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

FORM 10-K/A

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1999

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	**22-3258100**
(State or other jurisdiction of incorporation or organization)	*(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 2000 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 82.6% 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 1999, the OP owned and operated 19 centers (the "Properties") with approximately 5.2 million square feet of gross leasable area ("GLA") in 11 states. At December 31, 1999, the Company had approximately 424,000 square feet of wholly-owned new GLA under construction, comprising the 232,000 square foot first phase of Allen Premium Outlets (Allen, Texas – located on US Highway 75 approximately 30 miles north of Dallas), the 104,000 square-foot third phase of Leesburg Corner and expansions totaling 88,000 square feet at two centers; these openings and expansions are part of a total of approximately 550,000 square feet of wholly-owned new space scheduled for completion in 2000. Additionally, construction is underway on Orlando Premium Outlets (“OPO”), a 430,000 square-foot upscale outlet center located on Interstate 4 midway between Walt Disney World/EPCOT and Sea World in Orlando, Florida and phase one of Gotemba Premium Outlets (“GPO”) a 220,000 square foot center located in Gotemba, outside of Tokyo, Japan. OPO is a joint venture project between the Company and Simon Property Group, Inc. (“Simon”) and is scheduled to open as a single phase in mid-2000. GPO is a joint venture project 40% owned by the Company and 30% each by Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation, and is scheduled to open mid-2000. The Company’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, 1999 and December 31, 1999, the OP added 340,000 square feet of GLA to its portfolio as a result of four expansions.

A summary of expansion activity from January 1, 1999 through December 31, 1999 is contained below:

Property	Opening Date(s)	GLA (Sq. Ft.)	Number of Stores	Tenants(1)
As of January 1, 1999		4,876,000	1,282	
Expansions:				
Wrentham Village	5/99	120,000	35	Banana Republic, Guess, Eddie Bauer, Zales
North Georgia	9-12/99	103,000	26	Banana Republic, Lego, Nike, Zales
Leesburg Corner	11/99	55,000	15	Adidas, Bose, Cole-Haan, Movado, Williams-Sonoma
Camarillo Premium Outlets	11/99	45,000	9	Banana Republic, Coach, Polo Ralph Lauren, Tommy Hilfiger
Other (net)		17,000	(3)	
Total expansions		340,000	82	
As of December 31, 1999		5,216,000	1,364	

(1) consists of the largest tenants who lease more than 5,000 square feet of GLA and have estimated sales of more than $377 per square foot, which was the weighted average sales generated by the Company's tenants in 1999. Most tenants pay a fixed base rent based on the square feet leased by them and also pay a percentage rent based on sales

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

Wrentham Village Premium Outlets, Wrentham, Massachusetts. Wrentham Village Premium Outlets, a 473,000 square foot center containing 125 stores, opened in three phases in October 1997, May 1998 and May 1999. 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.

North Georgia Premium Outlets, Dawsonville, Georgia. North Georgia Premium Outlets, a 537,000 square foot center containing 135 stores, opened in four phases, in May 1996, May 1997, October 1998 and September 1999. 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.

Leesburg Corner Premium Outlets, Leesburg, Virginia. Leesburg Corner Premium Outlets, a 325,000 square foot center containing 73 stores, opened in two phases, in October 1998 and November 1999. The center is located 35 miles northwest of Washington, DC at the intersection of Routes 7 and 15. 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.

Camarillo Premium Outlets, Camarillo, California. Camarillo Premium Outlets, a 454,000 square foot center containing 124 stores, opened in eight phases, from March 1995 through November 1999. 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.

The OP has started construction on approximately 424,000 square feet of wholly-owned new GLA scheduled for completion in 2000, including the 232,000 square foot first phase of Allen Premium Outlets, the 104,000 square foot third phase of Leesburg Corner and expansions totaling 88,000 square feet at two centers. In addition construction is well underway on two joint venture projects, Orlando Premium Outlets, a 430,000 square foot center located in Orlando, Florida and the 220,000 square foot first phase of Gotemba Premium Outlets, located outside Tokyo, Japan. 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 and Joint Ventures

In June 1999, the OP signed a definitive agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate premium outlet centers in Japan. The joint venture, known as Chelsea Japan Co., Ltd. ("Chelsea Japan") is developing its initial project in the city of Gotemba. In conjunction with the agreement, the OP contributed $1.7 million in equity. In addition, an equity investee of the OP entered into a 4 billion yen (US $40 million) line of credit guaranteed by the Company and OP to fund its share of construction costs. At December 31, 1999, no amounts were outstanding under the loan. In December 1999, construction began on the 220,000 square-foot first phase of Gotemba Premium Outlets with opening scheduled for mid-2000. Gotemba is located on the Tomei Expressway, approximately 60 miles west of Tokyo and midway between Mt. Fuji and the Hakone resort area. Subject to governmental and other approvals, Chelsea Japan also expects to announce during the next quarter a project outside Osaka, the second-largest city in Japan, to open in late 2000.

In May 1997, the OP announced the formation of a strategic alliance with Simon to develop and acquire high-end outlet centers with GLA of 500,000 square feet or more in the United States. The OP and Simon are co-managing general partners, each with 50% ownership of the joint venture and any entities formed with respect to specific projects; the OP will have primary responsibility for the day-to-day activities of each project. In conjunction with the alliance, on June 16, 1997, the OP completed the sale of 1.4 million shares of 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 February 2000 owned, had an interest in and/or managed approximately 184 million square feet of retail and mixed-use properties in 36 states.

The OP 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 OP 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 OP has also been reimbursed for its share of land costs, development costs and fees related to the project.

Construction is underway on Orlando Premium Outlets ("OPO"), a 430,000 square-foot upscale outlet center located on Interstate 4 midway between Walt Disney World/EPCOT and Sea World in Orlando, Florida. OPO is a joint venture project between the OP and Simon and is scheduled to open as a single phase in mid-2000. In February 1999, the joint venture entered into a $82.5 million construction loan agreement that is expected to fund approximately 75% of the project costs. The loan is 50% guaranteed by each of the OP and Simon and as of December 31, 1999, $20.8 million was outstanding.

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. Virtually all of the Properties are held by and all of its business activities conducted through the Operating Partnership. The Company (which owned 82.6% in the Operating Partnership as of December 31, 1999) 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, excluding joint ventures.

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 OP 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 OP maintains strong tenant relationships with high-fashion, upscale manufacturers that have a selective presence in the outlet industry, such as Armani, Brooks Brothers, Cole Haan, Donna Karan, Gap/Banana Republic, Gucci, Jones New York, Nautica, Polo Ralph Lauren, Tommy Hilfiger and Versace, as well as with national brand-name manufacturers such as Adidas, Carter's, Nike, Phillips-Van Heusen (Bass, Izod, Gant, Van Heusen), Timberland and Sara Lee (Champion, Hanes, Coach Leather). The OP 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 1999 of $377 per square foot, among the three publicly traded outlet companies . As a result, the OP 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 OP believes that the quality of its centers gives it significant advantages in attracting customers and negotiating multi-lease transactions with tenants.

Management Expertise. The OP 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. 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 OP 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 OP intends to continue to invest in systems and controls to support the planning, coordination and monitoring of its activities.

Growth Strategy

The OP 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 OP'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 OP believes that there continue to be significant opportunities to develop manufacturers' outlet centers across the United States. The OP 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 OP 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 OP 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 OP intends to selectively acquire individual properties and portfolios of properties that meet its strategic investment criteria as suitable opportunities arise. The OP 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 OP 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 OP 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 OP.

International Development. The OP intends to develop, own and operate premium outlet centers in Japan through its joint venture OP, Chelsea Japan Co., Ltd. Chelsea Japan is currently developing its first outlet center in Gotemba, located outside Tokyo, and is seeking governmental approval on another site outside Osaka, Japan. The OP believes that there are significant opportunities to develop manufacturers' outlet centers in Japan and intends to pursue these opportunities as viable sites are identified.

The OP 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 European 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 OP's total investment in Europe as of February 2000 is approximately $4.5 million. The OP 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 February 2000, the OP has provided limited debt service guarantees of approximately $20 million for three projects.

Operating Strategy

The OP's primary business objective is to enhance the value of its properties and operations by increasing cash flow. The OP 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 OP 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 OP 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 OP 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 OP believes that these areas provide the most attractive long-term demographic characteristics. The OP 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 OP 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 OP are reimbursable by tenants.

Property Design and Management. The OP 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 OP's 388 full-time and 99 part-time employees, 286 full-time and 97 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 director.

Financing

The OP seeks 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 OP to access a broad array of capital sources, including bank or institutional borrowings, secured and unsecured debt and equity offerings.

On September 3, 1999, the OP completed a private sale of $65 million of Series B Cumulative Redeemable Preferred Units ("Preferred Units") to an institutional investor. The private placement took the form of 1.3 million Preferred Units at a stated value of $50 each. The Preferred Units may be called at par on or after September 3, 2004, have no stated maturity or mandatory redemption and pay a cumulative quarterly dividend at an annualized rate of 9.0%. The Preferred Units are exchangeable into Series B Cumulative Redeemable Preferred Stock of the Company after ten years. Proceeds from the sale were used to pay down borrowings under the Senior Credit Facility.

In November 1998, the OP obtained a $60 million term loan that expires April 2000 and bears interest at a rate of London Interbank Offered Rate (LIBOR) plus 1.40% (7.53% at December 31, 1999). Proceeds from the loan were used to pay down borrowings under the Senior Credit Facility. The OP is currently exploring several refinancing alternatives including an extension or payoff of this loan.

On March 30, 1998, the OP replaced its two unsecured bank revolving lines of credit, totaling $150 million (the "Credit Facilities"), with a $160 million senior unsecured bank line of credit (the "Senior Credit Facility"). The Senior Credit Facility expires on March 30, 2002 and the OP has an annual right to request a one-year extension of the Senior Credit Facility which may be granted at the option of the lenders. The OP has requested and expects approval to extend the Facility until March 30, 2003. The Facility bears interest on the outstanding balance, payable monthly, at a rate equal of LIBOR plus 1.05% (7.24% at December 31, 1999) or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.25% depending on the OP'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. At December 31, 1999, $94 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. The Lender has credit committee approval to extend the Term Loan to March 30, 2003.

In October 1997, the OP completed a $125 million 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. Net proceeds from the offering were used to repay substantially all borrowings under the OP's Credit Facilities, redeem $40 million of Reset Notes and for general corporate purposes.

In October 1997, the Company issued 1.0 million shares of non-voting 8.375% Series A Cumulative Redeemable Preferred Stock (the "Preferred Stock"), par value $0.01 per share, with 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 OP. The Preferred Stock is redeemable on or after October 15, 2027 at the OP's option. Net proceeds from the offering were used to repay borrowings under the OP's Credit Facilities.

In January 1996, the OP completed a $100 million offering of 7.75% unsecured term notes due January 2001 (the "7.75% Notes"), which are guaranteed by the OP. The five-year non-callable 7.75% Notes were priced to yield 7.85% to investors.

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 consumers' desire for value-priced goods. The Properties compete for customer spending with other outlet locations, traditional shopping malls, off-price retailers, and other retail distribution channels. The OP believes that the Properties generally are the leading manufacturers' outlet centers in each market. The OP carefully considers the degree of existing and planned competition in each proposed market before deciding to build a new center.

Environmental Matters

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

Personnel

As of December 31, 1999, the OP had 388 full-time and 99 part-time employees. None of the employees are subject to any collective bargaining agreements, and the OP 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 City, 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, 1999 and contained approximately 1,400 stores with approximately 450 different tenants. During 1999 and 1998, the Properties generated weighted average tenant sales of $377 and $360 per square foot, respectively. As of December 31, 1999, the OP had 19 operating outlet centers. 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 expiring December 2004. The OP manages all of its Properties.

Approximately 34% and 35% of the OP's revenues for the years ended December 31, 1999 and 1998, respectively, were derived from the OP'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 might have a material adverse effect on the OP. In addition, approximately 30% and 34% of the OP's revenues for the years ended December 31, 1999 and 1998, respectively, were derived from the OP's centers in California, including Desert Hills.

Additionally, Woodbury Common Premium Outlets and Desert Hills Premium Outlets either contributed 10% or more of the OP's aggregate gross revenues during 1999 or had a book value equal to 10% or more of the total assets of the OP at year-end 1999. No tenant at these centers leases more than 10% of such center's GLA. The following chart shows certain information for these centers.

	Woodbury Common Premium Outlets		Desert Hills Premium Outlets	
Fiscal Year	Average Occupancy Rate	Avg. Annual Rent Per sq.ft.	Average Occupancy Rate	Avg. Annual Rent Per sq.ft.
1995	99.7%	$25.97	99.0%	$21.48
1996	100.0	27.74	100.0	22.16
1997	98.8	31.42	100.0	23.37
1998	100.0	33.16	100.0	24.74
1999	99.5	35.61	100.0	26.26

Woodbury Common Premium Outlets opened in four phases in 1985, 1993, 1995 and 1998 and contains 841,000 square feet of GLA. As of June 30, 2000, the center was leased to 214 tenants. 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 2.5 million, 17.3 million and 25.2 million, respectively. Average household income within the 30-mile radius is approximately $83,000.

Desert Hills Premium Outlets is located on Interstate 10, 16 miles west of Palm Springs, and 75 miles east of Los Angeles. The property opened in three phases in 1990, 1995 and 1997 and contains 475,000 square feet of GLA. As of June 30, 2000, the center was leased to 121 tenants. The center serves the population of southern California as well as tourists. The populations within a 30-mile, 60-mile and 100-mile radius total approximately 1.0 million, 4.8 million and 17.5 million, respectively. Average annual household income within the 30-mile radius is approximately $50,000.

The following tables show lease expiration data as of June 30, 2000 for Woodbury Common Premium Outlets and Desert Hills Premium Outlets for the next ten years (assuming that none of the tenants exercise renewal options).

Woodbury Common Premium Outlets

		Contractual Base Rents ("CBR")		No. of	% of Annual "CBR"
Expiration Year	GLA	Per Sq. Ft.	Total	Leases Expiring	Represented by Expiring Leases
2000	42,608	$21.85	$931,153	11	3.6%
2001	43,673	34.90	1,524,284	13	5.9
2002	45,280	25.50	1,154,555	13	4.4
2003	293,989	31.22	9,178,313	70	35.4
2004	39,589	32.58	1,289,768	12	5.0
2005	102,511	35.06	3,593,710	26	13.8
2006	17,066	37.50	639,930	8	2.5
2007	32,997	39.36	1,298,868	11	5.0
2008	111,795	34.00	3,801,135	23	14.6
2009	41,956	40.09	1,682,110	14	6.5

Desert Hills Premium Outlets

		Contractual Base Rents ("CBR")		No. of	% of Annual "CBR"
Expiration Year	GLA	Per Sq. Ft.	Total	Leases Expiring	Represented by Expiring Leases
2000	44,344	$21.29	$944,079	17	9.1%
2001	40,159	23.13	928,731	10	8.9
2002	94,326	24.37	2,298,613	27	22.1
2003	38,468	23.33	897,357	11	8.6
2004	55,314	19.28	1,066,648	8	10.3
2005	105,263	22.24	2,341,108	28	22.5
2006	20,985	24.77	519,786	4	5.0
2007	18,790	20.12	378,138	5	3.6

2008................	7,724	33.82	261,238	3	2.5
2009................	12,057	45.15	544,361	5	5.2

Depreciation on Woodbury Common Premium Outlets and Desert Hills Premium Outlets is calculated using the straight line method over the estimated useful life of the real property and land improvements which ranges from 10 to 40 years. At December 31, 1999, the Federal tax basis in these centers was as follows: Woodbury Common Premium Outlets - $129,508,887 and Desert Hills Premium Outlets - $55,340,210.

The realty tax rate on the above centers is approximately $4.73 per $100 of assessed value for Woodbury Common Premium Outlets and $1.16 per $100 of assessed value for Desert Hills Premium Outlets. Estimated 2000 taxes for these centers are as follows: $3,270,000 for Woodbury Common Premium Outlets and $907,000 for Desert Hills Premium Outlets.

The OP believes the Properties are adequately covered by insurance.

The OP does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 5% of the OP's gross revenues or total GLA; and only two tenants occupy more than 4% of the OP's total GLA. As a result, and considering the OP's past success in re-leasing available space, the OP 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 31,1999:

Name/Location	Year Opened	GLA (Sq. Ft.)	No. of Stores	Tenants
Woodbury Common Central Valley, NY (New York City metro area)	1985	841,000	213	Brooks Brothers, Calvin Klein, Coach Leather, Gap, Gucci, Last Call Neiman Marcus, Polo Ralph Lauren
North Georgia Dawsonville, GA (Atlanta metro area)	1996	537,000	135	Brooks Brothers, Donna Karan, Gap, Nautica, Off 5th-Saks Fifth Avenue, Williams-Sonoma
Desert Hills Cabazon, CA (Palm Springs-Los Angeles area)	1990	475,000	120	Burberry, Coach Leather, Giorgio Armani, Gucci, Nautica, Polo Ralph Lauren, Tommy Hilfiger
Wrentham Village Wrentham, MA (Boston/ Providence metro area)	1997	473,000	125	Brooks Brothers, Calvin Klein, Donna Karan, Gap, Polo Jeans Co., Sony, Versace
Camarillo Premium Outlets Camarillo, CA (Los Angeles metro area)	1995	454,000	124	Ann Taylor, Barneys New York, Bose, Cole-Haan, Donna Karan, Jones NY, Off 5th-Saks Fifth Avenue
Leesburg Corner Leesburg, VA (Washington DC area)	1998	325,000	73	Banana Republic, Brooks Brothers, Gap, Donna Karan, Off 5th-Saks Fifth Avenue
Aurora Premium Outlets Aurora, OH (Cleveland metro area)	1987	297,000	69	Ann Taylor, Bose, Brooks Brothers, Carters, Liz Claiborne, Nautica, Off 5th-Saks Fifth Avenue
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
Folsom Premium Outlets Folsom, CA (Sacramento metro area)	1990	246,000	68	Bass, Donna Karan, Gap, Liz Claiborne, Nike, Off 5th-Saks Fifth Avenue
Waikele Premium Outlets (1) Waipahu, HI (Honolulu area)	1997	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, Bose, Brooks Brothers, Donna Karan, Off 5th-Saks Fifth Avenue
Napa Premium Outlets Napa, CA (Napa Valley)	1994	171,000	48	Cole-Haan, Dansk, Ellen Tracy, Esprit, J. Crew, Nautica, Timberland, TSE Cashmere
Columbia Gorge Troutdale, OR (Portland metro area)	1991	164,000	44	Adidas, Carter's, Gap, Harry & David, Mikasa
Liberty Village Flemington, NJ (New York-Phila. metro area)	1981	157,000	56	Calvin Klein, Donna Karan, Ellen Tracy, Polo Ralph Lauren, Tommy Hilfiger
American Tin Cannery Pacific Grove, CA (Monterey Peninsula)	1987	135,000	48	Anne Klein, Bass, Carole Little, Nine West, Reebok, Totes
Santa Fe Premium Outlets Santa Fe, NM	1993	125,000	40	Brooks Brothers, Coach Leather, Donna Karan, Liz Claiborne, Nine West
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		5,216,000	1,364	

(1) Acquired in March 1997

The OP 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 development office in Newport Beach, California.

Item 3. Legal Proceedings

The OP is not presently involved in any material litigation other than routine litigation arising in the ordinary course of business and that is either expected to be covered by liability insurance or to have no material impact on the OP'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)

	Year Ended December 31,				
Operating Data:	1999	1998	1997	1996	1995
Rental revenue	$114,485	$99,976	$81,531	$63,792	$51,361
Total revenues	162,926	139,315	113,417	91,356	72,515
Loss on writedown of assets	694	15,713	-	-	-
Total expenses	115,370	113,879	78,262	59,996	41,814
Income before minority interest and extraordinary item	47,556	25,436	35,155	31,360	29,650
Minority interest	-	-	(127)	(257)	(285)
Income before extraordinary item	47,556	25,436	35,028	31,103	29,365
Extraordinary item - loss on retirement of debt	-	(345)	(252)	(902)	-
Net income	47,556	25,091	34,776	30,201	29,365
Preferred distribution	(6,137)	(4,188)	(907)	-	-
Net income to common unitholders	$41,419	$20,903	$33,869	$30,201	$29,365
Net income per common unit:					
General partner (including $0.02 and $0.01 net loss per unit from extraordinary item in 1998 and 1997, respectively)	$2.17	$1.11	$1.88	$1.77	$1.75
Limited partner (including $0.02 and $0.01 net loss per unit from extraordinary item in 1998 and 1997, respectively)	$2.16	$1.09	$1.87	$1.76	$1.75
Ownership Interest:					
General partner	15,742	15,440	14,605	11,802	11,188
Limited partners	3,389	3,431	3,435	5,316	5,601
Weighted average units outstanding	19,131	18,871	18,040	17,118	16,789
Balance Sheet Data:					
Rental properties before accumulated depreciation	$848,813	$792,726	$708,933	$512,354	$415,983
Total assets	806,055	773,352	688,029	502,212	408,053
Total liabilities	426,198	450,410	342,106	240,878	141,577
Minority interest	-	-	-	5,698	5,441
Partners' capital	379,857	322,942	345,923	255,636	261,035
Distributions declared per common unit	$2.88	$2.76	$2.58	$2.355	$2.135
Other Data:					
Funds from operations to common unitholders (1)	$79,980	$67,994	$57,417	$48,616	$41,870
Cash flows from:					
Operating activities	$87,590	$78,731	$56,594	$53,510	$36,797
Investing activities	(77,578)	(119,807)	(199,250)	(99,568)	(82,393)
Financing activities	(10,781)	36,169	143,308	55,957	40,474
GLA at end of period	5,216	4,876	4,308	3,610	2,934
Weighted average GLA (2)	4,995	4,614	3,935	3,255	2,680
Centers at end of the period	19	19	20	18	16
New centers opened	-	1	1	2	1
Centers expanded	4	7	5	5	7
Center sold	1	-	-	-	1
Centers held for sale	1	2	-	-	-
Center acquired	-	-	1	-	-

Notes to Selected Financial Data:

(1) The OP believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the OP to incur and service debt, to make capital expenditures and to fund other cash needs. The OP computes FFO in accordance with the current standards established by NAREIT which may not be comparable to FFO reported by other REIT's that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the OP. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an

indication of the OP's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the OP's liquidity, nor is it indicative of funds available to fund the OP's cash needs, including its ability to make cash distributions. 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, 1999 and 1998, the OP operated 19 manufacturers' outlet centers, compared to 20 at the end of 1997. The OP's operating gross leasable area ("GLA") at December 31, 1999 was 5.2 million square feet compared to 4.9 million square feet and 4.3 million square feet at December 31, 1998 and 1997, respectively.

From January 1, 1997 to December 31, 1999, the OP grew by increasing rents at its operating centers, opening two new centers, acquiring one center and expanding nine centers. Increasing rents at operating centers resulted in base and percentage rent revenue growth of $13.8 million. The opening of two new centers, acquisition of one center and expansion of nine centers increased base and percentage rent revenues by $10.6 million, $6.3 million and $20.0 million, respectively during the three year period ended December 31, 1999. The 1.6 million square feet ("sf") of net GLA added during the period is detailed as follows:

	Since January 1, 1997	1999	1998	1997
Changes in GLA (sf in 000's):				
New centers developed:				
Leesburg Corner	270	-	270	-
Wrentham Village	227	-	-	227
Total new centers	497	-	270	227
Centers expanded:				
Wrentham Village	246	120	126	-
North Georgia	245	103	31	111
Leesburg Corner	55	55	-	-
Camarillo Premium Outlets	175	45	45	85
Woodbury Common	268	-	268	-
Folsom Premium Outlets	34	-	19	15
Columbia Gorge	16	-	16	-
Desert Hills	42	-	6	36
Liberty Village	12	-	-	12
Other	-	17	(15)	(2)
Total centers expanded	1,093	340	496	257
Centers held for sale:				
Solvang Designer Outlets	(52)	-	(52)	-
Lawrence Riverfront	(146)	-	(146)	-
	(198)	-	(198)	-
Center acquired:				
Waikele Premium Outlets	214	-	-	214
Net GLA added during the period	1,606	340	568	698
Other Data:				
GLA at end of period		5,216	4,876	4,308
Weighted average GLA (1)		4,995	4,614	3,935
Centers in operation at end of period		19	19	20
New centers opened		-	1	1
Centers expanded		4	7	5
Centers sold		1	-	-
Centers held for sale		1	2	-
Center acquired		-	-	1

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

The OP's centers produced weighted average reported tenant sales of approximately $377 per square foot in 1999 and $360 per square foot in 1998 and 1997. Weighted average sales is a measure of tenant performance that has a direct effect on base and percentage rents that can be charged to tenants over time.

Two of the OP's centers, Woodbury Common and Desert Hills, generated approximately 34%, 35% and 34% of the OP's total revenue for the years 1999, 1998 and 1997, respectively. In addition, approximately 30%, 34%, and 38% of the OP's revenues for the years ended December 31, 1999, 1998 and 1997, respectively, were derived from the OP's centers in California, including Desert Hills.

The OP does not consider any single store lease to be material; no individual tenant, combining all of its store concepts, accounts for more than 5% of the OP's gross revenues or total GLA; and only two tenants occupy more than 4% of the OP's total GLA. In view of these statistics and the OP's past success in re-leasing available space, the OP 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 OP's 50% investment in Solvang prior to June 30, 1997.

Comparison of year ended December 31, 1999 to year ended December 31, 1998

Operating income before interest, depreciation and amortization increased $18.6 million, or 19.8%, to $112.2 million in 1999 from $93.6 million in 1998. This increase was primarily the result of expansions and a new center opening during 1999 and 1998. Income from operations increased $7.1 million or 17.3% to $48.3 million in 1999 from $41.2 million in 1998. Increased revenues from expansions and a new center opening during 1999 and 1998 were offset by higher interest costs.

Base rentals increased $12.2 million, or 14.1%, to $98.8 million in 1999 from $86.6 million in 1998 due to expansions, a new center opening in 1998 and higher average rents. Base rental revenue per weighted average square foot increased to $19.79 in 1999 from $18.77 in 1998 as a result of higher rental rates on new leases and renewals.

Percentage rents increased $2.3 million, or 16.9%, to $15.7 million in 1999 from $13.4 million in 1998. The increase was primarily due to a new center opening in 1998, expansions of existing centers and increase 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 $4.4 million, or 12.5%, to $39.7 million in 1999 from $35.3 million in 1998, due to the recovery of operating and maintenance costs from increased GLA. On a weighted average square foot basis, expense reimbursements increased 3.9% to $7.96 in 1999 from $7.66 in 1998. The average recovery of reimbursable expenses was 90.8% in 1999 compared to 91.3% in 1998.

Other income increased $4.7 million to $8.7 million in 1999 from $4.0 million in 1998. The increase was primarily due to income from the agreement not to compete with the Mills Corporation in the Houston, Texas area.

Interest, in excess of amounts capitalized, increased $4.2 million to $24.2 million in 1999 from $20.0 million in 1998, due to higher debt balances from increased GLA in operation.

Operating and maintenance expenses increased $5.1 million, or 13.1%, to $43.8 million in 1999 from $38.7 million in 1998. The increase was primarily due to costs related to increased GLA. On a weighted average square foot basis, operating and maintenance expenses increased 4.4% to $8.76 in 1999 from $8.39 in 1998 as a result of increased real estate tax and promotion costs.

General and administrative expenses were $4.8 million during 1999 and 1998 due to stabilized overhead costs during 1999.

Depreciation and amortization expense increased $7.2 million to $39.7 million in 1999 from $32.5 million in 1998. The increase was due to depreciation of expansions and a new center opened in 1998.

The loss on writedown of assets of $0.7 million in 1999 and $15.7 million in 1998 was attributable to the re-valuation of two centers held for sale at their estimated fair values and the write-off of pre-development costs of an abandoned site.

Other expenses remained stable at $2.1 million during 1999 and 1998.

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. Income from operations increased $6.0 million, or 17.1%, to $41.2 million in 1998 from $35.2 million in 1997. Increased revenues from expansions and new center openings in 1997 and 1998 were offset by increased interest costs.

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 was attributable to the re-valuation of two centers held for sale at their estimated fair values and the write-off of 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.

Liquidity and Capital Resources

The OP believes it has adequate financial resources to fund operating expenses, distributions, and planned development and construction activities over the short-term, which is less than 12 months and the long-term, which is 12 months or more. Operating cash flow in 1999 of $87.6 million is expected to increase with a full year of operations of the 340,000 square feet of GLA added during 1999 and scheduled openings of approximately 853,000 square feet in 2000, which includes the OP's 50% ownership share in Orlando Premium Outlets and 40% ownership share in Gotemba Premium Outlets. The OP has adequate funding sources to complete and open all of its current development projects through the use of available cash of $8.9 million; construction loans for the Orlando and Allen projects up to a maximum borrowing of $82.5 million and $40.0 million, respectively; a yen-denominated line of credit totaling 4 billion yen (US $40 million) for the OP's share of projects in Japan; and approximately $90 million available under its Senior Credit Facility. Chelsea also has the ability to access the public markets through its $175 million debt shelf registration and if current market conditions become favorable through its $200 million equity shelf registration.

Operating cash flow is expected to provide sufficient funds for distributions. In addition, the OP 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 1999 were $55.2 million or $2.88 per unit. The OP's 1999 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 69%. 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.

The OP's ratio of earnings to fixed charges for each of the three years ended December 31, 1999, 1998 and 1997 was 2.5, 2.3 and 2.4, respectively. For purposes of computing the ratio, earnings consist of income from continuing operations after depreciation and before fixed charges, exclusive of interest capitalized and amortization of loan costs capitalized. Fixed charges consist of interest expense, including interest costs capitalized, the portion of rent expense representative of interest and total amortization of debt issuance costs expensed and capitalized.

On September 3, 1999, the OP completed a private sale of $65 million of Series B Cumulative Redeemable Preferred Units ("Preferred Units") to an institutional investor. The private placement took the form of 1.3 million Preferred Units at a stated value of $50 each. The Preferred Units may be called at par on or after September 3, 2004, have no stated maturity or mandatory redemption and pay a cumulative quarterly dividend at an annualized rate of 9.0%. The Preferred Units are not convertible to any other securities of the OP or Company. Proceeds from the sale were used to pay down borrowings under the Senior Credit Facility.

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 the OP has an annual right to request a one-year extension of the Senior Credit Facility which may be granted at the option of the lenders. The OP has requested and expects approval to extend the Facility until March 30, 2003. The Facility bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (7.24% at December 31, 1999) or the prime rate, at the OP's option. The LIBOR 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.

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% (7.53% at December 31, 1999). Proceeds from the loan were used to pay down borrowings under the Senior Credit Facility. The OP is currently exploring several refinancing alternatives including extension and payoff of this loan.

The OP is in the process of planning development for 2000 and beyond. At December 31, 1999, approximately 424,000 square feet of the OP's planned 2000 development was under construction, including of the 232,000 square foot first phase of Allen Premium Outlets (Allen, Texas - located on US Highway 75 approximately 30 miles north of Dallas), the 104,000 square foot third phase of Leesburg Corner and expansions totaling 88,000 square feet at two other centers. 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 separately financed joint venture projects, the OP anticipates 2000 development and construction costs of $40 million to $50 million. Funding is currently expected from borrowings under the Senior Credit Facility, additional debt offerings, and/or equity offerings, except Allen Premium Outlets. In February 2000, Chelsea Allen Development L.P., a subsidiary of the OP entered into a $40 million construction loan agreement that is expected to fund approximately 75% of the costs of the Allen project. The loan, guaranteed by the OP, matures February 2003 and bears interest at LIBOR plus 1.625% .

Construction is also underway on Orlando Premium Outlets ("OPO"), a 430,000 square-foot upscale outlet center located on Interstate 4 midway between Walt Disney World/EPCOT and Sea World in Orlando, Florida. OPO is a joint venture project between the OP and Simon and is scheduled to open as a single phase in mid-2000. In February 1999, the joint venture entered into a $82.5 million construction loan agreement that is expected to fund approximately 75% of the costs of the project and as of December 31, 1999, $20.8 million was outstanding. The loan which matures March 2002 and bears interest at LIBOR plus 1.50% is 50% guaranteed by each of the OP and Simon.

In June 1999, the OP signed a definitive agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate premium outlet centers in Japan. The joint venture, known as Chelsea Japan Co., Ltd. ("Chelsea Japan") intends to develop its initial project in the city of Gotemba. In conjunction with the agreement, the OP contributed $1.7 million in equity. In addition, Chelsea International Operating Corp., a subsidiary of the OP entered into a 4 billion yen (US $40 million) line of credit guaranteed by the Company and OP to fund its share of construction costs. The line of credit bears interest at yen LIBOR plus 1.35% and matures April 2002. At December 31, 1999, no amounts were outstanding under the loan. In December 1999, construction began on the 220,000 square-foot first phase of Gotemba Premium Outlets with opening scheduled for mid-2000. Gotemba is located on the Tomei Expressway, approximately 60 miles west of Tokyo and midway between Mt. Fuji and the Hakone resort area. Subject to governmental and other approvals, Chelsea Japan also expects to announce a project outside Osaka, the second-largest city in Japan, to open in late 2000.

The OP 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 European 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 OP's total investment in Europe as of February 2000 is approximately $4.5 million. The OP 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 February 2000, the OP has provided limited debt service guarantees of approximately $20 million for three projects.

The OP 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 OP 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 will be received on each January 2, 1999 through 2002. The OP has also been reimbursed for its share of land costs, development costs and fees related to the project.

To achieve planned growth and favorable returns in both the short and long-term, the OP'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 OP 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 $87.6 million and $78.7 million for the years ended December 31, 1999 and 1998, respectively. The increase was primarily due to the growth of the OP's GLA to 5.2 million square feet in 1999 from 4.9 million square feet in 1998 and receipt of payment on a non-compete receivable. Net cash used in investing activities decreased $42.2 million for the year ended December 31, 1999 compared to the corresponding 1998 period, as a result of decreased construction activity, proceeds from sale of a center and receipt of payment on a note receivable. For the year ended December 31, 1999, net cash provided by financing activities decreased by $47.0 million primarily due to higher borrowings during 1998 offset in part by the sale of preferred units in September 1999. Proceeds from the sale were used to repay borrowings under the OP's Senior Credit Facility.

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 OP'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 Waikele 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 Waikele Factory Outlets acquisition and excess capital raised for development during 1997.

Year 2000 Compliance

In prior years, the OP discussed the nature and progress of its plans to become Year 2000 ready. In late 1999, the OP completed its remediation and testing of systems. As a result of those planning and implementation efforts, the OP experienced no significant disruptions in mission-critical information technology and non-information technology systems and believes those systems successfully responded to the Year 2000 date change. The OP expensed less than $100,000 during 1999 in connection with remediating its systems. The OP is not aware of any material problems resulting from Year 2000 issues, either with its internal systems, or the products and services of third parties. The OP will continue to monitor its mission critical computer applications and those of its suppliers and vendors throughout the year 2000 to ensure that any latent Year 2000 matters that may arise are addressed promptly.

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. The White Paper on Funds from Operations ("FFO") approved by the Board of Governors of NAREIT in October 1999 defines FFO as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from debt restructuring and sales of properties, plus real estate related depreciation and amortization and after adjustments for unconsolidated partnerships and joint ventures. The OP believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flow from operating activities, financing activities and investing activities, it provides investors with an indication of the ability of the OP to incur and service debt, to make capital expenditures and to fund other cash needs. The OP computes FFO in accordance with the current standards established by NAREIT which may not be comparable to FFO reported by other REIT's that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definition differently than the OP. FFO does not represent cash generated from operating activities in accordance with GAAP and should not be considered as an alternative to net income (determined in accordance with GAAP) as an indication of the OP's financial performance or to cash flow from operating activities (determined in accordance with GAAP) as a measure of the OP's liquidity, nor is it indicative of funds available to fund the OP's cash needs, including its ability to make cash distributions.

	Year Ended December 31, 1999	1998
Income to common unitholders before extraordinary item.........	$41,419	$21,248
Add:		
Depreciation and amortization..................................	39,716	32,486
Loss on writedown of assets....................................	694	15,713
Amortization of deferred financing costs and depreciation of non-rental real estate assets..........................	(1,849)	(1,453)
FFO..	$79,980	$67,994
Average units outstanding......................................	19,131	18,871
Distributions declared per unit................................	$2.88	$2.76

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 OP continues to attract and retain quality tenants. The OP 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 OP is exposed to changes in interest rates primarily from its floating rate debt arrangements. Under its current policies, the OP does not use interest rate derivative instruments to manage exposure to interest rate changes. A hypothetical 100 basis point adverse move (increase) in US Treasury and LIBOR rates would adversely affect the OP’s annual interest cost by approximately $1.3 million annually.

Following is a summary of the OP's debt obligations at December 31, 1999 (in thousands):

	Expected Maturity Date							
	2000	2001	2002	2003	2004	Thereafter	Total	Fair Value
Fixed Rate Debt:	-	$99,905	-	-	-	$124,744	$224,649	$212,905
Average Interest Rate:	-	7.75%	-	-	-	7.25%	7.47%	
Variable Rate Debt:	$60,000	-	-	$71,035	-	-	$131,035	$131,035
Average Interest Rate:	7.53%	-	-	7.24%	-	-	7.37%	

Item 8. Financial Statements and Supplementary Data

The financial statements and financial information of the OP for the years ended December 31, 1999, 1998 and 1997 and the Report 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 2000 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 and Articles Supplementary relating to 9% Series B Cumulative Redeemable Preferred Stock.
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.
3.5	Amendment No. 3 to Partnership Agreement dated September 3, 1999.
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. Incorporated by reference to Exhibit 10.2 to Form 10K for the year ended December 31, 1998 ("1998 10K").
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. Incorporated by reference to Exhibit 10.3 to 1998 10K.
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. Incorporated by reference to Exhibit 10.4 to 1998 10K.
10.5	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.
10.6	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.
10.7	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.

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K (continued)

10.8 Contribution Agreement by and among an institutional investor and Chelsea GCA Realty Partnership, L.P. and Chelsea GCA Realty, Inc. dated September 3, 1999.

10.9 Joint Venture Agreement among Chelsea GCA Realty Partnership, L.P., Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation dated June 16, 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.

Item 8, Item 14(a)(1) and (2) and Item 14(d)

(a)1. Financial Statements

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, 1999 and 1998, and the related consolidated statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 1999. 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 auditing standards generally accepted in the United States. 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, 1999 and 1998, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. 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 2, 2000

Chelsea GCA Realty Partnership, L.P.
Consolidated Balance Sheets
(In thousands)

	December 31, 1999	1998
Assets		
Rental properties:		
Land	$ 118,494	$ 109,318
Depreciable property	730,319	683,408
Total rental property	848,813	792,726
Accumulated depreciation	(138,221)	(102,851)
Rental properties, net	710,592	689,875
Cash and equivalents	8,862	9,631
Notes receivable-related parties	2,213	4,500
Deferred costs, net	14,290	17,766
Properties held for sale	3,388	8,733
Other assets	66,710	42,847
Total assets	$ 806,055	$ 773,352
Liabilities and partners' capital		
Liabilities:		
Unsecured bank debt	$ 131,035	$ 151,035
7.75% Unsecured Notes due 2001	99,905	99,824
7.25% Unsecured Notes due 2007	124,744	124,712
Construction payables	9,277	12,927
Accounts payable and accrued expenses	27,127	19,769
Obligation under capital lease	3,233	9,612
Accrued distribution payable	3,813	3,274
Other liabilities	27,064	29,257
Total liabilities	426,198	450,410
Commitments and contingencies		
Partners' capital:		
General partner units outstanding, 15,932 in 1999 and 15,608 in 1998	277,296	280,391
Limited partners units outstanding, 3,357 in 1999 and 3,429 in 1998	39,246	42,551
Preferred partners units outstanding, 1,300 in 1999	63,315	-
Total partners' capital	379,857	322,942
Total liabilities and partners' capital	$ 806,055	$ 773,352

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, 1999	1998	1997
Revenues:			
Base rental	$98,838	$86,592	$70,693
Percentage rentals	15,647	13,384	10,838
Expense reimbursements	39,748	35,342	28,981
Other income	8,693	3,997	2,905
Total revenues	162,926	139,315	113,417
Expenses:			
Interest	24,208	19,978	15,447
Operating and maintenance	43,771	38,704	31,423
Depreciation and amortization	39,716	32,486	24,995
General and administrative	4,853	4,849	3,815
Other	2,128	2,149	2,582
Total operating expenses	114,676	98,166	78,262
Income from operations	48,250	41,149	35,155
Loss on writedown of assets	694	15,713	-
Income before minority interest and extraordinary item	47,556	25,436	35,155
Minority interest	-	-	(127)
Income before extraordinary item	47,556	25,436	35,028
Extraordinary item-loss on early extinguishment of debt	-	(345)	(252)
Net income	47,556	25,091	34,776
Preferred unit requirement	(6,137)	(4,188)	(907)
Net income to common unitholders	$41,419	$20,903	$33,869
Net income to common unitholders:			
General partner	$34,093	$17,162	$27,449

	1999	1998	1997
Limited partners	7,326	3,741	6,420
Total	$41,419	$20,903	$33,869
Net income per common unit:			
General partner (including $0.02 and $0.01 net loss per unit from extraordinary item in 1998 and 1997, respectively)	$2.17	$1.11	$1.88
Limited partners (including $0.02 and $0.01 net loss per unit from extraordinary item in 1998 and 1997, respectively)	$2.16	$1.09	$1.87
Weighted average units outstanding:			
General partner	15,742	15,440	14,605
Limited partners	3,389	3,431	3,435
Total	19,131	18,871	18,040

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	Preferred Partner's Capital	Total Partners' Capital
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
Contributions (net of costs)	7,335	-	63,315	70,650
Net income	38,281	9,275	-	47,556
Common distributions	(45,426)	(9,728)	-	(55,154)
Preferred distribution	(4,188)	(1,949)	-	(6,137)
Transfer of a limited partners' interest	903	(903)	-	-
Balance December 31, 1999	$277,296	$39,246	$63,315	$379,857

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,		
	1999	1998	1997
Cash flows from operating activities			
Net income	$47,556	$25,091	$34,776
Adjustments to reconcile net income to net cash provided by operating activities: net cash provided by operating activities:			
Depreciation and amortization	39,716	32,486	24,995
Minority interest in net income	-	-	127
Loss on writedown of assets	694	15,713	-
Proceeds from non-compete receivable	4,600	-	-
Amortization of non-compete revenue	(5,136)	-	-
Extraordinary loss on early extinguishment of debt	-	345	252
Additions to deferred lease costs	(2,771)	(3,178)	(6,629)
Other operating activities	511	522	319
Changes in assets and liabilities:			
Straight-line rent receivable	(1,554)	(1,900)	(1,523)
Other assets	(3,076)	1,094	287
Accounts payable and accrued expenses	7,050	8,558	3,990
Net cash provided by operating activities	87,590	78,731	56,594
Cash flows from investing activities			
Additions to rental properties	(62,119)	(116,339)	(195,058)
Additions to deferred development costs	(753)	(3,468)	(2,237)
Proceeds from sale of center	4,483	-	-
Loans to related parties	(2,213)	-	-
Payments from related parties	4,500	-	-
Additions to investments in joint ventures	(21,476)	-	-
Other investing activities	-	-	(1,955)
Net cash used in investing activities	(77,578)	(119,807)	(199,250)
Cash flows from financing activities			
Net proceeds from sale of preferred units	63,315	-	-
Net proceeds from sale of common units	7,335	8,287	54,951
Net proceeds from sale of preferred stock	-	-	48,406
Distributions	(60,752)	(56,366)	(48,791)
Debt proceeds	49,000	154,000	261,710
Repayments of debt	(69,000)	(68,000)	(172,000)
Additions to deferred financing costs	(679)	(1,695)	(855)
Other financing activities	-	(57)	(113)
Net cash (used in) provided by financing activities	(10,781)	36,169	143,308
Net (decrease) increase in cash and cash equivalents	(769)	(4,907)	652
Cash and cash equivalents, beginning of period	9,631	14,538	13,886

Cash and cash equivalents, end of period................	$8,862	$9,631	$14,538

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, 1999, 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. Such subsidiaries represent partnerships in which the OP has a greater than 50% ownership interest and the ability to maintain operational control. All significant intercompany transactions and accounts have been eliminated in consolidation. The OP accounts for its non-controlling investments under the equity method. Such investments are included in other assets in the financial statements.

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 1999 and 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 OP 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. 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, requires that the OP 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.

Gains and losses from sales of real estate are recorded when title is conveyed to the buyer, subject to the buyer's financial commitment being sufficient to provide economic substance to the sale.

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, 1999 and 1998 cash equivalents consisted of repurchase agreements which were held by one financial institution, commercial paper and “U.S.” 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.

Foreign Currency Translation

The OP conforms to the requirements of the Statement of Financial Accounting Standards No. 52 (SFAS 52) entitled “Foreign Currency Translation.” Accordingly, assets and liabilities of foreign equity investees are translated at prevailing year-end rates of exchange. Gains and losses related to foreign currency were not material for the three year period ending December 31, 1999.

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. Base rent revenue is recognized on a straight-line basis over the lease term according to the provisions of the lease. 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. These rents are accrued monthly once the required thresholds per the lease agreement are exceeded. Virtually all lease agreements contain provisions for additional rents representing reimbursement of real estate taxes, insurance, advertising and common area maintenance costs.

Bad Debt Expense

Bad debt expense included in other expense totaled $0.8 million, $0.6 million and $0.8 million for the years ended December 31, 1999, 1998 and 1997, respectively. The allowance for doubtful accounts included in other assets totaled $1.0 million and $1.1 million at December 31, 1999 and 1998, 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 34%, 35% and 34% of the Company's revenues for the years ended December 31, 1999, 1998 and 1997, respectively, were derived from the Company'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 Company. In addition, approximately 30%, 34% and 38% of the Company's revenues for the years ended December 31, 1999, 1998 and 1997, respectively, were derived from the Company's centers in California, which includes Desert Hills.

Management of the OP performs ongoing credit evaluations of its tenants and requires certain tenants to provide security deposits. Although the Company'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 accounting principles generally accepted in the United States 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 OP 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 OP is engaged in the development, ownership, acquisition and operation of manufacturers' outlet centers and has one reportable segment, retail real estate. The OP 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 OP's investment in foreign operations is not material to the consolidated financial statements.

Comprehensive Income

In 1997, the FASB issued Statement No. 130, "Reporting Comprehensive Income" ("Statement 130") which is effective of fiscal years beginning after December 15, 1997. Statement 130 established standards for reporting comprehensive income and its components in a full set of general-purpose financial statements. Statement 130 requires that all components of comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. The adoption of this standard had no impact on the OP's financial position or results of operations.

Recently Issued Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (as amended by FASB Statement No. 137), which is required to be adopted in years beginning after June 15, 2000. Statement 133 permits early adoption as of the beginning of any fiscal quarter after its issuance. The OP expects to adopt the new Statement effective January 1, 2001. The Statement will require the OP 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 OP does not anticipate that the adoption of the Statement will have a significant effect on its results of operations or financial position.

In December 1999, the SEC staff issued Staff Accounting Bulletin 101 ("SAB 101"), Revenue Recognition. SAB 101 discusses the SEC staff views on certain revenue recognition transactions. The OP is required to adopt SAB 101 no later than the second quarter of 2000 and any change in accounting would be recognized as a cumulative effect of a change in accounting principle as of January 1, 2000.The OP does not anticipate that the adoption of the SAB will have a material effect of 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):

	1999	1998
Land and improvements	$266,441	$245,814
Buildings and improvements	552,240	512,080
Construction-in-process	19,288	25,534
Equipment and furniture	10,844	9,298
Total rental property	848,813	792,726
Accumulated depreciation and amortization	(138,221)	(102,851)
Total rental property, net	$710,592	$689,875

Interest costs capitalized as part of buildings and improvements were $3.1 million, $5.2 million and $4.8 million for the years ended December 31, 1999, 1998 and 1997, respectively.

Commitments for land, new construction, development, and acquisitions, excluding separately financed joint venture activity, totaled approximately $6.2 million at December 31, 1999.

Depreciation expense (including amortization of the capital lease) amounted to $35.6 million, $29.2 million and $22.3 million for the years ended December 31, 1999, 1998 and 1997, respectively.

4. Waikele Acquisition

Pursuant to a Subscription Agreement dated as of March 31, 1997, the OP acquired Waikele Factory Outlets, a manufacturers' outlet shopping center located in Hawaii. The consideration paid by the OP consisted of the assumption of $70.7 million of indebtedness outstanding with respect to the property (which indebtedness was repaid in full by the OP 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 OP paid a special cash distribution of $5.0 million on the special units. The cash used by the OP in the transaction was obtained through borrowings under the OP's Credit Facilities.

The following condensed pro forma (unaudited) information assumes the acquisition had occurred on January 1, 1997:

	1997
Total revenue	$115,802
Income to common unitholders before extraordinary items	34,718
Net income to common unitholders:	
General partner	27,933
Limited partners	6,533
Total	34,466
Net income per unit:	
General partner (including $0.01 net loss per unit from extraordinary item in 1997)	$1.91
Limited partners (including $0.01 net loss per unit from extraordinary item in 1997)	$1.89

5. Deferred Costs

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

	1999	1998
Lease costs	$19,838	$17,601
Financing costs	11,557	10,879
Development costs	967	3,675
Other	1,172	1,172
Total deferred costs	33,534	33,327
Accumulated amortization	(19,244)	(15,561)
Total deferred costs, net	$14,290	$17,766

6. Properties Held for Sale

As of December 31, 1999, properties held for sale represented the fair value, less estimated costs to sell, of Solvang Designer Outlets (“Solvang”). As of December 31, 1998, Lawrence Riverfront Plaza was also included in properties held for sale; the property was sold on March 26, 1999.

During the second quarter of 1998, the OP accepted an offer to purchase Solvang, a 51,000 square foot center in Solvang, California, for a 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 of 1998, the initial purchase offer was withdrawn and the OP received another offer for a net selling price of $4.0 million, requiring a further writedown of $1.6 million. In January 2000, the center was sold for a net selling price of $3.3 million resulting in an additional writedown of $0.7 million recognized in the fourth quarter of 1999. For the years ended December 31, 1999 and 1998, Solvang accounted for less than 1% of the OP’s revenues and net operating income.

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

7. Non-Compete Agreement

In October 1998, the OP signed a definitive agreement to terminate the development of Houston Premium Outlets, a joint venture project with Simon Property Group, Inc. (“Simon”). Under the terms of the agreement, the OP withdrew from the Houston development partnership and agreed to certain restrictions on competing in the Houston market through 2002. The OP will receive non-compete payments totaling $21.4 million from The Mills Corporation; $3.0 million was received at closing, the first of four annual installments of $4.6 million was received in January 1999 and the remaining installments are to be received on each January 2, through 2002. The OP has also been reimbursed 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 non-compete agreement and the OP recognized income of $5.1 million and $0.9 million during the years ended December 31, 1999 and 1998, respectively. Such amounts are included in other income.

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 $160 million senior unsecured bank line of credit (the “Senior Credit Facility”). The Senior Credit Facility expires on March 30, 2001 and the OP has an annual right to request a one-year extension of the Senior Credit Facility which may be granted at the option of the lenders. The OP has requested and expects approval to extend the Facility until March 30, 2003. The

Facility bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.05% (7.24% at December 31, 1999) or the prime rate, at the OP's option. The LIBOR rate spread ranges from 0.85% to 1.25% depending on the OP'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. At December 31, 1999, $94 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") that carries the same interest rate and maturity as the Senior Credit Facility. The Lender has credit committee approval to extend the Term Loan to March 30, 2003.

In November 1998, the OP obtained a $60 million term loan that expires April 2000 and bears interest on the outstanding balance at a rate equal to LIBOR plus 1.40% (7.53% at December 31, 1999). Proceeds from the loan were used to pay down borrowings under the Senior Credit Facility. The OP is currently exploring several alternatives regarding refinancing or payoff of this loan.

In January 1996, the OP completed a $100 million offering of 7.75% unsecured term notes due January 2001 (the "7.75% Notes"), which are guaranteed by the Company. The five-year non-callable 7.75% Notes were priced to yield 7.85% to investors. At December 31, 1999, in the opinion of management, the 7.75% Notes approximated fair value.

In October 1997, the OP completed a $125 million 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. At December 31, 1999, in the opinion of management, the fair value of the 7.25% Notes was approximately $113 million.

Interest paid, excluding amounts capitalized, was $24.1 million, $19.8 million and $14.1 million for the years ended December 31, 1999, 1998 and 1997, respectively.

9. Preferred Units

On September 3, 1999, the OP completed a private sale of $65 million of Series B Cumulative Redeemable Preferred Units ("Preferred Units") to an institutional investor. The private placement took the form of 1.3 million Preferred Units at a stated value of $50 each. The Preferred Units may be called at par on or after September 3, 2004, have no stated maturity or mandatory redemption and pay a cumulative quarterly dividend at an annualized rate of 9.0%. The Preferred Units are exchangeable into Series B Cumulative Redeemable Preferred Stock of the Company after ten years. The proceeds from the sale were used to pay down borrowings under the Senior Credit Facility.

10. Preferred Stock

In October 1997, the Company issued 1.0 million shares of nonvoting 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 Company's Credit Facilities.

11. Lease Agreements

The OP is the lessor and sub-lessor of retail stores under operating leases with term expiration dates ranging from 2000 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, 1999, exclusive of renewal option periods, were as follows (in thousands):

2000...........	$99,382
2001...........	92,716
2002...........	81,106
2003...........	64,251
2004...........	45,936
Thereafter......	89,907
	$473,298

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, and accordingly the portion of the lease attributed to land is classified as an operating lease. The portion attributed to building is classified as a capital lease as the present value of payments related to the building exceeded 90% of its fair value at inception of the 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 1999, 1998 or 1997. The OP 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. In August 1999, the OP amended its capital lease resulting in a writedown of the asset and obligation of $2.7 million and $6.0 million, respectively. The difference of $3.3 million will be recognized on a straight-line basis over the remaining term of the amended lease which ends December 2004.

Operating Leases

Future minimum rental payments under operating leases for land and administrative offices as of December 31, 1999 were as follows (in thousands):

2000	$1,021
2001	1,121
2002	1,068
2003	1,058
2004	1,058
Thereafter	529
	$5,855

Rental expense amounted to $0.9 million for the year ended December 31, 1999 and $1.0 million for the years ended December 31, 1998 and 1997.

Capital Lease

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

	1999	1998
Building	$6,796	$8,621
Less accumulated amortization	(4,830)	(3,937)
Leased property, net	$1,966	$4,684

Future minimum payments under the capitalized building lease, including the present value of net minimum lease payments as of December 31, 1999 are as follows (in thousands):

2000	$819
2001	819
2002	819
2003	819
2004	819
Total minimum lease payments	4,095
Amount representing interest	(862)
Present value of net minimum capital lease payments	$3,233

12. Commitments and Contingencies

The OP has agreed under a standby facility to provide up to $22 million in limited debt service guarantees for loans provided to Value Retail PLC, an affiliate, 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, 1999, the OP has provided guarantees of approximately $20 million for three projects.

In June 1999, the OP signed a definitive agreement with Mitsubishi Estate Co., Ltd. and Nissho Iwai Corporation to jointly develop, own and operate premium outlet centers in Japan. The joint venture, known as Chelsea Japan Co., Ltd. (“Chelsea Japan”) intends to develop its initial project in the city of Gotemba, approximately 60 miles west of Tokyo. Groundbreaking for the 220,000 square-foot first phase took place in November 1999, with opening scheduled for mid-2000. In conjunction with the agreement, the OP contributed $1.7 million in equity. In addition, an equity investee of the OP entered into a 4 billion yen (US $40 million) line of credit guaranteed by the OP and OP to fund its share of construction costs. At December 31, 1999, no amounts were outstanding under the loan.

Construction is underway on Orlando Premium Outlets (“OPO”), a 430,000 square foot 50/50 joint venture project between the OP 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 mid-2000. In February 1999, the joint venture entered into a $82.5 million construction loan agreement that is expected to fund approximately 75% of the costs of the project. The loan is 50% guaranteed by each of the OP and Simon and as of December 31, 1999, $20.8 million was outstanding.

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

13. Related Party Information

During the second quarter of 1999, the OP established a $6 million secured loan facility for the benefit of certain unitholders. At December 31, 1999, loans made to two unitholders totaled $2.2 million. Each unitholder issued a note that is secured by OP units, bears interest at a rate of LIBOR plus 200 basis points per annum, payable quarterly, and is due June 2004. The carrying amount of such loans approximated fair value at December 31, 1999.

In September 1995, the OP 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"). In January 1999, the OP received $4.5 million as payment in full for the two notes. The remaining $0.3 million write-off was recognized in December 1998.

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

The OP had space leased to related parties of approximately 56,000 square feet during the years ended December 31, 1999 and 1998 and 61,000 square feet during the year ended December 31, 1997. Rental income from those tenants, including reimbursement for taxes, common area maintenance and advertising, totaled $1.8 million during the years ended December 31, 1999 and 1998 and $1.5 million during the year ended December 31 1997.

At December 31, 1999 the OP had a receivable from an equity investee of $4.0 million that is included in other assets. In January 2000 the OP received payment of $3.0 million on this receivable.

The OP had a consulting agreement with one of its directors from August 1998 through December 31, 1999. The agreement called for monthly payments of $10,000.

Certain Directors and unitholders guarantee OP obligations, which existed prior to the formation of the OP, under leases for one of the properties. The OP has indemnified these parties from and against any liability which they may incur pursuant to these guarantees.

14. 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 the Company's common stock. Eligible employees have been in the employ of the OP 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 of the Company 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 or (b) 85% of the fair market value of the stock on the last day of the Option Period. As of December 31, 1999, 48 employees were enrolled in the Purchase Plan and $1,300 expense has been incurred and is included in the financial statements. The Purchase Plan will terminate after five years unless terminated earlier by the Company's Board of Directors.

15. 401(k) Plan

The OP 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 OP 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 $97,000 in 1999 and $150,000 in 1998 are included in the OP's general and administrative expense.

16. Extraordinary Item

Deferred financing costs of $0.3 million for the years ended December 31, 1998 and 1997, were expensed as a result of early debt extinguishments, and are reflected in the accompanying financial statements as an extraordinary item.

17. Quarterly Financial Information (Unaudited)

The following summary represents the results of operations, expressed in thousands except per share amounts, for each quarter during 1999 and 1998:

	March 31	June 30	September 30	December 31
1999				
Base rental revenue	$24,555	$24,580	$24,687	$25,016
Total revenues	36,963	38,880	40,384	46,699
Income before extraordinary item to common unitholders	9,001	9,336	10,359	12,723
Net income to common unitholders	9,001	9,336	10,359	12,723
Income before extraordinary item per weighted average partnership unit	$0.47	$0.49	$0.54	$0.66
Net income per weighted average partnership unit	$0.47	$0.49	$0.54	$0.66
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.........	$0.37	$0.14	$0.52	$0.10
Net income per weighted average partnership unit..........................	$0.37	$0.14	$0.52	$0.08

18. Non-Cash Financing and Investing Activities

In December 1999, 1998 and 1997, the OP declared distributions per unit of $0.72, $0.69 and $0.69 for each year, respectively. The limited partners' distributions were paid in January of each subsequent year.

In June 1997, the OP 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 each include $6.2 million and $6.6 million in 1999 and 1998, respectively, related to a deferred unit incentive program with certain key officers to be paid in 2002. Also included is $12.0 million in 1999 and $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, the Operating Partnership issued units with an aggregate fair market value of $0.5 million to acquire properties.

During 1997, 1.4 million Operating Partnership units were converted to common shares.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to the Report to be signed on its behalf by the undersigned thereunto duly authorized.

CHELSEA GCA REALTY, INC.

By: /s/ Michael J. Clarke
Michael J. Clarke
Chief Financial Officer

Date: September 20, 2000

JOINT VENTURE AGREEMENT

AMONG

CHELSEA GCA REALTY PARTNERSHIP, L.P.
MITSUBISHI ESTATE CO., LTD.
NISSHO IWAI CORPORATION

June 16, 1999

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JOINT VENTURE AGREEMENT

THIS JOINT VENTURE AGREEMENT ("Agreement") is entered into as of June 16, 1999, by and among CHELSEA GCA REALTY PARTNERSHIP, L.P., a Delaware limited partnership ("Chelsea"), MITSUBISHI ESTATE CO., LTD., a Japanese corporation ("Mitsubishi") and NISSHO IWAI CORPORATION, a Japanese corporation ("Nissho"). Mitsubishi, Nissho 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 "Parties" and individually as a "Party".

WHEREAS, the Parties desire to establish a company to develop, operate and own outlet malls in Japan, the base of which is to be premium brand apparel and general merchandise, 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: APPENDICES

Section 1.1 Certain Definitions.

Unless the context otherwise specifies or requires, capitalized terms used herein shall have the respective meanings assigned thereto as set forth below, for all purposes of this Agreement (such definitions to be equally applicable to both the singular and the plural forms of the terms defined).

"Act" shall mean the Japanese Commercial Code.

"Adjusted Percentage Interest" shall mean the ratio of the shareholding in the Company owned by each Party after giving effect to any adjustments made pursuant to Sections 5.8 or 5.9.

"Advisory Services Agreement" shall mean an agreement in the form of Appendix F attached hereto to be entered into by and between the Company and Chelsea with respect to strategic planning to be provided by Chelsea to the Company.

"Affiliate(s)" shall mean a Person or Persons directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with the Person in question. The term "control", as used in the immediately preceding sentence, means, 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 or the right to receive, directly or indirectly, more than 50% of the profits thereof 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.

"Agreement" shall mean this Joint Venture Agreement, as amended from time to time.

"Approved by the Parties" or **"Approval of the Parties"** shall mean approval by the Board of Directors of the Company; provided, however, that at least one director nominated by each Party (other than a Non-Funding Party, as defined herein) shall have voted in favor thereof

"Budgets" shall mean (x) a budget for the operations of the Company (the "Company Budget") covering general and administrative expenses of the Company, including central office, staffing, payroll and overhead costs, and (y) the following budgets of the Company from time to time with respect to each Project:

(i) **"Development Budget"**, which shall mean the budget which shall be Approved by the Parties of Total Project Costs estimated to be incurred with respect to each Project including, without limitation, that portion of Total Project Costs included in the Pre-Construction Budget;

(ii) **"Operating Budget"**, which shall mean the annual budget for each Project which shall be Approved by the Parties, 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 for such Fiscal Year and (B) an estimate of all capital replacements, substitutions and/or additions to such Project, or any component thereof, which are to be accomplished during such Fiscal Year; and

(iii) **"Pre-Construction Budget"**, which shall mean the budget which shall be Approved by the Parties of costs and expenses estimated to be incurred with respect to each Project during the Pre-Construction Period.

Attached hereto as Appendix H are the Development Budgets and Pre-Construction Budgets for Projects 1 and 2.

"Capital Contributions" means the cash contributed by each Party to the Company pursuant to Section 5.2 hereof

"Company" shall mean the corporation formed under the Act pursuant to the terms hereof for the limited purposes and scope set forth herein.

"Common Stock" shall mean the Common Stock of the Company.

"Construction Overages" shall mean the excess costs and expenses Over the Development Budget for a Project.

"Construction Period" shall mean the period commencing upon the earliest to occur of (i) the date of closing of a Third Party Loan in accordance with Section 5.3, (ii) the actual start of construction of the site work or any portion of a Project's buildings and improvements, or (iii) entry into commitments with third parties for the construction of any portion of a Project's buildings and improvements, and ending oil the later to occur of (x) the opening for business with the public of any portion of a Project or (y) the Project Completion Date.

"Consulting Fee" shall mean the fee to be paid pursuant to Appendix C attached hereto with respect to consultation services by each Party with respect to each Project.

"Developer" shall mean a Party or an Affiliate of a Party engaged as the Developer of a Project pursuant to a Development Agreement or such other third party as may be agreed to by the Parties. The Developer for Project I will be Mitsubishi and Nissho or an Affiliate thereof.

"Development Agreement" shall mean an agreement in the f0FIll Of Appendix B attached hereto to be entered into by and between the Developer and the Company with respect to the management of the development and construction activities of a Project, it being agreed that the Development Agreement attached hereto as Appendix B shall be entered into with respect to Project 1, with a substantially similar one to be entered into for each other Project.

"Documents" shall have the meaning specified in Section 7. 1.

"Expansion" shall have the meaning as specified in Section 5.8.

"Fair Market Value" shall mean the value to be determined by independent public accountants to be Approved by the Parties, or if they cannot agree within thirty (30) days, by the Independent Accountants, as being fair as the market value, which value could be a negative figure if the Company's total liabilities exceeded its total assets, as evaluated by them, both in the cases of Total Interest and Project (or assets).

"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 a Project and evidence reasonably acceptable to the Parties, 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 sixty (60) days prior to the commencement of the Construction Period and shall be Approved by the Parties.

"Fiscal Year" shall mean the twelve (12) month period ending March 31 of each year provided that the first Fiscal Year shall be the period beginning oil the date the Company is formed and ending oil March 31, 2000, and the last Fiscal Year shall be the period beginning on April I of the calendar year in which the final dissolution and liquidation of the Company is completed and ending on the date such final dissolution and liquidation 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).

"Funding Loan" shall have the meaning specified in Section 5.4(e).

"Funding Party" shall have the meaning specified in Section 5.4(c).

"Guaranties of Loans" means any guaranties given by the Parties in connection with any Third Party Loans.

"Independent Accountants" shall mean Showa Ota Ernst & Young or other accounting firm designated pursuant to this Agreement.

"Initial Percentage Interest" shall mean the ratio of the shareholding in the Company initially owned by each Party as set forth in Section 5.

"Laws" shall mean Japanese national, prefectoral and local statutes, case law, rules, regulations, ordinances, codes, rules and regulations of self-regulatory authorities applicable to any of the Parties or the Company and the like which are in full force and effect from time to time.

"License Agreement" shall mean an agreement in the form of Appendix D attached hereto to be entered into by and between the Company and Chelsea with respect to licensing rights to the Chelsea name for use by the Company.

"Major Decisions" shall have the meaning specified in Section 8.5.

"Management Services Agreement" shall mean an agreement in the form of Appendix E attached hereto to be entered into by and between the Company and Mitsubishi and Nissho with respect to services to be provided by Mitsubishi and Nissho with respect to each Project.

"New Project" shall have the meaning as specified in Section 5.8.

"Non-Funding Party" shall have the meaning specified in Section 5.4(c).

"Objecting Party" shall have the meaning as specified in Section 5.8(a).

"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 a Project and (ii) the Project Completion Date and ending on the date that such Project is no longer open for business.

"Partner Loan" shall have the meaning specified in Section 5.3(a).

"Percentage Interest" shall mean the ratio of shareholding in the Company as set forth under Section 5. 1 (a) and as may be adjusted pursuant thereto or pursuant to Sections 5.8 or 5.9.

"Percentage Interest Adjustment Date" shall mean the date a Party's share of Capital Contribution is adjusted in accordance with Sections 5.8 or 5.9.

"Person" shall mean an individual, partnership, corporation, trust, unincorporated association, limited liability corporation, joint stock company or other entity or association.

"Pre-Construction Period" shall mean the period commencing upon the date of this Agreement and ending upon the commencement of the Construction Period for a Project.

"Project" shall mean each outlet mail established by the Company in Japan in accordance with the provisions of this Agreement.

"Project 1" shall mean the first phase of the Project to be established by the Company in Gotemba-shi, Shizuoka-Pref, Japan.

"Project 2" shall mean the first phase of the Project to be established by the Company in Rinku, Izumisano-shi, Osaka-Pref, Japan.

"Project Completion Date" shall mean the date upon which a Project has been substantially completed.

"Purchasing Shareholder" shall have the meaning specified in Section 10.5.

"Repaying Party" shall have the meaning specified in Section 5.3(b) (ii).

"Selling Shareholder" shall have the meaning specified in Section 10.6.

"70% Shareholders" shall have the meaning specified in Section 5.8.

"Shareholder" shall mean a Party to this Agreement or an Affiliate of a Party who holds shares of Common Stock of the Company.

"60% Shareholder" shall have the meaning specified in Section 5.8.

“Third Party Loan” shall have the meaning specified in Section 5.3(a).

“Total Interest” of a Party in the Company means the sum of a Party's Capital Contributions and Partner Loans.

“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 a Project, which Total Project Costs (including without limitation tenant allowances) are initially estimated in the Development Budget. Total Project Costs shall include all development, licensing and leasing fees.

“Transfer” shall have the meaning specified in Section 10.1.

“Transferee” shall have the meaning specified in Section 10.2(d).

“Transferor” shall have the meaning specified in Section 10.2(d).

Section 1.2 Other Definitions.

In addition to the terms defined in Section 1. 1, other terms will have the definitions provided elsewhere in this Agreement.

Section 1.3 Appendices.

Attached hereto and forming an integral part of this Agreement are various appendices, 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, it being understood that such appendices shall be applicable to Project 1, with substantially similar ones to be applicable to each additional Project.

Section 1.4 Party/Shareholder.

For the purpose of this Agreement, if an Affiliate of a Party holds any Common Stock, such Party shall be deemed as Shareholder unless the context otherwise requires, while such Affiliate shall be also bound by the provisions of this Agreement by virtue of Section 5.2(a) or Section 10.2(d)(i) or otherwise.

ARTICLE 2.
FORMATION: NAME: PLACE OF BUSINESS

Section 2.1 Formation of Company.

The Parties shall cause the organization, under the Laws of Japan, of a new stock corporation (Kabushiki-Kaisha) to be named “Chelsea Japan Co., Ltd.” in English and in Japanese (the “Company”) as soon as reasonably practicable after the execution of this Agreement. The Articles of Incorporation of the Company shall be in the form of Appendix A attached hereto.

Section 2.2 Place of Business.

The location of the principal place of business of the Company shall be Chiyoda-ku, Tokyo, Japan, The Parties may hereafter change the principal place of business of the Company to such other place or places within Japan as may be Approved by the Parties. The Parties may establish and maintain such other offices and additional places of business of the Company, within Japan, as they deem appropriate.

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 Parties’ investment and a profit thereon, exchanging and otherwise using any 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.

Section 3.2 Capacity.

The Company shall have the capacity 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 manage each Project, 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 such activities and obligations may be lawfully engaged in or performed by a corporation under the Act.

Section 3.3 Limits of Company.

(a) The relationship between and among the Parties shall be limited to carrying on the business of the Company in accordance with the terms of this Agreement.

(b) The Parties shall each devote such time to the Company as is reasonably necessary to carry out the provisions of this Agreement. Each of the Parties understands that the other Parties or their Affiliates may be interested, directly or indirectly, in various other businesses and undertakings not included in the Company. Each Party also understands that the conduct of the business of the Company may involve business dealings with such other businesses or undertakings. The Parties hereby agree that the creation of the Company and the assumption by each of the Parties 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 Parties, each Party waives any rights it might otherwise have to share or participate in such other interests or activities of the other Parties or their Affiliates, subject to the provisions of Section 4.2.

Section 3.4 No Individual Authority.

No Party shall, without the express, prior written consent of the other Parties, take any action for or oil behalf of or in the name of the Company, or the other Parties, or assume, undertake or enter into any commitment, debt, duty or obligation binding upon the Company, except for (a) actions expressly provided for in this Agreement, (b) actions by any Party within the scope of such authority as may have been granted in this Agreement, and (c) actions Approved by the Parties. Any action taken in violation of the foregoing limitation shall be void. Each Party shall indemnify and hold harmless the other Parties 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 Party. This provision shall survive dissolution of the Company.

Section 3.5 Responsibility of Parties.

(a) Except as set forth in Section 9.1 herein or for Project costs previously incurred by a Party which are reflected in the Development Budget to the extent permissible under applicable Japanese tax laws, the Company and each Party shall not be responsible or liable for any liability, indebtedness, or other obligation of any other Party incurred prior to, on the date of or after the execution of tills Agreement, except for those which are undertaken or incurred on behalf of the Company after the date of this Agreement under or pursuant to the terms of this Agreement, or Approved by the Parties, and each Party hereby indemnifies and agrees to hold the other Parties and the Company harmless from all such liabilities, obligations and indebtedness.

(b) Each Party will notify the other Parties as quickly as reasonably possible upon receipt of any notice, (i) of the filing of any action in Law naming the Company or any Party as a party relating in any way to the business of the Company; (ii) of any actions to impose liens of any kind whatsoever or of the imposition of any lien whatsoever against the Company or its assets, including any Project; (iii) of any casualty, damage or injury to persons or property on or related to any Project; or (iv) of the default by the Company of any of its material obligations to creditors or other third parties. Each Party will endeavor to notify the other Parties verbally promptly upon learning of any of the foregoing actions, or the threat thereof, which, in such Party’s judgment, is material to the Company or the other Parties.

ARTICLE 4.
REPRESENTATIONS AND WARRANTIES; COVENANTS

Section 4.1 Representations and Warranties.

Each of the Parties represents and warrants to the other Parties as follows:

(a) it has been duly organized and is validly existing under the laws of its jurisdiction of formation;

(b) it has full power and authority and has taken all steps necessary to enter Into this Agreement and to perform its obligations hereunder;

(c) this Agreement has been duly executed by it and constitutes its legally valid and binding obligation; and

(d) the execution and delivery of this Agreement by it and the performance by it of its obligations hereunder do not conflict with any agreement, judgment, order or Law to which it is a party or by which it is bound or require the consent, approval or authorization of any Person.

Section 4.2 Non-Compete.

Each of the Parties agrees that for a period commencing on the date hereof and terminating two years after the termination of this Agreement, except as set forth in Section 5.8 it shall not directly or indirectly or through any Affiliate, participate or have any interest in, manage, finance, lease, operate, develop or control any outlet centers in Japan, provided, however, that Mitsubishi or Nissho may, from time to time, operate outlet shops as tenants and with the prior approval of Chelsea (which shall not be unreasonably withheld) include a small number of standalone outlet shops in an otherwise full price, discount or power retail center.

Section 4.3 Confidentiality.

Each of the Parties shall insure that any information regarding the business, assets, Company, Projects, customers, and methods of the other or of the Company which it may learn in the course of negotiations for, or carrying out of, this Agreement is treated by it in strict confidence and shall not make use of or disclose such information, unless such information (a) is known to the Party prior to learning of it from the other, (b) is obtained by such Party from a source other than the other Party which source (i) did not require such Party to hold such secrets or information in confidence and (ii) did not limit or restrict such Party's use thereof, (c) becomes public knowledge otherwise than through the fault of the Party seeking to use or disclose such knowledge or (d) is required to be disclosed by Law. This provision shall survive termination of this Agreement.

Section 4.4 Governmental Approval.

Each Party agrees to use its best efforts to obtain from any local, prefectoral and national government in Japan (or any agency thereof) any and all appropriate formal or informal consents, validations, authorizations, licenses and other approvals, if any are required, with respect to this Agreement and the transactions contemplated hereby, including Chelsea's investment in the Company.

Section 4.5 Establishment of SPC.

At the request of any of the Parties made at any time, each Party agrees to use its best efforts, at the expense of the Company, to cause (a) the Company to establish a special purpose company ("SPC") under Law or any other laws the Parties may agree upon and to take all steps necessary to effectuate such establishment as promptly as practicable or (b) each Project after the Project Completion Date of such Project to be transferred to a SPC.

ARTICLE 5.
CAPITAL

Section 5.1 Parties' Percentage Interest.

(a) Percentage Interest.

The Initial Percentage Interests of the Parties for purposes of applying the provisions of this Agreement are set forth below:

Party	Initial Percentage Interests
Chelsea	40%
Mitsubishi	30%
Nissho	30%

The above Initial Percentage Interests are subject to adjustment only by agreement of all the Parties, by two Parties when the other Party shall be a Non-Funding Party or a Breaching Party, or as a result of operation of any provision of this Agreement, including Sections 5.8 or 5.9.

(b) Initial Authorized Capital.

The Company shall have a total authorized capital of 19,960 shares of Common Stock upon its incorporation. All the shares of Common Stock of the Company shall be equal and alike in all respects, each of which will have a face value of yen 50,000 per share, and the holders thereof shall be entitled to identical rights and privileges including, without limitation, identical rights and privileges with respect to dividends, voting power and distribution of assets in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company.

Section 5.2 Capital Contributions Upon Incorporation.

(a) During the course of incorporation of the Company, Chelsea shall subscribe for 1,996 shares of Common Stock of the Company and Chelsea shall contribute yen 199,600,000 to the Company.

(b) During the course of incorporation of the Company, Mitsubishi shall subscribe for 1,497 shares of Common Stock of the Company and Mitsubishi shall contribute yen 149,700,000 to the Company.

(c) During the course of incorporation of the Company, Nissho shall subscribe for 1,497 shares Of Common Stock of the Company and Nissho shall contribute yen 149,700,000 to the Company.

(d) Of the total capital contributions in the amount of yen 499,000,000 ("Capital Contributions"), one half (i.e. yen 249,500,000) set forth in (a) through (c) above shall be treated as capital reserve of the Company and the remaining half (i.e. yen 249,500,000) shall comprise the paid-in capital upon the incorporation of the Company. In order to insure that the Company will have the yen 499,000,000 upon completion of its incorporation, each Party shall wire transfer to an account established for the benefit of the Company as soon as the incorporator(s) of the Company so request(s) the amount required to be contributed by it pursuant to Section 5.2(a), (b) or (c) hereof, provided, however, that such request must be made as soon as practicable under Law.

Section 5.3 Additional Funding.

(a) General Financing Policy. The Capital Contributions as set forth in Section 5.2 shall consist of all the capital contributions to be made to the Company by the Parties, and any additional funding to the Company shall take the form of loans. Throughout various phases of a Project (i.e., throughout Pre-Construction Period, Construction Period and Operating Period), it is the intention of the Parties that each Party would fund pro rata in accordance with its Percentage Interest any funding required by the Company. Each Party has the right, but not the obligation, to bring to the other Parties proposals of a loan from a third party, including but not limited to a commercial bank, public financing organization or any other financial source than the Parties and their Affiliates (the "Third Party Loan"), without or with Guaranties of Loans. Any Third Party Loan shall be subject to Approval of the Parties. In the event any such Third Party Loan proceeds are less than the budgeted amount in the concerned Budget Approved by the Parties, the Parties shall fund the shortfall by making loans from each such Party or its Affiliate (the "Partner Loan") to the Company pro rata in accordance with their respective Percentage Interest, such Partner Loan to be on the terms and provisions contained in Appendix G attached hereto.

(b) Funding Pursuant to Budgets/Approval of Parties, Guaranties of Loan.

(i) Pursuant to Sections 8.5 and 8.7 hereof and the preceding paragraph of this Section, the Parties will review and approve Budgets for each Project and for the Company. During the course of establishing the Budgets, the Parties shall discuss and determine, among other matters, the source and method of funding and schedule of funding to be made by the Parties. The Parties shall use reasonable efforts to seek funding for the Projects which would be non-recourse to the Parties. Beyond the Capital Contributions, the Parties will make loans or guaranty indebtedness as necessary to fund the Company in accordance with a Budget Approved by the Parties as hereinafter set forth. Such funding shall be made in such methods, amount and at such times as Approved by the Parties in accordance with the Budgets. Unless otherwise agreed to by all the Parties, the obligation of the Parties to give funding shall be several in accordance with their Percentage Interests.

(ii) To the extent that Guaranties of Loans are required in connection with any Third Party Loan which has been Approved by the Parties, each of the Parties shall be obligated to provide such Guaranties of Loans on a several basis or if and to the extent the applicable lender specifically so requests oil a joint and several basis, in accordance with their respective 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 Parties or their Affiliates in connection with the construction financing for the Project or otherwise (it being agreed that no Party shall be required to provide a joint and several guaranty without its prior approval), the Parties shall each agree to indemnify and hold the other Parties and their Affiliates harmless from and against ally loss, cost, claim, damage or expense thereunder (including reasonable attorneys' fees) in excess of their pro rata share of the costs so guaranteed and incurred, and, if any Party (the "Repaying Party"), as a joint and several guarantor, repays the loan in excess of its pro rata share the other Parties shall refund to the Repaying Party their respective shares in such excessive amount. Upon the request of any of the Parties, the Parties shall enter into a written agreement setting forth the details of the legal relationship among the Parties in any case the joint and several guarantee shall be required.

Section 5.4 Calls for Partner Loan.

(a) General. If the Parties are required to give a Partner Loan to the Company pursuant to a Budget Approved by the Parties or any other specific Approval by the Parties, the Parties shall make the required funding in cash in accordance with the provisions herein and in the same percentages as their respective Percentage Interests and in such amounts which are sufficient to provide such funds.

(b) Notice. If Partner Loans are required to be made pursuant to a Budget Approved by the Parties or any other specific Approval by the Parties, notice shall be given by the Company to each Party in the manner provided in Section 12.2. Such notice shall specify in reasonable detail the amount, purpose and due date of ally such loan funding. Within twenty (20) days (time being of the essence) after the receipt of such notice, each Party shall be required to deposit, by wire transfer of immediately available funds into the Company's bank account, the Partner Loan specified in the notice. If any Party fails to deposit the required Partner Loan within such time period, such Party shall be required to pay the Company a late charge of a rate equal to the short-term prime rate of The Bank of Tokyo-Mitsubishi plus six percentage points per annum until the Partner Loan shall have been fully deposited or until the Funding Loan shall have been made, as the case may be.

(c) Failure to Make Required Partner Loan. If a Party fails to make the required Partner Loan in accordance with the relevant Budget or any other specific Approval of the Parties, and such failure continues for a period of thirty (30) days, such Party shall be considered to be a "Non-Funding Party", and any other Party if it has funded its pro rata share of the required Partner Loan (the "Funding Party") shall have the right but not the obligation pro rata in accordance with its Percentage Interest (or as agreed to by the Funding Parties): (i) to fund the Non-Funding Party's share of such Partner Loan as set forth in Section 5.4(d)-, or (ii) to advance to the Company the funds required from the Non-Funding Party as a loan to the Non-Funding Party as set forth in Section 5.4(e), in addition to any other remedies granted under Section 11. 1 (C) OF elsewhere of this Agreement. The Non-Funding Party shall suffer from the penalties as set forth under Section 5.5.

(d) Additional Funding by Funding Parties. The Funding Parties shall have the right but not the obligation at any time while a Non-Funding Party's failure is continuing to fund, in the form of a Partner Loan, the Non-Funding Party's share of such Partner Loan pro rata in accordance with their Percentage Interests (or as agreed to by the Funding Parties).

(e) Funding Loan.

(i) The Funding Party shall have the right but not the obligation, at any time while the Non-Funding Party's failure is continuing, to advance directly to the Company the funds required from the Non-Funding Party as a loan (the "Funding Loan") to the Non-Funding Party. If and when a Funding Loan is made, the Non-Funding Party shall be deemed to have waived the right to make the requested funding to the Company as of the date of such Funding Loan. Such Funding Loan shall bear interest, compounded annually, at a rate equal to the short-term prime rate of The Bank of Tokyo-Mitsubishi plus six (6) percentage points per annum. Funding Loans (including accrued interest thereon) may be prepaid by the Non-Funding Party at any time after the date the Funding Loan is made. If not repaid by the Non-Funding Party, the Funding 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-Funding Party.

(ii) If as of the date which is one hundred eighty (180) days after the making of a Funding Loan, such Funding Loan (including accrued interest thereon) shall not have been repaid in full by the Non-Funding Party, the Funding Party shall have the right but not the obligation at any time while such Funding Loan remains outstanding to elect that the Non-Funding Party shall suffer from the penalties set forth under Section 5.5 below.

(f) Repayment through Distribution. A Funding Loan (including accrued interest thereon) shall be repaid on a first priority basis out of any subsequent distributions or dividends or interest payments and repayments of Partner Loans to which the Non-Funding Party for whose account the Funding Loan was made would otherwise be entitled in accordance with this Agreement, which amounts shall be applied by the Company on behalf of the Non-Funding Party first to accrued interest and then to principal, until the Funding Loan is paid in full. Each Non-Funding Party irrevocably assigns its rights to dividends and distributions of the Common Stock as well as interest payments and repayments of Partner Loans from the Company to the Funding Party for the purpose of effectuating this repayment. Repayment of any Party's Funding Loan shall also be secured by the Non-Funding Party's Common Stock and Partner Loans in the Company, and the Non-Funding Party hereby grants a security interest in such Common Stock and Partner Loans and all dividends, distributions, interest payments and repayments related thereto to the Funding Party who has advanced such Funding Loan and hereby irrevocably appoints each Funding Party, and any of its agents, officers or employees, as its attorney-in-fact, such appointment being coupled with an authority, to execute, acknowledge and deliver ally documents, instruments and agreements including, but not limited to, ally note evidencing the Funding Loan.

(g) Continuing the Company without Funding. Notwithstanding anything to the contrary set forth elsewhere in this Agreement, the Funding Parties shall have the right to revise the applicable Budget and operate the Company and the concerned Project in accordance with the funds available to the Company without making additional funding.

Section 5.5 Penalties to Non-Funding Party.

Notwithstanding any other provision of this Agreement to the contrary, including without limitation Article 8 hereof, a Non-Funding Party shall suffer from the penalties set forth below; provided, however, that in the case where a Funding Loan is made pursuant to Section 5.4(e)(i) above, this provision shall apply when and only when the Funding Party shall have exercised the right granted under Section 5.4(e)(ii).

(a) Forfeiture of Managing Rights. A Non-Funding Party shall thereafter have no further approval rights, right to make decisions in the Company or right to receive payments under the agreements set forth in Appendices B, C, D, E or F to which it is a party-, provided, however that the Company shall have the continued right to use the Non-Funding Party’s name in its operations until such funding default has been cured. Without limitation of the foregoing, in such event (i) the Funding Party shall have the right to apply all fees payable to the Non-Funding Party or its Affiliate in accordance with this Agreement to any amounts owed by the Non-Funding Party and (ii) ally directors designated by a Non-Funding Party shall resign as directors and shall not have any further authority to function as directors of the Company.

(b) Forfeiture of Capital Contribution and Make Up of Company’s Deficits. All Capital Contributions made by the Non-Funding Party shall be forfeited and the Non-Funding Party shall no longer have any interest in the Company. Upon such event, if the Company’s total liabilities exceeded its total assets oil a Fair Market Value basis, the Non-Funding Party is required to pay to the Funding Parties the difference between the Company’s total liabilities and total assets pro rata in accordance with the Non-Funding Party’s Percentage Interest.

(c) Continuation of Guaranties of Loans. If the Non-Funding Party has given any Guaranties of Loans on behalf of the Company, such Guaranties of Loans shall continue to be effective in accordance with their terms.

(d) Subordination of Partner Low.

(i) If the Company is dissolved pursuant to Section 11. 1 (a), a Non-Funding Party’s outstanding Partner Loans, if any, shall become subordinate to the other Parties’ Partner Loans, and shall not be repaid by the

Company until and unless the other Parties' Partner Loans shall have been fully repaid.

(ii) If the Company is not dissolved, then the due date of such Partner Loan shall be extended so that such Partner Loan will become due on the fifth anniversary of the date on which the Non-Funding Party has become a Non-Funding Party. The Non-Funding Party's Partner Loan shall not accrue any interest for said five year period, and upon the expiration of said five year period, shall become payable and accrue interest at a rate equivalent to 12 month Yen LIBOR minus 100 basis points (but not less than zero), but shall be subordinate to the other Partner Loans. The Company shall be entitled to prepay the Non-Funding Party's Partner Loan at any time, but shall in no way be required to repay the Non-Funding Party's Partner Loan until and unless the other Parties' Partner Loans shall have been fully repaid and the Company's cash flow may allow repayment of Non-Funding Party's Partner Loan.

Section 5.6 No Interest on Capital.

Interest earned oil Company funds shall inure solely to the benefit of the Company, and except as specifically provided hereinabove, 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 5.7 Limit on Contributions and Obligations of Parties.

Except as expressly provided in this Article 5, the Parties shall have no liability or obligation to the Company or to the other Parties (i) to make additional Capital Contributions to the Company, (ii) to make any Partner Loans to the Company or (iii) to make Guaranties of Loans. Each Party shall be personally liable to the other Parties (but not to any third parties) for its pro rata share of the liabilities of the Company (such share to be determined as of the time the liabilities are incurred) based on its Initial Percentage Interest in the Company.

Section 5.8 Expansions or New Projects.

(a) Notwithstanding anything to the contrary contained herein, if a new Project (the "New Project") is proposed to the Company or if any expansion of an existing Project is proposed (the "Expansion") and the Approval of the Parties is not obtained for the New Project or Expansion due to all objection by one Party (the "Objecting Party") oil or prior to either (x) approval of commencement of feasibility study for the New Project or Expansion or (y) the vote to approve the New Project or Expansion, then the Parties owning 70% or more of the Percentage Interests (the "70% Shareholders") shall have the right but not the obligation to proceed with the Expansion or the New Project. If the 70% Shareholders so proceed with a New Project, the New Project shall be done by a new separate company formed by the 70% Shareholders. The Objecting Party shall have no right or interest in or to said new separate company established by the 70% Shareholders or the business thereof.

(b) (i) If the 70% Shareholders request that any existing Project that is the subject of Expansion be transferred to their separate company, the Company shall be required to transfer the Project to such separate company without delay at the Fair Market Value of such Project.

(ii) If the 70% Shareholders proceed with an Expansion within the Company, the Percentage Interest in the Company of the Objecting Party shall be reduced based on the total yen amount of the Total Interest plus amount of Guaranties of Loans made by such Party as compared with the total yen amount of the Total Interests and Guaranties of Loans of all the Parties- The Objecting Party's Percentage Interest shall be reduced upon opening of the Expansion, and the 70% Shareholders Percentage Interest shall be increased, to reflect each Party's percentage of the Total Interest plus amount of Guaranties of Loans made by all Parties as of the opening of the Expansion. The Adjusted Percentage Interests of the Parties shall be expressed in terms of a decimal rounded to the nearest fourth digit. If there is any adjustment of the Percentage Interest of the Parties, any Party whose interest has been adjusted downward shall cause a sufficient number of its shares of Common Stock of the Company to be delivered or transferred, without any compensation by any Party, to the Parties whose interests have been adjusted upward to reflect the Adjusted Percentage Interest. Examples of these adjustments are attached hereto as Appendix I.

(c) The new company to be incorporated by the 70% Shareholders to proceed with the New Project or Expansion shall be permitted or granted by the 70% Shareholders the privileges, rights or advantages the same as or identical to those granted to the Company hereunder, including but not limited to the right to use relevant trademarks, without any compensation to the Company, and the Company and the Objecting Shareholder hereby waive any and all rights and objections against the new company.

(d) In the event that the Objecting Party shall fall to approve another New Project or Expansion despite approval of the 70% Shareholders, the 70% Shareholders shall have the right but not the obligation, exercisable within six (6) months of such event, to purchase the Total Interest of such Party at the Fair Market Value of such Party's Total Interest. The closing of such purchase and sale shall take place at the office where the principal place of business of the Company is located oil the tenth business day in Tokyo, Japan after the exercise of said right, unless the Parties agree to a different mutually acceptable date. The form and substance of the closing documents shall be reasonably satisfactory to each of the 70% Shareholders. The purchase price shall be payable by wire transfer of immediately available funds to an account designated by the Objecting Party, against delivery of all the closing documents; provided, however that if the purchase price is a negative figure, the Objecting Party shall pay the 70% Shareholders a sum equal to such negative figure. The instruments and documents shall be legally sufficient to convey all of the Objecting Party's Total Interest in the Company (and the Project) to the 70% Shareholders (or its nominee or designee), free and clear of all security interests, liens, charges and encumbrances.

(e) With respect to the Project which is the subject of Expansion, an Objecting Party shall not have ally further approval rights (including under Section 8.5), rights to make decisions, role in such Project or right to receive payments under the agreements set forth in Appendices B, C, D, E or F to which it is a party with respect to such Project or Expansion.

Section 5.9 Construction Overages, Improvements or Renovations.

(a) Notwithstanding anything to the contrary contained herein, if (i) a Construction Overage is incurred, (ii) all operating shortfall occurs or (iii) renovations or improvements to a Project are proposed and the Approval of the Parties is not obtained for ally of these due to an objection by one Party, the Parties owning 60% or more of the Percentage Interests (the "60% Shareholders") shall have the right but not the obligation to fund the Construction Overage or shortfall or proceed with the renovation or improvements.

(b) If the 60% Shareholders so proceed, the Percentage Interest or the Party who did not so approve shall be reduced based oil the total yen amount of the Total Interest plus amount of Guaranties of Loans made by such Party as compared with the total yen amount of the Total Interests and Guaranties of Loans of all the Parties. Such Party's Percentage Interest shall be reduced and the 60% Shareholders Percentage Interest shall be increased, to reflect each Party's percentage of the Total Interest plus amount of Guaranties of Loans made by all the Parties as of the Percentage Interest Adjustment Date. The Adjusted Percentage Interests of the Parties shall be expressed in terms of a decimal Founded to the nearest fourth digit. If there is ally adjustment of the Percentage Interest of the Parties, ally Party whose interest has been adjusted downward shall cause a sufficient number of its shares of Common Stock of the Company to be delivered OF transferred, without any compensation by any Party, to the Parties whose interests have been adjusted upward to reflect the Adjusted Percentage Interest.

ARTICLE 6.
DIVIDENDS

Section 6.1 Dividends and Distribution.

All dividends and distributions made by the Company with respect to Capital Contributions and all repayments of Partner Loans shall be made in accordance with the Percentage Interests of the Parties and shall be declared or made upon the Approval by the Parties. It is the intent of the Parties, to the extent feasible under Law, accounting regulations and good business practice, to distribute available cash to the Shareholders at the earliest possible dates in order to minimize the currency exchange risk to Chelsea.

ARTICLE 7.
COMPANY BOOKS, ACCOUNTING/FINANCIAL STATEMENTS

Section 7.1 Books and Record.

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 Parties 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 oil the accrual basis in accordance with generally accepted accounting principles consistently applied in Japan. Each Party 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, employment records, bank statements, bank deposit slips, bank reconciliation's, cash receipts and disbursement records, and other documents (the "Documents"). Each Party 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 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.

Section 7.2 Tax Returns.

The Independent Accountants shall either prepare or review and sign, as requested by the Company, the 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 and cause such tax returns to be filed on a timely basis with the appropriate governmental authorities.

Section 7.3 Report.

(a) During the Construction Period, the Company shall prepare within twenty (20) calendar days of each calendar month end, a report analyzing and comparing budgeted and actual costs and budgeted and anticipated costs to complete construction of the Project and shall present monthly via telephone conference call or personally, a "forecast to complete" update. Monthly reporting will also include an amended Development Budget incorporating any change orders or Construction Overages authorized by the Parties in Sections 5.9(a) and 8.4(a) and any line item revisions to the Development Budget. The Company shall also prepare such financial reports as may be reasonably required from time to time by the Parties.

(b) During the Operating Period for each Project, the Company shall cause to be prepared and sent to each Party, the following unaudited statements and reports for the Company and for each Project:

(i) within fifteen (15) calendar days after the last day of each calendar month, a statement of income and expense (x) showing the actual results of the operations for the calendar month then ended and cumulatively to date for the then elapsed portion of the current Fiscal Year, (y) comparing oil ail 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 (z) commencing with the beginning of the Company's or Project's next Fiscal Year, comparing such costs and expenses with those for the prior Fiscal Year;

(ii) within fifteen (15) calendar days after the last day of each calendar month, a balance sheet showing the financial position of the Company as of such last day;

(iii) within fifteen (15) calendar days after the last day of each calendar month, (x) monthly tenant sales reports for such month and (y) lease status report at the end of such month; and

(iv) such other reports as any Party may reasonably request from time to time.

(b) Each monthly report furnished to the Parties by the Company shall also state, to the best knowledge of the Company, whether any default exists with respect to any material obligation of the Company and whether any material litigation is pending against the Company or any Project. The Company 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 Section 7.3, promptly notify each Party of such occurrence.

Section 7.4 Audits.

After the end of each Fiscal Year the Company shall cause all 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 May 31 of each Fiscal Year, the Company shall deliver, or cause to be delivered to each Party the following financial statements with respect to the Company: a balance sheet and statements of income and expense and cash flow of the Company, and the shareholder equity as of the end of and for the prior Fiscal Year, together with 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 ill Japan. In addition, the Independent Accountant shall deliver to the Board of Directors a management report letter identifying any deficiencies, inconsistencies or problems in the Company's system of internal controls.

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 Parties. Funds of the Company shall not be commingled with funds of any other Person. Checks or promissory notes shall be drawn upon the Company account or accounts only for the purposes of the Company and shall be signed by any duly authorized officer or representative of the Company; provided, however, that funds shall only be spent pursuant to applicable Budgets which have been Approved by the Parties or otherwise pursuant to Section 8.4 or 8.7(b)(iii).

ARTICLE 8.
MANAGEMENT OF THE COMPANY

Section 8.1 Board of Directors.

(a) General. The Company shall be managed by its Board of Directors. The Shareholders shall vote their shares of Common Stock of the Company and use their best efforts to cause the Board of Directors to consist of nine (9) individuals, three (3) of whom shall be designated by Chelsea, three (3) of whom shall be designated by Mitsubishi and three (3) of whom shall be designated by Nissho. Each of the Parties agrees to vote its shares of Common Stock of the Company in favor of the nominees of the other Parties. In the event that a Party shall wish to remove a director who was nominated by that Party, the other Parties shall vote their shares in favor of such removal. In the event a director nominated by a Party shall cease to be a director for any reason, the other Parties shall vote their shares in favor of the individual whom that Party shall nominate to fill such vacant position. The directors of the Company shall not receive any compensation for their services as directors.

(b) Meetings. Regular meetings of the Board of Directors shall be held at the Company's principal place or business or at such other place as shall be Approved by the Parties and at intervals as may be Approved by the Parties, such intervals to be in all cases less than three months. Dates, times and places of such regular meetings shall be Approved by the Parties. Any Representative Director may call a meeting of the Board of Directors; provided, however, that at least 15 days notice is given of any meeting. The presence in person of a director nominated by each Party shall be required to constitute a quorum for the transaction of business and, subject to the provisions of Section 8.5, may take action only by the affirmative vote of a majority of the directors present at a meeting. If requested by Chelsea, meetings of the Board of Directors may be by video conferencing whereby each director may see and hear each other director.

(c) Statutory Audit. The Company shall have at least one statutory auditor. The statutory auditor of the Company shall not receive any compensation for their services as statutory auditor.

Section 8.2 Shareholders.

Action by the Shareholders of the Company shall be taken as provided by Law or by the Company's Articles of Incorporation. The presence in person or by proxy of a representative of each Party shall be required to constitute a quorum for the transaction of business at any meeting of Shareholders and any action required to be taken by the Shareholders may only be taken i Shareholders owning 70% or more of the Common Stock shall have approved such actions. The approval of Shareholders of the Company shall be required to amend the Company's' Articles of Incorporation. The first general meeting of Shareholders will be held within three months after the end of the first Fiscal Year of the Company. The Company shall give notice thereof at least 30 days prior to the day of the meeting. At the meeting all Shareholders may act by proxy.

Section 8.3 The Officers.

(a) Officers. The officers shall be appointed by the Board of Directors. The initial officers of the Company shall consist of the following persons:

Title	Name
Chairman	Chelsea designee
President	Designee of another Party
Senior Managing Director	Designee of another Party

Each party shall use its best efforts to cause its nominees for Directors to vote to elect the Company officers. The Directors may appoint such other officers as they may determine. The President shall have general powers and duties of supervision and direction of the business and employees of the Company. Each of the Chairman, President and Senior Managing Director shall be a Representative Director of the Company. The Chairman, if present, shall preside at all meetings of the Board of Directors and shareholders, otherwise, the President, if present, shall preside.

(b) Subject to the provisions of Sections 8.4 and 8.5 hereof, the business and affairs of the Company shall be managed by its officers. The Officers may delegate their functions to other employees and representatives of the Company.

Section 8.4 Authorization for Expenditures.

(a) During the Construction Period, the Company shall review the applications for payment submitted by the general contractor, confirm that all applications for payment are in the form required by the construction contract, and advise the architect and/or engineer (based solely oil the Company's observations and best judgment based on its review of submitted documentation and on-site inspections) as to the amount of work the Company believes is complete and for which the general contractor is due payment. The Company shall have the right, without obtaining the Approval of the Parties, to approve change order which, in the opinion of the general contractor, are required to avoid an imminent risk of injury or death to persons or damage to property and change orders which do not constitute a Material Change Order. The Company shall obtain prior Approval of the Parties; (i) if the aggregate total of change orders is less than or equal to 60 million yen, then as to any single change order the amount of which shall be greater than or equal to the greater of (a) 10% of any line item total of the Development Budget that the change order affects and (b) 12 million yen; and (ii) if the aggregate total of change orders exceeds 60 million yen, then as to all such change orders (hereinafter any of the change orders for which the Approval of the Parties is required is referred to as a "Material Change Order").

(b) During the Operating Period, except for expenditures made and obligations incurred pursuant to a Budget, as revised or exceeded pursuant to Section 5.4(g) or 8.7(b)(iii), or pursuant to Section 5.9, the Company shall not make any expenditure or incur any obligation unless previously approved as provided herein, provided that the Company shall have the right, without such approval, 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 6 million yen (whichever is less) in excess of the amount authorized for each Project under the applicable Budget for such expenditures, (iii) to pay for annual capital expenditures for each Project of up to 12 million yen in the aggregate for items not contemplated in, or in excess of amounts reserved for certain line items in, the applicable Budget or (iv) 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 assets if, under the circumstances, in the good faith estimation of the Company, there is insufficient time to allow the Company to obtain the necessary approval of such action, a good faith attempt has been made to contact the other Parties 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 Company shall notify the other Parties of such action contemporaneously therewith or as soon as reasonably practicable thereafter. In any event, the Company shall not expend more than the amount the Company 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 oil behalf of the Company and shall, upon request, provide the other Parties with reasonable documentation evidencing such expenditures.

Section 8.5 Major Decisions.

All Major Decisions with respect to the Company's business and operations shall require the Approval of the Parties. As used herein, the term "Major Decisions" shall mean the following decisions regarding the acquisition, development, ownership, management, leasing and operation of a Project, except those matters expressly delegated to the Developer and/or its Affiliate pursuant to the terms of this Agreement or the Development Agreement. Accordingly, if a decision is identified as a Major Decision, no Party shall have the right or the power to make any commitment or engage in any undertaking on behalf of the

Company with respect to a Major Decision unless and until the same has been Approved by the Parties. The Parties hereby approve Project I and Project 2 in accordance with the Budgets set forth oil Appendices H I and H2, respectively. Without the Approval of the Parties, no Party shall cause the Company to:

(a) With respect to a New Project, commit to acquire or lease any real property or interest in any real property or to initiate or pursue any New Project;

(b) Approve commencement of a feasibility study for a New Project, construction of a New Project and construction schedule for such Project, and approve any Budget or any amendment or supplement thereto prepared by the Company;

(c) Enter into any transaction or agreement with any Affiliate of the Parties except the Development Agreement, as provided in any approved Budget or as otherwise provided in this Agreement;

(d) Incur any expenses on behalf of the Company not specifically authorized in this Agreement or in any approved Budget;

(e) Sell all or any part of a Project, except as specifically authorized by this Agreement;

(f) Partition any of the assets of the Company;

(g) Admit any additional or substitute Party to the Company (including the case of approving transfer by a Party of the Common Stock), issue any additional shares of Common Stock of the Company or decrease the capital of the Company;

(h) Except as specifically authorized by this Agreement, select any successor Developer;

(i) Amend or terminate the Development Agreement, except as expressly authorized in this Agreement;

(j) With respect to a New Project, approve (i) the site plan and/or schematic building drawings for a New Project which shall be submitted by the Company to the Parties as part of the Final Project Program; or (ii) the design development drawings for a New Project;

(k) File a petition in bankruptcy, composition, corporate arrangement, special liquidation, corporate reorganization or other similar proceedings, or all assignment for the benefit of creditors;

(1) Settle a condemnation case or insured casualty loss involving more than 120 million yen and/or decide to reconstruct a Project in such case;

(m) Select or terminate any Independent Accountant for the Company; or

(n) Commence a lawsuit or arbitration by the Company against a third party or settle any lawsuit or arbitration filed against the Company.

Section 8.6 Authorized Acts.

No Party shall be liable to the Company or to any other Party for any act performed, or omitted to be performed, by it in the conduct of its duties as a Party, if such act or omission is within the scope of authority of such Party hereunder and if such act or omission is not performed or made fraudulently or in bad faith. The Company shall indemnify and save harmless each Party 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 Party under any insurance effected or maintained by the Company.

Section 8.7 Budgets.

(a) The Company shall, by Approval of the Parties, establish a Company Budget and a Pre-Construction Budget and a Development Budget for each Project, which Budgets the Parties acknowledge are subject to change only as Approved by the Parties. The Development Budget is intended to cover all expenditures of a Project through the completion of construction of such Project, including, without limitation, those expenditures included in a Pre-Construction Budget for such Project. No later than sixty (60) calendar days prior to the Project Completion Date, the Company shall submit to the Parties a proposed Operating Budget for the then remaining Fiscal Year covering anticipated expenses of the Company in owning, operating and maintaining such Project. No later than sixty (60) days prior to the commencement of each Fiscal Year the Company shall submit to the Parties a proposed Operating Budget for such Fiscal Year for such Project.

(b) After submission of the proposed Operating Budgets to the Parties, 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 Parties, the Parties shall either approve each such proposed Operating Budget or notify the Company of any proposed revisions therein that they deem necessary. If the Parties fail 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 Parties, 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 Parties.

(ii) If the Parties approve a proposed Operating Budget, or the Parties agree oil proposed revisions thereto, such proposed Operating Budget, and revisions if any, shall be deemed Approved by the Parties and shall be deemed thereafter to constitute the “Operating Budget” for the Fiscal Year in question for all purposes hereof.

(iii) If any Party makes any objection to any proposed revisions to any proposed Operating Budget, the Parties 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 Parties 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 Company shall continue to manage, maintain, supervise, direct, and operate the activities for which such Operating Budget was proposed until a new Operating Budget is approved in accordance with the lesser of (x) the approved Operating Budget, if any, for the previous Fiscal Year or (y) the proposed Operating Budget; except that the Company 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 as well as for increases in contract services and personnel costs to the extent required to maintain the same level of service provided during the previous Fiscal Year.

(c) The Company may from time to time submit to the Parties revisions to an approved Operating Budget for their approval. The Parties shall promptly reject or approve the same or make such changes to the proposal as they may deem reasonably necessary and proper within the time frame contemplated by subparagraph (b) hereof If the Parties fail to approve or reject any proposed revisions or to suggest additional modifications thereto within twenty (20) calendar days after submittal to the Parties, then such revisions shall be deemed Approved by the Parties. The proposal, as finally approved or changed by the Parties, shall be incorporated into and become part of such Budget for the remaining period of the Fiscal Year in question.

Section 8.8 Developer and Development Agreement.

Unless the Parties otherwise agree, it is intended that a Developer will be appointed for each Project. Mitsubishi and Nissho shall be the Developer of Project I and the Parties presently intend to appoint Mitsubishi and Nissho as the Developer of other Projects. If an Affiliate of a Party or a Party is to render services to the Company in connection with the initial development or redevelopment of a Project, then the Parties shall, by Approval of the Parties, approve a Development Agreement with such Affiliate or Party who shall be designated as the “Developer” thereunder.

Section 8.9 Fees and Expense Reimbursements for Parties.

While it is contemplated that the Company shall be primarily responsible for implementing the decisions of the Parties and carrying out their directives with respect to the acquisition, development, construction, leasing and management of each Project, the Parties acknowledge that they or their Affiliates will both render valuable services to the Company in connection with a Project. The Parties, 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 Approved by the Parties, and subject to Section 9.1 hereof

ARTICLE 9.
COMPENSATION, REIMBURSEMENTS. CONTRACTS WITH AFFILIATES

Section 9.1 Compensation Reimbursement.

(a) Compensation. Except as may be expressly provided for in this Section 9.1 or in the agreements referred to in Section 9.2, or in another written agreement Approved by the Parties, no payment will be made by the Company to any Party for the services of such Party or any Party’s shareholders, directors or employees, or Affiliate of such Party.

(b) Reimbursements.

(i) Subject to the provisions of this Agreement, each of the Parties shall be reimbursed promptly by the Company for all reasonable out-of-pocket costs and expenses incurred by each oil behalf of the Company in accordance with Budgets which have been Approved by the Parties so long as such costs and expenses are not intended to be paid for from fees otherwise payable to such Party or its Affiliates as set forth in the Development Agreement. Each Party shall also be reimbursed for traveling expenses expended by such Party oil behalf of the Company; provided, however, that such amount will not exceed the yen equivalent of US $125,000 for Chelsea per Fiscal Year and 15 million Yen for each of Mitsubishi and Nissho per Fiscal Year. To the extent permissible under applicable Japanese tax Laws, all costs and expenses incurred prior to the date of this Agreement in connection with plans and feasibility studies for each Project, including expenses paid to third party subcontractors (such as architects, land planners and engineers) shall be classified as pre-organization expenses and be paid by the Company or reimbursed to the Parties by the Company. After the date of this Agreement, the foregoing expenses subsequently incurred shall be borne by the Company.

(ii) Requests for reimbursement hereunder shall be paid within thirty (30) days after submission of a request therefor accompanied by reasonable back-up documentation.

(c) Consulting Fee. The Company shall pay to each Party consulting fees as set forth in Appendix C attached hereto.

(d) Development Fee. The Company shall pay to the Developers a fee as set forth in the Development Agreement.

(e) License Fee. The Company shall pay to Chelsea a licensing fee as set forth in the License Agreement.

(f) Management Advisory Service Fee. The Company shall pay to Mitsubishi and Nissho a management advisory service fee as set forth in the Management Services Agreement.

(g) Advisory Services Fee. The Company shall pay to Chelsea an advisory service fee as set forth in the Advisory Services Agreement.

(h) Guaranty Fee. The Company shall pay to each Party which guarantees a Third Party Loan an annual amount equal to 1% of the averaged daily balance of the principal amount of the Third Party Loan outstanding during each Fiscal Year, which amount will be paid within 60 days after the end of each Fiscal Year.

Section 9.2 No Contracts with Affiliates.

Except as provided in Sections 8.3 and 8.8, no Party 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 Party unless such agreement or arrangement has been Approved by the Parties after the nature of the relationship or affiliation has been disclosed.

ARTICLE 10.
SALE, TRANSFER OR MORTGAGE

Section 10.1 General.

Except as expressly permitted in this Agreement, no Party 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 Total Interest hereunder without the express prior written consent of the other Parties, 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. For purposes of this Agreement, Transfer shall include (a) the acquisition by a Person of fifty percent (50%) or more of the capital stock of Mitsubishi or Nissho, (b) the merger, consolidation or combination of Mitsubishi or Nissho with another Person in which Mitsubishi or Nissho is not the survivor, (c) the sale of all or substantially all the assets of Mitsubishi or Nissho or (d) a change in the majority of the directors or managers of Mitsubishi or Nissho which has not been approved by the then existing directors or managers.

Section 10.2 Permitted Transfers by the Parties.

(a) Transfers By Chelsea. Without the consent of the other Parties, Chelsea may from time to time (1) Transfer its Total Interest, in whole or in part (1) to a Chelsea Affiliate or (ii) from a Chelsea Affiliate to another Chelsea Affiliate and (2) Transfer up to 50% of its Total Interest to Simon Property Group Inc. or all Affiliate thereof, provided, however, that (x) Chelsea shall continue to exercise all rights and powers under this Agreement and Simon Property Group Inc. or its Affiliate shall not participate in the management of the Company or be required to approve or consent to any transaction and (y) Chelsea shall continue to remain responsible for all its obligations hereunder. In addition, the acquisition by merger, sale of assets, combination or consolidation of Chelsea GCA Realty, Inc. by any Person shall not constitute a Transfer under this Agreement. Any Transfer under Section 10.2(a) shall not relieve Chelsea of its obligations under this Agreement.

(b) Transfers by Mitsubishi. Without the consent of the other Parties, Mitsubishi may from time to time Transfer its Total Interest, in whole or in part (i) to a Mitsubishi Affiliate or (ii) from a Mitsubishi Affiliate to another Mitsubishi Affiliate. Any Transfer under Section 10.2(b) shall not relieve Mitsubishi of its obligations under this Agreement.

(c) Transfers by Nissho. Without the consent of the other Parties, Nissho may from time to time Transfer its Total Interest, in whole or in part (i) to a Nissho Affiliate or (ii) from a Nissho Affiliate to another Nissho Affiliate. Any Transfer under Section 10.2(c) shall not relieve Nissho of its obligations under this Agreement.

(d) Agreements with Transferees.

(i) If pursuant to the provisions of Section 10.2 (a), (b) or (c), ally Party (the "Transferor") shall purport to make a Transfer of any part of its Total Interest to any Person ("Transferee"), no such Transfer shall entitle the Transferee to ally 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 a Project to which the Transferor is then subject OF is then required to be a party; and

(2) the Transferor and Transferee enter into a written agreement with the other Parties 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 Total Interest acquired by the Transferee, (y) that the Transferor shall remain liable for all obligations arising under tills Agreement prior to or after such Transfer in respect of the Total Interest so transferred, and (z) that the Transferee or Transferor, as applicable, shall indemnify the Parties 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 ally breach by the Transferee or Transferor of its obligations hereunder.

(ii) No Transferee of any Total 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 Parties, in connection with any Transfer of a Total Interest, including ally 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 Section 10.2, Section 10.5 or Section 10.6, if, subsequent to five (5) years after the date hereof, any Party desires to sell all of its and its Affiliates' Total Interest in the Company it shall give written notice (the "First Refusal Notice") of such intention to the other Parties (the Party issuing the First Refusal Notice is hereinafter called the "Offeror" and the Parties receiving the First Refusal Notice are hereinafter called the "Offerees"). 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 Total Interest (the Total 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 (the "Purchaser"), provided, that the Offeror shall deal with only one Purchaser at a time and the Purchaser shall not be an Affiliate of the Offeror. 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. 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 Offerees 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 set forth in Section 10.5 or Section 10.6, none of the Parties may give a First Refusal Notice until at least five (5) years from the date of this Agreement.

(b) Election by Offerees.

(i) For a period of thirty (30) days following the date of receipt by the Offerees of the First Refusal Notice (the "First Refusal Period"), the Offerees shall have the right (pro rata in accordance with their Percentage Interests or as agreed to by them) but not the obligation 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 Offerees shall also have the option to sell their entire Total Interest in the Company to the Purchaser as set forth in subparagraph (d) hereof If an 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 any 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 all amount equal to 5% of the price set forth in the First Refusal Notice.

(c) Closing.

(i) If an 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 in Tokyo, Japan, the business day in Tokyo, Japan 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 (in Yen) by wire transfer representing immediately available 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 Funding 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 the First Refusal Deposit and any outstanding Funding Loans made by the Offeree to the Offeror, together with all accrued interest thereon.

(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 Guaranties of Loans 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 and any Affiliates released from any Guaranties of Loans made in connection therewith by a written instruments reasonably satisfactory to the Offeror, at the closing of the sale of such Subject Interest. If only one of the Offerees is purchasing the Subject Interest and the loan is repaid, then the non-purchasing Offeree will reimburse the purchasing Offeree for Its pro rata share of any loans repaid by the Offeree. Neither the Offeror nor the Offeree shall be obligated at the time of the Transfer to discharge the Offeror’s obligations under the Guaranties of Loans if the holder of any Guaranties of Loans does not accelerate the Third Party Loan at such time.

(d) Sale of Total Interest by Offerees to Third Party.

(i) During the First Refusal Period, each Offeree shall also have the option to sell its Total Interest in the Company to the Purchaser. If an Offeree elects to sell its Total Interest to the Purchaser, it must notify the Offeror in writing (the “Sale Notice”) within the First Refusal Period. If ail Offeree fails to send a Sale Notice within said 30-day period, it shall be deemed to have elected not to sell its Total Interest.

(ii) If all Offeree elects to sell its Total Interest, the Offeror shall proceed to consummate a sale of both the Subject Interest and the Offeree’s Total Interest to the Purchaser at a purchase price to be calculated using the same formula as the Refusal Price shall have been calculated, subject to all liabilities of the Company as of the date of the First Refusal Notice. 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 Subject Interest 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. 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 Guaranties of Loans to the Company under which a Party or its Affiliates 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 Purchaser repay such loan and obtain releases of any Guaranties of Loans 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 Offeror.

(e) Sale of Subject Interest to Third Party.

(i) If the Offerees fall to exercise their right to purchase the Subject Interest, or if the Offerees exercise their right to purchase but through no fault of the Offeror subsequently fail to purchase the Subject Interest within the time specified, or the Offerees fail to offer to sell their entire Total 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 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 Offerees fail 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 within the time specified and in a manner otherwise consistent with the requirements of Sections 10.3(e)(i) above, the Purchaser shall not be entitled to any benefits or rights under this Agreement unless and until:

(1) The Offerees 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 obligations to make funding to the Company as provided in Article 5 hereof and restrictions on Transfer set forth in Section 10. 1, and acknowledges that the Offeror’s rights under this Section 10.3 shall not be available for a period of two (2) years;

(3) The Offeror or the Purchaser, as the case may be, pays all debts of the Offeror then due and payable to the Company, to the Offerees or to third parties which relate to its Percentage Interest in the Company (including interest accrued thereon) and all Partner Loans then due and payable or to be made by the Offeror to the Company; and

(4) The Offeror or the Purchaser pays all reasonable expenses incurred by the Offerees from the date the Offerees last decline 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.

(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 Offerees, the Offeror shall reimburse the Offerees for the above described costs and shall, prior to any subsequent proposed sale of the Subject Interest, be required to extend to the Offerees, and the Offerees shall have, the rights of First Refusal set forth in tills Section 10.3. Except as otherwise permitted by this Agreement, any Transfer by any Party of its Total Interest or any portion thereof in violation of the restrictions and procedures set forth in this Section 10.3 shall be void.

(g) Approval by the Board of Directors. Each of the Parties shall cause such directors of the Company as shall be nominated by it to approve at the meeting of the Board of Directors of the Company the transfer of the Common Stock (as part of Subject Interest or Total Interest or otherwise) as permitted under this Section 10.3 or elsewhere in this Agreement.

Section 10.4 Election Not to Proceed with Project.

(a) Notwithstanding anything to the contrary set forth elsewhere in this Agreement, if a Party elects (the “Non-Investing Party”), at its sole option, not to proceed with Project I or Project 2 by sending a written notice to such effect to the remaining Parties (the “Investing Parties”), then the Investing Parties shall have the right (pro rata in accordance with their Percentage Interests or as agreed to by them) but not the obligation to purchase the Non Investing Party’s Total Interest in the Company at a price equal to lower of (x) the total amount of Capital Contributions and Partner Loans which had been contributed or made to the Company by the Non-Investing Party at that point in time, less the amount of any distributions or dividends or repayments of Partner Loans previously made to the Non-Investing Party and (y) the Fair Market Value of the Non-Investing Party’s Total Interest. Any such election to purchase the interest of the Non-Investing Party will be made in accordance with the procedures set forth in Section 10. 3 (c).

(b) If the Investing Parties shall not exercise the right granted under Section 10.4(a) within thirty (30) days after their receipt of the notice from the Non-Investing Party, the Non-Investing Party shall be required to make the required Partner Loan, if any shall be required to be made at that time, within thirty (30) days from the end of such thirty (30) day period. If the Non-Investing Party fails to make the required Partner Loan within such thirty (30) day period, then the Non-Investing Party shall become, and be deemed as, a Non-Funding Party and Section 5.5 shall apply.

Section 10.5 Sale of the Company.

If the 70% Shareholders as defined in Section 5.7, wish to sell all or substantially all of the assets of the Company or a Project, despite a rejection at a meeting of the Board of Directors, then the 70% Shareholders shall send notice thereof to the Shareholder who has not approved such sale (the “Purchasing Shareholder”). For a period of twenty (20) days following the date of receipt by the Purchasing Shareholder of such notice, the Purchasing Shareholder may accept to purchase Total Interests of the 70% Shareholders at a the price set by the 70% Shareholders in such notice sent by the 70% Shareholders to the Purchasing Shareholder. If the Purchasing Shareholder fails to send such notice within such 20 day period, it shall be deemed to have elected not to purchase, and the 70% Shareholders may effectuate the sale of their Total Interests, provided, however, that if such sale is consummated within six (6) months thereafter, it may only be at a price in excess of the purchase price set in their notice and after six (6) months may be sold at any price. If the Purchasing Shareholder accepts the 70% Shareholders’ offer, the closing shall occur in accordance with the procedures set forth in Section 103(c).

Section 10.6 Lack of Profits.

If for the first three full consecutive Fiscal Years after the Project Completion Date of Project 1, the Company has not had any “earnings” (as defined below), the Parties shall have good-faith discussions to develop a solution to resolve the situation, upon the request of any Party. If no solution is reached despite such good-faith discussions within ninety (90) days after the end of such Fiscal Year, any Party (the “Selling Shareholder”) may offer during the period of twenty (20) days following the 90 day period after the end of such third Fiscal Year to sell its Total Interest in the Company to the other Shareholders at a price set by the Selling Shareholder in such notice. The other Shareholders shall have the right, but not the obligation, to accept any such offer. If no notice is sent by any Shareholder within such 20 days, the right contained herein shall be null and void and of no further effect. If the Shareholders accept the offer, the closing shall occur in accordance with the procedures set forth in Section 10.3(c). If the Shareholders do not accept such offer, the Selling Shareholder may, at its sole option, (i) sell its Total Interest only at a price in excess of that set by the Selling Shareholder, provided, however, that the sale shall be consummated within four (4) months after the expiration of such 20 days, and provided further that the purchaser shall not be a competitor of either Shareholder or the Company and in the exercise of the reasonable determination of the Shareholders the purchaser shall have the financial capability to fulfill its obligations to the Company and shall be of a quality and reputation consistent with that of the Shareholders and the Company; or (ii) by sending a notice to the other Shareholders in accordance with Section 12.2, relinquish all of its Common Stock to the other Shareholders and transfer the same pro rata in accordance with their Percentage Interests at no cost to such Shareholders within four (4) months after the expiration of such 20 days. If the Selling Shareholders exercised its option (ii) above, (x) it shall be released from any further obligation or liability hereunder or in connection with the Company which will accrue after the date of the notice, (y) the Guaranties of Loans given by it up to the date of the notice shall continue to be effective in accordance with their terms and conditions, and (z) its Partner Loans extended up to the date of the notice shall be repaid in accordance with their terms and conditions and pari passu with the Partner Loans extended by the other Shareholders. For the purpose of this Section 10.6, the term “earnings” shall mean the “income before taxes” as appearing in the income statements for the three Fiscal Years as shall be prepared by the Company in accordance with generally accepted Japanese accounting principles, plus (i) all the interest of Partner Loans accrued to the Parties, (ii) all the depreciation or amortization expenses, and (Hi) all the fees listed under Section 9.1 accrued to the Parties in such Fiscal Years.

ARTICLE 11.
DISSOLUTION

Section 11.1 Dissolution and Liquidation Continuation of Business.

(a) Causes of Dissolution and Liquidation. Except as set forth in this Article II and Article 10, no Party shall have the right and each Party hereby agrees not to withdraw from the Company, nor to dissolve or liquidate, or to petition a court for the dissolution or liquidation of the Company, except as provided in this Agreement, and no Party 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 any Project, or any part thereof, to the authority of any court of bankruptcy or similar proceedings. The Company shall be dissolved and liquidated only upon the earliest occurrence of any of the following dates or events:

(i) January 31, 2049 or such later date as Approved by the Parties;

(ii) a dissolution of the Company is Approved by the Parties or approved by the Funding Parties;

(iii) the sale or other disposition (exclusive of an exchange for other real property or the granting of a lien or security interest in all Projects) by the Company of all or substantially all of the Projects and other assets of the Company;

(iv) the "Bankruptcy" (as hereinafter defined), dissolution or liquidation of a Party;

(v) if on five (5) years from the date hereof, the Project Completion Date shall not have occurred with respect to Project 1; or

(vi) if on eight (8) years from the date hereof, Projects having at least a total of 70,000 square meters in terms of gross leasable area shall not have been opened for business with the public.

For the purposes of this Agreement, the term "Bankruptcy" shall mean, and the Party shall be deemed "Bankrupt" upon, (i) the entry of a decree or order for relief of the Party by a court of competent jurisdiction in any involuntary case involving the Party under any bankruptcy or other similar law now or hereafter in effect, (ii) the ordering of the winding up or liquidation of the Party's affairs; (Hi) the filing with respect to the Party of a petition in any such involuntary bankruptcy case, which petition remains undismissed for a period of ninety (90) days; (iv) the commencement by the Party of a voluntary case under any bankruptcy or other similar law now or hereafter in effect; (v) the making by the Party of any general assignment for the benefit of creditors; or (vi) the failure by the Party generally to pay its debts as such debts become due.

(b) Right to Continue Business of the Company. Upon all event described in Section 11. 1 (a), the Company thereafter shall be dissolved and liquidated unless, within ninety (90) days after the event described in such Section, an election to continue the business of the Company shall be made in writing by the remaining Parties holding fifty percent (50%) or more of the Percentage Interests. If such ail election to continue the Company is made, then the Company shall continue until another event causing dissolution in accordance with this Article II shall occur and the Parties who elect to continue shall have the right, but not the obligation, to cause the non-continuing Party's Percentage Interest to be sold in accordance with the procedure set forth in Section 10.3 hereof.

(c) Termination by Material Breach.

(i) If any of the Parties (the "Breaching Party") commits a breach of its material obligations hereunder ("Material Breach"), the other Parties (the "Non-Breaching Parties") shall be entitled to terminate, by a joint action, this Agreement effective immediately upon giving written notice to the Breaching Party if within sixty (60) days after such written notice is given by the Non-Breaching Parties the Material Breach shall not have been corrected by such Breaching Party and such Material Breach has had or its continuation will have a material adverse effect on the interests of the Non-Breaching Parties or oil the operations, financial condition or prospects of the Company. Any failure to make a required Capital Contribution or give a required Partner Loan or required Guaranties of Loans of the Company shall be deemed a Material Breach and to have a material adverse effect on the operations, financial condition and prospects of the Company.

(ii) If this Agreement is terminated pursuant to this Section, the Non-Breaching Parties shall have the option, exercisable within three (3) months after the date of such termination, of (x) requiring the Breaching Party to transfer, free of charge, all of the Breaching Party's Percentage Interest to the Non-Breaching Parties or (y) requiring dissolution and liquidation of the Company in accordance with Section 11.2.

(iii) If the Non-Breaching Parties have elected to require the Breaching Party to transfer the Breaching Party's Percentage Interest, the provisions of Section 5.5 shall apply mutatis mutandis.

(iv) Termination of this Agreement under this Section 11.1(c) shall be without prejudice to, and in addition to, any right and remedy available to the Non-Breaching Parties under any other provision of this Agreement or applicable Law.

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 Parties 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 Board of Directors shall manage the Company as liquidator 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 a default by a Party of its obligations under this Agreement, such Party shall have no further right to participate in the management or affairs of the Company and the other Parties shall manage the Company during the period of winding up. Each Party hereby waives any claims it may have against the others 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 Party 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 Parties who have not defaulted under their obligations under the Agreement, may determine the same to be necessary to permit a sale or other disposition of the Projects which is most beneficial to the Parties.

(d) Distributions in Liquidation. The assets of the 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 any Party as the holder of any secured loan, and to the expenses of liquidation in the order of priority as provided by law; then

(ii) In payment of any debts or obligations of the Company to a Party, including but not limited to Partner Loans, but excluding subordinated Partner Loans, then

(iii) In payment of subordinated Partner Loans, and then

(iv) To the Parties pro rata in accordance with their Percentage Interests.

(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 Parties 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 Parties, 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 Parties may cause the Company to distribute some or all of its non-cash assets to the Parties as tenants-in-common subject to such terms, covenants and conditions as the Parties may adopt.

Section 11. 3 Disposition of Documents and Record.

All Documents of the Company shall be retained upon termination of the Company for a period of not less than ten (10) years by a Person mutually acceptable to the Parties. The costs and expenses of personnel and storage costs associated therewith shall be shared by the Parties equally. The Documents shall be available during normal business hours to all Parties for inspection and copying at such Party's cost and expense. If any Party for any reason ceases as provided herein to be a Party at any time prior to termination of the Company ("Non-Surviving Party"), and the Company is continued without the Non-Surviving Party, the other Parties ("Surviving Party") agree that the Documents of the Company up to the date of the termination of the Non-Surviving Party's interest shall be maintained by the Surviving Party, its successors and assigns, for a period of not less than ten (10) years thereafter.

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 I 1.2(d) and the termination is registered at the commercial registration maintained by the relevant legal affairs bureau.

ARTICLE 12.
GENERAL PROVISIONS

Section 12.1 Jurisdiction.

The Parties hereby agree to the exclusive jurisdiction of the Tokyo District Court as the first instance court with respect to any and all disputes and controversies relating to the interpretation, construction, performance or breach of this Agreement or the Appendices.

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 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 oil 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 oil the return receipt for such notice or five (5) business days after the date of posting by the 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 Mitsubishi:

Mitsubishi Estate Co., Ltd.
7-3, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8330, Japan
Attention: Shopping Center Business Office
Facsimile No.: 81-3-3211-4383

With a copy to:

Showa Law Office
Tsuruya Hachiman Bldg. 5F
2-4, Kojimachi
Chiyoda-ku, Tokyo 102-0083, Japan
Attention: Masatorno Suzuki
Facsimile No.: 81-3-5276-2730

If to Chelsea:

Chelsea GCA Realty Partnership, L.P
103 Eisenhower Parkway
Roseland, New Jersey 07068
Attention: Chief Executive Officer
Facsimile No.: 1-973-228-1694

With a copy to:

Chelsea GCA Realty, Inc.
103 Eisenhower Parkway
Roseland, New Jersey 07068
Attention: General Counsel
Facsimile No.: 1-973-228-7913

If to Nissho:

Nissho Iwai Corporation
4-5, Akasaka 2-chome
Minato-ku, Tokyo 107-8655, Japan
Attention: Housing & Regional Development Department
Facsimile No.: 81-3-3888-4284

Section 12.3 Entire Agreement.

This Agreement (including all Appendices referred to herein and attached hereto, which Appendices are part of this Agreement for all purposes) contains the entire understanding among the Parties with respect to the Company and supersedes any prior understanding and agreements among them respecting the Company. There are no representations, agreements, arrangements or understandings, oral or written, among the Parties 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 Japan. 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 unenforceablilty does not diminish in any material respect the ability of the Parties to achieve the purposes for which the 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.

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 Act.

In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Party 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 Parties shall be governed by and interpreted and enforced in accordance with the Laws of Japan. This Agreement has been executed in the English language which shall be the binding and controlling language for all matters relating to the meaning or interpretation of this Agreement.

Section 12.9 Term.

Common nouns and pronouns shall be deemed to refer to the masculine, feminine, neuter singular, and plural, as the identity of the Persons may in the context require. Any reference to Laws shall include all amendments, modifications, or replacements of the specific sections and provisions concerned.

Section 12. 10 Amendment.

This Agreement may not be amended, altered or modified except by an instrument in writing and signed by the Parties.

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 among and for the benefit of the Parties and their respective successors and permitted 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 Party to or of any breach or default by any other Parties in the performance by such other Parties 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 Parties of the same or any other obligations of such other Parties under this Agreement. Failure on the part of any Party to complain of any act or failure to act of any other Parties, failure oil the part of any complaining Party to continue to complain or to pursue complaints with respect to any act or failure to act of any other Parties, or failure oil the part of any Party to declare any other Parties in default, irrespective of how long such failure continues, shall not constitute a waiver by such Party 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 in 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 by their duly authorized representatives, each on the day and year first above written.

CHELSEA GCA REALTY PARTNERSHIP, L.P.

a Delaware limited partnership

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

____

By: Leslie T. Chao
Its: President

MITSUBISHI ESTATE CO., LTD., a Japanese Corporation

____

By: Katsuhisa Shimada
Its: Senior Managing Director

NISSHO IWAI CORPORATION, a Japanese Corporation

____

By: Akitoshi Ueno
Its: General Manager
Construction & Urban Development Division