any such contract must provide for a closing of the purchase and sale of such Subject Interest within sixty (60) days after the date of such contract; PROVIDED, that if the Offeree fails to purchase the Offeror's Subject Interest in breach of a commitment by the Offeree to do so the Offeror shall have, as its sole remedy, the right to retain the First Refusal Deposit as liquidated damages and not as a penalty, and in addition thereto the above four-month limitation on the Offeror's rights to obtain a binding contract with a third party shall be extended to six (6) months.

(ii) In the event the Offeror proposes to consummate a sale of the Subject Interest to the Purchaser identified pursuant to SECTION 10.3(A) hereof within the time specified and in a manner otherwise consistent with the requirements of SECTIONS 10.3(D)(I) above, the Purchaser shall not be entitled to any benefits or rights under this Agreement unless and until:

(1) The Offeree shall reasonably approve the form and content of the instruments of transfer;

(2) The Purchaser in writing accepts and adopts all of the terms and conditions of this Agreement, as the same may have been amended, including, without limitation, the restrictions on transfer set forth in SECTION 10.1, and acknowledges that the Offeror's rights under this SECTION 10.3 are transferable, but shall not be available for a period of two (2) years, to such Purchaser;

(3) The Offeror or the Purchaser, as the case may be, pays all debts of the Offeror then due and payable to the Company or to the Offeree (including interest accrued thereon) and all capital contributions then due and payable by the Offeror to the Company;

(4) The Offeror or the Purchaser pays all reasonable expenses incurred by the Offeree from the date the Offeree last declines to purchase the Subject Interest through the date on which the Subject Interest is transferred to the Purchaser, including, without limitation, legal and accounting fees, and pays all costs incurred by the Company as the result of such transfer, including, without limitation, real or personal property transfer taxes, if any, imposed on the Company by virtue of the transfer and the cost of preparing and filing any and all tax returns which are required to be filed as a result of such sale; and

(5) If required by the Offeree, the Purchaser delivers an opinion of counsel to the Company, which counsel and

opinion are satisfactory to the Offeree, that an exemption from registration or qualification under the Securities Act of 1933, as amended, and under all applicable statutes, rules or laws of any state which may be applicable thereto is available.

(ii) In the event the Offeror is the Operating Member, the Non-Operating Member shall have the right to become the Operating Member and the Manager (or to have an Affiliate become the Manager) upon sale of the Subject Interest by giving notice of exercise to the Offeror.

(f) REINSTATEMENT OF FIRST REFUSAL PROCEDURE. In the event the Offeror fails within the time specified in SECTION 10.3(D) OR SECTION 10.3(E), AS APPLICABLE, to consummate such proposed sale, through no fault of the Offeree, the Offeror shall reimburse the Offeree for its above-described costs and shall, prior to any subsequent proposed sale of the Subject Interest be required to extend to the Offeree, and the Offeree shall have, the rights of First Refusal set forth in this SECTION 10.3. Except as otherwise permitted by this Agreement, any sale, assignment or other transfer by either Member of its Percentage Interest or any portion thereof in violation of the restrictions and procedures set forth in this SECTION 10.3 shall be void.

Section 10.4 RESTRAINING ORDER.

If either Member shall at any time Transfer or attempt to Transfer its Percentage Interest or part thereof in violation of the provisions of this Agreement and any rights hereby granted, then the other Member shall, in addition to all rights and remedies at law and in equity, be entitled to a decree or order restraining and enjoining such Transfer and the offending Member shall not plead in defense thereto that there would be an adequate remedy at law; it being hereby expressly acknowledged and agreed that damages at law will be an inadequate remedy for a breach or threatened breach of the violation of the provisions concerning Transfer set forth in this Agreement.

Section 10.5 NO TERMINATION.

Neither Member shall Transfer all or any part of its Percentage Interest to any party other than the other Member, whether or not the Transfer would otherwise be permitted hereunder, if the Transfer would result in a termination of the Company under Section 708(b)(1)(B) of the Code, unless the Transferor reasonably compensates the other Member for the costs (including loss of benefits and/or increased taxes), if any, associated with any resulting tax termination under Section 708(b)(1)(B). Unless so compensated, at the request of the other Member and as a condition of the consummation of any Transfer of all or any part of a Percentage Interest to any party other than the other Member, the Member proposing to Transfer all or any part of its Percentage Interest shall at its cost provide an unqualified opinion of counsel, which must be reasonably satisfactory to the other Member, that the Transfer would not result in such a termination and, in addition to the other Member's rights under SECTION 10.4, the Member proposing to Transfer all or any part of its Percentage Interest to any party other than the other Member shall indemnify and hold harmless the other Member from and against any and all loss, cost, liability or expense (including, but not limited to, reasonable attorneys' fees and court costs) which such other Member may suffer if the Transfer would, either by itself or together with any other prior Transfer of a Percentage Interest in the Company of which the transferring Member has knowledge at the time of the Transfer, cause such a termination.

Section 10.6 BUY-SELL.

(a) At any time during the Operating Period, in the event that a good faith dispute shall exist between the Members regarding one of the Major Decisions identified in Section 8.6(b), 8.6(d) or 8.6(m) and the Members are unable to agree upon the action to be taken by the Company (hereinafter, a "Deadlock"), and at any time following the date which is six (6) full calendar years after the Project Completion Date, whether or not a Deadlock shall exist between the Members, either Member (the "Offeror"), provided such Member is not then a Defaulting Member, may by giving the other Member (the "Offeree") written notice (the "Sale Notice") implement the sale procedures which are set forth in this SECTION 10.6. However prior to implementing the sale procedures the Member wishing to cause such buy-sell shall first be obligated to notify the other Member of its desire to sell its interest and the Members shall thereafter commence good faith discussions to determine whether or not they mutually agree upon the terms and conditions for the sale of one Member's interest in the Company to the other Member. If the Members are unable to agree, then upon the earlier to occur of thirty (30) days after commencement of discussions or on the date either party notifies the other that it doesn't want to continue discussions the Offeror may deliver the Sale Notice which shall state the cash price (determined or to be determined as set forth in subparagraph (d) below) at which the Offeror would be willing to sell its entire interest in the Company to the Offeree or to purchase the Offeree's entire interest in the Company.

(b) No Member may make a Sale Notice described in SECTION 10.6(A) during the Construction Period or, except as previously specified in Section 10.6(a) or hereafter specified in Section 10.6(c) for six (6) years after the Project Completion Date.

(c) If there is a merger, consolidation, or other business reorganization of Chelsea or Chelsea, Inc., or Simon, Simon, Inc., SD Inc. or SPG, as a result of which a Change in Control occurs (as defined in Exhibit A) then the non-merging, non-consolidating, or non-reorganizing Partner may, at its option implement the Buy-Sell

procedures set forth in this Section 10.6 regardless of the period of time that has elapsed subsequent to the Project Completion Date.

(d) If any Member shall choose to deliver a Sale Notice, upon receipt of the Sale Notice given and delivered pursuant to SECTION 10.6(A), the Offeree shall be obligated to elect, in accordance with the provisions of this SECTION 10.6, either to purchase the Offeror's entire interest in the Company or to sell its entire interest in the Company to the Offeror for cash at the closing described in SECTION 10.7.

(e) The purchase price (the "PURCHASE PRICE") for any purchase and sale of the interest in the Company of a Member under this SECTION 10.6 shall be equal to the cash amount set forth in the Sale Notice (less the outstanding principal balance of the mortgage, transfer taxes, recording fees, and prepayment premiums or other amounts payable to the lender, which amount shall be adjusted for the respective Percentage Interests of the Members).

(f) The Offeree shall give written notice of its election to the Offeror within 30 days after receipt of the Offer. Failure of the Offeree to give notice that such Offeree has elected to purchase the Offeror's entire interest in the Company shall be conclusively deemed to be an election of the Offeree to sell to the Offeror its entire interest in the Company.

(g) If the holder of any loan to the Company under which the selling Member or its Affiliates has personal liability, has the right to, and notifies the Company of its intent to accelerate such loan, it shall be a condition to the closing that the purchasing Member repay such loan (plus any deferred and accrued and unpaid interest thereon and any prepayment premium and/or yield maintenance fees) at the closing, or to have the selling Member and any Affiliates released from liability for payment of the loan and any guaranties given in connection therewith by a written instrument reasonably satisfactory to the selling Member, and the failure to do so will cause such Member to be a Defaulting Member. The purchasing Member agrees to indemnify the selling Member and its Affiliates and hold each of them harmless from and against any damage, loss or liability to any of them as a result of the indemnifying party's failure to repay such loan at the closing in accordance with the provisions hereof. In addition, the selling Member may, in its sole and absolute discretion, and without prejudice to any other legal or equitable remedies it may have, refuse to proceed with the closing unless simultaneously therewith any such loan is so repaid.

(h) The Offeree's election pursuant to subparagraph (f) shall create a binding contract for the purchase by Offeree of Offeror's Entire Interest or sale, as the case may be, of the Offeree's Entire Interest in the Company on the terms set forth in this SECTION 10.6. If the Offeree shall thereafter be in breach of its obligation to close the purchase or sale in accordance with such election, such Member shall be a Defaulting Member and in addition to all other rights and remedies herein provided, the Offeror shall have all remedies at law or in equity. In the event the Offeror shall be in breach of its obligation to close the purchase or sale herein provided, then such Member shall be a Defaulting Member, and in addition to all other rights and remedies herein provided, the Offeree shall have all remedies available in law or at equity.

(i) Notwithstanding the foregoing, the rights granted pursuant to this Section may not be exercised unless any Affiliate of the Offeror which holds an interest as a Partner in the Partnership also offers the entire interest held by it in the Partnership in accordance with the Buy-Sell provisions set forth in the Partnership Agreement.

Section 10.7 CLOSING OF PURCHASE OF A MEMBER'S INTEREST.

(a) The closing of any sale of a Member's interest pursuant to SECTION 10.6 shall be held at the office where the principal place of business of the Company is located on the 120th day after the election by the Offeree (unless the Members agree to a different mutually acceptable date), unless such 120th day is not a business day, in which event the closing shall take place on the first business day following such 120th day. Within 30 days prior to such closing, there shall be a preliminary closing at which the Members shall act diligently and in good faith to agree upon the form and substance of all documents necessary to effectuate the closing.

(b) At the closing, an assignment and, if requested by the purchasing Member, a bill of sale (both with covenants against grantor's acts) from the selling Member to the purchasing Member of the selling Member's interest therein, together with such other instruments and documents as may be reasonably necessary or desirable to effectuate the sale and transfer to the purchasing Member, shall be deposited in escrow under an escrow agreement and with an escrow agent approved by the Members, which approval shall not be unreasonably withheld. If there is any dispute between the Members, any title company which issued a fee title policy to the Company or acted as co-insurer or reinsurer may be designated by any Member as the escrow agent. The instruments and documents to be deposited in escrow at the closing shall be legally sufficient to convey all of the selling Member's interest in the Company to the purchasing Member, free and clear of all mortgages, deeds of trust, liens and encumbrances. The purchase price shall be paid to the selling Member by federal wire transfer of immediately available funds to an account designated by the selling Member.

(c) In the event there are any conveyance, transfer or similar

taxes payable as an incident to the conveyances at the preliminary closing or the closing, such taxes shall be expenses of the Company. In the event that any title insurance company insuring the title of the Company to the Project shall refuse to endorse its policy of title insurance to reinsure the Company's title to the Project effective immediately after the transfer to the purchasing Member without exception other than as set forth in the original policy of title insurance (other than exceptions for real estate taxes, rights of tenants in possession, as tenants only, any surviving deeds of trust, mortgages, liens or charges against the Project, any easements created by the Company and Approved by the Members, and any other matter Approved by the Members at any time or from time to time), then the assignment from the Offeror to the purchasing Member shall contain general warranties of its title to its interest in the Company and the Project.

Section 10.8 ASSUMPTION OF LIABILITIES.

(a) At any closing held pursuant to SECTION 10.7, the purchasing Member shall, by a legally enforceable agreement, assume the payment of all obligations of the Company accruing after closing, including, without limitation, any indebtedness under any lien on the Project identified in the Offer to the extent that the Members have personal liability therefor, and shall further secure the release of the selling Member's guaranties, if any.

(b) If, at the time of the purchase of the selling Member's interest, the Project is subject to any mortgage, deed of trust, lien or charge, other than those which were in existence at the time of the Sale Notice and used to calculate the Purchase Price, the purchasing Member shall discharge, assume, or take subject to such mortgage, deed of trust, lien or charge and reduce the amount of the Purchase Price otherwise payable pursuant to SECTION 10.6(D) by the selling Member's pro rata share of the amount of money as would be required to discharge such mortgage, deed of trust, lien or charge (including, without limitation, any and all prepayment premiums or penalties). In addition, if such an encumbrance shall have been placed by the selling Member in contravention of the terms and provisions of this Agreement, then the purchasing Member shall also have all of the rights provided in SECTION 10.6 with respect to a default by the selling Member, and the purchasing Member shall not be required to close the purchase and sale of the interest of the selling Member in the Company.

(c) Unless the Sale Notice provides otherwise, if the Project is damaged by fire or other casualty, or if any party possessing the right of eminent domain or such similar right shall give notice of an intention to take or acquire a part of the Project, and such damage occurs, or such notice is given between the date of the Sale Notice and the closing, the following shall apply:

(i) If the Project is damaged by an insured casualty (or an uninsured casualty not resulting in significant damage, which for the purposes of this subsection only shall mean damage the cost to repair of which would not exceed \$1,000,000), or if the taking or acquisition shall not involve a substantial portion of the Project resulting in an other than substantial reduction in income, then the Offeree shall be required to complete the transaction and accept an assignment of the insurance or condemnation proceeds, in which case the Purchase Price shall be reduced by a portion of the uninsured casualty, if any, equal to the amount of the uninsured casualty multiplied by the selling Member's Adjusted Percentage Interest, and shall be further reduced by the sum of all deductible amounts specified under the policies of insurance multiplied by the selling Member's Adjusted Percentage Interest.

(ii) If the Project is damaged by an uninsured casualty resulting in significant damage, or if the taking or acquisition shall or may result in a substantial reduction in the income producing capacity of the Project, then the purchasing Member shall have the option to either (1) accept the Selling Member's interest in the Project in an "as is" condition together with any insurance proceeds, settlements and awards (in which case the Purchase Price shall be reduced by the sum of all deductible amounts specified under policies of insurance multiplied by the selling Member's Adjusted Percentage Interest), or (2) cancel the purchase.

In the event that the purchase is canceled by the purchasing Member in accordance with this SECTION 10.8(C), the terms of this Agreement shall remain in effect and continue to be binding on the parties.

ARTICLE 11. DISSOLUTION

Section 11.1 DISSOLUTION AND TERMINATION; CONTINUATION OF BUSINESS.

(a) CAUSES OF DISSOLUTION AND TERMINATION. Except as set forth in this ARTICLE 11 and ARTICLE 10, neither Member shall have the right and each Member hereby agrees not to withdraw from the Company, nor to dissolve, terminate or liquidate, or to petition a court for the dissolution, termination or liquidation of the Company, except as provided in this Agreement, and neither Member at any time shall have the right to petition or to take any action to subject the Company's assets or any part thereof, including the Project, or any part thereof, to the authority of any court of bankruptcy, insolvency, receivership or similar proceeding. The Company shall be dissolved and terminated only upon the earlier occurrence of any of the following

dates or events:

(i) December 31, 2050 or such later date as Approved by the Members;

(ii) a dissolution of the Company is Approved by the Members;

(iii) one or both of the Members elect to dissolve the Company pursuant to any provision of this Agreement permitting such election to be made;

(iv) the sale or other disposition (exclusive of an exchange for other real property or the granting of a lien or security interest in the Project) by the Company of all or substantially all of the Project and other assets of the Company;

(v) the "Bankruptcy" (as hereinafter defined), dissolution or liquidation of a Member;

(vi) the occurrence of any event that, under the Delaware LLC Act, would cause the dissolution of the Company or that would make it unlawful for the business of the Company to be continued; or

For the purposes of this Agreement, the term "Bankruptcy" shall mean, and the Member shall be deemed "Bankrupt" upon, (i) the entry of a decree or order for relief of the Member by a court of competent jurisdiction in any involuntary case involving the Member under any bankruptcy, insolvency, or other similar law now or hereafter in effect; (ii) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar agent for the Member or for any substantial part of the Member's assets or property; (iii) the ordering of the winding up or liquidation of the Member's affairs; (iv) the filing with respect to the Member of a petition in any such involuntary bankruptcy case, which petition remains undismissed for a period of 90 days or which is dismissed or suspended pursuant to Section 305 of the Federal Bankruptcy Code (or any corresponding provision of any future United States bankruptcy law); (v) the commencement by the Member of a voluntary case under any bankruptcy, insolvency, or other similar law now or hereafter in effect; (vi) the consent by the Member to the entry of an order for relief in an involuntary case under any such law or to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, or other similar agent for the Member or for any substantial part of the Member's assets or property; (vii) the making by the Member of any general assignment for the benefit of creditors; or (viii) the failure by the Member generally to pay its debts as such debts become due.

(b) RIGHT TO CONTINUE BUSINESS OF THE COMPANY. Upon an event described in SECTIONS 11.1(A)(I), 11.1(A)(V) or 11.1(A)(VI) (but not an event described in SECTION 11.1(A)(VI) that makes it unlawful for the business of the Company to be continued), the Company thereafter shall be dissolved and liquidated unless, within 90 days after the event described in any of such Sections, an election to continue the business of the Company shall be made in writing by the remaining Members holding fifty percent (50%) or more of the Percentage Interests. If such an election to continue the Company is made, then the Company shall continue until another event causing dissolution in accordance with this ARTICLE 11 shall occur.

Section 11.2 PROCEDURE IN DISSOLUTION AND LIQUIDATION.

(a) WINDING UP. Upon dissolution of the Company pursuant to SECTION 11.1 hereof, the Company shall immediately commence to wind up its affairs and the Members shall proceed with reasonable promptness to liquidate the business of the Company and (at least to the extent necessary to pay any debts and liabilities of the Company) to convert the Company's assets into cash. A reasonable time shall be allowed for the orderly liquidation of the business and assets of the Company in order to reduce any risk of loss that might otherwise be attendant upon such a liquidation.

(b) MANAGEMENT RIGHTS DURING WINDING UP. During the period of the winding up of the affairs of the Company, the Operating Member shall manage the Company and shall make with due diligence and in good faith all decisions relating to the conduct of any business or operations during the winding up period and to the sale or other disposition of Company assets; provided, however, that if the termination of the Company results from an Event of Default of a Member, the defaulting Member shall have no further right to participate in the management or affairs of the Company and the non-defaulting Member shall manage the Company during the period of winding up. Each Member hereby waives any claims it may have against the other that may arise out of the management of the Company by the other, pursuant to this SECTION 11.2(B), so long as such other Member and its representatives act in good faith.

(c) WORK IN PROGRESS. If the Company is dissolved for any reason while there is development or construction work in progress, winding up of the affairs and termination of the business of the Company may include completion of the work in progress to the extent the Members or non-defaulting Member, as the case may be, may determine same to be necessary to permit a sale or other disposition of the Project which is most beneficial to the Members.

(d) DISTRIBUTIONS IN LIQUIDATION. The assets of Company shall be applied or distributed in liquidation in the following manner and in

the following order of priority:

(i) In payment of debts and obligations of the Company owed to third parties, which shall include either Member as the holder of any secured loan, and to the expenses of liquidation in the order of priority as provided by law; then

(ii) To the setting up of any reserves for a period of up to twelve (12) months which the Members or the non-defaulting Member, as the case may be, may deem necessary for any contingent or unforeseen liabilities or obligations of the Company; then

(iii) In payment of any debts or obligations of the Company to either Member, and then

(iv) To the Members pro rata in proportion to the positive balances in their respective Capital Accounts until said Capital Accounts have been reduced to zero.

Losses attributable to the expenditure of funds held under the reserve in SECTION 11.2(D)(II) shall be allocated to each Member to the extent such expenditure will reduce the amount of cash eventually distributed to each Member.

Notwithstanding the foregoing, if there are any outstanding Contribution Loans at the time of any distribution pursuant to this SECTION 11.2(D), the Member to whom such Contribution Loans are owed shall be entitled to payment of the Contribution Loans on a priority basis out of the distributions to which the Member for whose benefit the Contribution Loans were made is entitled, to be applied to the Contribution Loans in order of priority based on the chronological order in which they were made, the earliest to be paid first in full, and to each Contribution Loan in payment first of interest and then of principal.

(e) NON-CASH ASSETS. Every reasonable effort shall be made to dispose of the assets of the Company so that the distribution may be made to the Members in cash. If at the time of the termination of the Company, the Company owns any assets in the form of work in progress, notes, deeds to secure debt or other non-cash assets, such assets, if any, shall be distributed in kind to the Members, in lieu of cash, proportionately to their right to receive the assets of the Company on an equitable basis reflecting the Fair Market Value of the assets so distributed. In the alternative, the Members may cause the Company to distribute some or all of its non-cash assets to the Members as tenants-in-common subject to such terms, covenants and conditions as the Members may adopt.

Section 11.3 DISPOSITION OF DOCUMENTS AND RECORDS.

All Documents of the Company shall be retained upon termination of the Company for a period of not less than seven (7) years by a party mutually acceptable to the Members. The costs and expenses of personnel and storage costs associated therewith shall be shared by the Members equally. The Documents shall be available during normal business hours to all Members for inspection and copying at such Member's cost and expense. If either Member for any reason ceases as provided herein to be a Member at any time prior to termination of the Company ("Non-Surviving Member"), and the Company is continued without the Non-Surviving Member, the other Member ("Surviving Member") agrees that the Documents of the Company up to the date of the termination of the Non-Surviving Member's interest shall be maintained by the Surviving Member, its successors and assigns, for a period of not less than seven (7) years thereafter; provided, however, that if there is an Internal Revenue Service examination or audit, or notice thereof, which requires access to the Documents, the Documents shall be retained until the examination or audit is completed and any tax liability finally determined, and provided further, the Non-Surviving Member shall reimburse the Surviving Member for one-half of personnel and storage costs associated herewith. The Documents shall be available for inspection, examination and copying by the Non-Surviving Member or its representatives upon reasonable notice in the same manner as herein provided during said seven (7) year period.

Section 11.4 DATE OF TERMINATION.

The Company shall be terminated when its cash and other assets have been applied and distributed in accordance with the provisions of SECTION 11.2(D). The establishment of any reserves in accordance with the provisions of SECTION 11.2(D) shall not have the effect of extending the Termination Date of the Company, but any unexpended reserve amount shall be distributed in the order and priority provided in such Section upon expiration of the period of such reserves.

ARTICLE 12.
GENERAL PROVISIONS

Section 12.1 Voluntary Dispute Resolution.

- (a) All disputes and controversies relating to the interpretation, construction, performance or breach of this Agreement, the Development Agreement or the Management Agreement may be resolved by submission to binding arbitration at the offices of JAMS/ENDISPUTE located in Delaware ("JAMS"); provided that both members agree to subject themselves to such dispute resolution procedure. If agreement is reached between the Members that they will subject themselves to an arbitration proceeding, either party can initiate arbitration by sending written notice of an intention to arbitrate by registered or certified mail to the other party hereto and to JAMS. The notice must contain a description of the dispute and the remedy sought. If and when a demand for arbitration is made by either party, the parties agree to abide by the then-current rules and procedures established by JAMS for discovery, the conduct of the arbitration hearing, and appeal of the arbitration award. The parties may agree on a retired judge from the JAMS panel. If they are unable to agree, JAMS will provide a list of three available judges and each party may strike one. The remaining judge will serve as the arbitrator at the settlement conference.
- (b) The arbitration shall be governed by Delaware law, shall be submitted to arbitration in Delaware and judgment upon the award rendered by the arbitrator may be entered in any federal or state court having jurisdiction thereof. The parties agree that arbitration must be initiated within nine (9) months after the claimed breach occurred and that the failure to initiate arbitration within said period constitutes an absolute bar to the institution of any new proceeding.
- (c) The prevailing party in any arbitration proceeding shall be entitled to reasonable attorneys' fees and costs as determined by the arbitrator as part of its decision in the arbitration.

Section 12.2 NOTICES.

Any notice, consent, approval, or other communication which is provided for or required by this Agreement must be in writing and may be delivered in person to any party or may be sent by a facsimile transmission, telegram, courier or registered or certified U.S. mail, with postage prepaid, return receipt requested. Any such notice or other written communications shall be deemed received by the party to whom it is sent (i) in the case of personal delivery, on the date of delivery to the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, (ii) in the case of facsimile transmission or telegram, the next business day after the date of transmission, (iii) in the case of courier delivery, the date receipt is acknowledged by the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, and (iv) in the case of registered or certified mail, the earlier of the date receipt is acknowledged on the return receipt for such notice or five (5) business days after the date of posting by the United States Post Office. For purposes of notices, the addresses of the parties hereto shall be as follows, which addresses may be changed at any time by written notice given in accordance with this provision:

If to Simon:

Simon Property Group, L.P.
c/o Simon Property Group, Inc.
National City Center
115 West Washington Street
Indianapolis, Indiana 46204
Attention: Chief Executive Officer
Facsimile No.: (317) 263-7177

With a copy to:

Simon Property Group, L.P.
c/o Simon Property Group, Inc.
National City Center
115 West Washington Street
Indianapolis, Indiana 46204
Attention: General Counsel
Facsimile No.: (317) 685-7221

If to Chelsea:

Chelsea GCA Realty Partnership, L.P.
103 Eisenhower Parkway
Roseland, New Jersey 07068
Attention: Chief Executive Officer
Facsimile No.: (201) 228-1694

With a copy to:

Chelsea GCA Realty Partnership, L.P.
103 Eisenhower Parkway
Roseland, New Jersey 07068
Attention: General Counsel
Facsimile No.: (201) 228-3891

Failure of, or delay in delivery of any copy of a notice or other written communication shall not impair the effectiveness of such notice or written communication given to any party to this Agreement as specified herein.

Section 12.3 ENTIRE AGREEMENT.

This Agreement (including all Exhibits referred to herein and attached hereto, which Exhibits are part of this Agreement for all purposes) contains the entire understanding between the Members with respect to the Project and supersedes any prior understanding and agreements between them respecting the within subject matter. There are no representations, agreements, arrangements or understandings, oral or written, between the Members relating to the subject of this Agreement which are not fully expressed herein.

Section 12.4 SEVERABILITY.

This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable Laws of the State of Delaware. If any provision of this Agreement, or the application thereof to any person or circumstances shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law; provided, however, that the above-described invalidity or unenforceability does not diminish in any material respect the ability of the Members to achieve the purposes for which this Company was formed.

Section 12.5 SUCCESSORS AND ASSIGNS.

Subject to the restrictions on Transfer set forth in ARTICLE 10, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

Section 12.6 COUNTERPARTS.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

Section 12.7 ADDITIONAL DOCUMENTS AND ACTS.

In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement, and all such transactions.

Section 12.8 INTERPRETATION.

This Agreement and the rights and obligations of the respective parties hereunder shall be governed by and interpreted and enforced in accordance with the Laws of the State of Delaware.

Section 12.9 TERMS.

Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter, singular, and plural, as the identity of the person or persons, firm or corporation may in the context require. Any reference to the Code or Laws shall include all amendments, modifications, or replacements of the specific sections and provisions concerned.

Section 12.10 AMENDMENT.

This Agreement, the Development Agreement and the Management Agreement may not be amended, altered or modified except by instrument in writing and signed by the Members.

Section 12.11 REFERENCES TO THIS AGREEMENT.

Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated. The words "herein," "hereof," "hereunder," "hereby," "this Agreement" and other similar references shall be construed to mean and include this Agreement and all amendments thereof and Exhibits thereto unless the context shall clearly indicate or require otherwise.

Section 12.12 HEADINGS.

All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

Section 12.13 NO THIRD PARTY BENEFICIARY.

This Agreement is made solely and specifically between and for the benefit of the parties hereto, and their respective successors and assigns subject to the express provisions hereof relating to successors and assigns, and no other Person whatsoever shall have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

Section 12.14 NO WAIVER.

No consent or waiver, either expressed or implied, by any Member to or of any breach or default by any other Member in the performance by such other Member of the obligations thereof under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Member of the same or any other obligations of such other Member under this Agreement. Failure on the part of any Member to complain of any act or failure to act of any other Member, failure on the part of any complaining Member to continue to complain or to pursue complaints with respect to any act or failure to act of any other Member, or failure on the part of any Member to declare any other Member in default, irrespective of how long such

failure continues, shall not constitute a waiver by such Member of the rights and remedies thereof under this Agreement or otherwise at law or in equity.

Section 12.15 TIME OF ESSENCE.

Time is of the essence of this Agreement.

Section 12.16 ATTORNEY'S FEES.

The prevailing party in any litigation initiated to interpret and/or enforce the provisions of this Agreement shall be entitled to reasonable attorney's fees and costs.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized corporate officers, each on the day and year first above written.

Simon: SIMON PROPERTY GROUP, L.P., a Delaware limited partnership
By: SIMON PROPERTY GROUP, INC., a Delaware corporation, General Partner
By: _____
Its: _____

Chelsea: CHELSEA GCA REALTY PARTNERSHIP, L.P., a Delaware limited partnership
By: CHELSEA GCA REALTY, INC., a Maryland corporation, sole general partner
By: _____
Its: _____

EXHIBIT A

DEFINITIONS

When used in this Agreement, the following terms will have the meanings set forth below:

- (a) "ACT" shall mean the Delaware Limited Liability Act.
- (b) "ADJUSTED PROJECT COST" shall mean Total Project Cost minus Development Fees.
- (c) "ADJUSTED PERCENTAGE INTEREST" shall mean the aggregate percentage interest(s) in the Company owned by each Member after the calculation made pursuant to SECTION 5.4(C).
- (d) "AFFILIATE(S)" shall mean a Chelsea Affiliate or a Simon Affiliate, or a Person or Persons directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with the Person(s) in question. The term "control", as used in the immediately preceding sentence, means, (i) with respect to a Person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person, or (ii) owning a majority of the equity interest in such Person.
- (e) "AGREEMENT" shall mean this Limited Liability Company Agreement, as amended from time to time.
- (f) "Approval or APPROVED BY THE MEMBERS" or "APPROVAL OF THE MEMBERS" shall mean approval by all of the Members acting through their duly authorized representatives.
- (g) "BUDGETS" shall mean the following budgets of the Company from time to time:
 - (i) "DEVELOPMENT BUDGET", which shall mean the budget of Total Project Costs estimated to be incurred with respect to the Project including, without limitation, that portion of Total Project Costs included in the Pre-Construction Budget which shall be Approved by the Members by written resolution, subject to revision from time to time by Approval of the Members; and
 - (ii) "OPERATING BUDGET", which shall mean the annual budgets of the Company for the Project which shall be Approved by the Members by written resolution, and which shall be comprised of: (A) an estimate of all receipts from and expenditures for the ownership, management, maintenance and operation of the Project and the Company for such Fiscal Year and (B) an estimate of all capital replacements, substitutions and/or additions to the Project, or any component thereof, which are to be accomplished during such Fiscal Year; and
 - (iii) "PRE-CONSTRUCTION BUDGET", which shall mean the budget of costs and expenses estimated to be incurred with respect to the Project during the Pre-Construction Period which shall be Approved by the Members by written resolution, subject to revision from time to time by Approval of the Members.
 - (iv) "PROSPECTIVE PROJECT BUDGET", which shall mean costs incurred for this Project pursuant to SECTION 5.2(2) of the Limited Liability Company of Simon/Chelsea Development Co., L.L.C. or the maximum amount of costs and expenses estimated to be incurred with respect to the Project during the Prospective Project Period, which shall be Approved by the Members, subject to revision from time to time by Approval of the Members.
- (h) "CAPITAL ACCOUNT" shall have the meaning specified in SECTION 1 of the Tax Allocations Exhibit.
- (i) "CAPITAL CONTRIBUTION BALANCE" shall mean, as to each Member, the amount of the aggregate capital contributions made by such Member from time to time, reduced by all cash distributions to such Member other than (i) distributions of Cash Flow pursuant to SECTION 6.5 hereof and (ii) the repayment of, or any payment of interest on, any Contribution Loans or any loans to the Company made by such Member.
- (j) "CAPITAL PROCEEDS" shall mean the net proceeds from:
 - (i) loans to the Company in excess of current or reasonably anticipated Company needs (including reasonable reserves for Company debt obligations and working capital as determined by the Members) or excess funds received from refinancing of any Company indebtedness (x) after the payment of, or provision for the payment of, all costs and expenses incurred by the Company in connection with such refinancing, and (y) after deduction or retention of such sums as are deemed necessary to be retained as a reserve for the conduct of the business of the Company; and
 - (ii) any sale, exchange, condemnation or other disposition of the Project, or any portion thereof or any interest therein, any equipment used thereon, or any other capital asset of the Company or from claims on policies of insurance maintained by the Company

for damage to or destruction of capital assets of the Company or the loss of title thereto (to the extent that such proceeds exceed the actual or estimated costs of repairing or replacing the assets damaged or destroyed if, pursuant to this Agreement, such assets are repaired or replaced) (x) after the payment of, or provision for the payment of, all costs and expenses incurred by the Company in connection with such sale or other disposition or the receipt of such insurance proceeds, as the case may be, and (y) after deduction or retention of such sums as are deemed necessary to be retained as a reserve for the conduct of the business of the Company.

- (k) "CASH FLOW" shall mean for any period the Gross Receipts of the Company for such period less Operating Expenses for such period.
- (l) "CHANGE IN CONTROL" shall mean any event or occurrence, the result of which is that: (i) as to Chelsea only, (A) during the Pre-Construction Period and the Construction Period, none of David Bloom, William Bloom, Leslie Chao or Tom Davis is an executive officer of Chelsea or its general partner with the power and authority to conduct the day-to-day activities of, and make binding decisions for, Chelsea, (B) at any time during the term of this Agreement, there occurs a Transfer of the Percentage Interest of Chelsea or the Percentage Interest of any Chelsea Affiliate, other than a Transfer permitted pursuant to SECTION 10.2 of this Agreement, or (C) at any time during the term of this Agreement, there occurs a merger, consolidation or other business reorganization of Chelsea GCA Realty Partnership, L.P. ("Chelsea") or Chelsea GCA Realty, Inc. ("Chelsea, Inc.") in which (x) Chelsea or Chelsea, Inc. or a Chelsea Affiliate is not the surviving entity or (y) a majority of the directors and officers of the surviving entity have not been nominated and appointed by Chelsea or Chelsea, Inc.; and (ii) as to Simon only, (A) during the Pre-Construction Period and the Construction Period, none of Melvin Simon, Herbert Simon, David Simon or Richard Sokolov is an executive officer of Simon or its general partner with the power and authority to conduct the day-to-day activities of, and make binding decisions for, Simon, (B) at any time during the term of this Agreement, there occurs a Transfer of the Percentage Interest of Simon or any Simon Affiliate, other than a Transfer permitted pursuant to SECTION 10.2 of this Agreement, or (C) at any time during the term of this Agreement, there occurs a merger, consolidation or other business reorganization of the Simon Property Group, L.P. ("Simon") or Simon Property Group, Inc. ("Simon Inc.") and/or SD Property Group ("SD Inc.") and/or SPG Properties, Inc. ("SPG") in which Simon or Simon Inc. or SD Inc. or SPG or a Simon Affiliate is not the surviving entity or (y) a majority of the directors and officers of the surviving entity have not been nominated and appointed by Simon, Simon Inc., SD Inc. or SPG.
- (m) "CHELSEA" shall mean Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership whose sole general partner is Chelsea GCA Realty, Inc., a Maryland corporation.
- (n) "CHELSEA AFFILIATE" shall mean (i) Chelsea, (ii) Chelsea GCA Realty, Inc., (iii) any other Person which, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with any of the aforesaid specifically identified Chelsea Affiliates. The term "control", as used in the immediately preceding sentence, means, (i) with respect to a Person that is a corporation, the right to the exercise, directly or indirectly, of more than 50% of the rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the controlled Person, or (ii) having a majority of the equity interest in such Person.
- (o) "COMPANY" shall mean the limited liability company formed pursuant to the terms hereof for the limited purposes and scope set forth herein.
- (p) "CONSTRUCTION OVERRAGES" shall mean the excess costs and expenses over an Approved Development Budget which the Operating Member has funded pursuant to the provisions of Section 5.4 (c).
- (q) "CONSTRUCTION PERIOD" shall mean the period commencing upon the earliest to occur of (i) the date of closing of a third-party construction loan in accordance with SECTION 5.2(D) or (ii) the actual start of construction of the site work or any portion of the Project's buildings and improvements, or (iii) entry into commitments with third parties for the construction of any portion of the Project's buildings and improvements, and ending on the later to occur of (x) the opening for business with the public of any portion of the Project or (y) the Project Completion Date.
- (r) "CONTRIBUTION LOAN" shall have the meaning specified in SECTION 5.4(D).
- (s) "CONTRIBUTING MEMBER" shall have the meaning specified in SECTION 5.4(D).
- (t) "DEVELOPER" shall, collectively, mean a Member or an Affiliate of Member engaged as Developer of the Project pursuant to the Development Agreement.
- (u) "DEVELOPMENT AGREEMENT" shall mean the agreement entered into by and between the Developer and the Company with respect to the management of the development and construction activities of the Project, as Approved by the Members pursuant to SECTION 8.11.
- (v) "DEVELOPMENT BUDGET" shall have the meaning specified in (f) above.
- (w) "DOCUMENTS" shall have the meaning specified in SECTION 7.1.

- (x) "FAIR MARKET VALUE" shall have the meaning specified in SECTION 10.1.
- (y) "FINAL PROJECT PROGRAM" shall mean the development of the final project program (which shall include, among other things, the basic terms and conditions for any financing required to complete the development and construction of the Project and evidence reasonably acceptable to the Members, that such financing can be obtained) site plan and schematic building design and final Development Budget and construction schedule, which shall be prepared at least 60 days prior to the commencement of the Construction Period.
- (z) "FISCAL YEAR" shall mean the twelve month period ending December 31 of each year; provided that the first Fiscal Year shall be the period beginning on the date the Company is formed and ending on December 31, 1998, and the last Fiscal Year shall be the period beginning on January 1 of the calendar year in which the final liquidation and termination of the Company is completed and ending on the date such final liquidation and termination is completed (to the extent any computation or other provision hereof provides for an action to be taken on a Fiscal Year basis, an appropriate proration or other adjustment shall be made in respect of the first or final Fiscal Year to reflect that such period is less than a full calendar year period).
- (aa) "GROSS RECEIPTS" shall mean receipts (other than Capital Proceeds) from the conduct of the business of the Company from all sources.
- (bb) "INDEPENDENT ACCOUNTANTS" shall mean Ernst & Young or other nationally recognized accounting firm designated pursuant to this Agreement.
- (cc) "INITIAL PERCENTAGE INTEREST" shall mean the aggregate initial percentage interest(s) in the Company owned by each Member as set forth in SECTION 5.
- (dd) "LAND" shall mean the approximately 70 acres of land on which the Project is to be constructed, as same may be subsequently increased pursuant to the Approval of both Member.
- (ee) "LAWS" shall mean federal, state and local statutes, case law, rules, regulations, ordinances, codes and the like which are in full force and effect from time to time and which affect the Project or the ownership or operation thereof.
- (ff) "MAJOR DECISIONS" shall have the meaning specified in SECTION 8.6.
- (gg) "MANAGEMENT AGREEMENT" shall mean the agreement entered into by and between the Manager and the Company with respect to the management, operation, maintenance and servicing of the Project, as Approved by the Members pursuant to SECTION 8.12.
- (hh) "MANAGER" shall mean, collectively, a Member or an Affiliate of Member engaged as the Manager of the Project pursuant to the Management Agreement.
- (ii) "MEMBER" shall mean Simon, Chelsea or any other Person from time to time owning a Percentage Interest as permitted by this Agreement.
- (jj) "MEMBERS" shall mean, collectively, Simon, Chelsea and any other Person from time to time owning a Percentage Interest as permitted by this Agreement.
- (kk) "NET PROFIT" or "NET LOSS" shall mean for each Fiscal Year the Company's taxable income or taxable loss for such Fiscal Year, determined in accordance with EXHIBIT B.
- (ll) "NON-CONTRIBUTING MEMBER" shall have the meaning specified in SECTION 5.4(D)(I).
- (mm) "NON-OPERATING MEMBER" shall mean any Member which is not the Operating Member. The initial Non-Operating Member shall be Simon.
- (nn) "OPERATING BUDGET" shall have the meaning specified in (G)(II) above.
- (oo) "OPERATING EXPENSES" shall mean all expenditures of any kind made with respect to the operations of the Company in the normal course of business including, but not limited to, debt service (principal and interest) payable on indebtedness of the Company, ad valorem taxes, insurance premiums, repair and maintenance expense, management fees or salaries, advertising expenses, professional fees, wages, and utility costs, plus such sums as are deemed reasonably necessary as a reserve to be retained for the conduct of the business of the Company, and capital expenditures and investments in other assets. Such expenses shall be determined on a cash basis and shall not include any non-cash items such as depreciation or amortization.
- (pp) "OPERATING MEMBER" shall mean the Member designated as such by written resolution of the Members pursuant to SECTION 8.1(A) and SECTION 8.2, subject to the provisions of SECTION 5.4(H) and 8.10 with respect to its removal or withdrawal from such position.
- (qq) "OPERATING PERIOD" shall mean the period commencing on the later to occur of (I) the opening for business with the public of any portion of the Project and (ii) the Project Completion Date and ending on the date that the Project is no longer open for business.
- (rr) "PARTNERSHIP" shall mean Simon/Chelsea Orlando Development Limited Partnership, a Florida limited partnership.
- (ss) "PARTNERSHIP AGREEMENT" shall mean that certain Agreement of Limited

Partnership dated as of January 22, 1999 by and among the Company, as general partner, and Simon Property Group, L.P., a Delaware limited partnership, and Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership, as limited partners.

- (tt) "PERCENTAGE INTEREST" shall mean the Initial Percentage Interest or Adjusted Percentage Interest, as the case may be.
- (uu) "PERCENTAGE INTEREST ADJUSTMENT DATE" shall mean the date of funding of a Non-Funding Member's share of a capital contribution by a Funding Member in accordance with SECTION 5.4(C)(I) hereof.
- (vv) "PERSON" shall mean an individual, partnership, corporation, trust, unincorporated association, limited liability corporation, joint stock company or other entity or association.
- (ww) "PRE-CONSTRUCTION PERIOD" shall mean the period commencing upon the date of this Agreement and ending upon the commencement of the Construction Period.
- (xx) "PRIME RATE" shall mean the per annum interest rate which is publicly announced (whether or not actually charged in each instance) from time to time (adjusted daily) by The Chase Manhattan Bank, as its "prime rate". In the event such bank discontinues the quotation of such rate or in the event the same ceases to be readily ascertainable, the Operating Member shall designate, subject to the approval of the Non-Operating Member (which approval shall not be unreasonably withheld or delayed), as the Prime Rate, either another bank's quotation of such rate or equivalent rate of interest which is readily ascertainable and is appropriate, as the case may be.
- (yy) "PROJECT" shall mean the Land located in Orange County, Florida, all infra-structure necessary or appropriate in connection with the development of such Land, the approximately 432,000 square foot Orlando Premium Outlets manufacturers outlet shopping center constructed thereon, the surface and structural parking facilities and all equipment and personal property necessary or desirable for the operation of the Houston Premium Outlets. The Members agree that they may, subsequent to the date hereof, decide to develop certain of the out-parcels which constitute a portion of the Land as restaurants and/or for other retail projects. In such case the term "Project" may, at the option of Members hereof, also be deemed to refer to such subsequent development.
- (zz) "PROJECT COMPLETION DATE" shall mean the date upon which the Project has been substantially completed in accordance with the Plans and Specifications, as certified by the Project's architect.
- (aaa) "SIMON" shall mean Simon Property Group L.P., a Delaware limited partnership whose sole managing general partner is Simon Property Group, Inc., a Delaware corporation and whose sole non-managing partners are SD Property Group, Inc., an Ohio corporation and SPG Properties, Inc., a Maryland corporation.
- (bbb) "SIMON AFFILIATE" shall mean (i) Simon; (ii) Simon Property Group, Inc. (or any of its Affiliates (collectively, "SPG")), (iii) SD Property Group, Inc., (iv) SPG Properties, Inc., (v) any successor to Simon in connection with a bona fide reorganization, recapitalization, acquisition or merger, (vi) any Person which acquires all or substantially all of the assets of Simon or SPG and (vii) any other Person which, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with any of the aforesaid specifically identified Simon Affiliates. The term "control", as used in the immediately preceding sentence, means, (i) with respect to a Person that is a corporation, the right to the exercise, directly or indirectly, of more than 50% of the rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the controlled Person, or (ii) having a majority of the equity interest in such Person.
- (ccc) "TAX ALLOCATIONS EXHIBIT" shall mean the provisions on Capital Accounts and special allocations rules attached hereto as EXHIBIT B.
- (ddd) "TERMINATION DATE" shall have the meaning specified in ARTICLE 4.
- (eee) "TOTAL PROJECT COSTS" shall mean all costs which have been or are estimated to be incurred by the Company with respect to the acquisition, design, development, construction, debt financing, leasing, and completion of the Project, which Total Project Costs (including without limitation tenant allowances) are initially estimated on the Development Budget. Total Project Costs shall include the Development and Leasing Fees referenced in the Development Agreement.
- (fff) "TRANSFER" shall have the meaning specified in SECTION 10.1.
- (ggg) "TRANSFeree" shall have the meaning specified in SECTION 10.2(C).
- (hhh) "TRANSFEROR" shall have the meaning specified in SECTION 10.2(C).

EXHIBIT B

CAPITAL ACCOUNTS; SPECIAL ALLOCATION RULES

1. DEFINITIONS

The following definitions shall be applied to the terms used in this EXHIBIT B. Capitalized terms not defined shall have the meaning set forth in the Agreement.

"ADJUSTED CAPITAL ACCOUNT" means the Capital Account maintained for each Member as of the end of each Company Year (i) increased by any amounts which such Member is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"ADJUSTED CAPITAL ACCOUNT DEFICIT" means, with respect to any Member, the deficit balance, if any, in such Member's Adjusted Capital Account as of the end of the relevant Company Year.

"ADJUSTED PROPERTY" means any property the Carrying Value of which has been adjusted pursuant to SECTION 2.D of this EXHIBIT B. Once an Adjusted Property is deemed distributed by, and recontributed to, the Company for federal income tax purposes upon a termination thereof pursuant to Section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is further adjusted pursuant to SECTION 2.D of this EXHIBIT B.

"AGREED VALUE" means (i) in the case of any Contributed Property, as of the time of its contribution to the Company, the 704(c) Value of such property, reduced by any liabilities either assumed by the Company upon such contribution or to which such property is subject when contributed, and (ii) in the case of any property distributed to a Member by the Company, the Company's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Member upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the Regulations thereunder.

"BOOK-TAX DISPARITIES" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date.

"CARRYING VALUE" means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property, reduced (but not below zero) by all Depreciation with respect to such Property charged to the Members' Capital Accounts following the contribution of or adjustment with respect to such property, and (ii) with respect to any other Company property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with SECTION 2.D of this EXHIBIT B, and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Company properties, as deemed appropriate by the Operating Member.

"COMPANY MINIMUM GAIN" has the meaning set forth in Regulations Section 1.704-2(b)(2) for "partnership minimum gain," and the amount of Company Minimum Gain, as well as any net increase or decrease in a Company Minimum Gain, for a Company Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"COMPANY YEAR" means the fiscal year of the Company, which shall be the calendar year.

"CONTRIBUTED PROPERTY" means each property or other asset (excluding cash) contributed or deemed contributed to the Company (including deemed contributions to the Company on termination and reconstitution thereof pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to SECTION 2.D of this EXHIBIT B, such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property for such purposes.

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

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

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

"MEMBER NONRECOURSE DEBT" has the meaning set forth Regulations Section 1.704-2(b)(4) for "partner nonrecourse debt."

"MEMBER NONRECOURSE DEDUCTIONS" has the meaning set forth in Regulations Section 1.704-2(i)(2) for "partner nonrecourse deductions," and the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a Company Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

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

"NONRECOURSE LIABILITY" has the meaning set forth in Regulations Section 1.752-1(a)(2).

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

"RESIDUAL GAIN" or "RESIDUAL LOSS" means any item of gain or loss, as the case may be, of the Company recognized for federal income tax purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to SECTION 6.B.(1)(A) OR 6.B.(2)(A) of this EXHIBIT B to eliminate Book-Tax Disparities.

"704(C) VALUE" of any Contributed Property means the fair market value of such property at the time of contribution as determined by the Operating Member, using such reasonable method of valuation as it may adopt; provided, however, that the 704(c) Value of any property deemed contributed to the Company for federal income tax purposes upon termination and reconstitution thereof pursuant to Section 708 of the Code shall be determined in accordance with SECTION 2.D of this EXHIBIT B.

"UNREALIZED GAIN" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under this EXHIBIT B) as of such date, over (ii) the Carrying Value of such property (prior to any adjustment to be made pursuant to this EXHIBIT B) as of such date.

"UNREALIZED LOSS" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to this EXHIBIT B) as of such date, over (ii) the fair market value of such property (as determined under this EXHIBIT B) as of such date.

2. CAPITAL ACCOUNTS OF THE MEMBERS

A. The Company shall maintain for each Member a separate Capital Account in accordance with the rules of Regulations Section 1.704-1(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions and any other deemed contributions made by such Member to the Company pursuant to this Agreement and (ii) all items of Company income and gain (including income and gain exempt from tax) computed in accordance with SECTION 2.B hereof and allocated to such Member pursuant to SECTION 6.1 of the Agreement and/or SECTION 5 of this EXHIBIT B, and decreased by (x) the amount of cash or Agreed Value of all actual and deemed distributions of property made to such Member pursuant to this Agreement and (y) all items of Company deduction and loss computed in accordance with SECTION 2.B hereof and allocated to such Member pursuant to SECTION 6.2 of the Agreement and/or SECTION 5 of this EXHIBIT B.

B. For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Members' Capital Accounts, unless otherwise specified in this Agreement, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments:

- (1) Except as otherwise provided in Regulations Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Company, provided that the amounts of any adjustments to the adjusted bases of the assets of the Company made pursuant to Section 734 of the Code as a result of the distribution of property by the Company to a Member (to the extent that such adjustments have not previously been reflected in the Members' Capital Accounts) shall be reflected in the Capital Accounts of the Members in the manner, and subject to the limitations, prescribed in Regulations Section 1.704-1(b)(2)(iv) (m)(4).
- (2) The computation of all items of income, gain, and deduction shall be made without regard to the fact that items described in Sections 705(a)(1)(B) or 705(a)(2)(B) of the Code are not includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.
- (3) Any income, gain or loss attributable to the taxable disposition

of any Company property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Company's Carrying Value with respect to such property as of such date.

- (4) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year.
- (5) In the event the Carrying Value of any Company property is adjusted pursuant to SECTION 2.D hereof, the amount of any such adjustment shall be taken into account as gain or loss from the disposition of such asset.
- (6) Any items specially allocated under SECTION 6 of this EXHIBIT B hereof shall not be taken into account.

C. Generally, a transferee (including an assignee) of a Company interest shall succeed to a pro rata portion of the Capital Account of the transferor; provided, however, that, if the transfer causes a termination of the Company under Section 708(b)(1)(B) of the Code, the Company's properties shall be deemed solely for federal income tax purposes, to have been distributed in liquidation of the Company to the holders of Company interests (including such transferee) and recontributed by such Persons in reconstitution of the Company. In such event, the Carrying Values of the Company properties shall be adjusted pursuant to SECTION 2.D.(2) hereof immediately prior to such deemed distribution pursuant. The Capital Accounts of such reconstituted Company shall be maintained in accordance with the principles of this EXHIBIT B.

- D. (1) Consistent with the provisions of Regulations Section 1.704-1(b)(2)(iv)(f), and as provided in SECTION 2.D.(2), the Carrying Values of all Company assets shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as of the times of the adjustments provided in SECTION 2.D.(2) hereof, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property and allocated pursuant to SECTION 6.1 OR 6.2 of the Agreement and/or SECTION 5 of this EXHIBIT B.
- (2) Such adjustments shall be made as of the following times: (a) immediately prior to the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (b) immediately prior to the distribution by the Company to a Member of more than a de minimis amount of property as consideration for an interest in the Company; and (c) immediately prior to the liquidation of the Company within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g), provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Operating Member determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company.
- (3) In accordance with Regulations Section 1.704 -1(b)(2)(iv)(e), the Carrying Value of Company assets distributed in kind shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as of the time any such asset is distributed.
- (4) In determining Unrealized Gain or Unrealized Loss for purposes of this EXHIBIT B, the aggregate cash amount and fair market value of all Company assets (including cash or cash equivalents) shall be determined by the Operating Member using such reasonable method of valuation as it may adopt.

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

3. NO INTEREST

No interest shall be paid by the Company on Capital Contributions or on balances in Members' Capital Accounts.

4. NO WITHDRAWAL

No Member shall be entitled to withdraw any part of its Capital Contribution or its Capital Account or to receive any distribution from the Company, except as expressly provided in the Agreement.

5. SPECIAL ALLOCATION RULES

Notwithstanding any other provision of the Agreement or this EXHIBIT B, the following special allocations shall be made in the following order:

- A. **MINIMUM GAIN CHARGEBACK.** Notwithstanding the provisions of ARTICLE 6 of the Agreement or any other provisions of this EXHIBIT B, if there is a net decrease in Company Minimum Gain during any Company Year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f)(6). This SECTION 5.A is intended to comply with the minimum gain chargeback requirements in Regulations Section 1.704-2(f).
- B. **MEMBER MINIMUM GAIN CHARGEBACK.** Notwithstanding the provisions of ARTICLE 6 of this Agreement or any other provisions of this EXHIBIT B (except SECTION 5.A hereof), if there is a net decrease in Member Minimum Gain attributable to a Member Nonrecourse Debt during any Company Year, each Member who has a share of the Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4). This SECTION 5.B is intended to comply with the minimum gain chargeback requirement in Regulations Section 1.704-2(i)(4) and shall be interpreted consistently therewith.
- C. **QUALIFIED INCOME OFFSET.** In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), 1.704-1(b)(2)(ii)(d)(5), or 1.704-1(b)(2)(ii)(d)(6), and after giving effect to the allocations required under SECTIONS 5.A and 5.B hereof, such Member has an Adjusted Capital Account Deficit, items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income and gain for the Company Year) shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, its Adjusted Capital Account Deficit created by such adjustments, allocations or distributions as quickly as possible.
- D. **NONRECOURSE DEDUCTIONS.** Nonrecourse Deductions for any Company Year shall be allocated to the Members in accordance with their respective Percentage Interests. If the Operating Member determines in its good faith discretion that the Company's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Regulations promulgated under Section 704(b) of the Code, the Operating Member is authorized, upon notice to the other Members, to revise the prescribed ratio to the numerically closest ratio for such Company Year which would satisfy such requirements.
- E. **MEMBER NONRECOURSE DEDUCTIONS.** Any Member Nonrecourse Deductions for any Company Year shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).
- F. **CODE SECTION 754 ADJUSTMENTS.** To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

6. **ALLOCATIONS FOR TAX PURPOSES**

- A. Except as otherwise provided in this SECTION 6, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to SECTION 6.1 or 6.2 of the Agreement and/or SECTION 5 of this EXHIBIT B.
- B. In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, and deduction attributable to a Contributed Property or an Adjusted Property shall be allocated for federal income tax purposes among the Members as follows:

- (1) (a) In the case of a Contributed Property, such items attributable thereto shall be allocated among the

Members consistent with the principles of Section 704(c) of the Code to take into account the variation between the 704(c) Value of such property and its adjusted basis at the time of contribution; and

(b) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to SECTION 6.1 or 6.2 of the Agreement and/or SECTION 5 of this EXHIBIT B.

(2) (a) In the case of an Adjusted Property, such items shall

(i) first, be allocated among the Members in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to SECTION 2 of this EXHIBIT B, and

(ii) second, in the event such property was originally a Contributed Property, be allocated among the Members in a manner consistent with SECTION 6.B.(1)(A) of this EXHIBIT B; and

(b) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Members in the same manner its correlative item of "book" gain or loss is allocated pursuant to SECTION 6.1 or 6.2 of the Agreement and/or SECTION 5 of this EXHIBIT B.

(3) all other items of income, gain, loss and deduction shall be allocated among the Members in the same manner as their correlative item of "book" gain or loss is allocated pursuant to SECTION 6.1 or 6.2 of the Agreement and/or SECTION 5 of the EXHIBIT B.

C. To the extent Treasury Regulations promulgated pursuant to Section 704(c) of the Code permit the utilization of alternative methods to eliminate the disparity between the agreed value of property and its adjusted basis, the Operating Member shall have the authority to elect the method to be used by the Company and such election shall be binding on all Members.

EXHIBIT C

ADJUSTED PERCENTAGE INTEREST CALCULATION

Assume that on the Percentage Interest Adjustment Date Member A has contributed \$10 million to the Company and Member B has contributed \$6 million to the Company. Member A's percentage of the total contribution is

$$\begin{array}{r} \$10 \text{ MILLION} \\ \hline \$16 \text{ million} \end{array} = .625 \text{ (62.5\%)}$$

and the percentage of the total contributions of Member B is

$$\begin{array}{r} \$6 \text{ MILLION} \\ \hline \$16 \text{ million} \end{array} = .375 \text{ (37.5\%)}$$

As a result, 37.5% shall be Member B's Adjusted Percentage Interest. Member A's Adjusted Percentage Interest shall be 62.5%.

LIMITED LIABILITY COMPANY AGREEMENT
OF
S/C ORLANDO DEVELOPMENT LLC

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LIMITED LIABILITY COMPANY AGREEMENT

OF

S/C ORLANDO DEVELOPMENT LLC

DECEMBER 23, 1998

SIMON/CHELSEA ORLANDO DEVELOPMENT LIMITED PARTNERSHIP
LIMITED PARTNERSHIP AGREEMENT

THIS LIMITED PARTNERSHIP AGREEMENT, executed as of January 22, 1999, (the "Partnership Agreement" or this "Agreement"), is made between and among S/C ORLANDO DEVELOPMENT LLC, a Delaware limited liability company ("S/C Orlando"), as a General Partner, CHELSEA GCA REALTY PARTNERSHIP, L.P., a Delaware limited partnership ("Chelsea"), as a Limited Partner, and SIMON PROPERTY GROUP (FLORIDA), L.P., a Delaware limited partnership ("Simon"), as a Limited Partner.

RECITALS:

R-1. The parties hereto hereby form Simon/Chelsea Orlando Development Limited Partnership (the "Partnership") as a Florida limited partnership to acquire, own, develop, finance, manage and lease certain real property located in Orange County, Florida, consisting of approximately 70 acres (the "Land") as more fully described in EXHIBIT B hereto.

R-2. The Partnership intends to develop on the Land a manufacturers outlet shopping center, consisting of approximately 432,000 gross leasable square feet of retail space.

R-3. The parties hereto desire to execute this Agreement to govern the affairs of the Partnership and set forth their rights, obligations and understandings with respect to the Partnership.

ARTICLE 1 - DEFINED TERMS

Capitalized terms used herein without further definition, and variations thereof, have the meaning set forth below unless the context otherwise clearly requires:

1.1 ACT. The Florida Revised Uniform Limited Partnership Act, as the same may be amended from time to time.

1.2 ADJUSTED PERCENTAGE INTEREST. The aggregate percentage interest(s) in the Partnership owned by each Partner after the calculation made pursuant to SECTION 6.4.

1.3 AFFILIATE. A Chelsea or Simon Affiliate, or a Person or Persons directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with the Person(s) in question. The term "control" (including, with correlative meaning, the terms "controlled by" and "under common control with"), as used in the immediately preceding sentence, means, (i) with respect to a Person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person, or (ii) owning a majority of the equity interest in such Person. For all purposes of this Agreement, Chelsea GCA Operating Corp., or any similarly structured services corporation, shall be deemed to be an Affiliate of Chelsea, and M.S. Management and SPG Realty Consultants, L.P., or any similarly structured services corporation, shall be deemed to be an Affiliate of Simon.

1.4 AGREEMENT. This Limited Partnership Agreement, and EXHIBIT A hereto and all amendments hereto. Words such as "herein," "hereinafter," "hereof," "hereto," "hereby" and "hereunder" when used with reference to this Agreement, refer to this Agreement as a whole, including those terms which are included by reference, unless the context otherwise requires.

1.5 APPROVED OR APPROVED BY THE GENERAL PARTNER or APPROVAL OF THE GENERAL PARTNER shall mean Approval as defined in the General Partnership Agreement.

1.6 BANKRUPTCY. As to a referenced Person:

A. Its filing a petition commencing a case as a debtor under the Federal Bankruptcy Code or a similar provision of State law (collectively, as now or in the future amended, the "Bankruptcy Code");

B. The commencement of an involuntary case against it under the Bankruptcy Code and the earlier of (A) the entry of an order for relief, or (B) the appointment of an interim trustee to take possession of its estate and/or to operate any of its business;

C. Its making a general assignment for the benefit of its creditors;

D. Its consenting to the appointment of a receiver for all or a substantial part of its property;

E. The entry of a court order appointing a receiver or trustee for all or a substantial part of its property; or

F. The assumption of custody or sequestration by a court of competent jurisdiction of all or substantially all of its property.

1.7. BONA FIDE OFFER. As defined in Section 11.3 hereof.

1.8 BUDGETS shall mean the following budgets of the Partnership from time to time:

A. Development Budget. The budget of Total Project Costs estimated to be incurred with respect to the Project including, without limitation, that portion of Total Project Costs included in the Pre-Construction Budget which shall be Approved by the General Partner by written resolution, subject to revision from time to time by Approval of the General Partner ; and

B. Operating Budget. The annual budgets of the Partnership for the Project which shall be Approved by the General Partner by written resolution, and which shall be comprised of: (A) an estimate of all receipts from and expenditures for the ownership, management, maintenance and operation of the Project and the Partnership for such Fiscal Year and (B) an estimate of all capital replacements, substitutions and/or additions to the Project, or any component thereof, which are to be accomplished during such Fiscal Year; and

C. Pre-Construction Budget. The budget of costs and expenses estimated to be incurred with respect to the Project during the Pre-Construction Period which shall be Approved by the General Partner by written resolution, subject to revision from time to time by Approval of the General Partner .

1.9 BUSINESS DAY. Any day on which commercial banks located in New York City are not authorized to close and which is not a Saturday or a Sunday. In the event any act is required by this Agreement to be taken or to occur on a specified date and the specified date is not a Business Day, performance of such act shall be deemed timely if it is taken or occurs on the first Business Day following the specified date.

1.10 CAPITAL ACCOUNT. With respect to each Partner, the separate "book" account maintained by the Partnership for such Partner established and adjusted in accordance with Section 6.9 hereof.

1.11 CAPITAL CONTRIBUTION. The total amount of cash and the Carrying Value of any other assets contributed (or deemed contributed under Regulation Section 1.704-1(b)(2)(iv)(d)) to the capital of the Partnership by a Partner, net of liabilities assumed by the Partnership or to which such assets are subject.

1.12 CAPITAL CONTRIBUTION BALANCE. As to each Partner, the amount of the aggregate capital contributions made by such Partner from time to time, reduced by all cash distributions to such Partners other than (i) distributions of Cash Flow pursuant to SECTION 6.5 hereof and (ii) the repayment of, or any payment of interest on, any Contribution Loans or any loans to the Partnership made by such Partners.

1.13 CARRYING VALUE. With respect to any Partnership asset, the asset's adjusted basis for federal income tax purposes, except as follows:

A. The initial Carrying Value of any asset contributed (or deemed contributed) to the capital of the Partnership shall be such asset's gross fair market value at the time of such contribution, as determined by the General Partner or otherwise specifically agreed to between the Partnership and the Partner making (or deemed to make) such contribution;

B. The Carrying Value of each Partnership asset shall be adjusted to equal its respective gross fair market value as of the following times: (A) the acquisition of an additional Partnership Interest by any new or existing Partner in exchange for more than a DE MINIMIS Capital Contribution; (B) the distribution by the Partnership to a Partner of more than a DE MINIMIS amount of Partnership Property other than money, unless all Partners receive simultaneous distributions of undivided interests in the distributed Partnership Property in proportion to their Partnership Interests; and (C) such other times as required under applicable Regulations;

C. The Carrying Value of each Partnership asset shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such asset pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Treasury Regulations Section 1.704-1(b)(2)(iv)(m) and Section 1.44 and Section 6.9 below hereof; provided, however, that the Carrying Value shall not be adjusted pursuant to this clause (iii) to the extent an adjustment is made pursuant to clause (ii) above in connection with a transaction that would otherwise result in an adjustment pursuant to this clause (iii); and

D. If the Carrying Value of an asset has been determined pursuant to clause (i), (ii) or (iii) above, such Carrying Value shall thereafter be adjusted in the same manner as the asset's adjusted basis for federal income tax purposes except that Depreciation deductions shall be computed based upon the Carrying Values of the Partnership's assets rather than upon the assets' adjusted bases for federal income tax purposes.

1.14 CERTIFICATE. The Certificate of Limited Partnership of the Partnership filed with the Office of the Secretary of State of the State of Florida on January 22, 1999, as such Certificate may be amended and in effect from time to time.

1.15 CHANGE IN CONTROL shall mean any event or occurrence, the result of which is that: (i) as to Chelsea only, (A) during the Pre-Construction Period and the Construction Period, none of David Bloom, William Bloom, Leslie Chao or Tom Davis is an executive officer of Chelsea or its general partner with the power and authority to conduct the day-to-day activities of, and make binding decisions for, Chelsea, (B) at any time during the term of this Agreement, there

occurs a Transfer of the Percentage Interest of Chelsea or the Percentage Interest of any Chelsea Affiliate, other than a Transfer permitted pursuant to SECTION 11.2 of this Agreement, or (C) at any time during the term of this Agreement, there occurs a merger, consolidation or other business reorganization of Chelsea GCA Realty Partnership, L.P. ("Chelsea") or Chelsea GCA Realty, Inc. ("Chelsea Inc.") in which (x) Chelsea or Chelsea Inc. or a Chelsea Affiliate is not the surviving entity and/or (y) a majority of the directors, and officers of the surviving entity have not been nominated and appointed by Chelsea or Chelsea, Inc.; and (ii) as to Simon only, (A) during the Pre-Construction Period and the Construction Period, none of Melvin Simon, Herbert Simon, David Simon or Richard Sokolov is an executive officer of Simon or its general partner with the power and authority to conduct the day-to-day activities of, and make binding decisions for, Simon, (B) at any time during the term of this Agreement, there occurs a Transfer of the Percentage Interest of Simon or any Simon Affiliate, other than a Transfer permitted pursuant to SECTION 11.2 of this Agreement, or (C) at any time during the term of this Agreement, there occurs a merger, consolidation or other business reorganization of Simon Property Group, L.P. ("Simon") or its general partner, Simon Property Group, Inc. ("Simon Inc.") and/or SD Property Group, Inc. ("SD Inc.") and/or SPG Properties Inc. ("SPG") in which (x) Simon or Simon Inc., or SD Inc. or SPG or a Simon Affiliate is not the surviving and/or controlling entity and/or (y) a majority of the directors and officer of the surviving entity have not been nominated and appointed by Simon, Simon, Inc., SD Inc. or SPG.

1.16 CHELSEA. Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership, which is a Limited Partner hereunder.

1.17 INTENTIONALLY DELETED.

1.18 CODE. The Internal Revenue Code of 1986, as amended from time to time.

1.19 CONSENT. The prior written consent or approval of a Partner to do the act or thing for which the consent or approval is solicited, or the act of granting such consent or approval, as the context may require. Except as expressly provided otherwise herein, reference to a requirement for the Consent of a Partner shall require the commercially reasonable judgment of such Partner in light of the facts and circumstances rather than the unfettered discretionary decision of such Partner.

1.20 CONSTRUCTION LENDER. Collectively, the lender which provides the Construction Loan and any co-agents, co-lenders and/or participants in such loan.

1.21 CONSTRUCTION LOAN. The construction loan to be obtained by the Partnership for the purpose of financing a portion of the construction of the Project.

1.22 INTENTIONALLY DELETED.

1.23 CONSTRUCTION PERIOD shall mean the period commencing upon the earliest to occur of (i) the date of closing of a third-party Construction Loan or (ii) the actual start of construction of the site work or any portion of the Project's buildings and improvements, or (iii) entry into commitments with third parties for the construction of any portion of the Project's buildings and improvements, and ending on the later to occur of (x) the opening for business with the public of any portion of the Project or (y) the Project Completion Date.

1.24 DEBT SERVICE. Principal, interest and other payments of every kind on or in connection with any outstanding indebtedness of the Partnership.

1.25 DEPRECIATION. For each fiscal year of the Partnership or other period, an amount equal to the depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis.

1.26 DEVELOPMENT AGREEMENT. The Development Agreement to be entered into by and between the Partnership and an Affiliate(s) of the General Partner covering the development and construction of the Project.

1.27 DOLLARS OR \$. Lawful money of the United States of America.

1.28 EXCESS NEGATIVE BALANCE. As to any Partner, the excess, if any, of (i) the negative balance in a Partner's Capital Account (determined before taking into account any Capital Account adjustments for the Partnership taxable year during which the determination is made) after reducing such balance by the net adjustments, allocations and distributions described in Regulation Sections 1.704-1(b)(2)(ii)(d)(4), (5) and (6) which, as of the end the Partnership's taxable year are reasonably expected to be made to such Partner, over (ii) the sum of (A) the amount, if any, which the Partner is required to restore to the Partnership upon liquidation of such Partner's Partnership Interest (or which is so treated pursuant to Regulation Section 1.704-1(b)(2)(ii)(c)), (B) the Partner's share (as determined under Regulation Section 1.704-2(g)(1)) of the Minimum Gain computed solely with respect to Nonrecourse Debt other than Partner Nonrecourse Debt, and (C) the Partner's share (as determined under Regulation Section 1.704-2(i)(5)) of the Partner Minimum Gain computed solely with respect to any Partner Nonrecourse Debt.

1.29 FISCAL YEAR. The twelve month period ending December 31 of each year; provided that the first Fiscal Year shall be the period beginning on the date the Partnership is formed and ending on December 31, 1999, and the last Fiscal Year shall be the period beginning on January 1 of the calendar year in which the final liquidation and termination of the Partnership is completed and

ending on the date such final liquidation and termination is completed (to the extent any computation or other provision hereof provides for an action to be taken on a Fiscal Year basis, an appropriate proration or other adjustment shall be made in respect of the first or final Fiscal Year to reflect that such period is less than a full calendar year period).

1.30 FUNDING MEMBER. Shall have the meaning set forth in Section 6.4 hereof.

1.31 GENERAL PARTNER. S/C Orlando and any other Person who becomes a successor or additional General Partner of the Partnership pursuant to the terms of this Agreement, and who is a General Partner at the time of reference thereto.

1.32 GENERAL PARTNER AGREEMENT. The Limited Liability Company Agreement as of December 23, 1998 between Simon Property Group, L.P. and Chelsea GCA Realty Partnership, L.P. as members.

1.33 INDEPENDENT ACCOUNTANTS shall mean Ernst & Young or other nationally recognized accounting firm designated pursuant to this Agreement.

1.34 INITIAL PERCENTAGE INTEREST. The aggregate initial percentage interest(s) in the Partnership owned by each Partner as set forth in SECTION 5.

1.35 LAND. As defined in Recital R-1 hereof.

1.36 LAND PARCELS. Those parcels of Land owned by the Partnership and (i) designated for sale or ground lease as described in the Development Budget or (ii) which are hereafter designated as Land Parcels by the General Partner.

1.37 LIMITED PARTNER. Any Partner who is designated as a Limited Partner on EXHIBIT A to this Agreement at the time of reference thereto, in such Partner's capacity as a Limited Partner of the Partnership, including substituted Limited Partners admitted in accordance with the terms of this Agreement.

1.38 MAJOR CAPITAL EVENT. Any of the following: (1) the sale of any of the real property (other than Land Parcels during the term of the Construction Loan) or any material item of the personal property of the Partnership, including without limitation, all or any part of the Land (other than Land Parcels during the term of the Construction Loan) and/or the Project; (2) the condemnation of all or any part of (i) the Project or the use thereof, or (ii) the Land or the use thereof, or (iii) purchases or processes in lieu thereof, except for temporary easements and the like; (3) receipt of net recoveries of damage awards and insurance proceeds (other than rental interruption insurance proceeds); or (4) receipt of the net proceeds (net of reserves reasonably determined by the General Partner) from any mortgages on Partnership Property or any other loans or borrowings of the Partnership, including without limitation, loans from any Partner. The sale of Land Parcels during the term of the Construction Loan and the distribution of Proceeds from such sale is specifically addressed in Section 7.6 hereof.

1.39 MAJOR DECISION. As defined in Section 9.1(c) hereof.

1.40 MANAGEMENT AGREEMENT. The Management Agreement to be entered into by and between the Partnership and an Affiliate or Affiliates of the General Partner, in the form to be Approved by the General Partner.

1.41 MINIMUM GAIN. The meaning set forth in Regulation Section 1.704-2(d). Minimum Gain shall be computed separately for each Partner in a manner consistent with the Regulations under Code Section 704(b).

1.42 NEGATIVE CAPITAL ACCOUNT. A Capital Account with a balance of less than zero.

1.43 NET ORDINARY CASH FLOW. With respect to a particular Fiscal Year, all net income less expenses of the Partnership determined in accordance with generally accepted accounting principles for such fiscal year (except net income arising from a Major Capital Event) and shall be determined by adjusting such net income and expenses as follows:

A. Depreciation of buildings, improvements and personal property shall not be considered an expense.

B. Amortization of any financing or refinancing fee, organization cost, leasing fee, capitalized interest, start-up expense or other capital-type item shall not be considered an expense.

C. Amortization or other payment of the principal of any mortgage or other loan or indebtedness of the Partnership shall be considered an expense. To the extent that proceeds from a Major Capital Event or from the sale of any Land Parcel are used to pay any such loan, the amount of such payments shall not be treated as an expense for purposes hereof.

D. After the Completion of the Project, annual contributions, in accordance with the Approved Budget, shall be made to fund reasonable reserves as determined by the General Partner, to provide for working capital needs, funds for releasing costs, capital improvements or replacements and for any other contingencies of the Partnership. Said annual contributions to reserves shall be held in a separate interest bearing reserve account, established in the name of the Partnership and under the control of the General Partner. The contributions to such reserves shall be considered as expenses. Any expense paid for by funds in such reserves shall not be considered an expense. Interest on such reserves shall be credited to reserves, but shall not be considered income for purposes of this definition of Net Ordinary Cash Flow.

E. Accruals for free or stepped rent shall not be considered as income and the related amortized amounts shall not be considered as expenses.

F. Any amounts paid by the Partnership for the acquisition of Partnership Property, re-leasing costs, expansion costs and/or for capital improvements and/or replacements shall be considered as expenses, except to the extent the same are financed through proceeds from a Major Capital Event, the sale of any Land Parcel, Capital Contributions, or funds in reserves expensed in the current or previous fiscal years. Any item that would otherwise be an expense shall not be considered an expense if it is paid from proceeds from a Major Capital Event or Capital Contributions.

G. Net Ordinary Cash Flow shall also be deemed to include any other funds available at any time and from any source (other than Major Capital Events) including without limitation, amounts previously set aside as reserves and expensed in the current or previous fiscal years, determined by the General Partner to be no longer reasonably necessary for the efficient conduct of the business of the Partnership.

1.44 NET PROFITS AND NET LOSSES. The taxable income or loss, as the case may be, for a period (or from a transaction) as determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss, or deduction required to be separately stated pursuant to Code Section 703(a)(1) shall be included in taxable income or loss) computed with the following adjustments (without duplication):

A. Items of gain, loss and deduction (including Depreciation) shall be computed based upon the Carrying Values of the Partnership assets rather than upon the assets' adjusted bases for federal income tax purposes;

B. Any tax-exempt income received by the Partnership shall be included as an item of gross income;

C. The amount of any adjustments to the Carrying Values of any Partnership assets pursuant to Code Section 734 as provided in Section 1.13(B) or 1.13(C) shall be taken into account but any adjustment pursuant Code Section 743 shall not be taken into account; and

D. Any expenditure of the Partnership described in Code Section 705(a)(2)(B) (including any expenditures treated as being described in Code Section 705(a)(2)(B) pursuant to the Regulations) shall be treated as deductible expense.

E. Notwithstanding any other provision of this definition, any items which are specifically allocated pursuant to Section 7.2 shall not be taken into account in computing Net Profits or Net Losses.

1.45 NONRECOURSE DEBT. has the meaning set forth in Section 1.704-2(b)(3) of the Regulations.

1.46 NONRECOURSE DEDUCTIONS has the meaning set forth in Section 1.704(b)(1) of the Regulations.

1.47 NON-CONTRIBUTING MEMBER shall have the meaning specified in SECTION 6.4(B)(I).

1.48 NON-FUNDING MEMBER shall have the meaning specified in SECTION 6.4(A).

1.49 NOTICE. A writing containing the information required by this Agreement to be communicated to any Person, sent by registered or certified mail, postage prepaid, or given by personal delivery, or sent by confirmed air courier to such Person at the last known address of such Person, or by facsimile, the date of registry thereof or the date of the certification of receipt therefor as evidenced by postal, facsimile or air courier records or the date of personal delivery (or refusal thereof during normal business hours) being deemed the date of receipt of Notice; provided, however, that any communication sent to such Person and actually received by such a Person shall constitute Notice for all purposes of this Agreement; and provided, further, that any Notice required to be given by the General Partner pursuant to the first (1st) sentence of Section 6.3 herein may be given either in writing or orally.

1.50 OPERATING BUDGET shall have the meaning specified in Section 1.8 (B) above.

1.51 OPERATING EXPENSES shall mean all expenditures of any kind made with respect to the operations of the Partnership in the normal course of business including, but not limited to, debt service (principal and interest) payable on indebtedness of the Partnership, ad valorem taxes, insurance premiums, repair and maintenance expense, management fees or salaries, advertising expenses, professional fees, wages, and utility costs, plus such sums as are deemed reasonably necessary as a reserve to be retained for the conduct of the business of the Partnership, and capital expenditures and investments in other assets. Such expenses shall be determined on an accrual basis and shall not include any non-cash items such as depreciation or amortization

1.52 PARTIALLY ADJUSTED CAPITAL ACCOUNT. With respect to any Partner for any taxable year or other period, the Capital Account balance of such Partner at the beginning of such period, adjusted as set forth in the definition of Capital Account for all contributions and distributions during such period and all special allocations pursuant to Section 7.2 respect to such period but before giving effect to any allocation pursuant to Section 7.1 respect to such period.

1.53 PARTNER. Any General Partner or Limited Partner.

1.54 INTENTIONALLY DELETED.

1.55 PARTNER MINIMUM GAIN. An amount, with respect to each Partner Nonrecourse Debt, equal to the Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Debt, determined in accordance with Regulation Section 1.704-2(i)(3).

1.56 PARTNER NONRECOURSE DEDUCTIONS has the meaning set forth in Section 1.704-2(i)(1) and 1.704-2(i)(2) of the Regulations.

1.57 PARTNER NONRECOURSE DEBT. Any indebtedness of the Partnership that is a "partner nonrecourse debt" with the meaning of Regulation Section 1.704-2(b)(4).

1.58 PARTNERSHIP MINIMUM GAIN has the meaning set forth in Regulations Sections 1.704-2(b)(2) and 1.704-2(d).

1.59 PARTNERSHIP. The limited partnership herein formed as Simon/Chelsea Orlando Development L.P., as said Partnership may from time to time be constituted.

1.60 PARTNERSHIP INTEREST. The entire ownership interest (which may be expressed as a percentage) of a Partner in the Partnership at any particular time, including the right of such Partner to any and all benefits to which a Partner may be entitled pursuant to this Agreement and under the Act, together with all obligations of such Partner to comply with the terms and provisions of this Agreement and the Act. The percentage of Partnership Interest of each Partner is set forth on EXHIBIT A hereto, as the same may be amended from time to time. Whenever any reference is made herein to "Partnership Interest" in the context of an allocation or other similar determination being made PRO RATA, in proportion to or in accordance with the Partners' respective Partnership Interests, such references shall mean and refer to the then-applicable percentage of Partnership Interest of each Partner.

1.61 PARTNERSHIP PROPERTY. All real and personal property now owned or hereafter acquired by the Partnership and any and all improvements thereto, and shall include the Land, all Land Parcels, the Project and both tangible and intangible property.

1.62 PERCENTAGE INTEREST shall mean the Initial Percentage Interest or Adjusted Percentage Interest, as the case may be.

1.63 PERCENTAGE INTEREST ADJUSTMENT DATE shall mean the date of funding of a Non-Funding Member's share of a capital contribution by a Funding Member in accordance with SECTION 6.4(A) hereof.

1.64 PERMANENT LOAN. The financing to be obtained by the Partnership to replace the Construction Loan, which Permanent Loan shall satisfy the parameters approved by the General Partner.

1.65 PERSON. An individual, partnership, firm, corporation, trust, estate or other entity.

1.66 PLANS. The plans and specifications for the Project which have been approved by the General Partner pursuant to the General Partnership Agreement and all amendments thereto.

1.67 POSITIVE CAPITAL ACCOUNT. A Capital Account with a balance greater than zero.

1.68 PRIME OR PRIME RATE. The prime rate as the same may be published and modified from time to time in THE WALL STREET JOURNAL. If at any time there is more than one such published prime rate, the average of the range of the prime rates shall be used.

1.69 PROCEEDS. All net proceeds from sales by the Partnership of Land Parcels (after making any amortization payments required pursuant to the terms of the Construction Loan) which sales occur prior to the closing of the Permanent Loan.

1.70 PROJECT. The Land, all infrastructure necessary or appropriate in connection with the development of such Land and the manufacturers outlet shopping center constructed thereon and all equipment and personal property necessary or desirable for the operation of such shopping center. The Partners contemplate that the manufacturer's outlet shopping mall will be developed in one phase. At the option of the General Partner, any Land not needed for the development of the manufacturers outlet center may be designated as Land Parcels and sold or leased.

1.71 PROJECT COMPLETION DATE. The date upon which the Project has been substantially completed in accordance with the Plans, as certified by the Project's architect.

1.72 REGULATIONS. The income tax regulations, including any temporary regulations, from time to time promulgated under the Code, as such regulations are amended from time to time.

1.73 S/C ORLANDO. S/C Orlando Development LLC a Delaware limited liability company, which is the General Partner hereunder. The Chelsea Member and the Simon Member constitute all of the members of S/C Orlando.

1.74 SIMON. Simon Property Group, L.P., a Delaware limited partnership, which is a Limited Partner hereunder.

1.75 SIMON, INC. Simon Property Group, Inc., a Delaware corporation.

1.76 TARGET CAPITAL ACCOUNT. With respect to any Partner for any taxable year or other period an amount (which may be either a positive or negative balance) equal to the difference between (i) the hypothetical distribution (if any) such Partner would receive if all Partnership assets, including cash, were sold for cash equal to their Carrying Value (taking into account any adjustments to Carrying Value for such period), all Partnership liabilities were satisfied in cash according to their terms limited, with respect to each nonrecourse liability of the Partnership, to the Carrying Value of the assets securing such liability), and the net proceeds of such sale to the Partnership (after satisfaction of said liabilities) were distributed in full pursuant to Section 7.8 on the last day of such period minus (ii) the sum of (A) such Partner's share of Minimum Gain and Partner Minimum Gain, determined as provided in Section 7.2 immediately prior to such deemed sale, plus (B) the amount, if any, which such Partner is obligated to contribute to the capital of the Partnership pursuant to Article 6 as of the last day of such period (but only to the extent such Capital Contribution obligation has not been taken into account in determining such Partner's share of Partner Minimum Gain).

1.77 TAX MATTERS PARTNER OR TMP. The General Partner.

1.78 TOTAL PROJECT COSTS. All costs which have been or are estimated to be incurred by the Partnership with respect to the acquisition, design, development, construction, debt financing, leasing, and completion of the Project, which Total Project Costs (including without limitation tenant allowances) are initially estimated in the Development Budget. Total Project Costs shall include the Development and Leasing Fees referenced in the Development Agreement.

1.79 UNRETURNED CAPITAL CONTRIBUTIONS ACCOUNT. As to any Partner, an account maintained for internal bookkeeping purposes by the Partnership for each Partner, which account, as of any date, except as expressly provided herein, shall equal the sum of all Capital Contributions by such Partner pursuant to Sections 6.1, 6.2 and, as indicated therein, 6.4 and 6.5 hereof reduced (but not below zero) by all Partnership distributions to such Partner pursuant to Section 7.8 hereof.

ARTICLE 2 - FORMATION AND NAME; FILINGS; ASSUMED NAMES

2.1 FORMATION AND NAME. The Partners hereby form the Partnership, under the name Simon/Chelsea Orlando Development Limited Partnership, as a limited partnership pursuant to the provisions of the Act and this Agreement. The General Partner shall have the right to change the name of the Partnership, provided that it shall thereafter promptly send Notice to each Limited Partner of the name adopted by the Partnership.

2.2 FILINGS. The General Partner shall do all other acts and things requisite to perfect and maintain the Partnership as a limited partnership under the Act and under the laws of all other jurisdictions in which the Partnership may elect to do business, including filing the Certificate (or an amendment thereto) with the Secretary of State of the State of Florida and qualifying the Partnership as a foreign limited partnership in any jurisdiction in which such filing may be required, as determined by the General Partner.

2.3 ASSUMED NAMES. The business of the Partnership shall be conducted under its name designated above or under such variations of this name as the General Partner deems appropriate to comply with the laws of any state in which the Partnership does business, or under any assumed or fictitious name the General Partner deems appropriate for that purpose. The General Partner shall execute and file in the proper offices such certificates as may be required by any assumed or fictitious name act or similar law in effect in the states, counties and other governmental jurisdictions in which the Partnership may elect to conduct its business. The General Partner shall be required promptly to send Notice to each Partner of any assumed or fictitious name which the Partnership elects to use.

ARTICLE 3 - PRINCIPAL OFFICE; ADDITIONAL OFFICES; RESIDENT AGENT

3.1 PRINCIPAL OFFICE; PLACE OF BUSINESS. The principal office of the Partnership (at which all Partnership records required by the Act shall be kept) shall be located at 103 Eisenhower Parkway, Roseland, New Jersey 07068. All correspondence shall be sent to the General Partner at such office. The General Partner, in its sole discretion, is authorized to change or relocate the principal office of the Partnership provided the General Partner gives prompt Notice to all partners of such change or relocation. The Partnership shall have such other or additional offices as the General Partner, in its sole discretion, shall deem advisable.

3.2 RESIDENT AGENT. The name and address of the Partnership's resident agent in the State of Florida is CT Corporation System, 1200 South Pine Island Road, Plantation, FL 33324. The General Partner shall have the right to change the resident agent of the Partnership at any time in compliance with the Act and the laws of all other jurisdictions in which the Partnership may elect to conduct business.

ARTICLE 4 - BUSINESS OF PARTNERSHIP

BUSINESS AND PURPOSE OF PARTNERSHIP. The business and purposes of the Partnership shall consist of (i) acquiring and owning the Land; (ii) owning, developing, constructing and operating the Project on the Land as an investment and for income producing purposes and developing, mortgaging, managing, operating, leasing, refinancing and, if necessary or appropriate, selling the Land and/or the Project or any part thereof; (iii) selling Land Parcels and/or developing such other projects on the Land as the General Partner deems appropriate and prudent; (iv) investing excess funds of the Partnership as the General Partner deems appropriate and prudent; and (v) carrying on any and all activities related thereto (all of which enterprises and activities may be carried on either by the Partnership in its own name or a trading name or by or through such agents, employees and/or independent contractors and in such

name(s) as the General Partner may determine to be in the best interests of the Partnership).

ARTICLE 5 - PARTNERS AND PERCENTAGES OF PARTNERSHIP INTEREST

PARTNERS; PERCENTAGE INTERESTS. The name, address and Percentage Interest of each Partner is shown on the attached EXHIBIT A (subject to adjustment in accordance with Section 6.4 hereof). To the extent substitute Partners are admitted to the Partnership, or Percentage Interests change, all in accordance with the terms hereof, this Agreement and EXHIBIT A hereto shall be deemed to be automatically amended to reflect the admission or substitution or change of Percentage Interest of such Partners whether or not the actual physical change has been made. Unless the context clearly indicates otherwise, (i) the terms "Partner" and "Partners" shall include the General Partner and the Limited Partners, and (ii) the terms "Partnership Interest" and "Partnership Interests" shall include both the General Partner Partnership Interests and Limited Partner Partnership Interests.

ARTICLE 6 - CAPITALIZATION AND LOANS

6.1 INITIAL CAPITAL CONTRIBUTIONS AND INTERESTS.

A. S/C Orlando Interest. On the date of this Agreement, S/C Orlando shall own, in the aggregate, a one-half of one percent (.5%) Partnership Interest (subject to adjustment pursuant to Section 6.4 hereof). S/C Orlando shall initially contribute One Hundred Twelve Thousand Five Hundred Dollars (\$112,500.00) to the capital of the Partnership; such capital contribution has been fully funded.

B. Chelsea's Capital Contributions and Interest. On the date of this Agreement, Chelsea shall own, in the aggregate, a forty-nine and three-quarters percent (49.75%) Partnership Interest (subject to adjustment pursuant to Section 6.4 hereof). Chelsea shall initially contribute up to Eleven Million One Hundred Ninety Three Thousand Seven Hundred Fifty Dollars (\$11,193,750.00) to the capital of the Partnership. Chelsea's Capital Contribution shall be made in the manner set forth in Section 6.3 below.

C. Simon's Capital Contributions and Interest. On the date of this Agreement, Simon shall own, in the aggregate, a forty-nine and three quarters percent (49.75%) Partnership Interest (subject to adjustment pursuant to Section 6.4 hereof). Simon shall initially contribute up to Eleven Million One Hundred Ninety Three Thousand Seven Hundred Fifty Dollars (\$11,193,750.00) to the capital of the Partnership. Simon's Capital Contribution shall be made in the manner set forth in Section 6.3 below.

6.2 ADDITIONAL CAPITAL CONTRIBUTIONS.

A. During the Construction Period, S/C Orlando, Chelsea and Simon shall be obligated to contribute, from time to time and as reasonably determined by the General Partner, any and all amounts (in addition to the initial capital contribution reflected in Section 6.1) required by the Partnership to pay all costs of the work to be undertaken and/or completed in connection with the development of the Project (including, without limitation, the purchase of the Land, and the payment by the Partnership of costs of the Project to the extent reflected in the Development Budget) in excess of all funds then available to the Partnership in the form of a loan, which contributions shall be divided among them pro rata in accordance with their respective Percentage Interests.

B. During the Operating Period of the Project, in the event additional funds are required to operate the Project in accordance with expenditures delineated in one or more Budgets or for other purposes identified by the General Partner, S/C Orlando, Chelsea and Simon shall be obligated to contribute, from time to time, and as reasonably determined by the General Partner, the amount necessary to satisfy such obligations, which contribution shall be divided among them pro rata in accordance with their respective Percentage Interests.

6.3 PAYMENT OF CAPITAL CONTRIBUTIONS. From and after the effective date of this Agreement if Capital Contributions are required pursuant to this Article, the General Partner shall provide Notice to Chelsea and Simon of the amount required by the Partnership to pay all costs described in this Article falling due within the next month. Each of the Partners shall, within ten (10) calendar days (time being of the essence) after the receipt of such notice, deposit by wire transfer of immediately available federal funds into the Partnership's bank account, the capital contribution specified in the Notice to be credited to the contributing Partner's Capital Account.

6.4 DEFAULT CAPITAL CONTRIBUTIONS.

A. If a Partner (a "Non-Funding Partner") fails to fund any Capital Contributions required of it within the time period specified and such failure continues for a period in excess of (10) days (an "Initial Uncured Default"), then the General Partner shall promptly send Notice to the other Partners of such failure and the remaining Partners ("Funding Partners ") shall be entitled to fund all or any portion of such Capital Contribution required of the Non-Funding Partner. If the Funding Partners make such Capital Contributions ("Default Capital Contributions"), the Partnership Interest of each Partner shall thereupon be recalculated as set forth below. The Funding Partner is hereby constituted and appointed as attorney-in-fact, such appointment being coupled with an interest, to execute, acknowledge and deliver all instruments and documents

necessary to effect such recalculation of Percentage Interests as herein provided.

1. The recalculation of the Percentage Interests on the Percentage Interest Adjustment Date shall be done as follows: First, the total amount of Capital Contributions made by each Partner as of the Percentage Interest Adjustment Date shall be calculated. Second, the Non-Funding Partner's Percentage Interest shall be reduced, and the Funding Partner's Percentage Interest shall be increased, to reflect each Partner's percentage of the total contributions made by both Partners as of the Percentage Interest Adjustment Date.

2. The Adjusted Percentage Interests of the Partners shall be expressed in terms of a decimal rounded to the nearest fourth digit. An example illustrating the operation of this provision is attached hereto as EXHIBIT C.

a. If due to the operation of this SECTION 6.4(A) a Non-Funding Partner's Initial Percentage Interest is diluted, the other Partner shall have the right and option for a period of 60 days after such dilution occurs to purchase the Non-Funding Partner's interest in the Partnership at a price equal to the total amount of cash capital contributions which had been contributed to the Partnership by the Non-Funding Partner at that point in time, less the amount of any distributions of Net Ordinary Cash Flow or proceeds from a Major Capital Event previously made to the Non-Funding Partner.

b. In order to elect to purchase the interest in the Partnership of a Non-Funding Partner pursuant to this SECTION 6.4(A), the Funding Partner shall send written notice of election to the Non-Funding Partner prior to expiration of such 60-day period. In the event a Funding Partner elects to purchase a Non-Funding Partner's interest, such election pursuant to this SECTION 6.4(A) shall create a binding contract for the purchase and sale of the Non-Funding Partner's interest in the Partnership. The closing of such purchase and sale shall take place at the office where the principal place of business of the Partnership is located on the date specified by the Funding Partner in its election notice which date shall not be less than 20 days nor more than 60 days following the date of such notice, unless the Partners agree to a different mutually acceptable date. The form and substance of the closing documents shall be reasonably satisfactory to the Funding Partner and shall consist of an assignment and bill of sale (both with covenants against grantor's acts) from the Non-Funding Partner to the Funding Partner (or its nominee or designee), together with such other instruments and documents as may be reasonably necessary or desirable to effectuate the sale. The purchase price shall be payable by federal wire transfer of immediately available funds to an account designated by the Non-Funding Partner, against delivery of all the closing documents. At either Partner's request, the Partnership's bank or the title company which issued the owner's title policy to the Partnership may be appointed as escrow agent to receive all closing documents and the purchase price in escrow in order to make simultaneous delivery of closing documents and disbursement of funds at the closing or the next business day thereafter. The instruments and documents shall be legally sufficient to convey all of the Non-Funding Partner's interest in the Partnership (and the Project) to the Funding Partner (or its nominee or designee), free and clear of all deeds of trust, security interests, liens, charges and encumbrances. The provisions of this SECTION 6.4(A) shall be enforceable by a decree of specific performance and neither Partner shall assert in defense thereto that there exists an adequate remedy at law.

B. Contribution Loans.

1. If either Partner (a "Non-Contributing Partner") fails to make any additional capital contribution within the time specified in SECTION 6.4(A) and such failure continues for a period of thirty (30) days after an Initial Uncured Default, the other Partner who makes the requested contribution of additional capital (the "Contributing Partner") shall have the right but not the obligation to advance directly to the Partnership the funds required from the Non-Contributing Partner as a loan ("Contribution Loan") to the Non-Contributing Partner. If and when a Contribution Loan is made, the Non-Contributing Partner shall be deemed to have waived the right to make the requested capital contribution as of the date of such loan. Such Contribution Loan shall bear interest, compounded annually, at a rate equal to the Prime Rate plus four (4) percentage points per annum. Contribution Loans may be prepaid by the Non-Contributing Partner at any time after the date the Contribution Loan is made. If not repaid by the Non-Contributing Partner, the Contribution Loan shall be repaid pursuant to SECTION 6.4(C) or other applicable provisions of this Agreement, but otherwise shall be and remain a recourse obligation of the Non-Contributing Partner.

2. If the Contributing Partner does not elect to advance the full amount of the additional funds required from the Non-Contributing Partner, the Contributing Partner may withdraw its additional capital contribution.

3. Notwithstanding any other provision of this Agreement to the contrary, if as of the date which is one hundred eighty (180) days after the making of a Contribution Loan, such Contribution Loan shall not have been paid in full, the Contributing Partner shall have the right for a period of sixty (60) days to have such Contribution Loan (or the portion thereof remaining unpaid) converted on the books of the Partnership to a capital contribution by the Contributing Partner, in which event the Percentage Interest of the Non-Contributing Partner shall be adjusted and recalculated in accordance with SECTION 6.4(A) of this Agreement, and the Contributing Partner shall be entitled to exercise all rights and remedies thereunder, including without limitation the purchase option described in SECTION 6.4(A). In order to elect to convert a Contribution Loan to a capital contribution pursuant to this SECTION 6.4(B), the Contributing Partner shall send written notice of election to the Non-Contributing Partner prior to the expiration of such 60-day period.

4. The rights set forth in this SECTION 6.4(B) are in lieu of the exercise of rights set forth in SECTION 6.4(A) and may not be exercised in addition to such rights.

C. Repayment through Distributions. A Contribution Loan shall be repaid on a first priority basis out of any subsequent distributions to which the Non-Contributing Partner for whose account the Contribution Loan was made would otherwise be entitled in accordance with this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full. Each Non-Contributing Partner irrevocably assigns its rights to distributions from the Partnership to the Contributing Member for the purpose of effectuating this repayment. Repayment of either Partner's Contribution Loan shall also be secured by the Non-Contributing Partner's Percentage Interest in the Partnership, and the Non-Contributing Partner hereby grants a security interest in such Percentage Interest and all distributions related thereto to the Contributing Partner who has advanced such Contribution Loan and hereby irrevocably appoints the Contributing Partner, and any of its agents, officers or employees, as its attorney-in-fact, such appointment being coupled with an interest, to execute, acknowledge and deliver any documents, instruments and agreements including, but not limited to, any note evidencing the Contribution Loan, and such Uniform Commercial Code financing statements, continuation statements, and other security instruments or documents as may be appropriate to perfect and continue such security interest in favor of the Contributing Partner.

D. Transferees and Assignees. If there shall be a Transfer of part of the Percentage Interest of either Partner pursuant to ARTICLE 11 below to an Affiliate of such Partner, all of the calculations necessary at any time or from time to time under this SECTION 6.4 shall be made without regard to any such partial Transfer. Any dilution of the Percentage Interest of either Partner pursuant to this SECTION 6.4 shall be made effective against the aggregate Percentage Interest of the Transferor and any Affiliate Transferee of which the Partnership has been notified or, failing any such agreement, or notice thereof, as the Funding Partner, acting on behalf of the Partnership, may elect. It is the intent and agreement of the Partners that all of the rights and obligations hereunder, including without limitation participation in management, rights to give or receive notices and contribution obligations, and the various consequences arising from the failure of a Partner to make a required capital contribution to the Partnership hereunder are to be interpreted and applied as if Chelsea and any Chelsea Affiliate that owns a part of its Percentage Interest, on the one hand, and Simon and any Simon Affiliate that owns a part of its Percentage Interest, on the other, is a single entity having a Percentage Interest in an amount equal to the aggregate Percentage Interests owned by such Partner and its respective Transferees.

E. Role in Management. Notwithstanding any other provision of this Agreement to the contrary, including without limitation ARTICLE 9 hereof, a Non-Funding Partner or Non-Contributing Partner and any Affiliate thereof which is a member of the General Partner (hereinafter, a "Defaulting Partner") shall thereafter have no further approval rights, right to make decisions or role in management of the Partnership until such funding or contribution default has been cured. Without limiting the foregoing, the Funding or Contributing Partner shall have the right to terminate any Management Agreement and/or Development Agreement with any Affiliate of the Defaulting Partner as set forth in the Management Agreement and the Development Agreement, respectively, (ii) the Non-Defaulting Partner shall have the right to apply any fees payable to the Defaulting Partner or its Affiliate in accordance with this Agreement to any amounts owed by the Defaulting Partner, (iii) the Non-Defaulting Partner shall have the right to make all decisions of the Partnership and the Partner, and (iv) no Defaulting Partner shall have the right to initiate the buy-sell procedure pursuant to SECTION 10.6 hereof.

F. Notwithstanding anything to the contrary in this Section 6.4, in the event that either of Chelsea's or Simon's Affiliates, in its capacity as a member of S/C Orlando, shall fail to meet any monetary obligation pursuant to the General Partner Agreement, such failure shall constitute Chelsea or Simon (or its Affiliate) a "Defaulting Partner" pursuant to Section 6.4 (A) hereof to the same extent as if such Partner had failed to fund a Capital Contribution required of it hereunder. Similarly, a failure to meet a monetary obligation hereunder by Chelsea or Simon shall also constitute such party or its

Affiliate a "Non-Funding Member" pursuant to Section 5.4 of the General Partner Agreement.

6.5 AMOUNTS INCURRED TO FUND CONSTRUCTION OVERAGES.

A. Notwithstanding anything to the contrary set forth herein if during the Construction Period amounts have been, or will be, incurred in excess of an Approved Budget, and any Partner refuses to fund its pro rata share of the excess, the other Partner may fund such excess as necessary to permit the Partnership to pay its debts, meet its obligations when due and complete construction of the Project. If a modification to Budget is subsequently Approved or an arbitrator or court having jurisdiction over the Partnership and/or the Project determines that the excess (and the proposed modification to the Budget) is reasonable and must be funded, then that portion of the excess which the Non-Funding Partner and its Affiliate(s) are obligated to contribute (and which the Funding Partner previously funded) shall be treated as a Contribution Loan by the Partner to the Non-Funding Partner pursuant to Section 6.4(b) and interest shall accrue from the date funds were advanced by the remaining Partner on behalf of the Partnership. In addition, the Funding Partner shall be entitled to all other rights set forth in or elsewhere in this Agreement with respect to the making of a Contribution Loan. If it is subsequently determined that the excess and the proposed modification to Budget is not reasonable, then the excess funded by the Funding Partner shall not be credited to the Capital Account of such Partner and the Funding Partner shall not be entitled to any allocation of Net Profit or distribution of Cash Flow by virtue of same.

B. If, during the Operating Period, either Partner disputes the need for any additional capital contributions required pursuant to SECTION 6.2, pending the resolution of such dispute, the Partner disputing the need for additional capital shall nevertheless contribute additional capital within the time period specified in SECTION 6 and the General Partner shall hold the contributions of both Partners in an interest-bearing account, or shall otherwise invest such contributions as Approved by the Partners separate from other cash deposits of the Partnership until such dispute is resolved; provided, however, that during such Operating Period, the Partnership shall have the right to use the Partners' contributions to the extent necessary, to permit the Partnership to pay its debts and to meet its obligations when due. If and to the extent that it is ultimately determined that such additional capital contributions were not required, the previously identified contribution less each Partner's proportionate share (based on such Partner's Initial Percentage Interest) of any portion of the Partner's contributed capital which was expended in accordance with the foregoing, shall be promptly refunded to each Partner, together with a proportionate share of interest, if any, earned thereon while on deposit with the Partnership.

6.6 LIABILITY OF LIMITED PARTNERS. Except as otherwise provided for herein, no Limited Partner (in its capacity as a Limited Partner) shall be required under any circumstances to contribute to the capital of the Partnership any amount beyond that sum required of the Limited Partner pursuant to this Article 6, nor shall any Partner be obligated to lend any funds to the Partnership.

6.7 NO INTEREST ON CAPITAL CONTRIBUTION. Except as otherwise provided for herein, no interest shall accrue or be payable to any Partner by reason of its Capital Contribution or its Capital Account.

6.8 WITHDRAWAL OF CAPITAL CONTRIBUTIONS. A Partner shall not be entitled to withdraw any part of its Capital Account or to receive any distributions (property or cash) except as specifically provided in this Agreement, and in no event will any Partner have the right to receive property other than cash in return for any contributions to the capital of the Partnership. The General Partner shall not have any personal liability whatsoever with respect to the return to any Partner of its Capital Account.

6.9 MAINTENANCE OF CAPITAL ACCOUNTS. The Capital Accounts of the Partners shall be maintained in a manner consistent with applicable Regulations and shall be adjusted as follows:

A. There shall be credited to each Partner's Capital Account (i) the amount of any cash (which shall not include imputed or actual interest on any deferred contributions) actually contributed by such Partner to the capital of the Partnership, (ii) the fair market value of any property contributed by such Partner to the capital of the Partnership (net of any liabilities secured by such property that the Partnership is considered to assume or take subject to under Code Section 752), and (iii) such Partner's share of the Net Profits of the Partnership and of any items in the nature of income or gain separately allocated to the Partners; and there shall be charged against each Partner's Capital Account (x) the amount of all cash distributions to such Partner by the Partnership, (y) the fair market value of any property distributed to such Partner by the Partnership (net of any liability secured by such property that the Partner is considered to assume or take subject to under Code Section 752), and (z) such Partner's share of the Net Losses of the Partnership and of any items in the nature of losses or deductions separately allocated to the Partners.

B. If the Partnership at any time distributes any of its assets in kind to any Partner, the Capital Account of each Partner shall be adjusted to account for such Partner's allocable share of the Net Profits or Net Losses that would have been realized by the Partnership had it sold the assets that were distributed at their respective fair market values immediately prior to the distribution.

C. In the event that the Partnership makes an election under Code Section 754, the amounts of any adjustments to the bases (or Carrying Values) of the assets of the Partnership made pursuant to Code Section 743 shall not be reflected in the Capital Accounts of the Partners, but the amounts of any adjustments to the bases (or Carrying Values) of the assets of the Partnership made pursuant to Code Section 734 as a result of the distribution of property by the Partnership to a Partner (to the extent that such adjustments have not previously been reflected in the Partners' Capital Accounts) shall be reflected in the Capital Accounts of the Partners in the manner prescribed in the Regulations.

D. The Partners shall elect, upon the occurrence of any of the following events, that the Capital Account balance of each Partner shall be adjusted to reflect the Partner's allocable share of the Net Profits or Net Losses that would be realized by the Partnership if it sold all of its property at its fair market value on the day of the adjustment:

1. Any increase in any new or existing Partner's Partnership Interest resulting from a more than DE MINIMIS contribution of cash or property by such Partner to the Partnership; and

2. Any reduction in a Partner's Partnership Interest resulting from a more than DE MINIMIS distribution to such Partner in redemption of all or a portion of such Partner's Partnership Interest.

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

F. In the event the Regulations fail to provide guidance for the maintenance of the Capital Accounts of Partners in particular instances, then the Capital Accounts shall be adjusted by the Partners, with the review and concurrence of the Partnership's tax advisors, in a manner that (i) maintains equality between the aggregate Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's financial books and records, (ii) is consistent with the underlying economic arrangement among the Partners and (iii) is based, whenever practicable, upon federal tax accounting principles.

6.10 NO THIRD PARTY BENEFIT. No provision set forth in this Article 6 shall be construed to be for the benefit of any third party, including without limitation, any creditor of the Partnership, and no such third party or creditor shall be entitled to enforce any such provision.

ARTICLE 7 - ALLOCATIONS AND DISTRIBUTIONS

7.1 GENERAL ALLOCATION OF NET PROFITS AND NET LOSSES. After giving effect to the special allocations set forth in Section 7.2, all Net Profits and Net Losses (and to the extent necessary, as set forth in clauses (A) and (B) of this Section 7.1, items of gross income, gain, expense and loss) of the Partnership shall be allocated to the Partners as follows:

A. If the Partnership has Net Profits for any taxable year (determined prior to giving effect to this clause (A), each Partner whose Partially Adjusted Capital Account is greater than its Target Capital Account shall be allocated items of Partnership expense or loss for such taxable year equal to the difference between its Partially Adjusted Capital Account and Target Capital Account. If the Partnership has insufficient items of expense or loss for such taxable year to satisfy the previous sentence with respect to all such Partners, the available items of expense or loss shall be divided among such Partners in proportion to such difference.

B. If the Partnership has Net Losses for any taxable year (determined prior to giving effect to this clause (B), each Partner whose Partially Adjusted Capital Account is less than its Target Capital Account shall be allocated items of Partnership gain or income for such taxable year equal to the difference between its Partially Adjusted Capital Account and Target Capital Account. If the Partnership has insufficient items of income or gain for such taxable year to satisfy the previous sentence with respect to all such Partners, the available items of income or gain shall be divided among such Partners in proportion to such difference.

C. Any remaining Net Profits or Net Losses (as computed after giving effect to clauses (A) and (B) of this Section 7.1) shall be allocated among the Partners so as to reduce, proportionately, the differences between their respective Partially Adjusted Capital Accounts and Target Capital Accounts for the period under consideration. To the extent possible, each Partner shall be allocated a pro rata share of all Partnership items allocated pursuant to this clause (C).

7.2 OVERRIDING ALLOCATIONS OF NET PROFITS AND NET LOSSES. The following allocations of Net Profits and Net Losses and items thereof shall be made before applying Section 7.1 hereof:

A. If in any year there is a net decrease in the amount of the Minimum Gain computed solely with respect to Nonrecourse Debt other than Partner Nonrecourse Debt, then each Partner shall be allocated items of income and gain (consisting first of gains recognized from the disposition of Partnership Property subject to one or more Nonrecourse Debts other than Partner Nonrecourse Debts and then, if

necessary, a pro rata portion of the Partnership's other items of income and gain for that year) for that year (and, if necessary, subsequent years) in an amount equal to that Partner's share of the net decrease in Partnership Minimum Gain within the meaning of Regulation Section 1.7042(2). It is the intent of the parties that any allocations pursuant to this Section 0 shall constitute a "Minimum Gain Chargeback" under Regulation Section 1.704-2(f) and shall be interpreted consistently thereunder.

B. If in any year there is a net decrease in the amount of the Partner Minimum Gain computed solely with respect to Partner Nonrecourse Debt, then each Partner shall be allocated items of income and gain (consisting first of gain from the disposition of Partnership Property subject to Partner Nonrecourse Debt and then, if necessary, a pro rata portion of the Partnership's other items of income and gain for that year) for that year (and, if necessary, subsequent years) in an amount and in a manner consistent with the provisions of Regulation Section 1.704-2(i)(4). It is the intent of the parties that any allocations pursuant to this Section 0 shall constitute a "Chargeback of Partner Nonrecourse Debt Minimum Gain" under Regulation Section 1.704-2(i)(4) and shall be interpreted consistently thereunder.

C. If, during any year, a Partner unexpectedly receives any adjustment, allocation or distribution described in Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), and as a result of such adjustment, allocation or distribution, such Partner's Capital Account has an Excess Negative Balance, then items of gross income (computed with the adjustments set forth in clauses (a), (b) and (c) of the definition of Net Profits and Net Losses) for such year (and, if necessary, subsequent years) shall first be allocated to such Partner in an amount equal to such Partner's Excess Negative Balance. It is the intent of the parties that any allocations pursuant to this Section 0 shall constitute a "qualified income offset" provision under Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently thereunder.

D. Nonrecourse Deductions. Nonrecourse Deductions for any Fiscal Year shall be specially allocated among the Partners in proportion to their Percentage Interests.

E. In no event shall Net Losses of the Partnership be allocated to a Partner if such allocation would cause or increase an Excess Negative Balance in such Partner's Capital Account. Any such Net Losses shall be allocated to the Partners who bear the economic risk of such Net Losses.

F. Partner Nonrecourse Deductions. Any Partner Nonrecourse Deductions for any Fiscal Year shall be specially allocated to the Partner who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable in accordance with Regulations Section 1.704-2(i)(1).

G. In the event that Net Profits, Net Losses or items thereof are allocated to one or more Partners pursuant to Sections 7.2(A) through 7.2(F) above, subsequent Net Profits and Net Losses shall first be allocated (subject to the provisions of Sections 7.2(A), 7.2(B), 7.2(C), 7.2(D) and 7.2(E) to the Partners in a manner designed to result in each Partner having a Capital Account balance equal to what it would have been had the original allocation of Net Profits, Net Losses or items thereof pursuant to Sections 7.2(A) through 7.2 (E) hereof not occurred.

H. Except as otherwise provided herein, for tax purposes, all items of income, gain, loss, deduction or credit shall be allocated to the Partners in the same manner as are Net Profits and Net Losses; provided, however, that if the Carrying Value of any property of the Partnership differs from its adjusted basis for tax purposes, then items of income, gain, loss, deduction or credit related to such property for tax purposes shall be allocated among the Partners so as to take account of the variation between the adjusted basis of the property for tax purposes and its Carrying Value in the manner provided for under Code Section 704(c).

I. Solely for purposes of determining a Partner's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of regulation Section 1.752-3(a)(3), the Partners' interests in the Partnership profits are in proportion to their respective Partnership Interests.

7.3 SECTION 754 AND OTHER ELECTIONS. In the event of a transfer of all or part of a Partnership Interest pursuant to this Agreement, the Partnership shall elect at the request of any existing Partner or any person being admitted as a Partner, or the executor, administrator or other legal representative of a deceased Partner, to adjust the basis of the Partnership's assets pursuant to Code Section 754 or the corresponding provision of subsequent law. In the case of a new Partner, the election shall be filed by the Partnership as constituted prior to such admission. The General Partner reserves the right to cause the Partnership to file such further election(s) if it determines in its reasonable discretion that there are good and substantial reasons to do so.

7.4 PARTIAL TAXABLE YEAR. In the event of the transfer of all or any part of a Partnership Interest in accordance with the provisions of this Agreement at any time other than the end of a Partnership fiscal year, the distributive share of the various Partnership items in respect of the Partnership Interest so transferred shall (unless otherwise determined in writing by the transferor and transferee) be allocated between the transferor and transferee (i) in the same ratio as the number of days in such Partnership fiscal year before and after such transfer or adjustment, except that the provisions of this sentence shall not be applicable to a gain or loss on the

sale or other disposition of all or substantially all of the Partnership Property or to other extraordinary nonrecurring items, or (ii) as otherwise required under the Code.

7.5 INTENT. The provisions of this Article 7 governing the allocation of income and losses shall be construed and implemented in a manner which is consistent with Code Sections 704(2) and 704(c) and the Regulations promulgated thereunder.

7.6 USE OF PROCEEDS. During the term of the Construction Loan, all Proceeds shall be used by the Partnership to (i) pay development and operating costs of the Project, (ii) pay the costs set forth in the Development Budget, and (iii) reduce the principal amount of, or reduce the need to draw upon, the Construction Loan.

7.7 DISTRIBUTION OF NET ORDINARY CASH FLOW.

A. Net Ordinary Cash Flow shall be allocated and distributed among the Partners as follows:

1. First, to pay any accrued but unpaid principal balance, if any, of any and all loans made by any Partner to the Partnership in accordance with this Agreement, provided, however, that any Contribution Loans shall not be regarded as loans to the Partnership and shall be repaid on a first priority basis out of any Cash Flow to which the Non-Contributing Partner for whose account the Contribution Loan was made would otherwise be entitled to in accordance with Section 7.7(A)(2) of this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full, and

2. Second, the balance in proportion to the Partners' respective Partnership Interests.

B. Amounts distributed pursuant to the preceding sub-paragraphs shall be paid on a quarterly basis, within fifteen (15) days of the end of each calendar quarter, if Net Ordinary Cash Flow is available and the balance, if any, shall be paid within ninety (90) days subsequent to the end of each calendar year. The final allocation and distribution of Net Ordinary Cash Flow for each calendar year shall be made based upon the audited financial statements of the Partnership provided for in Section 10.2 hereof for such year.

7.8 DISTRIBUTIONS UPON MAJOR CAPITAL EVENT

A. Net proceeds derived from or in connection with a Major Capital Event shall be allocated and distributed among the Partners, on a cumulative basis, as follows:

1. First, to pay any accrued but unpaid interest on, and then to pay the unpaid principal balance, if any, of any and all loans made by any Partner to the Partnership in accordance with this Agreement, provided, however, that any Contribution Loans shall not be regarded as loans to the Partnership and shall be repaid on a first priority basis out of any capital proceeds to which the Non-Contributing Member for whose account the Contribution Loan was made would otherwise be entitled to in accordance with SECTIONS 7.8(A)2 through 7.8(A)3 of this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full;

2. Second, to the Partners to the extent of and in proportion to their Capital Contribution Balances, and

3. Third, the balance in proportion to the Partners' respective Partnership Interests.

B. Notwithstanding the provisions of Section 7.8(A) hereof, to the extent the total net proceeds distributable to a Partner on a cumulative basis under Section 7.8, hereof are less than the amount such Partner would be entitled to receive if all such distributions had been made following the redetermination and adjustment of Partnership Interests pursuant to Section 6.4 hereof, the net proceeds which would otherwise be distributed to the Defaulting Partner(s) shall be distributed first to the Non-Defaulting Partner(s), until such Non-Defaulting Partners have received all net proceeds to which they are entitled in accordance with such readjusted Partnership Interests, and any remaining net proceeds shall be distributed to the Partner(s) in proportion to their respective Partnership Interests.

7.9 DISTRIBUTION OF COST SAVINGS. If the net proceeds of the Permanent Loan (after payment of all closing costs, brokerage fees and similar items) exceed the then outstanding principal amount of the Construction Loan plus all accrued but unpaid interest thereon, then within ten (10) days of closing of the Permanent Loan, the Partnership shall distribute such net proceeds to the Partners, in proportion to their respective Partnership Interests. Any amounts otherwise distributable pursuant to this Section 7.9 shall be reduced by a reserve equal to one hundred percent (100%) of the budgeted costs of the initial lease-up of any unleased space in the Project, including tenant improvements and leasing commissions and fees. Any distribution pursuant to this Section 7.9 shall be in accordance with Partnership Interests and shall not reduce the Capital Contributions or Unreturned Capital Contributions Account of any Partner.

ARTICLE 8 - LEGAL TITLE TO PARTNERSHIP PROPERTY

8.1 LEGAL TITLE. Legal title to the Project, the Land and other

Partnership Property shall be taken and at all times held in the name of the Partnership, except as otherwise approved by the General Partner.

8.2 MATTERS AFFECTING LEGAL TITLE. Except as otherwise provided for herein the General Partner, in its capacity as General Partner, shall have the right, power and authority, acting for and on behalf on the Partnership, to enter into and execute any lease, contract, agreement, deed, covenants, proffers, applications for zoning, grading, building, occupancy and other permits and licenses, mortgage or other instrument or document required or otherwise appropriate to develop, construct, lease, sell, mortgage, convey or refinance the Partnership Property (or any part thereof), to borrow money and execute promissory notes, to secure the same by mortgage or deed of trust, to renew or extend any and all such loans or notes, and to convey the Partnership Property by deed, lease, sublease, mortgage or otherwise. In no event shall any Person dealing with the General Partner with respect to any of the Partnership Property or to whom the Partnership Property (or any part thereof) shall be conveyed, contracted to be sold, leased, mortgaged or refinanced by the General Partner be obligated to see to the application of any purchase money, rent or money borrowed or advanced thereon, or be obligated to see that the terms of this Agreement have been complied with, or be obligated to inquire into the necessity or expediency of any act or action of the General Partner, and every contract, agreement, deed, mortgage, lease, promissory note or other instrument or document executed by the General Partner with respect to any of the Partnership Property shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (a) at the time or times of the execution and/or delivery thereof, the Partnership was in full force and effect, (b) such instrument or document was duly executed and authorized and is binding upon the Partnership and all of the Partners thereof, and (c) the General Partner was duly authorized and empowered to execute and deliver any and every such instrument or document for and on behalf of the Partnership.

ARTICLE 9 - MANAGEMENT OF BUSINESS

9.1 DUTIES, RIGHTS AND POWERS OF THE GENERAL PARTNER; FEES AND COSTS; INDEMNIFICATION.

A. Except as otherwise expressly provided herein, management decisions of the Partnership shall be made by the General Partner, which shall be responsible for the conduct of Partnership business subject to the provisions of this Agreement and applicable law. The General Partner, as General Partner, shall devote to the management of the Partnership business so much of its time as it, in its sole discretion, deems reasonably necessary for the efficient operation of the Partnership business.

B. Except as otherwise provided for in Section 9.3 and 9.4, if any activities of the Partnership require, in the reasonable judgment of the General Partner, that Affiliates be engaged to provide services or to sell products to the Partnership, such services and products shall be provided in accordance with the arrangements specified in Sections 9.6 hereof.

C. Notwithstanding the foregoing or any contrary provision of this Agreement, and in addition to Consents to Partnership action required elsewhere in this Agreement, the Consent of all Partners shall be required prior to the implementation by the General Partner of any of the following major decisions (each such decision, a "Major Decision"):

1. Sale of the entire Property or the entire Project, except as contemplated pursuant to Sections 11.3 and/or 11.4 hereof.

2. Mortgaging of the entire Property, except in connection with the Construction Loan or the Permanent Loan.

D. No Limited Partner (in its capacity as a Limited Partner) shall have or exercise any rights in connection with the management of the Partnership business.

9.2 BUDGETS.

A. The General Partner has prepared and Approved a Development Budget for the Project and has provided the Limited Partners with copies of such Development Budget. The General Partner shall prepare a pre-construction budget and a development budget for any subsequent project, and shall submit same to the Limited Partners for their information before undertaking any subsequent project. Subject to the provisions of Section 6.5 hereof, the General Partner will cause the Project to be constructed in accordance with the provisions in the Development Budget.

B. The General Partner shall also prepare and Approve a proposed annual Operating Budget for the Project for the period after the Project Completion Date, setting forth estimated revenues and expenses, capital expenditures, reserves, contingencies, sources and applications of funds, and loans contemplated, if any. Any Operating Budget shall be submitted to the Limited Partners for their information not less than sixty (60) calendar days prior to the first day of the fiscal year covered by such Operating Budget. In addition, projections of current Fiscal Year expenditures shall be prepared by the General Partner and submitted to the Limited Partners on June 1 and November 1 of each Fiscal Year. Subject to certain parameters and exceptions set forth in the General Partner's Agreement, the General Partner will cause the Property to be operated in any Fiscal Year in accordance with the Operating Budget for such year.

9.3 MANAGEMENT AGREEMENT; MANAGEMENT FEES. An Affiliate of Chelsea and an Affiliate of Simon will render services to the Partnership in connection with

the management and ongoing leasing, including future releasing of the Project. The General Partner shall negotiate and Approve a Management Agreement with such Affiliates. The Partnership will pay management fees for managing the Project pursuant to the Management Agreement in an amount equal to six percent (6%) of the gross rental income accrued by the Partnership, excluding, however proceeds received from the sale of any Land Parcels.

9.4 DEVELOPMENT AGREEMENT; DEVELOPMENT AND LEASING FEES. An Affiliate of Chelsea and an Affiliate of Simon will also render services to the Partnership in connection with the initial development of the Project and the initial lease-up of the Project. The General Partner has negotiated and Approved a Development Agreement with such Affiliates. The Partnership shall pay development and leasing fees to such Affiliates in the amount more particularly set forth in the Development Agreement. Should subsequent projects be developed on a portion of the Land, an agreement covering the initial development and leasing of any such project in substantially the form of the Development Agreement shall be negotiated and approved by the General Partner.

9.5 POST-INITIAL LEASE-UP FEES. Fees to be paid by the Partnership for leasing of space in the Project other than the first lease of any such space and for renewals or extensions of any lease shall be set forth in the Management Agreement.

9.6 THIRD PARTY SERVICES. The General Partner may employ any third parties to perform services on behalf of the Partnership, including, without limitation, Affiliates of any Partner, provided that the costs to be paid by the Partnership for such services are competitive with the costs of independent contractors performing the same services. The parties recognize that an Affiliate of Simon provides bundled services contracts for maintenance and operational obligations, utilities, vending services and otherwise and such contractual arrangements shall be reviewed in accordance with the provisions of this Section and the Management Agreement.

9.7 COSTS. The General Partner shall be reimbursed by the Partnership for all reasonable out-of-pocket costs and expenses incurred on behalf of the Partnership in accordance with the previously specified Budgets so long as such costs and expenses are not intended to be paid from fees otherwise payable to such Partner or its Affiliates as set forth in the Development Agreement and the Management Agreement, respectively.

9.8 LIABILITY OF LIMITED PARTNERS. Except as otherwise specifically set forth herein, to the extent a Limited Partner is not a General Partner and does not take part in the control of the Partnership's business within the meaning of the Act, the liability of a Limited Partner for the obligations or losses of the Partnership shall in no event exceed such Limited Partner's Unreturned Capital Contributions Account.

9.9 INDEMNIFICATION OF GENERAL PARTNER.

A. The General Partner shall be indemnified and held harmless, absolutely, unconditionally and irrevocably, by the Partnership from and against any and all claims, demands, liabilities, costs, damages and causes of action, of any nature whatsoever, arising out of or incidental to such General Partner's management of the Project and/or the Partnership affairs, except where the claim at issue is based upon the fraud, gross negligence or willful misconduct of such General Partner.

B. The indemnification authorized by this Section 9.10 shall include, but not be limited to, payment of (i) reasonable attorneys' fees or other expenses incurred in connection with settlement or in any finally-adjudicated legal proceeding, and (ii) the removal of any liens affecting any property of the indemnitee.

C. The indemnification rights contained in this Section 9.10 shall be cumulative of, and in addition to, any and all rights, remedies and recourses to which the General Partner shall be entitled, whether pursuant to the provisions of this Agreement, at law or in equity.

D. The rights and obligations hereunder with respect to indemnification shall survive an event of withdrawal of a General Partner.

ARTICLE 10 - BANK ACCOUNTS; BOOKS AND RECORDS; TAX ELECTION

10.1 BANK ACCOUNT. The funds of the Partnership shall be deposited in such separate Partnership bank account or accounts as are approved by the General Partner, who shall arrange for the appropriate management of such account or accounts.

10.2 BOOKS AND RECORDS.

A. There shall be kept at the principal business office of the Partnership, as set forth in Section 10.3 hereof (or at such other office in the United States as the General Partner may designate), full and accurate books and records respecting the Project, showing all receipts and expenditures, assets and liabilities, profits, losses and distributions and all other information necessary for recording the business and affairs of the Partnership.

B. The books shall be kept on an accrual method and shall show at all times all items of income and expense. In all events, the books of account of the Partnership shall be maintained in accordance with federal tax accounting principles as determined by the Code, and the applicable regulations promulgated thereunder and in effect from time to time.

C. Audited financial statements shall be prepared annually by the

Independent Accountants, and shall be paid for by the Partnership. Each Partner shall be entitled to a copy of such audited financial statements.

D. In addition, the General Partner shall provide the Partners with such monthly and quarterly financial statements as may be prepared by the Partnership on an unaudited basis. On or before March 31 following each Partnership fiscal year, each Partner will be furnished with a copy of such report or financial statements together with such information as is relevant to such Partner for its individual federal, state and local income tax purposes with respect to the calendar year most recently ended.

E. Any Partner shall have the right to a private examination and audit of the books and records of the Partnership, provided such examination is made at the expense of the Partner desiring it, made during normal business hours at reasonable times after due Notice, and at the offices at which the books and records of the Partnership are then kept.

10.3 RECORDS REQUIRED UNDER THE ACT. In addition to the foregoing books of account, the Partnership shall keep at its business office, c/o Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068, the records required under the Act. Such records, and all records described in Section 10.2 hereof, shall be made available for inspection and copying upon the reasonable request, and at the expense, of any Partner during normal business hours.

10.4 TAX MATTERS PARTNER.

A. Pursuant to Section 6231 of the Code, the General Partner shall be the Tax Matters Partner (the "TMP") and shall prepare or cause to be prepared, by March 31 of each year, all tax returns required of the Partnership at the Partnership's expense. The TMP may be changed by the General Partner. The TMP shall not have the authority, without the Consent of the Partners to do any of the following which purports to bind, directly or indirectly, the Partners: (i) to enter into a settlement agreement respecting any tax returns and/or taxes payable by the Partnership; or (ii) to file any request contemplated in Section 6227(b) of the Code. The TMP shall not file a petition as contemplated in Sections 6226(a) or 6228(a) of the Code without consulting with the Partners and reflecting the substance of any comments received from the Partners in such petition. In addition, without the prior written approval of the Partners, the TMP shall not enter into an agreement extending the period of limitations as contemplated in Section 6229(b)(1)(B) of the Code for a period or periods exceeding one (1) year in the aggregate. The TMP shall give to the Partners prompt Notice upon receipt of advice that the IRS or any other taxing authority intends to examine any Partnership tax return or the books and records of the Partnership.

B. If the Partnership incurs any costs in retaining accountants, attorneys, experts and/or other professionals related to any tax audit, declaration of any tax deficiency or any administrative proceeding or litigation involving any Partnership tax matter, the Partnership shall use all available funds for such purpose, but no Partner shall be required to advance or contribute funds to the Partnership for such purpose, except if and to the extent provided in Article 6 hereof.

ARTICLE 11 - TRANSFERS

11.1 LIMITATION ON ASSIGNMENT BY GENERAL PARTNER. Except as expressly permitted under this Agreement, the General Partner may not sell, assign, transfer or mortgage, hypothecate or otherwise encumber or permit or suffer any encumbrance of all or any part of its Partnership Interest. Any attempt by the General Partner to sell, assign, transfer or mortgage, hypothecate or otherwise encumber or permit or suffer any encumbrance of its Partnership Interest, in violation of this Section 11.1 shall be null and void.

11.2 LIMITATION ON ASSIGNMENT BY LIMITED PARTNERS.

A. Except as expressly permitted under this Agreement, no Limited Partner may sell, assign, transfer or mortgage, hypothecate or otherwise encumber or permit or suffer any encumbrance of all or any part of its Partnership Interest.

B. Notwithstanding the provisions of Section 11.2(a) hereof, (i) Chelsea may, at any time (and without any requirement to offer its Partnership Interest to any other Partner), assign its Partnership Interest as a Limited Partner to any Chelsea Affiliate so long as such transfer does not result or occur in connection with a Change in Control as defined in Subparagraph (i)(c) of Section 1.15, and (ii) Simon may, at any time (and without any requirement to offer its Partnership Interest to any other Partner), assign its Partnership Interest as a Limited Partner to any Simon Affiliate so long as such transfer does not result from or occur in connection with a Change in Control as defined in Subparagraph (ii)(C) of Section 1.15.

C. Each Limited Partner agrees that no part of its Partnership Interest may be sold, assigned, pledged, encumbered or transferred, whether voluntarily or by operation of law, except as permitted by this Agreement. Any sale, assignment, pledge, encumbrance or transfer which is not permitted or does not comply with the terms hereof shall be invalid, void and without force or effect.

D. Except as expressly permitted under this Agreement, the Partnership Interest of each Limited Partner (including such Partner's right to receive a share of the profits and a return of its Unreturned

Capital Contributions Account) may be assigned, encumbered, pledged, conveyed or otherwise transferred, in whole or in part, only after the General Partner's Consent, which may be withheld in its sole discretion; provided further, in the event the General Partner does Consent, any assignee shall not become a substituted Limited Partner of the Partnership (unless all of the following conditions are satisfied or waived by the General Partner):

1. The assigning Limited Partner provides that the assignee shall become a substituted Limited Partner in the instrument of assignment;
2. The assignee agrees in writing to be bound by the terms of this Agreement;
3. The assignee pays to the Partnership a fee equal to the reasonable costs and expenses of the preparation and execution of an amendment to this Agreement;
4. The assignee provides an opinion of counsel, in form and substance satisfactory to the General Partner, that neither the offering nor the assignment of such Partnership Interest requires registration under applicable federal and state securities laws nor violates federal or state securities, "blue sky" or similar law;
5. Such transfer, together with all other sales or transfers of Partnership Interests within the preceding twelve (12) months will not result in a termination of the Partnership pursuant to Section 708 of the Code; and
6. Any such transfer shall not cause the Partnership to be classified as other than a partnership for federal income tax purposes.

If all of the foregoing conditions are satisfied, the General Partner shall prepare (or cause to be prepared) an amendment to EXHIBIT A to this Agreement to be signed by the General Partner and new Limited Partner.

11.3 THIRD PARTY OFFERS TO CHELSEA, SIMON OR S/C ORLANDO.

A. FIRST REFUSAL NOTICE. Except as provided in SECTION 11.2, if, subsequent to the date which is 6 (six) full calendar years after the Project Completion Date, either Simon or Chelsea desires to sell all of its and its Affiliates' Percentage Interest in the Partnership it shall give written notice (the "First Refusal Notice") of such intention to the other Partner (the Partner issuing the First Refusal Notice is hereinafter called the "Offeror" and the Partner receiving the First Refusal Notice is hereinafter called the "Offeree"). The First Refusal Notice shall set forth (i) the price (the "Refusal Price") and terms upon which the Offeror has received a bona-fide, third party, arms-length offer (the "Bona Fide Offer") to purchase such Percentage Interest (the Percentage Interest in the Partnership subject to the First Refusal Notice is hereinafter called the "Subject Interest") subject to all liabilities of the Partnership as of that date, (ii) a copy of such third-party offer, and (iii) the name and address of the proposed purchaser, provided, that the Offeror shall deal with only one such Purchaser at a time. The Refusal Price set forth therein must be payable with cash consideration only, although, at the Offeror's election, payment of portions of such cash consideration may be deferred and paid, with interest, in one or more installments after closing. Moreover, in furtherance of SECTION 11.3(E) below, so as to avoid a termination of the Company for federal income tax purposes pursuant to Section 708(b)(1)(B) of the Code the First Refusal Notice must propose a structure for the sale of the Subject Interest so that the sale when combined with previous sales will not cause there to be a sale or exchange of more than a forty-nine percent (49%) interest in the Net Profits or capital of the Partnership in any 12-month period, or, alternatively to fairly compensate the Offeree for the cost (including loss of benefits and/or increased taxes) of any such tax termination. Any First Refusal Notice providing for non-cash consideration, in whole or in part, (except as permitted in this SECTION 11.3(A)) or a sale that would cause a combined sale or exchange of more than a forty-nine percent (49%) interest in any 12-month period (except as permitted in this SECTION 11.3(A)) shall not be effective to institute the First Refusal procedures. If the First Refusal Notice provides that payment of a portion of the Refusal Price is to be deferred, then the required collateral for such deferred payment shall be described in the First Refusal Notice and shall be the Subject Interest to be purchased and/or a certificate of deposit, irrevocable stand-by letter of credit, or other type of collateral which is generally available, liquid, and not unique. Such First Refusal Notice shall constitute an offer by the Offeror to sell to the Offeree the Subject Interest specified in the First Refusal Notice for such price and terms, exclusive of any brokerage or similar commission provided for therein. Except as otherwise provided herein, neither Simon nor Chelsea may give the First Refusal Notice during the Construction Period, or for six (6) years after the Project Completion Date.

B. ELECTION BY OFFEREE. For a period of thirty (30) days following the date of receipt by the Offeree of the First Refusal Notice (the "First Refusal Period"), the Offeree shall have the option to purchase all, but not less than all, of the Subject Interest specified in the First Refusal Notice for the price and on the terms stated in the First Refusal Notice. In the alternative the Offeree shall have the option to sell its entire Percentage Interest in the Partnership to the Purchaser as set forth in subparagraph (D) hereof. If the Offeree elects to purchase the Subject Interest it must notify

the Offeror in writing (the "First Refusal Exercise Notice") within said 30-day period, and such notice must be accompanied by a First Refusal Deposit (defined below). If the Offeree fails to send a First Refusal Exercise Notice or to deliver a First Refusal Deposit within said 30-day period it shall be deemed to have elected not to purchase. "First Refusal Deposit" shall mean an amount equal to 5% of the price set forth in the First Refusal Notice.

C. CLOSING.

1. If the Offeree elects to so purchase the Subject Interest, the transfer of the Subject Interest specified in the First Refusal Notice from the Offeror to the Offeree shall be closed and consummated in the principal office of the Company at 11:00 a.m., local time, on the sixtieth (60th) day following the date of the First Refusal Exercise Notice (or if such date is not a business day, the business day next following such day), or on such earlier day as may be selected by the Offeree. At the closing, the Offeree shall deliver to the Offeror (i) such portion of the Refusal Price which is payable at closing in accordance with the terms of the First Refusal Notice in cash (U.S. dollars) by wire transfer representing immediately available Federal Reserve System funds and (ii) the promissory note and the applicable security instruments, if any, required by the First Refusal Notice. Simultaneously with the receipt of such payment, the Offeror shall deliver the Subject Interest to the Offeree free and clear of all liens, security interests and competing claims (other than security interests granted in favor of the Offeree to secure any Contribution Loans made by the Offeree on behalf of the Offeror and not fully credited as hereinafter provided) and shall deliver to the Offeree such instruments of transfer and such evidence of due authorization, execution and delivery and of the absence of any such liens, security interests or competing claims as the Offeree shall reasonably request. The Refusal Price paid at closing shall be reduced by the amount of any outstanding Contribution Loans made by the Offeree to the Offeror, together with all accrued interest thereon and the costs (including loss of benefits and/or increased taxes), if any, associated with any termination under Section 708(b) (1) (B) of the Code caused by the transfer.

2. If, by virtue of the election of the Offeree to purchase any Subject Interest in accordance with the provisions of this SECTION 11.3, the holder of any loan to the Partnership under which the Offeror or any of its Affiliates has personal liability has the right to, and notifies the Partnership of its intent to accelerate the loan, it shall be a condition to the closing that the Offeree repay such loan (plus any deferred and accrued and unpaid interest thereon and any required prepayment premium and/or yield maintenance fees), or have the Offeror and its Affiliates as applicable, released from personal liability for payment of the loan and any guaranty thereof by a written instrument reasonably satisfactory to the Offeror, at the closing of the sale of such Subject Interest.

D. SALE OF PROJECT TO THIRD PARTY.

1. During the First Refusal Period, the Offeree shall also have the option to sell its entire Percentage Interest in the Partnership and (y) the interest of any Affiliate in the General Partner (collectively the "Entire Interest") to the Purchaser. If the Offeree elects to sell its Entire Interest to the Purchaser, it must notify the Offeror in writing (the "Sale Notice") within the First Refusal Period. If Offeree fails to send a Sale Notice within said time 30-day period, it shall be deemed to have elected not to sell its Entire Interest.

2. If the Offeree elects to sell its Entire Interest, the Offeror shall proceed to consummate a sale of both the Subject Interest, any interest held by an Affiliate of the Offeror in the General Partner and the Offeree's Entire Interest (the entire Project) to the Purchaser at a purchase price equal to the product of (i) the Refusal Price and (ii) the quotient resulting from the division of (x) one (1) by (y) the percentage interest in the Partnership represented by the Subject Interest, subject to all liabilities of the Partnership as of the date of the First Refusal Notice. For example, if the Refusal Price for the Offeror's Percentage Interest is \$1,000,000 and the Subject Interest equals 50%, then the entire Project may be sold at a purchase price equal to \$2,000,000 (\$1,000,000 times 1.00/.50). The purchase price shall be payable as set forth in Section 11.3(a); provided however, that if a portion of the purchase price is to be deferred, then the required collateral for such deferred payment shall be a first mortgage on the Project and/or a certificate of deposit, irrevocable stand-by letter of credit or other type of collateral which is generally available, liquid and not unique and no more than 50% of the purchase price may be deferred. The form of the contract of sale shall be subject to the reasonable approval of the Offeree, and the contract shall be executed, and close, within the time frames, identified in Subparagraph (e)(i) of this section. If the holder of any loan to the Partnership under which a Partner or Partners or Affiliates have personal liability has the right to and notifies the Partnership of its intent to accelerate the loan, it shall be a condition to the closing that the Purchaser repay such loan and obtain releases from the lender of any guaranties given in connection therewith. Costs incurred in connection with the drafting and negotiation of the contract of sale (excluding, however, costs incurred by the Offeree in commenting on same) and

any conveyance, transfer or similar taxes payable in connection with the closing shall be expenses of the Partnership.

E. SALE OF SUBJECT INTEREST TO THIRD PARTY.

1. If the Offeree fails to exercise its right to purchase the Subject Interest, or if the Offeree exercises its right to purchase but through no fault of the Offeror subsequently fails to purchase the Subject Interest within the time specified, or the Offeree fails to offer to sell its entire Percentage Interest to the Purchaser, then the Offeror shall have the right, for four (4) months after the expiration of the First Refusal Period, to obtain a bona fide, binding contract for the sale of such Subject Interest to the third party which is identified as the prospective purchaser in the First Refusal Notice, so long as such third party is not an Affiliate of the Offeror (a "Purchaser") for a price and on terms and conditions consistent with SECTION 11.3(A) which are no less favorable to the Offeror than those stated in the First Refusal Notice, except that any such contract must provide for a closing of the purchase and sale of such Subject Interest within sixty (60) days after the date of such contract; PROVIDED, that if the Offeree fails to purchase the Offeror's Subject Interest in breach of a commitment by the Offeree to do so the Offeror shall have, as its sole remedy, the right to retain the First Refusal Deposit as liquidated damages and not as a penalty, and in addition thereto the above four-month limitation on the Offeror's rights to obtain a binding contract with a third party shall be extended to six (6) months.

2. In the event the Offeror proposes to consummate a sale of the Subject Interest to the Purchaser identified pursuant to SECTION 11.3(A) hereof within the time specified and in a manner otherwise consistent with the requirements of SECTIONS 11.3(D)(1) above, the Purchaser shall not be entitled to any benefits or rights under this Agreement unless and until:

a. The Offeree shall reasonably approve the form and content of the instruments of transfer;

b. The Purchaser in writing accepts and adopts all of the terms and conditions of this Agreement, as the same may have been amended, including, without limitation, the restrictions on transfer set forth in SECTION 11.2, and acknowledges that the Offeror's rights under this SECTION 11.3 are transferable, but shall not be available for a period of two (2) years, to such Purchaser;

c. The Offeror or the Purchaser, as the case may be, pays all debts of the Offeror then due and payable to the Partnership or to the Offeree (including interest accrued thereon) and all capital contributions then due and payable by the Offeror to the Partnership;

d. The Offeror or the Purchaser pays all reasonable expenses incurred by the Offeree from the date the Offeree last declines to purchase the Subject Interest through the date on which the Subject Interest is transferred to the Purchaser, including, without limitation, legal and accounting fees, and pays all costs incurred by the Partnership as the result of such transfer, including, without limitation, real or personal property transfer taxes, if any, imposed on the Partnership by virtue of the transfer and the cost of preparing and filing any and all tax returns which are required to be filed as a result of such sale; and

e. If required by the Offeree, the Purchaser delivers an opinion of counsel to the Partnership, which counsel and opinion are satisfactory to the Offeree, that an exemption from registration or qualification under the Securities Act of 1933, as amended, and under all applicable statutes, rules or laws of any state which may be applicable thereto is available.

3. In the event the Offeror is an Affiliate of the operating member of the General Partner and/or an Affiliate of the manager under the Management Agreement, the non-operating member shall have the right to become the operating member and the manager under the Management Agreement (or to have an Affiliate become the manager) upon sale of the Subject Interest by giving notice of exercise to the Offeror.

F. REINSTATEMENT OF FIRST REFUSAL PROCEDURE. In the event the Offeror fails within the time specified in SECTION 11.3(D) OR SECTION 11.3(E), AS APPLICABLE, to consummate such proposed sale, through no fault of the Offeree, the Offeror shall reimburse the Offeree for its above-described costs and shall, prior to any subsequent proposed sale of the Subject Interest be required to extend to the Offeree, and the Offeree shall have, the rights of First Refusal set forth in this SECTION 11.3. Except as otherwise permitted by this Agreement, any sale, assignment or other transfer by a Partner of its Percentage Interest or any portion thereof in violation of the restrictions and procedures set forth in this SECTION 11.3 shall be void.

G. RELATIONSHIP TO BUY-SELL. Neither Chelsea nor Simon may invoke the provisions of this Section 11.3 during any period when the buy/sell option described in Section 11.4 hereof has been invoked but closing thereunder has not yet occurred.

H. OFFER BY MEMBER TO MEMBER. Notwithstanding anything to the contrary in this Section 11.3, from and after the Project Completion Date, Chelsea and Simon shall have the right to make offers to the other for the purchase and sale of all or any portion of their respective Partnership Interests. Such offers shall not be subject to the First Right of Refusal Procedure and the party receiving same shall not be obligated to take any action with respect thereto.

11.4 BUY-SELL

A. Except as hereinafter set forth, at any time following the date which is six full calendar (6) years after the Project Completion Date, either Partner (the "Offeror"), provided such Partner is not then a Defaulting Partner, may by giving the other Partner (the "Offeree") written notice (the "Sale Notice") implement the sale procedures which are set forth in this SECTION 11.4. The Offeror must offer the Entire Interest as previously defined in SECTION 11.3(D). Prior to implementing the sale procedures, the Partner wishing to trigger the buy-sell shall first be obligated to notify the other Partner of its desire to sell its Entire Interest and the Partners shall thereafter commence good faith discussions to determine whether or not they mutually agree upon the terms and conditions for the sale of one Partner's Entire Interest in the Partnership to the other Partner. If the Partners are unable to agree, then upon the earlier to occur of thirty (30) days after commencement of discussions or the date either party notifies the other that it does not want to continue discussions, the Offeror may deliver the Sale Notice which shall state the cash price (determined or to be determined as set forth in subparagraph (E) below) at which the Offeror would be willing to sell its Entire Interest in the Partnership to the Offeree or to purchase the Offeree's Entire Interest in the Partnership.

B. Except as hereinafter set forth, no Partner may give the Sale Notice described in SECTION 11.4(A) during the Construction Period or for six(6) years after the Project Completion Date.

C. If there is a merger, consolidation, or other business reorganization of Chelsea or Chelsea, Inc. or Simon, Simon, Inc., SD Inc., or SPG as a result of which a Change in Control occurs (as defined in Section 1.15), then the non-merging, non-consolidating or non-reorganizing Partner may, at its option implement the Buy-Sell procedures set forth in this Section 11.4 regardless of the period of time that has elapsed subsequent to the Project Completion Date.

D. If any Partner shall choose to deliver a Sale Notice, upon receipt of the Sale Notice given and delivered pursuant to SECTION 11.4(A), the Offeree shall be obligated to elect, in accordance with the provisions of this SECTION 11.4, either to purchase the Offeror's Entire Interest in the Partnership or to sell its Entire Interest in the Partnership to the Offeror for cash at the closing described in SECTION 11.5.

E. The purchase price (the "PURCHASE PRICE") for any purchase and sale of the Entire Interest in the Partnership of a Partner under this SECTION 11.4 shall be equal to the cash amount set forth in the Sale Notice (less the outstanding principal balance of the mortgage, transfer taxes and prepayment premiums or other amounts payable to the lender, which amount shall be adjusted for the respective Percentage Interests of the Partners).

F. The Offeree shall give written notice of its election to the Offeror within 30 days after receipt of the Offer. Failure of the Offeree to give notice that such Offeree has elected to purchase the Offeror's Entire Interest in the Partnership shall be conclusively deemed to be an election of the Offeree to sell to the Offeror its Entire Interest in the Partnership.

G. If the holder of any loan to the Partnership under which the selling Partner or any Affiliate thereof has personal liability, has the right to, and notifies the Partnership of its intent to accelerate such loan, it shall be a condition to the closing that the purchasing Partner repay such loan (plus any deferred and accrued and unpaid interest thereon and any prepayment premium and/or yield maintenance fees) at the closing, or have the selling Partner or any Affiliate thereof released from liability for payment of the loan and any guarantees made in connection therewith by a written instrument reasonably satisfactory to the selling Partner, and the failure to do so will cause such Partner to be a Defaulting Partner. The purchasing Partner agrees to indemnify the selling Partner and its Affiliates and hold each of them harmless from and against any damage, loss or liability to any of them as a result of the indemnifying party's failure to repay such loan at the closing in accordance with the provisions hereof. In addition, the selling Partner may, in its sole and absolute discretion, and without prejudice to any other legal or equitable remedies it may have, refuse to proceed with the closing unless simultaneously therewith any such loan is so repaid.

H. The Offeree's election for which notice is given pursuant to subparagraph (F) shall create a binding contract for the purchase by Offeree of Offeror's Entire Interest or sale, as the case may be, of the Offeree's Entire Interest in the Partnership on the terms set forth in this SECTION 11.4. If the Offeree shall thereafter be in breach of its obligation to close the purchase or sale in accordance with such election, such Partner shall be a Defaulting Partner and in addition to all other rights and remedies herein provided, the Offeror shall have all remedies at law or in equity. In the event the Offeror shall be in breach of its obligation to close the purchase or sale herein provided, then such Partner shall be a Defaulting Partner, and in addition to all other rights and remedies herein provided, the

Offeree shall have all remedies available in law or at equity.

11.5 CLOSING OF PURCHASE OF A PARTNER'S INTEREST.

A. The closing of any sale of a Partner's interest pursuant to SECTION 11.4 shall be held at the office where the principal place of business of the Partnership is located on the 120th day after the election by the Offeree (unless the Partners agree to a different mutually acceptable date), unless such 120th day is not a business day, in which event the closing shall take place on the first business day following such 120th day. Within 30 days prior to such closing, there shall be a preliminary closing at which the Partners shall act diligently and in good faith to agree upon the form and substance of all documents necessary to effectuate the closing.

B. At the closing, an assignment and, if requested by the purchasing Partner, a bill of sale (both with covenants against grantor's acts) from the selling Partner to the purchasing Partner of the selling Partner's Percentage Interest in the Partnership and any Affiliate's interest in the General Partner, therein, together with such other instruments and documents as may be reasonably necessary or desirable to effectuate the sale and transfer to the purchasing Partner, shall be deposited in escrow under an escrow agreement and with an escrow agent approved by the Partners, which approval shall not be unreasonably withheld. If there is any dispute between the Partners, any title company which issued a fee title policy to the Partnership or acted as co-insurer or reinsurer may be designated by any Partner as the escrow agent. The instruments and documents to be deposited in escrow at the closing shall be legally sufficient to convey the selling Partner's interest in the Partnership to the purchasing Partner, free and clear of all mortgages, deeds of trust, liens and encumbrances. The purchase price shall be paid to the selling Partner by federal wire transfer of immediately available funds to an account designated by the selling Partner.

C. In the event there are any conveyance, transfer or similar taxes payable as an incident to the conveyances at the preliminary closing or the closing, such taxes shall be expenses of the Partnership. In the event that any title insurance company insuring the title of the Partnership to the Project shall refuse to endorse its policy of title insurance to reinsure the Partnership's title to the Project effective immediately after the transfer to the purchasing Partner without exception other than as set forth in the original policy of title insurance (other than exceptions for real estate taxes, rights of tenants in possession, as tenants only, any surviving deeds of trust, mortgages, liens or charges against the Project, any easements created by the Partnership and Approved by the Partners, and any other matter Approved by the Partners at any time or from time to time), then the assignment from the Offeror to the purchasing Partner shall contain general warranties of its title to its interest in the Partnership and the Project.

11.6 ASSUMPTION OF LIABILITIES.

A. At any closing held pursuant to SECTION 11.5, the purchasing Partner shall, by a legally enforceable agreement, assume the payment of all obligations of the Partnership accruing after closing, including, without limitation, any indebtedness under any lien on the Project identified in the Offer to the extent that the Partners have personal liability therefor, and shall further secure the release of the selling Partner's or any Affiliate's guarantees, if any.

B. If, at the time of the purchase of the selling Partner's interest, the Project is subject to any mortgage, deed of trust, lien or charge, other than those which were in existence at the time of the Sale Notice and used to calculate the Purchase Price, the purchasing Partner shall discharge, assume, or take subject to such mortgage, deed of trust, lien or charge and reduce the amount of the Purchase Price otherwise payable pursuant to SECTION 11.4(D) by the selling Partner's pro rata share of the amount of money as would be required to discharge such mortgage, deed of trust, lien or charge (including, without limitation, any and all prepayment premiums or penalties). In addition, if such an encumbrance shall have been placed by the selling Partner in contravention of the terms and provisions of this Agreement, then the purchasing Partner shall also have all of the rights provided in SECTION 11.4 with respect to a default by the selling Partner, and the purchasing Partner shall not be required to close the purchase and sale of the interest of the selling Partner in the Partnership.

C. Unless the Sale Notice provides otherwise, if the Project is damaged by fire or other casualty, or if any party possessing the right of eminent domain or such similar right shall give notice of an intention to take or acquire a part of the Project, and such damage occurs, or such notice is given between the date of the Sale Notice and the closing, the following shall apply:

1. If the Project is damaged by an insured casualty (or an uninsured casualty not resulting in significant damage, which for the purposes of this subsection only shall mean damage the cost to repair of which would not exceed \$1,000,000), or if the taking or acquisition shall not involve a substantial portion of the Project resulting in an other than substantial reduction in income, then the Offeree shall be required to complete the transaction and accept an assignment of the insurance or condemnation proceeds, in which case the Purchase Price shall be reduced by a portion of the uninsured casualty, if any, equal to the amount of the uninsured casualty multiplied by the selling Member's Entire Interest, and shall be further reduced by the sum

of all deductible amounts specified under the policies of insurance multiplied by the selling Member's Entire Percentage Interest.

2. If the Project is damaged by an uninsured casualty resulting in significant damage, or if the taking or acquisition shall or may result in a substantial reduction in the income producing capacity of the Project, then the purchasing Partner shall have the option to either (1) accept the Entire Interest in the Project in an "as is" condition together with any insurance proceeds, settlements and awards (in which case the Purchase Price shall be reduced by the sum of all deductible amounts specified under policies of insurance multiplied by the selling Partner's Entire Interest), or (2) cancel the purchase.

In the event that the purchase is canceled by the purchasing Partner in accordance with this SECTION 11.6(C), the terms of this Agreement shall remain in effect and continue to be binding on the parties.

11.7 CONTINUATION OF PARTNERSHIP UPON GENERAL PARTNER WITHDRAWAL. The retirement, withdrawal, Bankruptcy, dissolution, death or adjudication of incompetence of the General Partner shall cause the dissolution of the Partnership, unless the Partners elect, by unanimous consent (other than the affected partner or its successor in interest), within ninety (90) days of such event, to continue the Partnership and the Partnership business. If such election to continue is made, then (i) the Partnership shall not be dissolved; (ii) the Partnership and the Partnership business shall be continued; (iii) a Successor General Partner shall be appointed by the Consent of the Partners in accordance with Section 11.8 hereof and the Partnership Interest of the Bankrupt, retired, deceased, dissolved or incompetent General Partner shall be converted to a Partnership Interest as a Limited Partner; and (iv) this Agreement and the Certificate shall be amended to reflect (a) such continuation of the Partnership, (b) if applicable, the conversion of such General Partner's Partnership Interest to a Limited Partner's Partnership Interest, and (c) the admission of the Successor General Partner(s) designated pursuant to clause (iii) of this Section 11.7.

11.8 ELECTION OF SUCCESSOR GENERAL PARTNER.

A. A Person shall be admitted as a Successor General Partner only if the following terms and conditions are satisfied:

1. Except as otherwise provided herein, the admission of such Person as a General Partner shall have been agreed to by the Consent of the Partners (other than the affected partner or its successor in interest);

2. The person shall have accepted and agreed to be bound by all the terms and provisions of this Agreement and the Certificate, by executing a counterpart thereof and such other documents or instruments as may be required or appropriate in order to effect the admission of such Person as a Successor General Partner; and

3. An amended Certificate evidencing the admission of such Person as a General Partner shall have been filed for recordation under the Act.

B. Notwithstanding Section 11.8(a) hereof, in the event Chelsea or Simon acquires the Entire Interest of the other pursuant to Section 11.3 or 11.4 then Chelsea or Simon or an Affiliate thereof, as the case may be, shall be admitted as a Successor General Partner without the Consent of all Partners pursuant to Section 11.8(a) hereof.

11.9 ADMISSION OF SUBSTITUTE LIMITED PARTNER. Notwithstanding any other provision under this Agreement, no transferee of a Limited Partner's Partnership Interest shall become a substituted Limited Partner unless (i) such transferee shall have executed an instrument satisfactory in form and substance to the General Partner accepting and agreeing to be bound by all the terms of this Agreement, (ii) the General Partner has given its Consent thereto, which may be withheld in its sole discretion; and (iii) all applicable requirements imposed by this Article 11 have been fulfilled. Absent such substitution, an assignor of a Limited Partner's Partnership Interest shall continue to be a Limited Partner with all of the rights and obligations thereof, except for entitlement to any Partnership distributions or allocations attributable to such Partnership Interest.

11.10 DEATH, INCOMPETENCE OR DISSOLUTION OF A LIMITED PARTNER. The adjudication of Bankruptcy or insolvency, dissolution or termination of any partnership or corporate Limited Partner, or the death or adjudication of insanity, incompetence, Bankruptcy or insolvency of any individual Limited Partners (other than a Limited Partner who is also a General Partner) shall not dissolve the Partnership. In such event, the executors or administrators of the estate of the deceased Limited Partner, or the committee or other legal representatives of the estate of the insane, incompetent, bankrupt or insolvent Limited Partner, shall, for the purposes of settling the estate, have all of the rights of a Limited Partner and be subject to the provisions of this Agreement, including this Article 11.

ARTICLE 12 - TERM; DISSOLUTION OF PARTNERSHIP

12.1 TERM.

The Partnership shall continue in effect until December 31, 2050, unless sooner dissolved and liquidated in accordance with the provisions hereof. All

provisions of this Agreement relative to dissolution and liquidation shall be cumulative and the exercise or use of one of the provisions hereof shall not preclude the exercise or use of any other provisions.

12.2 EVENTS OF DISSOLUTION. The Partnership shall be dissolved upon the occurrence of any of the following events:

A. Subject to the provisions of Section 11.7 hereof, the adjudication of Bankruptcy or insolvency, dissolution or termination of the General Partner

B. The expiration of the term of the Partnership;

C. The sale or other disposition (through condemnation or otherwise) of all or substantially all of the Land and the Project and completion of the purposes of the Partnership; or

D. When Partners owning more than seventy-five percent (75%) of the aggregate Partnership Interests shall so determine in writing.

12.3 WINDING-UP OF PARTNERSHIP. Upon dissolution of the Partnership, the General Partner then remaining (or if there is no remaining General Partner, Limited Partners owning a majority of the total Limited Partners' Partnership Interests), shall proceed with dispatch and without any unnecessary delay to wind up the business affairs of the Partnership, to sell or otherwise liquidate the Partnership assets and Partnership Property, and, after paying or duly providing for all liabilities to creditors of the Partnership, to distribute the net proceeds and any other liquid assets of the Partnership among the Partners in the manner set forth in Section 7.8 hereof.

12.4 TERMINATION OF PARTNERSHIP. The Partnership shall terminate when (i) all property and assets owned by the Partnership shall have been disposed of, (ii) the net proceeds therefrom and any other liquid assets of the Partnership, after payment of or due provision for all liabilities to creditors of the Partnership, shall have been distributed to the Partners as provided in Section 7.8 hereof, and (iii) the Certificate has been amended (terminated) of record to reflect such termination. With respect to any and all distributions made to Partners (general or limited) pursuant to Section 7.8 hereof, and with respect to the aforesaid termination of the Partnership, no Partner shall have any liability or obligation to the Partnership or to any other Partner to contribute any cash or other property to the Partnership or to any other Partner, or to defer or forego the receipt of any cash or other property from the Partnership, by reason of any deficit in such Partner's Capital Account at such time.

ARTICLE 13 - MISCELLANEOUS PROVISIONS

13.1 NO AGENCY; NO LIMITATION OF BUSINESS ACTIVITIES BY PARTNERS.

Except as provided in this Agreement, nothing herein contained shall be construed to constitute any Partner hereof the agent of any other Partner hereof or to limit the Partners in any manner in the carrying on of their own respective businesses or activities. Any Partner may engage in and/or possess any interest in other businesses and real estate ventures of every nature and description, independently or with others, including but not limited to, the ownership, financing, leasing, operation, management, syndication, brokerage and development of real property, and neither the Partnership nor any Partner hereof shall have any rights in or to any such independent venture or the income or profits derived therefrom.

13.2 PARTNERSHIP INTERESTS TREATED AS PERSONALTY. The Partnership Interests of all Partners, and the interest of all Partners in and to the Partnership and the assets and property of the Partnership, shall be deemed for all purposes to be personal property and not real property. All real and other property owned by the Partnership shall be deemed to be owned legally and beneficially solely by the Partnership as a separate entity, and no Partner, individually, shall have any direct ownership interest in any such Partnership Property.

13.3 EFFECT OF CONSENT OR WAIVER. No consent or waiver, express or implied, by any Partner to or of any breach or default by any other Partner in the performance by such other Partner of its obligations hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default by such other Partner in the performance by such other Partner of the same or any other obligations of such Partner hereunder. Failure on the part of any Partner to object to or complain of any act or failure to act of any of the other Partners or to declare any of the other Partners in default, irrespective of how long such failure continues, shall not constitute a waiver by any such Partner of its rights hereunder.

13.4 SECTION HEADINGS AND PRONOUNS. All headings contained in this Agreement are for convenience of reference only and are in no way intended to describe, interpret, define or limit the scope, extent or intent of this Agreement or any provisions hereof. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular or plural, as the identification of the Person or Persons may require.

13.5 SEVERABILITY. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any provision shall not affect the validity or enforceability of the remainder of this Agreement or any valid clause of any invalid portion. The Partners shall amend this Agreement to replace any such invalid or unenforceable provision with a valid and enforceable provision which comes closest to the intent of the Partners with respect to such invalid or unenforceable provision.

13.6 PARTITION. Each of the parties hereof irrevocably waives during the term of the Partnership any right it may have, to maintain an action for partition with respect to Partnership Property and any other Partnership assets.

13.7 NO BENEFIT TO CREDITORS. No provision of this Agreement is

intended to be for the benefit of any creditor or any other Person (other than a Partner in its capacity as a Partner) to whom any debts, liabilities or obligations are owed by the Partnership or any Partner, and no such Person shall be deemed to be a third party beneficiary of any provision of this Agreement.

13.8 ENTIRE AGREEMENT. This Agreement, including all exhibits and appendices hereto, which are incorporated herein by this reference, sets forth all (and is intended by all parties hereto to be an integration of all) of the promises, agreements, conditions, understandings, warranties and representations among the parties hereto with respect to the terms of the Partnership, the conduct of the Partnership business and the property of the Partnership, through the date hereof, and there are no promises, agreements, conditions, understandings, warranties or representations, oral or written, express or implied, with respect thereto among them, through the date hereof, other than as set forth herein.

13.9 GOVERNING LAW; LITIGATION. It is the intention of the parties hereto that all questions with respect to the construction of this Agreement and the rights and liabilities of the parties hereto shall be determined in accordance with the laws of the State of Florida. In the event the Partnership or any Partner (or its Affiliates) institutes litigation or an administrative action against, Chelsea or any of its Affiliates, and/or Simon or any of its Affiliates, relating to a claim arising under this Agreement or related to the Land or Project the parties hereto agree that the prevailing party in such litigation or administrative action shall be entitled to recover its out-of-pocket costs and expenses of defending or maintaining such litigation or administrative action, including without limitation, attorneys' fees. With respect to any action initiated by a Partner in the nature of a derivative action, the Partner initiating the derivative action shall be obligated to reimburse the Partnership for any obligation incurred by the Partnership pursuant to this Section 13.9 if such Partner is the losing party in such litigation or administrative action. For purposes of the foregoing, a Partner who is an Affiliate of a party which is the losing party in such litigation or administrative action shall be obligated to reimburse the prevailing party for the costs and expenses of such litigation or administrative action.

13.10 BINDING EFFECT. This Agreement is binding upon, and shall inure to the benefit of, the parties hereto and their respective heirs, executors, administrators, personal and legal representatives, successors and permitted assigns.

13.11 NOTICES. Notices required herein shall be sent to the following addresses:

If to S/C Orlando:	S/C Orlando Development LLC c/o Chelsea GCA Realty, Inc. 103 Eisenhower Parkway Roseland, New Jersey 07068 Attention: Chief Executive Officer Fax: (973) 228-1694
with a copy to:	Simon Property Group, L.P. National City Center 115 West Washington Street Indianapolis, Indiana 46204 Attention: Chief Executive Officer Fax: (317) 265-7177
If to Chelsea:	Chelsea GCA Realty Partnership, L.P. 103 Eisenhower Parkway Roseland, New Jersey 07068 Attention: General Counsel Fax: (973) 228-7913
If to Simon:	Simon Property Group, L.P. National City Center 115 West Washington Street Indianapolis, Indiana 46204 Attention: General Counsel Fax: (317) 685-7221

13.12 GENERAL PARTNER AS ATTORNEY-IN-FACT FOR LIMITED PARTNERS.

A. Each of the Limited Partners hereby appoints, and each newly admitted or substitute Limited Partner, by being admitted to the Partnership, automatically appoints the General Partner or any successor general partner for the General Partner, as its true and lawful attorney-in-fact to execute such amendments to this Agreement and the Certificate and other instruments and to do such other acts as may be required in the conduct of the Partnership business, consistent with the provisions of this Agreement and authorized by the General Partner to reflect, among other things, any of the following:

1. A change in the name of the Partnership or in the principal office or the resident agent of the Partnership;
2. The conversion of a General Partner Partnership Interest into a Limited Partner Partnership Interest, or the admission of a General Partner pursuant to any of the provisions of Article 11 hereof;
3. The substitution of any successor General Partner or Limited Partners pursuant to the provisions of Article 11 hereof, or by unanimous Consent of all Partners;
4. The correction or clarification of any scrivener's error in this Agreement or the Certificate;
5. The execution and filing by the Partnership of any

statement, amendment or other document required to be filed for record under any provision of the Act;

6. Any amendment to this Agreement or the Certificate which amendment is approved by the Partners or is required by the Act or any other applicable state or federal law to conform the Agreement and/or the Certificate to any requirements of the Act or any other applicable state or federal law; or

7. The amendment of EXHIBIT A hereto pursuant to the terms and conditions of this Agreement.

B. The appointment of the attorneys pursuant to this Section 13.12 shall be irrevocable and coupled with an interest, and shall survive the disability of any Limited Partner.

13.13 COUNTERPARTS AND EFFECTIVENESS.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument and may be executed and delivered by facsimile transmission with each party executing the agreement (or a counterpart thereto) and delivering such executed document by facsimile transmission with the original to follow by actual delivery. The parties hereto intend to be legally bound and obligated by this Agreement effective immediately upon the delivery of any such facsimile transmission.

[End of Page 40]

IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures as of the day and year first above written.

GENERAL PARTNER:

S/C ORLANDO DEVELOPMENT LLC,
a Delaware limited liability company
By: Chelsea GCA Realty Partnership, L.P.,
a Delaware limited partnership,
By: Chelsea GCA Realty. Inc.,
General Partner

By: _____
Its: _____

LIMITED PARTNERS:

Chelsea GCA Realty Partnership, L.P.,
a Delaware limited partnership
By: Chelsea GCA Realty. Inc.,
a Maryland corporation,
General Partner

By: _____
Its: _____

SIMON PROPERTY GROUP, L.P.,
a Delaware limited partnership

By: SIMON PROPERTY GROUP, INC.,
a Delaware corporation, General Partner

By: _____
Its: _____

SIMON/CHELSEA ORLANDO DEVELOPMENT LIMITED PARTNERSHIP

EXHIBIT A TO
LIMITED PARTNERSHIP AGREEMENT

SCHEDULE OF PARTNERS

NAME AND ADDRESS	PARTNERSHIP INTERESTS
GENERAL PARTNER:	
S/C Orlando Development LLC c/o Chelsea GCA Realty, Inc. 103 Eisenhower Parkway Roseland, New Jersey 07068	.5%
LIMITED PARTNERS:	
Chelsea GCA Realty Partnership, L.P. c/o Chelsea GCA Realty, Inc. 103 Eisenhower Parkway Roseland, New Jersey 07068	49.75%
Simon Property Group, L.P. National City Center 115 West Washington Street Indianapolis, Indiana 46204	49.75%

SIMON/CHELSEA ORLANDO DEVELOPMENT LIMITED PARTNERSHIP

EXHIBIT B TO
LIMITED PARTNERSHIP AGREEMENT

THE LAND

SIMON/CHELSEA ORLANDO DEVELOPMENT LIMITED PARTNERSHIP

EXHIBIT C TO
LIMITED PARTNERSHIP AGREEMENT

ADJUSTED PERCENTAGE INTEREST CALCULATION

Assume that on the Percentage Interest Adjustment Date Member A has contributed \$10 million to the Partnership and Partner B has contributed \$6 million to the Partnership. Partner A's percentage of the total contribution is

$$\begin{array}{r} \$10 \text{ MILLION} \\ \text{-----} \\ \$16 \text{ million} \end{array} = .625 \text{ (62.5\%)}$$

and the percentage of the total contributions of Partner B is

$$\begin{array}{r} \$6 \text{ million} \\ \$16 \text{ million} \end{array} = .375 \text{ (37.5\%)}$$

As a result, 37.5% shall be Partner B's Adjusted Percentage Interest. Partner A's adjusted Percentage Interest shall be 62.5%.

SIMON/CHELSEA ORLANDO DEVELOPMENT LIMITED PARTNERSHIP

LIMITED PARTNERSHIP AGREEMENT

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SIMON/CHELSEA ORLANDO DEVELOPMENT LIMITED PARTNERSHIP
A FLORIDA LIMITED PARTNERSHIP

LIMITED PARTNERSHIP AGREEMENT

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement Form S-3 (No. 333-36487) of Chelsea GCA Realty, Inc. and Chelsea GCA Realty Partnership, L.P. and in the related Prospectus of our report dated February 10, 1999, with respect to the consolidated financial statements and schedule of Chelsea GCA Realty Partnership, L.P. included in this Annual Report (Form 10-K) for the year ended December 31, 1998.

Ernst & Young LLP

New York, New York
March 23, 1999

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