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As filed with the Securities and Exchange Commission on November 12, 2010

Registration No. 333-169326

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2
to
Form S-11
REGISTRATION STATEMENT

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

American Assets Trust, Inc.

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

11455 El Camino Real, Suite 200, San Diego, California 92130
(858) 350-2600

(Address, Including Zip Code and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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

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

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

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

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

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

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

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

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

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

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

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

Subject to Completion,
Preliminary Prospectus dated November 12, 2010

PROSPECTUS

Shares

American Assets Trust, Inc.

Common Stock

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

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

Investing in our common stock involves risks. You should read the section entitled "Risk Factors" beginning on page 23 of this prospectus for a discussion of certain risk factors that you should consider before investing in our common stock.

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

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

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

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

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

The date of this prospectus is , 2010.

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

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

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

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

PROSPECTUS SUMMARY

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

American Assets Trust, Inc.

Overview

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

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

- ***Retail:*** Ten properties comprising approximately 3.0 million rentable square feet, which constitute approximately 45.9% of the total annualized base rent of our portfolio as of September 30, 2010;
- ***Office:*** Five properties comprising approximately 1.5 million rentable square feet, which represent approximately 37.5% of the total annualized base rent of our portfolio as of September 30, 2010;
- ***Mixed-use:*** Our Waikiki Beach Walk property is comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel, which was redeveloped in 2007. The retail space represents approximately 6.7% of the total annualized base rent of our portfolio as of September 30, 2010; and

- ***Multifamily:*** Three apartment communities with stabilized occupancy rates, as well as an RV resort, which is currently operated as part of our multifamily portfolio, in aggregate comprising 922 multifamily units (including 122 RV spaces), which represent approximately 9.8% of the total annualized base rent of our portfolio as of September 30, 2010.

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

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

Our Competitive Strengths

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

- ***Irreplaceable Portfolio of High Quality Retail and Office Properties.*** We have acquired and developed a high quality portfolio of retail and office properties located in affluent neighborhoods and sought-after business centers in Southern California, Northern California, Oahu, Hawaii and San Antonio, Texas. Many of our properties are located in in-fill locations where developable land is scarce or where we believe current zoning, environmental and entitlement regulations significantly restrict new development.

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

- ***Properties Located in High-Barrier-to-Entry Markets with Strong Real Estate Fundamentals.*** Our core markets currently include San Diego, the San Francisco Bay Area and Oahu, Hawaii, which we believe have attractive long-term real estate fundamentals driven by favorable supply and demand characteristics.

- ***Extensive Market Knowledge and Long-Standing Relationships Facilitate Access to a Pipeline of Acquisition and Leasing Opportunities.*** We believe that our in-depth market knowledge and extensive network of long-standing relationships in the real estate industry will provide us access to an ongoing pipeline of attractive acquisition and investment opportunities in and near our core markets, as well as facilitating our leasing efforts and providing us with opportunities to increase occupancy rates at our properties.

- ***Internal Growth Prospects through Development, Redevelopment and Repositioning.*** We believe that the development and redevelopment potential at several of our properties presents compelling growth prospects and that our expertise enhances our ability to capitalize on these opportunities.

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

Business and Growth Strategies

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

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

- ***Repositioning/Redevelopment and Development of Office and Retail Properties.*** We intend to selectively reposition and redevelop several of our existing or newly-acquired properties, and we will also selectively pursue ground-up development of undeveloped land where we believe we can generate attractive risk-adjusted returns.

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

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

Industry Background and Market Opportunity

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

California Overview

California is the largest state economy in the United States and represents the equivalent of the world's eighth largest economy, having produced $1.8 trillion in goods and services in 2008 accounting for approximately 13% of the national gross domestic product. California is a highly attractive place to live and work and tends to recover more quickly from recessions as population growth fuels economic expansion. As a result of California's attractive economic fundamentals, we believe that California is well positioned for meaningful growth in the coming years and presents a compelling commercial real estate investment opportunity and environment.

Oahu, Hawaii Overview

The State of Hawaii, which has a total population of approximately 1.3 million, consists of the eight major islands of Oahu, Maui, Kauai, Molokai, Lanai, Kahoolawe, Niihau and the Island of Hawaii. The Island of Oahu, which has a population of approximately 0.9 million, is the most populous, with approximately 74.3% of Hawaii's 587,900 jobs as of June 2010 and 70.1% of Hawaii's civilian workforce.

San Antonio, Texas Overview

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

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

Summary Risk Factors

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

- Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in California, Hawaii and Texas, which markets represented approximately 71.9%, 19.7%, and 8.4%, respectively, of the total annualized base rent of the properties in our portfolio as of September 30, 2010. Our geographic concentration may cause us to be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio.

- We expect to have approximately $880.4 million of indebtedness outstanding following this offering, which we expect to result in a ratio of debt to total market capitalization of approximately % (% if the underwriters' overallotment option is exercised in full). Our level of indebtedness may expose us to the risk of default under our debt obligations, and our governing documents do not require us to maintain any particular leverage ratio.

- We depend on significant tenants in our office properties, including salesforce.com, inc., Del Monte Corporation and Insurance Company of the West, which represented approximately 14.3%, 10.4% and 8.3%, respectively, or 33.1% in the aggregate, of our total office portfolio annualized base rent as of September 30, 2010.

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

- We may be unable to renew leases, lease vacant space or re-let space as leases expire. As of September 30, 2010, leases representing 4.3% of the square footage and 6.3% of the annualized base rent of the properties in our office and retail portfolios will expire in the remainder of 2010 and an additional 5.3% of the square footage of the properties in our office and retail portfolios was available for lease.

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

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

- We did not conduct arm's-length negotiations with Mr. Rady with respect to the terms of the formation transactions, and we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. Accordingly, the value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined net tangible book value of approximately $136.4 million as of September 30, 2010.

- Our success depends on key personnel, including Ernest S. Rady, John W. Chamberlain and Robert F. Barton, our Executive Chairman, Chief Executive Officer and Chief Financial Officer, respectively, whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.

- Mr. Rady will continue to be involved in outside businesses that may interfere with his ability to devote time and attention to our business and affairs and although we expect that Mr. Rady will devote a substantial majority of his business time and attention to us, we cannot accurately predict the amount of time and attention Mr. Rady will devote to his outside business interests.

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

- Upon completion of this offering and the formation transactions, Ernest S. Rady and his affiliates, directly or indirectly, will own approximately % of our outstanding common stock and % of our outstanding common units, which represents an approximately % beneficial interest in our company on a fully diluted basis, and therefore will have the ability to exercise significant influence on our company and our operating partnership, including the outcome of matters submitted for stockholder action such as approval of significant corporate transactions.

- Messrs. Rady, Chamberlain and Barton will receive shares of our common stock and common units, representing a % beneficial interest on a fully diluted basis, and cash payments in the amount approximately of $ in connection with the formation transactions and this offering, which creates a conflict of interest because they have interests in the successful completion of this offering that may influence their decisions affecting the terms and circumstances under which the offering and formation transactions are completed.

- Upon the completion of this offering and our formation transactions, we may be subject to on-going or future litigation, including existing claims relating to American Assets, Inc., the Rady Trust and Mr. Rady, or the entities that own the properties and operate the businesses described in this prospectus and otherwise in the ordinary course of business, which could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

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

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

- Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock, including serious tax consequences that would substantially reduce the funds available for our operations and distributions to stockholders and that could impair our ability to expand our business and raise capital.

- To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions.

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

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

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

Our Properties

Our Portfolio

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

Retail and Office Portfolios

Property	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Retail Properties								
Carmel Country Plaza	San Diego, CA	1991	9	77,813	100.0%	$ 3,430,509	$ 44.09	$ 43.16
Carmel Mountain Plaza(1)(2)	San Diego, CA	1994	13	440,228	98.3	8,769,064	20.26	20.04
South Bay Marketplace(1)	San Diego, CA	1997	9	132,873	100.0	2,033,802	15.31	15.18
Rancho Carmel Plaza	San Diego, CA	1993	3	30,421	69.3	685,459	32.53	34.26
Lomas Santa Fe Plaza	Solana Beach, CA	1972/1997	9	209,569	94.3	5,084,868	25.72	25.06
Solana Beach Towne Centre	Solana Beach, CA	1973/2000/2004	12	246,730	96.0	5,229,426	22.07	22.21
Del Monte Center(1)	Monterey, CA	1967/1984/2006	16	674,224	96.9	8,864,335	13.57	12.56
The Shops at Kalakaua	Honolulu, HI	1971/2006	3	11,671	100.0	1,535,028	131.52	130.66
Waikele Center	Waipahu, HI	1993/2008	9	537,965	94.3	16,509,053	32.53	32.43
Alamo Quarry(1)	San Antonio, TX	1997/1999	16	589,479	96.0	11,749,066	20.76	20.75
Subtotal/Weighted Average Retail Portfolio			99	2,950,973	96.2%	$ 63,890,611	$ 22.52	$ 22.24
Office Properties								
Torrey Reserve Campus	San Diego, CA	1996-2000	9	456,801	94.1%	$ 14,874,709	$ 34.62	$ 35.10
Solana Beach Corporate Centre	Solana Beach, CA	1982/2005	4	211,848	83.9	6,219,495	35.01	36.24
Valencia Corporate Center	Santa Clarita, CA	1999-2007	3	194,042	75.2	4,179,072	28.63	30.02
160 King Street	San Francisco, CA	2002	1	167,986	94.5	5,403,900	34.05	36.12
The Landmark at One Market(3)	San Francisco, CA	1917/2000	1	421,934	100.0	21,571,239	51.12	48.84
Subtotal/Weighted Average Office Portfolio			18	1,452,611	91.8%	$ 52,248,414	$ 39.17	$ 38.70
Total/Weighted Average Retail and Office Portfolio			**117**	**4,403,584**	**94.7%**	**$116,139,025**	**$ 27.84**	**$ 27.67**

Mixed-Use Portfolio

Retail Portion	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Waikiki Beach Walk—Retail(4)	Honolulu, HI	2006	1	96,569	97.4%	$9,374,832	$ 99.72	$ 102.13

Hotel Portion	Location	Year Built/ Renovated	Number of Buildings	Units	Average Occupancy	Average Daily Rate	Revenue per Available Room	Total Revenue
Waikiki Beach Walk—Embassy Suites™(5)	Honolulu, HI	2008	2	369	86.6%	$ 223.41	$ 193.52	$26,657,515

Multifamily Portfolio

Property	Location	Year Built/ Renovated	Number of Buildings	Units	Percentage Leased	Annualized Base Rent	Average Monthly Base Rent per Leased Unit
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	91.4%	$ 9,232,224	1,536
Imperial Beach Gardens	Imperial Beach, CA	1959/2008-present	26	160	93.8	2,651,328	1,472
Mariner's Point	Imperial Beach, CA	1986	8	88	95.5	1,048,884	1,040
Santa Fe Park RV Resort(6)	San Diego, CA	1971/2007-2008	1	126	79.1	740,856	620
Total/Weighted Average Multifamily Portfolio			**115**	**922**	**90.5%**	**$13,673,292**	**$1,365**

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

Property	Number of Ground Leases	Square Footage Leased Pursuant to Ground Leases	Aggregate Annualized Base Rent
Carmel Mountain Plaza	6	127,112	$ 1,020,900
South Bay Marketplace	1	2,824	$ 81,540
Del Monte Center	2	295,100	$ 201,291
Alamo Quarry	4	31,994	$ 428,250

(2) On November 10, 2010, an entity wholly owned by the Rady Trust purchased for approximately $13.2 million an approximately 80,000 rentable square foot building, located at Carmel Mountain Plaza, that was vacated by Mervyn's in conjunction with its bankruptcy. This building will be acquired by us upon consummation of this offering in exchange for the assumption of the outstanding debt on the property.

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

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

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

(6) The Santa Fe Park RV Resort is subject to seasonal variation, with higher rates of occupancy occurring during the summer months. During the 12 months ended September 30, 2010, the highest average monthly occupancy rate for this property was 98.0%, occurring in July 2010, and the lowest average monthly occupancy rate for this property was 68.0%, occurring in April 2010. For the 12-month period ended September 30, 2010, the total base rent for this property was $835,224. The number of units at the Santa Fe Park RV Resort includes 122 RV spaces and four apartments.

In the tables above:

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

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

- Annualized base rent is calculated by multiplying (1) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (2) 12. Annualized base rent per leased square foot is calculated by dividing (1) annualized base rent, by (2) square footage under commenced leases as of September 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Total abatements for leases in effect as of September 30, 2010 for (1) our retail and office portfolio and (2) our mixed-use portfolio will equal approximately $1.4 million and zero, respectively, for the 12 months ending September 30, 2011. Total abatements for leases in effect as of September 30, 2010 for our multifamily portfolio equaled approximately $758,000 for the 12 months ended September 30, 2010.

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

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

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

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

Structure and Formation of Our Company

Our Operating Entities

Our Operating Partnership

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

Our Services Company

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

Formation Transactions

Each property that will be owned by us through our operating partnership upon the completion of this offering and the formation transactions is currently owned directly or indirectly by partnerships, limited liability companies or corporations in which Ernest S. Rady and his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, our other directors and executive officers and their affiliates and/or other third parties own a direct or indirect interest. We refer to these partnerships, limited liability companies and corporations collectively as the "ownership entities." The current owners of the ownership entities, whom we refer to as the "prior investors," have (1) entered into contribution agreements with us or our operating partnership, pursuant to which they will contribute their interests in the ownership entities to us or our operating partnership or its subsidiaries, or (2) caused the ownership entities to enter into merger agreements pursuant to which the ownership entities will merge with and into us, our operating partnership or certain of our or our operating partnership's subsidiaries (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities), in each case substantially concurrently with the completion of this offering. To the extent that we are party directly to certain mergers in the formation transactions, we will contribute the assets received in such merger transactions to our operating partnership in exchange for common units. In addition, in connection with such transactions, American Assets, Inc. will contribute its property management business, which we refer to as the "property management business," to our operating partnership in exchange for common units pursuant to a contribution agreement. The prior investors will receive cash, shares of our common stock and/or common units in exchange for their interests in the ownership entities. See "Certain Relationships and Related Transactions." The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or investors, on the other hand, and will be determined based on a relative equity valuation analysis of all of the properties included in our portfolio and the property management business. These relative net asset values were based on a discounted cash flow analysis (based on information provided by us) and on the face amount of the outstanding secured and mortgage debt on each property on June 30, 2010. We have not obtained independent third-party appraisals of the properties in our portfolio. See "Structure and Formation of Our Company—Our Structure—Determination of Consideration Payable for Our Properties."

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

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

- We were formed as a Maryland corporation on July 16, 2010.
- American Assets Trust, L.P., our operating partnership, was formed as a Maryland limited partnership on July 16, 2010.
- We will sell shares of our common stock in this offering and an additional shares if the underwriters exercise their overallotment option in full, and we will contribute the net proceeds from this offering to our operating partnership in exchange for common units (or common units if the underwriters exercise their overallotment option in full).
- We will succeed to the property management business as a result of the contribution by American Assets, Inc. of the assets and liabilities associated with the property management business to its wholly owned subsidiary, American Assets Trust Management, LLC, and the subsequent contribution of its interest in that entity to our operating partnership in exchange for common units.
- We and our operating partnership will consolidate the ownership of our portfolio of properties by acquiring the entities that directly or indirectly own such properties or by acquiring interests in such entities through a series of forward and reverse merger transactions and contributions pursuant to merger agreements and contribution agreements each dated September 13, 2010, with such entities or the owners thereof.
- Prior investors in the merged and contributed entities will receive as consideration for such mergers and contributions shares of our common stock (of which, shares will be received by Messrs. Rady, Chamberlain and Barton and their respective affiliates and shares will be received by our other prior investors), common units (of which, common units will be received by Messrs. Rady, Chamberlain and Barton and their respective affiliates and common units will be received by our other prior investors), or in the case of non-accredited investors in such entities, $ in cash (all of which will be received by prior investors other than Messrs. Rady, Chamberlain and Barton and their respective affiliates) in accordance with the terms of the relevant merger and/or contribution agreements. The aggregate value of common stock and common units to be paid to prior investors in such entities at the mid-point of the range of prices shown on the cover of this prospectus is $. This value will increase or decrease if our common stock is priced above or below the mid-point of the range of prices shown on the cover of this prospectus. Investors who are not "accredited investors," as defined under Regulation D of the

Securities Act, will receive cash consideration rather than shares of our common stock or common units to ensure that the issuance of common stock and/or common units to accredited investors in the formation transactions can be effected in reliance upon an exemption from registration provided by Section 4(2) and Regulation D of the Securities Act.

- The Rady Trust has entered into a representation, warranty and indemnity agreement, pursuant to which it has made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. See "Structure and Formation of Our Company—Formation Transactions." Other than the Rady Trust, none of the prior investors or the entities that we are acquiring in the formation transactions will provide us with any indemnification.

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

- Our operating partnership intends to use a portion of the net proceeds of this offering to repay approximately $355.8 million of outstanding indebtedness, including applicable prepayment costs, exit fees and defeasance costs of $30.2 million and $13.2 million of debt incurred in connection with the acquisition of a building at Carmel Mountain Plaza on November 10, 2010. As a result of the foregoing uses of proceeds, we expect to have approximately $880.4 million of total debt outstanding upon completion of this offering and the formation transactions. We determined the loans to be repaid based upon our determination of which would be economically prudent to repay, taking into account the maturity dates, interest rates and prepayment costs, exit fees and defeasance costs associated with the various outstanding loans.

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

Benefits of the Formation Transactions to Related Parties

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

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

- In connection with the formation transactions, we will repay in cash from the proceeds of this offering (1) approximately $4.5 million in notes payable to certain of the prior investors in Del Monte Center and (2) approximately $420,000 in notes payable to certain prior investors in Torrey Reserve Campus. In their capacity as direct or indirect owners of the entities that own Del Monte Center and the Torrey Reserve Campus, Mr. Rady and his affiliates will receive approximately $3.4 million and $30,000, respectively, of these amounts.

- In connection with the formation transactions, Mr. Rady and his affiliates will receive an estimated $ million of cash as a result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Rady and his affiliates are prior investors.
- Mr. Chamberlain, our Chief Executive Officer and a director nominee, and his affiliates will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Chamberlain and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full.
- In connection with the formation transactions, Mr. Chamberlain and his affiliates will receive an estimated $ million of cash as the result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Chamberlain and his affiliates are prior investors.
- Mr. Barton, our Chief Financial Officer, and his affiliates will receive shares of our common stock and common units in connection with the formation transactions, with an aggregate value of approximately $ million. As a result, Mr. Barton and his affiliates will own approximately % of our company on a fully diluted basis, or % if the underwriters' overallotment option is exercised in full.
- In connection with the formation transactions, Mr. Barton and his affiliates will receive an estimated $ million of cash as the result of the payment of the excess net working capital over target net working capital in each ownership entity in which Mr. Barton and his affiliates are prior investors.
- The Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $70.9 million of indebtedness, in the aggregate, including the $13.2 million of debt obtained in connection with acquisition of a building at Carmel Mountain Plaza, which will be repaid with proceeds from this offering and, as a result, the Rady Trust and these other affiliates of Mr. Rady will be released from these guarantee obligations. In addition, the Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $880.4 million of indebtedness, in the aggregate, that will be assumed by us upon completion of this offering. The guarantees with respect to substantially all of this indebtedness are limited to losses incurred by the applicable lender arising from a borrower's fraud, intentional misrepresentation or other "bad acts," a borrower's bankruptcy, a prohibited transfer under the loan documents or losses arising from a borrower's breach of certain environment covenants. In connection with this assumption, we will seek to have the Rady Trust and such other affiliates of Mr. Rady released from such guarantees and to have our operating partnership assume any such guarantee obligations as replacement guarantor or, alternatively, we will reimburse the Rady Trust and such other affiliates of Mr. Rady for any amounts paid by them under guarantees with respect to the assumed indebtedness.
- We will enter into a tax protection agreement with certain limited partners of our operating partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, pursuant to which we agree to indemnify such limited partners against adverse tax consequences in connection with: (1) our sale of Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza portion of Torrey Reserve in a taxable transaction until the seventh anniversary of the closing of the formation transactions; and (2) our failure to provide certain limited partners the opportunity to guarantee certain debt of our operating partnership during such period, or following such period, our failure to use commercially

reasonable efforts to provide such opportunities; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain will have the opportunity to guarantee up to $ million and $ million, respectively, of our outstanding indebtedness, pursuant to the tax protection agreement. See “Structure and Formation of Our Company—Benefits of the Formation Transactions to Related Parties.”

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

- We intend to enter into employment agreements with our named executive officers, effective as of the date of this offering, which will provide for salary, bonus and other benefits, including accelerated equity vesting upon a change in control and severance upon a termination of employment under certain circumstances. The material terms of the agreements with our named executive officers are described under “Executive Compensation—Employment Agreements” and “Executive Compensation—Compensation Tables.”

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

- We intend to adopt our 2010 Equity Incentive Award Plan, under which we may grant cash or equity incentive awards to our directors, officers, employees and consultants. We expect to have an aggregate of shares of our common stock available for issuance under our 2010 Equity Incentive Award Plan. See “Executive Compensation—Equity Incentive Award Plan.”

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

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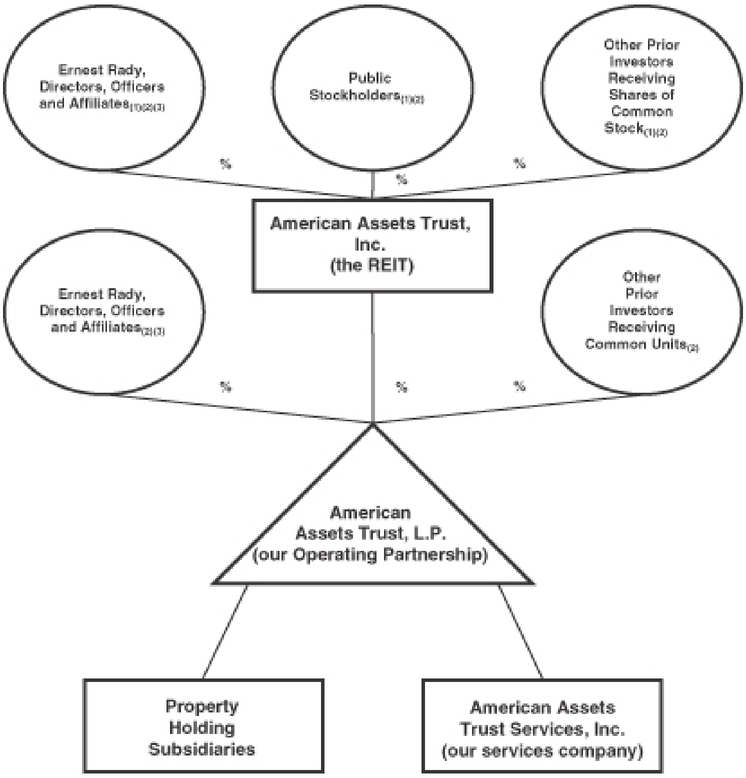
Our Structure

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



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

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

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

Restrictions on Transfer

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

Restrictions on Ownership of our Stock

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

Conflicts of Interest

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

The Rady Trust and other affiliates of Mr. Rady and/or our other directors and executive officers own interests, directly or indirectly, in the entities that own the properties that are included in our portfolio and that we will acquire in the formation transactions and as such are parties to or, have interests in, contribution and/or merger agreements with us. In addition, certain of our executive officers may become parties to employment agreements with us, and the Rady Trust has entered into a representation, warranty and indemnity agreement with us, pursuant to which it agreed to indemnify us and our operating partnership for breaches of certain representations and warranties for one year after the completion of this offering and the formation transactions. See "Certain Relationships and Related Transactions—Formation Transactions."

In addition, pursuant to a tax protection agreement, we have agreed to indemnify certain limited partners of our operating partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, against certain adverse tax consequences to them, which may affect the way in which we conduct our business, including when and under what circumstances we sell restricted properties or interests therein during the restriction period. See "Certain Relationships and Related Transactions—Tax Protection Agreement."

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

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

Distribution Policy

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

Our Tax Status

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

Corporate Information

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

This Offering

Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters' overallotment option in full).
Common stock to be outstanding after this offering	shares(1)
Common stock and common units to be outstanding after this offering	shares and common units(1)(2)
Use of proceeds	We estimate that the net proceeds of this offering, after deducting the underwriting discount and commissions and estimated expenses, will be approximately $ million ($ million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds of this offering to our operating partnership. Our operating partnership intends to use the net proceeds of this offering as follows: • $355.8 million to repay outstanding indebtedness, including applicable prepayment costs, exit fees and defeasance costs of $30.2 million and $13.2 million of debt incurred in connection with the acquisition of a building at Carmel Mountain Plaza on November 10, 2010; • up to $8.5 million for tenant improvements and leasing commissions at The Landmark at One Market; • $ million to pay non-accredited prior investors in connection with the formation transactions; • up to $2.0 million to pay costs related to the renovation of Solana Beach Towne Centre; and • the remaining amounts for general corporate purposes, including future acquisitions and, potentially, paying distributions.
Risk Factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading "Risk Factors" beginning on page 28 and other information included in this prospectus before investing in our common stock.
Proposed New York Stock Exchange symbol	"AAT"

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

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

Summary Selected Financial Data

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

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

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

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

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

	Nine Months Ended September 30,			Year Ended December 31,			
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined		
	2010	2010	2009	2009	2009	2008	2007
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
	(In thousands, except per share data)						
Statement of Operations Data:							
Rental income	$ 142,634	$ 91,437	$ 84,190	$ 188,794	$ 113,080	$ 117,104	$ 113,324
Other property income	4,909	2,770	3,226	6,768	3,963	3,839	4,184
Total revenue	147,543	94,207	87,416	195,562	117,043	120,943	117,508
Expenses:							
Rental expenses	36,729	16,114	14,823	49,433	20,336	22,029	21,674
Real estate taxes	12,636	9,481	5,266	13,298	8,306	10,890	10,878
General and administrative	8,788	4,924	5,089	12,112	7,058	8,690	10,471
Depreciation and amortization	40,183	27,347	22,285	48,520	29,858	31,089	31,376
Total operating expenses	98,336	57,866	47,463	123,363	65,558	72,698	74,399
Operating income	49,207	36,341	39,953	72,199	51,485	48,245	43,109
Interest income and other, net	(170)	62	134	(113)	173	1,167	2,462
Interest expense	(40,122)	(34,057)	(32,395)	(53,575)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	—	2,201	1,300	—	1,736	1,538	2,721
Income (loss) from real estate joint ventures	—	866	(3,685)	—	(4,865)	(19,272)	(7,191)
Income (loss) from continuing operations	8,915	5,413	5,307	18,511	5,239	(12,059)	(1,801)
Discontinued operations:							
Loss from discontinued operations	—	—	—	—	—	(2,071)	(2,874)
Gain on sale of real estate property	—	—	—	—	—	2,625	—
Results from discontinued operations	—	—	—	—	—	554	(2,874)
Net income (loss)	8,915	5,413	5,307	18,511	5,239	(11,505)	(4,675)
Net income (loss) attributable to noncontrolling interests	—	(1,905)	(787)	—	(1,205)	(4,488)	(2,140)
Net income (loss) attributable to Predecessor	$ 8,915	$ 7,318	$ 6,094	$ 18,511	$ 6,444	$ (7,017)	$ (2,535)
Balance Sheet Data (at period end)							
Net real estate	$1,288,236	$ 927,430			$774,208	$793,237	$ 802,605
Total assets	1,509,901	1,101,906			938,991	971,118	1,039,909
Notes payable	859,832	891,039			744,451	755,189	729,174
Total liabilities	914,661	947,784			768,028	781,944	763,717
Noncontrolling interests	71,184	33,623			37,790	40,310	60,881
Stockholders'/owners' equity	595,240	154,122			170,963	189,174	276,192
Total liabilities and stockholders'/ owners' equity	1,509,901	1,101,906			938,991	971,118	1,039,909
Per Share Data:							
Pro forma basic earnings per share	—			—			
Pro forma diluted earnings per share	—			—			
Pro forma weighted average common shares outstanding—basic	—			—			
Pro forma weighted average common shares outstanding—diluted	—			—			
Other Data:							
Pro forma funds from operations[1]	$ 49,098			$ 67,031			
Cash flows from:							
Operating activities		$ 37,594	$ 37,450		$ 47,501	$ 47,592	$ 31,179
Investing activities		(15,388)	(6,321)		(7,544)	2,111	(44,441)
Financing activities		(9,032)	(25,787)		(34,746)	(49,957)	18,850

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

	Pro Forma	
	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
	(In Thousands)	
Pro forma net income	$ 8,915	$ 18,511
Plus: pro forma real estate depreciation and amortization	40,183	48,520
Pro forma funds from operations	$ 49,098	$ 67,031

RISK FACTORS

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

Risks Related to Our Business and Operations

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

Our properties are located in California, Hawaii and Texas, and substantially all of our properties (19 out of the total 20) are concentrated in California and Hawaii, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. As of September 30, 2010, our properties in the California and Hawaii markets represented approximately 71.9% and 19.7%, respectively, of the total annualized base rent of the properties in our portfolio. As a result, we are particularly susceptible to adverse economic or other conditions in these markets (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in these markets (such as earthquakes, wildfires and other events). For example, both California and Hawaii experienced economic downturns in recent years. Among the many effects of these economic downturns, according to RCG, tourist spending in San Diego, which helps to drive its retail sector, was down 12.7% in 2009 as compared to 2008. In addition, San Francisco has experienced an increase in the office vacancy rate and softer rents, including for premier view-space in the central business district. As such, our retail properties located in the greater San Diego area and our office properties located in San Francisco were impacted by these conditions. Similarly, our properties in Hawaii were impacted by the effects of reduced tourism in Hawaii as a result of the economic downturn. If there is a further downturn in the economy in either of these markets, our operations and our revenue and cash available for distribution, including cash available to pay distributions to our stockholders, could be materially adversely affected. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of retail properties, office properties or multifamily properties. Our operations may also be affected if competing properties are built in either of these markets. Moreover, submarkets within any of our core markets may be dependent upon a limited number of industries. In addition, the State of California continues to suffer from severe budgetary constraints and is regarded as more litigious and more highly regulated and taxed than many other states, all of which may reduce demand for retail, office, mixed-use or multifamily space in California. Any adverse economic or real estate developments in the California or Hawaii markets, or any decrease in demand for retail, office, mixed-use or multifamily space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to our stockholders.

We expect to have approximately $880.4 million of indebtedness outstanding following this offering, which may expose us to the risk of default under our debt obligations.

Upon completion of this offering and consummation of the formation transactions, we anticipate that our total indebtedness will be approximately $880.4 million, a substantial portion of which will be guaranteed by our operating partnership, and we may incur significant additional debt to finance future acquisition and development activities. Concurrently with the completion of this offering, we expect to enter into a revolving credit facility.

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

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

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

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

As of September 30, 2010, the three largest tenants in our office portfolio—salesforce.com, inc., Del Monte Corporation and Insurance Company of the West—represented approximately 33.1% of the total annualized base rent in our office portfolio. In December 2010, Del Monte Corporation's lease will end and salesforce.com, inc. will expand into Del Monte Corporation's vacated space. At that time DLA Piper will become our third largest tenant. DLA Piper has vacated its 69,656 square foot space in conjunction with its relocation to a new office building but will continue to pay rent on its space until its lease expires in February 2012. As of September 30, 2010, all of DLA Piper's vacated space has been subleased. We will continue to collect rent from DLA Piper through February 2012 regardless of whether the space remains subleased. The inability of a significant tenant to pay rent or the bankruptcy or insolvency of a significant tenant may adversely affect the income produced by our office properties. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. As of September 30, 2010, salesforce.com, inc., Del Monte Corporation, Insurance Company of the West and DLA Piper represented approximately 14.3%, 10.4%, 8.3% and 6.2%, respectively, of the total office portfolio annualized base rent. If any of these tenants were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Any such event could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

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

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

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

As of September 30, 2010, our largest anchor tenants were Lowe's, Kmart and Foodland Super Market, Ltd., which together represented approximately 7.0% of our total annualized base rent of our portfolio in the aggregate, and 6.2%, 5.4% and 3.5%, respectively, of the annualized base rent generated by our retail properties. Foodland Super Market, Ltd. has ceased all operations in its leased premises and has subleased the premises to International Church of the Foursquare Gospel. Although we are currently collecting the rent for the leased premises, Foodland Super Market, Ltd.'s lease expires in 2014 and it is unlikely that it will renew its lease with us. In the event that Foodland Super Market, Ltd. does not renew its lease with us, there can be no assurances that we will be able to re-lease such premises at market rents, or at all, which may materially adversely affect our financial condition, results of operations, cash flow and cash available for distribution and our ability to satisfy our debt service obligations.

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

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

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

As of September 30, 2010, leases representing 4.3% of the square footage and 6.3% of the annualized base rent of the properties in our office and retail portfolios will expire in the remainder of 2010, and an additional 5.3% of the square footage of the properties in our office and retail portfolios was available (4.4% taking into account uncommenced leases signed as of September 30, 2010). We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. In addition, our ability to lease our multifamily properties at favorable rates, or at all, may be adversely affected by the increase in supply and deterioration in the multifamily market stemming from the ongoing recession, and is dependent upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the downturn in the housing market, stock market volatility and uncertainty about the future. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

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

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

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

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

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

The current market for acquisitions continues to be extremely competitive. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We also face significant competition for attractive acquisition opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and/or reducing the rents we can charge and, as a result, adversely affecting our operating results.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subject to maintaining our qualification as a REIT, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate cap agreements or interest rate swap agreements. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes could materially adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, Derivative and Hedging.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We did not conduct arm's-length negotiations with Mr. Rady with respect to the terms of the formation transactions, and we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. Accordingly, the value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined net tangible book value of approximately $136.4 million as of September 30, 2010.

We did not conduct arm's-length negotiations with Mr. Rady with respect to the terms of the formation transactions, and in the course of structuring the formation transactions, Mr. Rady had the ability to influence the type and level of benefits that he and the Rady Trust will receive from us. Moreover, we have not obtained any third-party appraisals of the properties and other assets to be acquired by us from the prior investors in connection with the formation transactions. The value of the cash, common units and shares of our common stock that we will pay or issue as consideration for the properties and assets that we will acquire will increase or decrease if our common stock is priced above or below the mid-point of the estimated price range set forth on the cover of this prospectus. The initial public offering price of our common stock will be determined in consultation with the underwriters. Among other factors that will be considered in determining the initial public offering price of our common stock are the history and prospects for the industry in which we compete, our results of operations, the ability of our management, our business potential and earning prospects, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the prevailing securities markets at the time of this offering, the recent market prices of, and the demand for, publicly traded shares of companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to the book value or the fair market value of such assets. As a result, the price to be paid by us for the acquisition of the assets in the formation transactions may exceed the fair market value of those assets. The aggregate historical combined net tangible book value of our Predecessor was approximately $136.4 million as of September 30, 2010.

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

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

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

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

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

Upon the completion of this offering and our formation transactions, we may be subject to on-going or future litigation, including existing claims relating to American Assets, Inc., the Rady Trust and Mr. Rady, or the entities that own the properties described in this prospectus and otherwise in the ordinary course of business, which could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

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

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

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

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

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

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

We may co-invest in the future with other third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. Consequently, with respect to any such arrangement we may enter into in the future, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in the current volatile credit market, the refinancing of such debt may require equity capital calls.

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

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

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

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

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

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

Risks Related to the Real Estate Industry

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

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

- local oversupply or reduction in demand for retail, office, mixed-use or multifamily space;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options, and the need to periodically repair, renovate and re-let space;

- increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;
- a favorable interest rate environment that may result in a significant number of potential residents of our multifamily apartment communities deciding to purchase homes instead of renting;
- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs;
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured or underinsured losses;
- decreases in the underlying value of our real estate;
- changing submarket demographics; and
- changing traffic patterns.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Organizational Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- redemption rights of qualifying parties;
- a requirement that we may not be removed as the general partner of our operating partnership without our consent;
- transfer restrictions on common units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners; and
- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

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

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

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

In connection with the formation transactions, we will enter into tax protection agreements with certain limited partners of our operating partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, that provide that if we dispose of any interest with respect to Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza portion of Torrey Reserve Campus, which we collectively refer to as the tax protected properties, in a taxable transaction during the period from the closing of the offering through the seventh anniversary of such closing, we will indemnify such limited partners for their tax liabilities attributable to their share of the built-in gain that exists with respect to such property interest as of the time of this offering and tax liabilities incurred as a result of the reimbursement payment; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. Notwithstanding the foregoing the operating partnership's indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. The tax protected properties represented 34.2% of our portfolio's annualized base rent as of September 30, 2010 and including total revenue for Waikiki Beach Walk – Embassy Suites™ for the 12 months ended September 30, 2010. We have no present intention to sell or otherwise dispose of the properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment). In addition, although it may otherwise be in our stockholders' best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Status as a REIT

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

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

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

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

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

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

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

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

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

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

A REIT’s ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset tests applicable to REITs. Not more than 25% of our total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries), other than those securities includable in the 75% asset test.

We anticipate that the aggregate value of the stock and securities of our taxable REIT subsidiaries and other nonqualifying assets will be less than 25% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with our taxable REIT subsidiaries to ensure that they are entered into on arm's length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% limitation or to avoid application of the 100% excise tax discussed above.

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

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our REIT taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our REIT taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the market price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

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

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

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

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

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

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

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

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

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

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

Risks Related to this Offering

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

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

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

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

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

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

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

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

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

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

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

We expect that affiliates of our underwriters will participate as lenders under our proposed $ million revolving credit facility. We expect that, under this facility, an affiliate of will act as administrative agent and joint arranger, and an affiliate of will act as syndication agent and joint arranger. Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, are lenders under three outstanding loans totaling approximately $44.7 million in the aggregate, including the $13.2 million indebtedness incurred in connection with the acquisition of a building vacated by Mervyn’s at Carmel Mountain Plaza, each of which will be repaid with a portion of the proceeds of this offering. Additionally, affiliates of Wells Fargo Securities, LLC, another underwriter in this offering, are lenders under three outstanding loans totaling approximately $42.7 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. As such, these affiliates will receive the portion of the net proceeds of this offering that are used to repay such indebtedness. These transactions create potential conflicts of interest because the underwriters have an interest in the successful completion of this offering beyond the underwriting discounts and commissions they will receive. These interests may influence the decision regarding the terms and circumstances under which the offering and formation transactions are completed.

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

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

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

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;

- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;
- investor confidence in the stock and bond markets, generally;
- changes in tax laws;
- future equity issuances;
- failure to meet earnings estimates;
- failure to meet and maintain REIT qualifications;
- changes in our credit ratings; and
- general market and economic conditions.

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

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

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

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

As of September 30, 2010, the aggregate historical combined net tangible book value of our Predecessor was approximately $136.4 million, or $ per share of our common stock held by the prior investors, assuming the exchange of common units into shares of our common stock on a one-for-one basis. As a result, the pro forma net tangible book value per share of our common stock after the completion of this offering and the formation transactions will be less than the initial public offering price. The purchasers of shares of our common stock offered hereby will experience immediate and substantial dilution of $ per share in the pro forma net tangible book value per share of our common stock.

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

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

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

We are offering shares of our common stock as described in this prospectus. Upon completion of this offering and the formation transactions, we will have outstanding approximately shares of our common stock. Of these shares, the shares sold in this offering will be freely tradable, except for any shares purchased in this offering by our affiliates, as that term is defined by Rule 144 under the Securities Act. Upon completion of this offering and the formation transactions, Mr. Rady and our other directors and management and their affiliates, together with third party prior investors, will beneficially own shares of our outstanding common stock. Each of the prior investors and our management and directors may sell the shares of our common stock that they acquire in the formation transactions or are granted in connection with the offering at any time following the expiration of the lock-up periods for such shares, which expire from 180-365 days after the date of this prospectus, or earlier with the prior written consent of Merrill Lynch, Pierce Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated.

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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USE OF PROCEEDS

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

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

- approximately $342.6 million to repay in full the outstanding indebtedness described in the table below, including applicable prepayment costs, exit fees and defeasance costs of $30.2 million;

Debt Repaid	September 30, 2010 Principal Balance (in millions)	Effective Interest Rate (September 30, 2010)	Interest Rate	Maturity Date
Valencia Corporate Center—Construction(1)	$ 7.8	4.500%	LIBOR + 3.000%	11/1/10(2)
Waikele Center—Unsecured	8.4	4.010%	LIBOR + 3.750%	2/15/11
Valencia Corporate Center—First	15.7	6.520%	6.520%	10/1/12
Valencia Corporate Center—Unsecured(3)	0.4	6.000%	6.000%	Upon demand
160 King Street	8.5	1.809%	LIBOR + 1.550%	11/1/12
Waikiki Beach Walk—Retail—First	15.4	5.375%	5.375%	2/1/13
Carmel Country Plaza—First	10.2	7.365%	7.365%	1/2/13
Santa Fe Park RV Resort—First	1.9	7.365%	7.365%	1/2/13
Del Monte Center—Unsecured(4)	4.5	10.000%	10.000%	3/1/13
Lomas Santa Fe Plaza—First	19.7	6.934%	6.934%	5/1/13
Torrey Reserve—South Court—First	13.0	6.884%	6.884%	5/1/13
Carmel Mountain Plaza—First	63.2	5.520%	5.520%	6/1/13
The Landmark at One Market—Debt Buyout(5)	23.0	2.258%	LIBOR + 2.000%	7/1/13(6)
Rancho Carmel Plaza	8.1	5.652%	5.652%	1/1/16
Waikiki Beach Walk—Embassy Suites™—First	53.0	4.010%	LIBOR + 3.750%	6/1/15
Torrey Reserve—ICW Plaza	43.0	5.463%	5.463%	2/1/17
Torrey Reserve—Daycare	1.7	6.500%	6.500%	6/1/19
Waikiki Beach Walk—Embassy Suites™—Unsecured	14.9	0.000%	0.000%	6/1/20

(1) Interest rate has a floor of 4.50%.
(2) We are currently negotiating with the lender to extend the maturity to February 1, 2011.
(3) Mr. Rady has a beneficial interest in this debt and will indirectly receive approximately $30,000 in repayment of this debt.
(4) Mr. Rady has a beneficial interest in this debt and will indirectly receive approximately $3.4 million in repayment of this debt.
(5) This debt was incurred in connection with the acquisition of the outside ownership interest in Landmark on June 30, 2010.
(6) $4 million of this debt has a maturity date of December 31, 2010. The remaining portion matures on July 1, 2013.

- approximately $13.2 million to repay additional indebtedness (with an interest rate of LIBOR plus 2.0% and a maturity date of August 1, 2013), which was incurred by an entity wholly owned by the Rady Trust in connection with its November 2010 purchase of an approximately 80,000 square foot building vacated by Mervyn's located at Carmel Mountain Plaza (which building will be acquired by us upon consummation of this offering in exchange for the assumption of the outstanding debt on the property);
- up to $8.5 million for tenant improvements and leasing commissions at The Landmark at One Market;
- approximately $ million to pay non-accredited prior investors in connection with the formation transactions;
- up to $2.0 million to pay costs related to the renovation of Solana Beach Towne Centre; and
- the remainder for general corporate purposes, including future acquisitions and, potentially, paying distributions.

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

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

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, are lenders under three outstanding loans totaling approximately $44.7 million in the aggregate, including the $13.2 million indebtedness incurred in connection with the acquisition of a building vacated by Mervyn's at Carmel Mountain Plaza, each of which will be repaid with a portion of the proceeds of this offering. Additionally, affiliates of Wells Fargo Securities, LLC, another underwriter in this offering, are lenders under three outstanding loans totaling approximately $42.7 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. As such, these affiliates will receive the portion of the net proceeds of this offering that are used to repay such indebtedness.

DISTRIBUTION POLICY

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

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

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

We anticipate that, at least initially, our distributions will exceed our then current and accumulated earnings and profits as determined for U.S. federal income tax purposes due to the write-off of prepayment fees paid with offering proceeds and non-cash expenses, primarily depreciation and amortization charges that we expect to incur. Therefore, a portion of these distributions may represent a return of capital for federal income tax purposes. Distributions in excess of our current and accumulated earnings and profits and not treated by us as a distribution will not be taxable to a taxable U.S. stockholder under current U.S. federal income tax law to the extent those distributions do not exceed the stockholder's adjusted tax basis in his or her common stock, but rather will reduce the adjusted basis of the common stock. Therefore, the gain (or loss) recognized on the sale of that common stock or upon our liquidation will be increased (or decreased) accordingly. To the extent those distributions exceed a taxable U.S. stockholder's adjusted tax basis in his or her common stock, they generally will be treated as a capital gain realized from the taxable disposition of those shares. We expect to pay our first dividend in , 2010, which will include a payment with respect to the period commencing on the completion of this offering and ending , 2010. We expect that % of our estimated initial dividend will represent a return of capital for the tax period ending December 31, 2010. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year. For a more complete discussion of the tax treatment of distributions to holders of our common stock, see "Federal Income Tax Considerations."

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

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

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

Pro forma net income (loss) for the twelve months ended December 31, 2009	$ 18,511
Less: pro forma net income for the nine months ended September 30, 2009	(14,859)
Add: pro forma net income for the nine months ended September 30, 2010	8,915
Pro forma net income (loss) for the twelve months ended September 30, 2010	12,567
Add: pro forma real estate depreciation and amortization	52,423
Add: non-cash interest expense(1)	4,836
Less: net effect of straight-line rents(2)	(1,738)
Add: net effect of above/(below) market lease intangible amortization(2)	1,947
Add: net increases in contractual rent income for retail properties(3)	2,951
Add: net increases in contractual rent income for office properties(3)	3,624
Add: net increases in contractual rent income for mixed-use properties(3)	147
Less: net decreases in contractual rent income due to lease expirations for retail properties, assuming no renewals(4)	(2,102)
Less: net decreases in contractual rent income due to lease expirations for office properties, assuming no renewals(4)	(9,492)
Less: net decreases in contractual rent income due to lease expirations for mixed-use properties, assuming no renewals(4)	(159)
Add: non-cash compensation expense(5)	
Estimated cash flow from operating activities for the twelve months ending September 30, 2011	$
Estimated cash flows used in investing activities	
Less: contractual obligations for retail property tenant improvements and leasing commissions(6)	1,122
Less: contractual obligations for office property tenant improvements and leasing commissions(6)	946
Less: contractual obligations for mixed-use property tenant improvements and leasing commissions(6)	0
Less: estimated annual provision for recurring retail property capital expenditures(7)	424
Less: estimated annual provision for recurring office property capital expenditures(8)	260
Less: estimated annual provision for recurring mixed-use property capital expenditures(9)	309
Less: estimated annual provision for recurring multifamily property capital expenditures(10)	397
Total estimated cash flows used in investing activities	
Estimated cash flows used in financing activities—scheduled principal payments(11)	$ 4,396
Estimated cash available for distribution for the twelve months ending September 30, 2011	$
Our share of estimated cash available for distribution(12)	$
Non-controlling partnership interests' share of estimated cash available for distribution	
Total estimated initial annual distribution to stockholders	
Estimated initial annual distribution per share(13)	$
Payout ratio based on our share of estimated cash available for distribution(14)	

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

(4) Assumes no lease renewals or new leases for leases expiring after September 30, 2010 unless a new or renewal lease had been entered into by September 30, 2010.

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

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

(7) For the 12 months ending September 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the properties in our retail portfolio is approximately $424,000, based on the weighted average annual capital expenditures costs of $0.14 per square foot at the properties in our retail portfolio incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010, multiplied by 2,950,973 rentable square feet in our retail portfolio. The following table sets forth certain information regarding historical capital expenditures at the properties in our retail portfolio through September 30, 2010:

	Year Ended December 31,			Nine Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	September 30, 2010	September 30, 2010
Recurring capital expenditures (in thousands)	$ 501	$1,020	$ 13	$ 69	
Total rentable square feet (in thousands)	2,937	2,951	2,951	2,951	
Recurring capital expenditure per square foot	$ 0.17	$ 0.35	$ —	$ 0.02	$ 0.14

(8) For the 12 months ending September 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the wholly owned properties in our office portfolio is approximately $260,000, based on the weighted average annual capital expenditures costs of $0.18 per square foot at the wholly owned properties in our office portfolio incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010, multiplied by 1,452,611 rentable square feet in our wholly owned office portfolio. The following table sets forth certain information regarding historical capital expenditures at the wholly owned properties in our office portfolio through September 30, 2010:

	Year Ended December 31,			Nine Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	September 30, 2010	September 30, 2010
Recurring capital expenditures (in thousands)	$ 398	$ 302	$ 265	$ 15	
Total rentable square feet (in thousands)	1,454	1,454	1,453	1,453	
Recurring capital expenditure per square foot	$ 0.27	$ 0.21	$ 0.18	$ 0.01	$ 0.18

(9) For the 12 months ending September 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the retail portion of our mixed-use property is approximately $120,000, based on the weighted average annual capital expenditures costs of $1.24 per square foot at the retail portion of our mixed-use property incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010, multiplied by 96,569 rentable square feet in the retail portion of our mixed-use property. The following table sets forth certain information regarding historical capital expenditures at our mixed-use property through September 30, 2010:

	Year Ended December 31,			Nine Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	September 30, 2010	September 30, 2010
Recurring capital expenditures (in thousands)	$ 120	$ 120	$ 120	$ 90	
Total rentable square feet (in thousands)	97	97	97	97	
Recurring capital expenditure per square foot	$1.24	$1.24	$1.24	$ 0.93	$ 1.24

For the 12 months ending September 30, 2011, the estimated furniture, fixture and equipment expense for the hotel portion of our mixed-use property is approximately $189,000, based on the weighted average annual furniture, fixture and equipment expense incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010 for the hotel portion of our mixed-use property. The following table sets forth certain information regarding historical furniture, fixture and equipment expenses at the hotel portion of our mixed-use property through September 30, 2010:

	Year Ended December 31,			Nine Months Ended	Weighted Avg. January 1, 2007
	2007	2008	2009	September 30, 2010	September 30, 2010
Furniture, fixture and equipment expense....	$ 189	$ 189	$ 189	$ 142	$ 189

Based upon the foregoing, the estimated annual provision for recurring mixed-use property capital expenditures for the retail and hotel portions of our mixed-use property of the twelve months ending September 30, 2011 is approximately $309,000.

(10) For the 12 months ending September 30, 2011, the estimated costs of recurring building improvements (excluding costs of tenant improvements) at the properties in our multifamily portfolio is approximately $397,000, based on the weighted average annual capital expenditures costs of $430.78 per unit at the properties in our initial multifamily portfolio incurred during the 12 months ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010, multiplied by 922 rentable units in our initial multifamily portfolio. The following table sets forth certain information regarding historical capital expenditures at the properties in our multifamily portfolio through September 30, 2010:

	Year Ended December 31,			Nine Months Ended	Weighted Avg. January 1, 2007 September 30,
	2007	2008	2009	September 30, 2010	2010
Recurring capital expenditures (in thousands)	$ 649	$ 397	$ 333	$ 147	
Total rentable units	922	922	922	922	
Recurring capital expenditure per unit	$703.96	$430.83	$360.99	$ 159.54	$ 430.78

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

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

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

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

CAPITALIZATION

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

	As of September 30, 2010		
	Historical Combined	Pro Forma Pre-Offering	Pro Forma As Adjusted
		(In thousands, except share amounts)	
Mortgages and other secured loans[(1)]	$ 853,774	1,121,043	
Non-controlling partnership interest	33,623	71,184	
Stockholders' equity:			
Preferred stock, $.01 par value per share, 10,000,000 shares authorized, none issued or outstanding	—	—	
Common stock, $.01 par value per share, 490,000,000 shares authorized, shares issued and outstanding on a pro forma basis[(2)]	—	—	
Additional paid in capital	—	—	
Accumulated other comprehensive income	—	—	
Owner's equity	120,499	106,011	
Total stockholders'/owner's equity	154,122	177,195	
Total capitalization	$ 1,007,896	1,298,238	

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

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

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DILUTION

Purchasers of our common stock offered in this prospectus will experience an immediate and substantial dilution of the net tangible book value of our common stock from the initial public offering price. At September 30, 2010, we had a combined net tangible book value of approximately $136.4 million, or $ per share of our common stock held by the prior investors, assuming the exchange of outstanding common units (other than common units held by us) into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock offered hereby, including the use of proceeds as described under "Use of Proceeds" and the formation transactions, and the deduction of underwriting discounts and commissions and estimated offering and formation expenses, the pro forma net tangible book value at September 30, 2010 attributable to common stockholders would have been $563.4 million, or $ per share of our common stock. This amount represents an immediate increase in net tangible book value of $ per share to the prior investors and an immediate dilution in pro forma net tangible book value of $ per share from the assumed public offering price of $ per share of our common stock to new public investors. See "Risk Factors—Risks Related to this Offering—Differences between the book value of the assets to be acquired in the formation transactions and the price paid for our common stock will result in an immediate and material dilution of the book value of our common stock." The following table illustrates this per share dilution:

Assumed initial public offering price per share		
Net tangible book value per share before the formation transactions and this offering[1]		
Decrease in pro forma net tangible book value per share attributable to the formation transactions[2]		
Increase in pro forma net tangible book value per share attributable to this offering[3]		
Pro forma net tangible book value per share after the formation transaction and this offering[4]		
Dilution in pro forma net tangible book value per share to new investors[5]		

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

(2) The decrease in pro forma net tangible book value per share of our common stock attributable to our formation transactions, but before this offering, is determined by dividing the difference between (a) the pro forma net tangible book value before our formation transactions and this offering and (b) the pro forma net tangible book value after our formation transactions and before this offering, by the number of shares of our common stock held by prior investors after this offering, assuming the exchange for shares of our common stock on a one-for-one basis of the common units to be issued in connection with the formation transactions.

(3) The increase in pro forma net tangible book value per share attributable to this offering is determined by subtracting (a) the sum of (i) the net tangible book value per share before the formation transactions and this offering (see note (1) above) and (ii) the decrease in pro forma net tangible book value per share attributable to our formation transactions (see note (2) above) from (b) the pro forma net tangible book value per share after our formation transactions and this offering (see note (4) below).

(4) Based on pro forma net tangible book value of approximately $563.4 million divided by the sum of shares of our common stock and common units to be outstanding after this offering (excluding units held by us), not including (a) shares of common stock issuable upon the exercise of the underwriters' overallotment option and (b) shares of our common stock available for issuance under our 2010 Equity Incentive Award Plan.

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

SELECTED FINANCIAL DATA

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

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

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

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

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

	Nine Months Ended September 30,			Year Ended December 31,					
	Pro Forma Consolidated	Historical Combined		Pro Forma Consolidated	Historical Combined				
	2010	2010	2009	2009	2009	2008	2007	2006	2005
				(In thousands, except per share data)					
	(Unaudited)	(Unaudited)		(Unaudited)				(Unaudited)	
Statement of Operations Data:									
Revenue:									
Rental income	$ 142,634	$ 91,437	$ 84,190	$ 188,794	$113,080	$117,104	$ 113,324	$ 108,885	$ 102,246
Other property income	4,909	2,770	3,226	6,768	3,963	3,839	4,184	4,118	2,792
Total revenues	147,543	94,207	87,416	195,562	117,043	120,943	117,508	113,003	105,038
Expenses:									
Rental expenses	36,729	16,114	14,823	49,433	20,336	22,029	21,674	20,312	16,049
Real estate taxes	12,636	9,481	5,266	13,298	8,306	10,890	10,878	11,030	10,527
General and administrative	8,788	4,924	5,089	12,112	7,058	8,690	10,471	10,713	7,714
Depreciation and amortization	40,183	27,347	22,285	48,520	29,858	31,089	31,376	31,197	29,587
Total operating expenses	98,336	57,866	47,463	123,363	65,558	72,698	74,399	73,252	63,877
Operating income	49,207	36,341	39,953	72,199	51,485	48,245	43,109	39,751	41,161
Interest income and other, net	(170)	62	134	(113)	173	1,167	2,462	1,907	831
Interest expense	(40,122)	(34,057)	(32,395)	(53,575)	(43,290)	(43,737)	(42,902)	(41,880)	(41,267)
Fee income from real estate joint ventures	—	2,201	1,300	—	1,736	1,538	2,721	1,303	1,957
Income (loss) from real estate joint ventures	—	866	(3,685)	—	(4,865)	(19,272)	(7,191)	(3,099)	(5,962)
Income (loss) from continuing operations	8,915	5,413	5,307	18,511	5,239	(12,059)	(1,801)	(2,018)	(3,280)
Discontinued operations:									
Income (loss) from discontinued operations	—	—	—	—	—	(2,071)	(2,874)	(2,420)	1,603
Gain on sale of real estate property	—	—	—	—	—	2,625	—	—	128,796
Results from discontinued operations	—	—	—	—	—	554	(2,874)	(2,420)	130,399
Net income (loss) attributable to Predecessor	8,915	5,413	5,307	18,511	5,239	(11,505)	(4,675)	(4,438)	127,119
Net income (loss) attributable to noncontrolling interests	—	(1,905)	(787)	—	(1,205)	(4,488)	(2,140)	(542)	34,649
Net income (loss)	$ 8,915	$ 7,318	$ 6,094	$ 18,511	$ 6,444	$ (7,017)	$ (2,535)	$ (3,896)	$ 92,470
Balance Sheet Data (at period end)									
Net real estate	$ 1,288,236	$ 927,430			$774,208	$793,237	$ 802,605	$ 803,589	$ 817,309
Total assets	1,509,901	1,101,906			938,991	971,118	1,039,909	1,029,157	1,057,606
Notes payable	859,832	891,039			744,451	755,189	$ 729,174	$ 708,591	$ 716,556
Total liabilities	914,661	947,784			768,028	781,944	763,717	746,799	753,449
Noncontrolling interests	71,184	33,623			37,790	40,310	60,881	59,165	57,503
Stockholders'/owners' equity	595,240	154,122			170,963	189,174	276,192	282,358	304,157
Total liabilities and stockholders'/ owners' equity	1,509,901	1,101,906			938,991	971,118	1,039,909	1,029,157	1,057,606
Per Share Data:									
Pro forma basic earnings per share									
Pro forma diluted earnings per share									
Pro forma weighted average common shares outstanding—basic									
Pro forma weighted average common shares outstanding—diluted									
Other Data:									
Pro forma funds from operations[(1)]	$ 49,098			$ 67,031					
Cash flows from:									
Operating activities		$ 37,594	$ 37,450		$ 47,501	$ 47,592	$ 31,179	$ 33,652	$ 30,916
Investing activities		(15,388)	(6,321)		(7,544)	2,111	(44,441)	(43,541)	109,766
Financing activities		(9,032)	(25,787)		(34,746)	(49,957)	18,850	(25,868)	103,209

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

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

	Pro Forma	
	Nine Months Ended September 30, 2010	**Year Ended December 31, 2009**
	(In Thousands)	
Pro forma net income	$ 8,915	$ 18,511
Plus: pro forma real estate depreciation and amortization	40,183	48,520
Pro forma funds from operations	$ 49,098	$ 67,031

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

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

Overview

Our Company

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

Our Predecessor

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

Prior to June 30, 2010, the noncontrolled entities owned an office property located in San Francisco, California referred to as The Landmark at One Market. We refer to the entities owning The Landmark at One Market as the "Landmark entities." The outside ownership interest in the Landmark entities was acquired by our Predecessor on June 30, 2010 for a cash payment of $23.0 million and the assumption of $133.0 million of outstanding debt (of which $87.1 million was attributable to the outside owners' interest). As of June 30, 2010, The Landmark at One Market was controlled by our Predecessor. All but one of the properties owned by the controlled entities and noncontrolled entities are managed by American Assets, Inc., or AAI, an entity controlled by Mr. Rady. The noncontrolled entities managed by AAI include the entities that own Solana Beach Towne Centre and Solana Beach Corporate Centre, or the Solana Beach Centre entities, and the entity that owns the Fireman's Fund Headquarters office property. The remaining property not managed by AAI is Waikiki Beach Walk, which is managed by Outrigger Hotels & Resorts. We refer to ABW Lewers LLC and the Waikiki Beach Walk—Embassy Suites™, the entities that own this non-AAI managed property, as the Waikiki Beach Walk entities.

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

Formation Transactions

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

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

We estimate that the net proceeds from this offering will be approximately $ million, or approximately $ million if the underwriters' over allotment option is exercised in full (in each case after deducting the underwriting discount and commissions and estimated expenses of this offering and formation transactions). We will contribute the net proceeds of this offering to our operating partnership in exchange for common units, and our operating partnership will use the proceeds received from us, as well as cash on hand, if any, as described under "Use of Proceeds." Upon completion of this offering, we expect to enter into a $ million revolving credit facility. In connection with this offering, we expect to repay approximately $355.8 million of indebtedness (including $30.2 million of defeasance costs and $13.2 million of debt incurred in connection with the acquisition of a building at Carmel Mountain Plaza), pay up to $8.5 million to fund tenant improvements and leasing commissions at The Landmark at One Market, pay $ in cash to those prior investors that are non-accredited and pay up to $2.0 million for costs related to the renovation of Solana Beach Towne Centre. Any remaining net proceeds will be used for general corporate purposes, including future acquisitions.

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

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

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

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

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

Revolving Credit Facility

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

Segments

As of September 30, 2010, our Predecessor had three operating segments: retail, office and multifamily. Upon consummation of this offering and the formation transactions we will have four operating segments, the three operating segments of our Predecessor, as well as a mixed-use segment. Our mixed-use segment will be comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel, both of which we are acquiring from the Waikiki Beach Walk entities. This hotel and the related retail space are located at the same property and are viewed by our management as a single, integrated mixed-use asset, and as such, will be operated by us as a separate segment.

Revenue Base

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

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

Retail Leases. Our Predecessor's retail portfolio included nine properties with a total of approximately 2.8 million rentable square feet available for lease as of September 30, 2010. As of September 30, 2010, these properties were 96.2% leased. For the years ended December 31, 2009, 2008 and 2007, and for the nine months ended September 30, 2010, the retail segment contributed 65%, 66%, 66% and 62%, respectively, of our total revenue. Upon consummation of this offering and the formation transactions, we will acquire from the noncontrolled entities an additional retail property with approximately 247,000 rentable square feet available for lease, which was 96.0% leased as of September 30, 2010. Historically, we have leased retail properties to tenants primarily on a triple-net lease basis, and we expect to continue to do so in the future. In a triple-net lease, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expense, but rather all such expenses, to the extent they are paid by the landlord, are billed to the tenant. The full amount of the expenses for this lease type, to the extent they are paid by the landlord, is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries.

Office Leases. Our Predecessor's office portfolio included four properties with a total of approximately 1.2 million rentable square feet available for lease as of September 30, 2010. As of September 30, 2010, these properties were 93.2% leased. For the years ended December 31, 2009, 2008 and 2007, and for the nine months ended September 30, 2010, the office segment contributed 23%, 22%, 22% and 26%, respectively, of our total revenue. Upon consummation of this offering and the formation transactions, we will acquire from the noncontrolled entities one additional office property with approximately 212,000 square feet available for lease, which was 83.9% leased as of September 30, 2010. Historically, we have leased office properties to tenants primarily on a full service gross or a modified gross basis and to a limited extent on a triple-net lease basis. We expect to continue to do so in the future. A full-service gross or modified gross lease has a base year expense stop, whereby the tenant pays a stated amount of certain expenses as part of the rent payment, while future increases in property operating expenses (above the base year stop) are billed to the tenant based on such tenant's proportionate square footage of the property. The increased property operating expenses billed are reflected as operating expenses and amounts recovered from tenants are reflected as rental income in the statements of operations.

Multifamily Leases. Our Predecessor's multifamily portfolio included three apartment properties, as well as an RV resort, with a total of 922 units (including 122 RV spaces) available for lease as of September 30, 2010. As of September 30, 2010, these properties were 90.5% leased. For the years ended December 31, 2009, 2008 and 2007, and for the nine months ended September 30, 2010, the multifamily segment contributed 12%, 12%, 12% and 12%, respectively, of our total revenue. Our multifamily leases, other than at our RV Resort, generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms. Tenants normally pay a base rental amount, usually quoted in terms of a monthly rate for the respective unit. Spaces at the RV Resort can be rented at a daily- weekly- or monthly-rate.

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

Factors That May Influence Future Results of Operations

Rental Income

The amount of net rental income generated by the properties in our portfolio depends principally on our ability to renew expiring leases or re-lease space upon the scheduled or unscheduled termination of leases, lease currently available space (approximately 234,800 rentable square feet for retail, office and mixed-use properties and 87 residential units as of September 30, 2010) and maintain or increase rental rates at our properties. Local, regional or national economic conditions; an oversupply of or a reduction in demand for retail, office, mixed-use or multifamily space; changes in market rental rates; our ability to provide adequate services and maintenance at our properties; and fluctuations in interest rates could adversely affect our rental income in future periods. Future economic or regional downturns affecting our submarkets or downturns in our tenants' industries that impair our ability to renew or re-lease space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase occupancy. In addition, growth in rental income will also partially depend on our ability to acquire additional properties that meet our acquisition criteria.

Rental Rates

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

Scheduled Lease Expirations

Our ability to re-lease expiring space at rental rates equal to or in excess of current rental rates will impact our results of operations. In addition to approximately 113,500 rentable square feet of available space in our retail portfolio as of September 30, 2010, during the years ending December 31, 2010 and 2011, leases representing approximately 1.2% and 4.0%, respectively, of the net rentable square feet of our retail portfolio are scheduled to expire. These leases are expected to represent approximately 0.9% and 5.9%, respectively, of our pro rata annualized base rent for such periods. In addition to approximately 118,800 rentable square feet of available space in our pro rata office portfolio as of September 30, 2010, during the years ending December 31, 2010 and 2011, leases representing approximately 10.6% and 7.6%, respectively, of the net rentable square feet of our pro rata office portfolio are scheduled to expire. These leases are expected to represent approximately 12.8% and 9.5%, respectively, of our pro rata annualized base rent for such periods.

Conditions in Core Markets

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

Operating Expenses

Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants' base years are generally passed on to tenants in our full-service gross leased properties and are generally paid in full by tenants in our triple-net lease properties. As a public company, we estimate our annual general and administrative expenses will increase compared to our Predecessor's operations by $6 to $8 million initially due to increased headcount and cash and equity-based compensation and legal, insurance, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters. In addition, properties in our portfolio may be reassessed after the consummation of this offering. Therefore, the amount of property taxes we pay in the future may increase from what we have paid in the past. Given the uncertainty of the amounts involved, we have not included any property tax increase in our pro forma financial statements.

Interest Rates

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

Taxable REIT Subsidiary

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

Critical Accounting Policies

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

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

Revenue Recognition and Accounts Receivable

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

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

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

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value.

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles (for acquisitions made subsequent to June 30, 2001) such as in-place leases, and to current assets and liabilities acquired, if any. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal period(s). The fair values associated with below-market renewal options are determined based on our experience and an assessment of whether the below-market renewal option is a bargain renewal at the time of acquisition. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of operations. The value of above and below market leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income in the statement of operations. The value of below-market rental lease renewal options is deferred until such time as the renewal option is exercised and is subsequently amortized over the corresponding renewal period. If a tenant vacates its space prior to contractual termination of its lease or the lease is not renewed, the unamortized balance of any in-place lease value is written off to rental income and amortization expense.

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

Impairment of Long-Lived Assets

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

Financial Instruments

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

Cash and Cash Equivalents

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

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate tax expenditures, insurance expenditures and reserves for capital improvements. Activity for accounts related to real estate tax and insurance expenditures is classified as operating activities in the statement of cash flows. Changes in reserves for capital improvements are classified as investing activities in the statement of cash flows.

Prepaid Expenses and Other Assets

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

Debt Issuance Costs

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

Variable Interest Entities

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

Investments in Real Estate Joint Ventures

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

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

We assess whether there has been impairment in the value of our investments in real estate joint ventures periodically. An impairment charge is recorded when events or changes in circumstances indicate that a decline in the fair value below the carrying value has occurred and such decline is other-than-temporary. The ultimate realization of the investments in unconsolidated real estate joint ventures is dependent on a number of factors, including the performance of the investments and market conditions.

Results of Operations

Comparison of Nine Months ended September 30, 2010 to Nine Months ended September 30, 2009

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

	Nine Months Ended September 30,			
	2010	2009	Change	%
Revenues				
Rental income	$ 91,437	$ 84,190	$ 7,247	9%
Other property income	2,770	3,226	(456)	(14)
Total property revenues	94,207	87,416	6,791	8
Expenses				
Rental expenses	16,114	14,823	1,291	9
Real estate taxes	9,481	5,266	4,215	80
Total property expenses	25,595	20,089	5,506	27
Total property income	68,612	67,327	1,285	2
General and administrative	(4,924)	(5,089)	165	(3)
Depreciation and amortization	(27,347)	(22,285)	(5,062)	23
Interest income	62	134	(72)	(54)
Interest expense	(34,057)	(32,395)	(1,662)	5
Fee income from real estate joint ventures	2,201	1,300	901	69
Income (loss) from real estate joint ventures	866	(3,685)	4,551	—
Total other, net	(63,199)	(62,020)	(1,179)	2
Net income	5,413	5,307	106	2
Net income (loss) attributable to noncontrolling interests	(1,905)	(787)	(1,118)	142
Net income attributable to Predecessor	$ 7,318	$ 6,094	$ 1,224	20%

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue increased $6.8 million, or 8%, to $94.2 million for the nine months ended September 30, 2010, compared to $87.4 million for the nine months ended September 30, 2009. The percentage leased was as follows for each segment as of September 30, 2010 and September 30, 2009:

	Percentage Leased September 30,	
	2010	2009
Retail	96.2%	94.8%
Office	93.2%(1)	88.7%
Multifamily	90.5%	97.3%

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

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

Rental revenues. Rental revenue includes minimum base rent, cost reimbursements, percentage rents, and other rents. Rental revenue increased $7.2 million, or 9%, to $91.4 million for the nine months ended September 30, 2010, compared to $84.2 million for the nine months ended September 30, 2009. Rental revenue by segment was as follows (dollars in thousands):

	September 30,			
	2010	2009	Change	%
Retail	$57,656	$54,899	$ 2,757	5%
Office	23,868	19,293	4,575	24
Multifamily	9,913	9,998	(85)	(1)
	$91,437	$84,190	$ 7,247	9%

This increase in retail rental revenue was primarily caused by a one-time property tax refund that was obtained with respect to one property in March 2009 of approximately $2.7 million, of which $2.6 million was passed through to tenants during the same period and recorded as a reduction to rental revenue. A comparable real estate tax refund was not obtained during the nine months ended September 30, 2010. On a comparable basis, adding back this property tax refund to rental income during the nine months ended September 30, 2009, rental income increased by $0.2 million or 0%. This $0.2 million increase was due to an increase in the percentage leased, which increased to 96.2% at September 30, 2010 compared to 94.8% at September 30, 2009. The increase was offset slightly by reduced rental rates. The increase in percentage leased of our office portfolio is attributable primarily to the inclusion of The Landmark at One Market as of June 30, 2010, which is 100% leased. The increase in office rental revenue was also due to the inclusion of The Landmark at One Market, which was acquired on June 30, 2010, and had $5.1 million in revenue from the date of its acquisition through September 30, 2010. This was offset by decreased revenue at other properties due to lower occupancy during the year. The percentage leased of our multifamily portfolio decreased to 90.5% at September 30, 2010 from 97.3% at September 30, 2009, which resulted in a decline in multifamily revenue of $0.1 million.

Other property income. Other property income decreased $0.4 million, or 14%, to $2.8 million for the nine months ended September 30, 2010, compared to $3.2 million for the nine months ended September 30, 2009.

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

	Nine Months Ended September 30,			
	2010	2009	Change	%
Retail	$ 968	$1,392	$ (424)	(30)%
Office	1,023	966	57	6
Multifamily	779	868	(89)	(10)
	$2,770	$3,226	$ (456)	(14)%

Retail other property income decreased to $1.0 million for the nine months ended September 30, 2010 from $1.4 million for the nine months ended September 30, 2009. The decrease in retail other property income is due to settlement of an acquisition-related liability of $0.6 million at Del Monte Center in July 2009. Were it not for the impact of the settlement of this liability in 2009, other property income would have increased $0.1 million or 17% for the nine months ended September 30, 2010. The majority of retail other property income consists of the Hawaii general excise tax that is billed to tenants at the rate of 4.71%, which is then remitted to the state at 4.5% and included in rental expenses. The Hawaii general excise tax was $0.8 million for each of the nine months ended September 30, 2010 and 2009. Office other property income remained flat at $1.0 million for the nine months ended September 30, 2010 and 2009. Office other property income primarily consists of parking income from one office building, which was $0.8 million for the nine months ended September 30, 2010 and 2009. Multifamily other property income decreased to $0.8 million for the nine months ended September 30, 2010 from $0.9 million for the nine months ended September 30, 2009. Multifamily other property income consists primarily of laundry fees and utilities billed to tenants and security deposits forfeited when tenants move out.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased by $5.5 million, or 27%, to $25.6 million for the nine months ended September 30, 2010, compared to $20.1 million for the nine months ended September 30, 2009. This increase in total property expenses is attributable primarily to the factors discussed below.

Rental Expenses. Rental expenses increased $1.3 million, or 9% to $16.1 million for the nine months ended September 30, 2010, compared to $14.8 million for the nine months ended September 30, 2009. Rental expense by segment was as follows (dollars in thousands):

	Nine Months Ended September 30,			
	2010	2009	Change	%
Retail	8,413	8,564	(151)	(2)%
Office	4,775	3,447	1,328	39
Multifamily	2,926	2,812	114	4
	16,114	14,823	1,291	9%

Rental expenses include the following general categories: facilities services, repairs and maintenance, utilities, onsite payroll expense, Hawaii excise tax, third-party management fees, insurance and marketing. The increase in rental expenses was due to the inclusion of The Landmark at One Market, acquired on June 30, 2010, which incurred $1.3 million in rental expenses from acquisition through September 30, 2010.

Real Estate Taxes. Real estate tax expense increased $4.2 million, or 80%, to $9.5 million for the nine months ended September 30, 2010, compared to $5.3 million for the nine months ended September 30, 2009. Real estate tax expense by segment was as follows (dollars in thousands):

	Nine Months Ended September 30,			
	2010	2009	Change	%
Retail	6,442	2,897	3,545	122%
Office	2,510	1,865	645	35
Multifamily	529	504	25	5
	9,481	5,266	4,215	80%

The increase in retail real estate tax expense was due primarily to a one-time property tax refund of approximately $2.7 million, that was obtained with respect to one property in March 2009 and which was recorded as a reduction of real estate tax expense in the period the refund was received due to the contingent nature of the collection. A comparable real estate tax refund was not obtained during the nine months ended September 30, 2010. Additionally, a lower tax assessment for 2008 at the same retail property reduced the 2009 tax bill by approximately $0.4 million in the nine months ended September 30, 2009. The remaining increase in real estate tax expense is due to regular annual increases in assessed taxes on the properties in our portfolio located in Texas and Hawaii. Office property tax expense increased $0.6 million for the nine months ended September 30, 2010 due to The Landmarket at One Market's real estate tax expense of $0.6 million. Multifamily property tax expense remained flat at $0.5 million for the nine months ended September 30, 2010 and 2009.

Property Operating Income.

Property operating income increased $1.3 million, or 2%, to $68.6 million for the nine months ended September 30, 2010, compared to $67.3 million for the nine months ended September 30, 2009. As discussed above, this increase is primarily attributable to the inclusion of The Landmark at One Market, which had revenue of $5.1 million from the date of its acquisition through September 30, 2010.

Other

General and administrative. General and administrative expenses decreased $0.2 million, or 3%, to $4.9 million for the nine months ended September 30, 2010, compared to $5.1 million for the nine months ended September 30, 2009. This decrease was due primarily to lower state excise tax paid in Texas and minor cost containment efforts.

Depreciation and amortization. Depreciation and amortization expense increased $5.0 million, or 23%, to $27.3 million for the nine months ended September 30, 2010, compared to $22.3 million for the nine months ended September 30, 2009. This increase was due primarily to amortization and depreciation attributable to The Landmark at One Market.

Interest income. Interest income decreased $0.07 million, or 54%, to $0.06 million for the nine months ended September 30, 2010, compared to $0.13 million for the nine months ended September 30, 2009. This decrease was primarily due to a decline in interest rates earned on cash investments and notes receivable from affiliates.

Interest expense. Interest expense increased $1.7 million, or 5%, to $34.1 million for the nine months ended September 30, 2010 compared with $32.4 million for the nine months ended September 30, 2009. This increase was primarily due to interest expense of The Landmark at One at Market debt, offset by slightly decreased average debt levels at the other properties.

Fee income from real estate joint ventures. Fee income from real estate joint ventures increased $0.9 million, or 69%, to $2.2 million for the nine months ended September 30, 2010, compared to $1.3 million for the nine months ended September 30, 2009. The increase primarily relates to leasing commissions earned by us related to a new lease signed at The Landmark at One Market prior to our acquisition of the controlling ownership interest in The Landmark at One Market on June 30, 2010.

Income (loss) from real estate joint ventures. Income (loss) from real estate joint ventures increased $4.6 million, or 124%, to $0.9 million for the nine months ended September 30, 2010, compared to a loss of $3.7 million for the nine months ended September 30, 2009. This increased income from real estate joint ventures was primarily due to the $4.3 million gain recognized on the acquisition of the outside ownership interest in The Landmark at One Market. Excluding the gain recognized on the acquisition of The Landmark at One Market, loss from real estate joint ventures decreased $0.3 million, or 7%, primarily related to greater income from our investments in the Solana Beach Centre entities and the entity that owns Fireman's Fund Headquarters, together with reduced losses from The Landmark at One Market due to acquisition of the controlling ownership interest in this property on June 30, 2010.

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

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

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

Revenue

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

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

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

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

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

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

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

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

Retail other property income increased to $1.6 million in 2009 from $1.3 million in 2008. The increase in retail other property income is due to settlement of an acquisition-related liability of $0.6 million at Del Monte Center. Were it not for the impact of the settlement of this liability, other property income would have actually decreased by $0.3 million, or 18.7% in 2009. The majority of the retail other property income consists of the Hawaii general excise tax that is billed to tenants at the rate of 4.71%, which is then remitted to the state at 4.5% and included in rental expenses. The Hawaii general excise tax included in retail other property income was $1.0 million in both 2009 and 2008. Office other property income decreased to $1.2 million in 2009 from $1.3 million in 2008. The majority of the office other property income consists of parking income from one office building. Parking income included in other property income was $1.0 million in 2009 compared to $1.2 million in 2008. Parking income decreased because one tenant moved out of the office building, although such tenant's lease and economic rent do not expire until February 28, 2012. Multifamily other income remained flat at $1.1 million in 2009 and 2008. The majority of multifamily other property income consists of laundry fees, meter fees on utilities billed back to tenants, and security deposits earned when tenants move out.

Property Expenses

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

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

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

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

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

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

This decrease in retail real estate taxes was due primarily to a one-time property tax refund of approximately $2.7 million, that was obtained with respect to one property in March 2009 and which was recorded as a reduction of real estate tax expense in the period the refund was received due to the contingent nature of collection. A comparable real estate tax refund was not obtained during 2008. Additionally, a lower tax assessment for 2008 at the same retail property reduced the 2009 tax bill by $0.4 million in 2009. Office property tax expense increased to $2.4 million in 2009 from $2.2 million in 2008. The increase for office property tax expense is due primarily to higher annual tax assessments. Multifamily property tax expense remained flat at $0.7 million in 2009 and 2008.

Property Operating Income

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

Other

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

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

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

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

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

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

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

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

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

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

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

Revenue

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

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

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

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

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

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

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

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

Retail other property income increased to $1.3 million in 2008 from $1.1 million in 2007. The majority of the retail other property income consists of a Hawaiian general excise tax that is billed to tenants at the rate of 4.71%, which is then remitted to the state at 4.5% and included in rental expenses. The Hawaii general excise tax included in retail other property income was $1.0 million in 2008 and $0.9 million in 2007. Office other property income decreased to $1.3 million in 2008 from $1.9 million in 2007. The majority of the office other property income consists of parking income from one office building. Parking income included in other property income was $1.2 million in 2008, compared to $1.6 million in 2007. Parking income decreased due to one tenant downsizing a significant amount of staff, combined with reduced event parking. Multifamily other property income remained flat at $1.1 million for 2008 and 2007. The majority of multifamily other property income consists of laundry fees, meter fees on utilities billed back to tenants, and security deposits earned when tenants move out.

Property Expenses

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

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

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

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

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

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

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

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

Other

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

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

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

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

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

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

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

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

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

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

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

Our properties require periodic investments of capital for tenant-related capital expenditures and for general capital improvements. For the nine months ended September 30, 2010 and years ended December 31, 2009, 2008 and 2007, our weighted average annual tenant improvement and leasing commission costs were $28.24 per square foot of leased retail space and $17.50 per square foot of leased office space. As of September 30, 2010, we had commitments under leases in effect for $10.5 million of tenant improvements and leasing commissions.

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

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

Contractual Obligations

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

Contractual Obligations (in thousands)	Payments by Period						
	Total	Within 1 Year	2 Years	3 Years	4 Years	5 Years	More than 5 Years
Principal payments on long-term indebtedness[1]	$ 883,600	$ 4,245	$ 4,461	$ 4,825	$ 5,413	$ 262,104	$ 602,552
Interest payments[1]	331,458	53,397	53,159	52,916	50,758	42,583	78,645
Operating lease[2]	2,104	1,403	701	—	—	—	—
Tenant-related commitments	16,772	10,065	6,707	—	—	—	—
Total	$ 1,233,934	$ 69,110	$ 65,028	$ 57,741	$ 56,171	$ 304,687	$ 681,197

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

Consolidated Indebtedness to be Outstanding after this Offering

Upon completion of this offering and the formation transactions, we expect to have approximately $880.4 million of outstanding consolidated long-term secured debt. The following table sets forth information as of September 30, 2010 (on a pro forma basis) with respect to the indebtedness that we expect will be outstanding after completion of this offering and the formation transactions (dollars in thousands):

Debt	Pro Forma Amount Outstanding	Interest Rate	Annual Debt Service	Maturity Date	Balance at Maturity
Wholly Owned Property Debt					
Alamo Quarry Market[1][2]	$ 98,494	5.67%	$ 7,567	January 8, 2014	$ 91,717
160 King Street[3]	33,298	5.68	3,350	May 1, 2014	27,513
Waikele Center[4]	140,700	5.15	7,360	November 1, 2014	140,700
The Shops at Kalakaua[4]	19,000	5.45	1,053	May 1, 2015	19,000
The Landmark at One Market[2][4]	133,000	5.61	7,558	July 5, 2015	133,000
Del Monte Center[4]	82,300	4.93	4,121	July 8, 2015	82,300
Imperial Beach Gardens[4]	20,000	6.16	1,250	September 1, 2016	20,000
Mariner's Point[4]	7,700	6.09	476	September 1, 2016	7,700
South Bay Marketplace[4]	23,000	5.48	1,281	February 10, 2017	23,000
Waikiki Beach Walk—Retail[4]	130,310	5.39	7,020	July 1, 2017	130,310
Solana Beach Corporate Centre III-IV[1]	37,330	6.39	2,418	August 1, 2017	35,136
Loma Palisades[4]	73,744	6.09	4,553	July 1, 2018	73,744
Torrey Reserve—North Court[1]	22,224	7.22	1,864	June 1, 2019	19,328
Torrey Reserve—VCI, VCII, VCIII[1]	7,474	6.36	560	June 1, 2020	6,439
Solana Beach Corporate Centre I-II[1]	11,967	5.91	855	June 1, 2020	10,169
Solana Beach Towne Centre[1]	39,891	5.91	2,849	June 1, 2020	33,898
Total/Weighted Average Interest Rate	**$ 880,432**[5]	**5.59%**	**$ 54,135**		**$853,954**

(1) Principal payments based on a 30-year amortization schedule.
(2) Maturity date is the earlier of the loan maturity date under the loan agreement, or the "Anticipated Repayment Date" as specifically defined in the loan agreement, which is the date after which substantial economic penalties apply if the loan has not been paid off.
(3) Principal payments based on a 20-year amortization schedule.
(4) Interest only.
(5) Amount does not equal pro forma balance sheet due to fair value of debt adjustments.

Description of Certain Debt

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

Mortgage Loan Secured by Alamo Quarry

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

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

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

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

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

Mortgage Loan Secured by Waikele Center

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

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

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

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

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

Mortgage Loan Secured by the Landmark at One Market

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

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

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

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

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

Mortgage Loan Secured by Del Monte Center

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

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

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

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

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

Mortgage Loan Secured by Waikiki Beach Walk – Retail

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

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

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

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

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

Mortgage Loan Secured by Loma Palisades

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

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

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

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

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

Off-Balance Sheet Arrangements

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

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

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

Interest Rate Risk

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

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

Cash Flows

Comparison of the nine months ended September 30, 2010 to the nine months ended September 30, 2009

Cash and cash equivalents were $37.4 million and $24.3 million as of September 30, 2010 and 2009, respectively.

Net cash provided by operating activities increased by $0.1 million to $37.6 million for the nine months ended September 30, 2010, compared to $37.5 for the nine months ended September 30, 2009. The increase is due to an increase in net income for the period.

Net cash used in investing activities increased $9.1 million to $15.4 million for the nine months ended September 30, 2010, compared to $6.3 million for the nine months ended September 30, 2009. The increase was primarily due to the acquisition of the outside ownership interest in The Landmark at One Market for $19.7 million, which was net of cash acquired of $3.3 million. Additionally, $0.8 million in notes receivable were issued to American Assets, Inc. during the nine months ended September 30, 2010 compared to net receipts from repayments of notes receivable of $0.5 million for the nine months ended September 30, 2009. This was offset by distributions of $10.6 million from the equity investment in the Solana Beach Towne Centre and Solana Beach Corporate Centre properties upon refinancing of the debt on the properties on June 1, 2010. There was also $1.3 million lower uses of cash for capital expenditures and lease commissions.

Net cash used in financing activities decreased $16.8 million to $9.0 million for the nine months ended September 30, 2010, compared to $25.8 million for the nine months ended September 30, 2009. The decrease was primarily due to new financings of $23.0 million made upon the acquisition of The Landmark at One Market. The increased financing was offset by a $2.7 million increase in net distributions to controlling and noncontrolling interests. Additionally, excluding the $23.0 million financing for The Landmark at One Market, net repayments of loans increased by $3.7 million in the aggregate in connection with the refinancing of certain loans on Torrey Reserve Campus, including the Torrey Reserve—VCI, Torrey Reserve—VCII, and Torrey Reserve—VCIII loans in June 2010 and refinancing the Torrey Reserve—North Court and Torrey Reserve—Daycare loans in May 2009.

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

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

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

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

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

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

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

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

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

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

Net Operating Income

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

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

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

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

	Pro Forma Nine Months Ended September 30,	Historical Predecessor Nine Months Ended September 30,		Pro Forma Year Ended December	Historical Predecessor Year Ended December 31,		
	2010	2010	2009	2009	2009	2008	2007
Net operating income	$ 98,178	$ 68,612	$ 67,327	$ 132,831	$ 88,401	$ 88,024	$ 84,956
General and administrative	(8,788)	(4,924)	(5,089)	(12,112)	(7,058)	(8,690)	(10,471)
Depreciation and amortization	(40,183)	(27,347)	(22,285)	(48,520)	(29,858)	(31,089)	(31,376)
Interest income and other, net	(170)	62	134	(113)	173	1,167	2,462
Interest expense	(40,122)	(34,057)	(32,395)	(53,575)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	—	2,201	1,300	—	1,736	1,538	2,721
Income (loss) from real estate joint ventures	—	866	(3,685)	—	(4,865)	(19,272)	(7,191)
Results from discontinued operations	—	—	—	—	—	554	(2,874)
Net income (loss)	$ 8,915	$ 5,413	$ 5,307	$ 18,511	$ 5,239	$ (11,505)	$ (4,675)
Other Net Operating Income Data							
Net operating income	$ 98,178	$ 68,612	$ 67,327	$ 132,831	$ 88,401	$ 88,024	$ 84,956
Above and below market rents	1,649	1,600	1,055	1,188	1,407	170	(294)
Straight line rent adjustments	(1,138)	(558)	(644)	(2,063)	(943)	(2,119)	(2,279)

Funds From Operations

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

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

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

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

	Pro Forma	
	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
Pro forma net income	$ 8,915	$ 18,511
Plus: pro forma real estate depreciation and amortization	40,183	48,520
Pro forma funds from operations	$ 49,098	$ 67,031

Inflation

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

Recently Issued Accounting Literature

FASB Accounting Standards Codification

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

Recently Adopted Accounting Pronouncements

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

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

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

Effective January 1, 2009, we adopted a new accounting standard which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The new accounting standard clarifies that equity method investments should initially be measured at cost, the issuance of shares by the investee would result in a gain or loss on issuance of shares reflected in the income statement of the equity investor, and that a loss in value of an equity investment which is other than a temporary decline should be recognized. The standard was effective on a prospective basis beginning on January 1, 2009, and did not have a material impact on our financial position, results of operations, or cash flows.

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

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

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

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

Unaudited Interim Information

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

Quantitative and Qualitative Disclosures about Market Risk

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

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

As of September 30, 2010, on a pro forma basis, our total consolidated outstanding debt was approximately $880.4 million of fixed-rate secured mortgage loans. As of September 30, 2010, the fair value of our pro forma fixed rate secured mortgage loans was approximately $871.2 million.

INDUSTRY BACKGROUND AND MARKET OPPORTUNITY

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

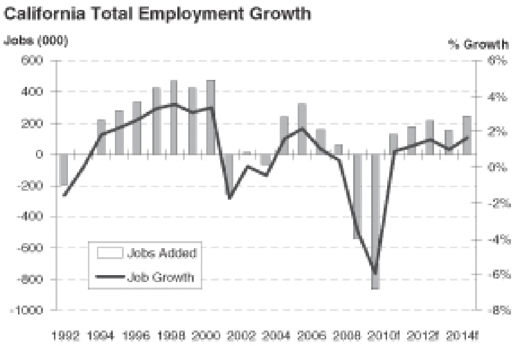
Our Markets

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

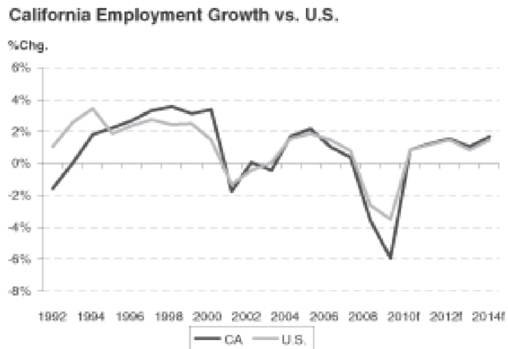
California Economy

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

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



Sources: BLS, California Employment Development Department, RCG



Sources: BLS, California Employment Development Department, RCG

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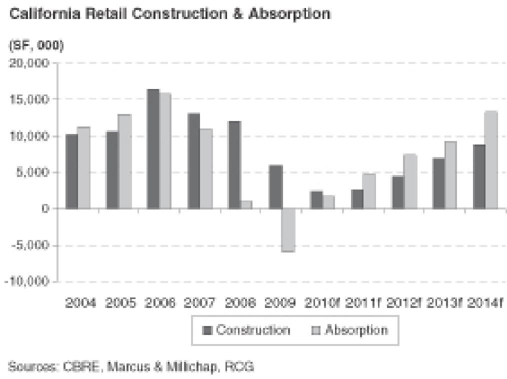
Retail

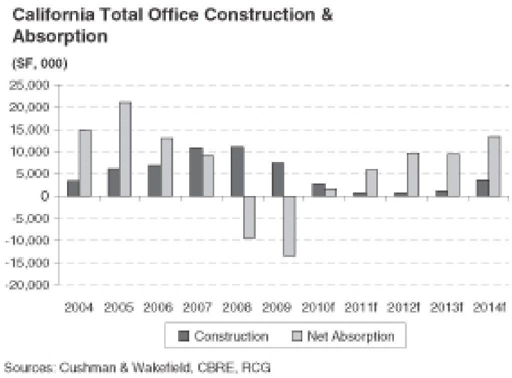
Regionally, 70% of California's retail space is located in Southern California including the Los Angeles, Orange County, San Diego and Inland Empire metropolitan areas. While the overall retail market softened in 2009, positive trends in retail sales and cargo volumes at California ports suggest that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



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

Office

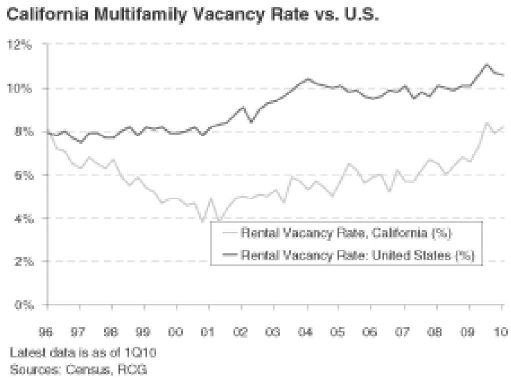
California's office market contains more than 634 million square feet of office space across the state. Approximately 55% of the total office space is located in Southern California metropolitan areas, including Los Angeles, Orange County, San Diego, Inland Empire and Ventura. The remaining 45% of the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



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

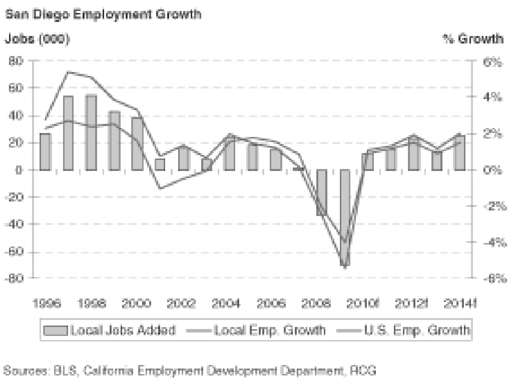
Multifamily

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



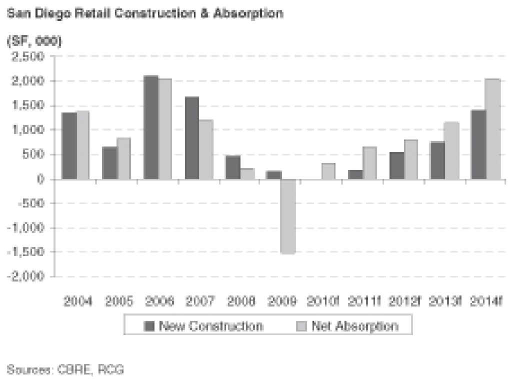
San Diego, California

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



Retail

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



Office

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

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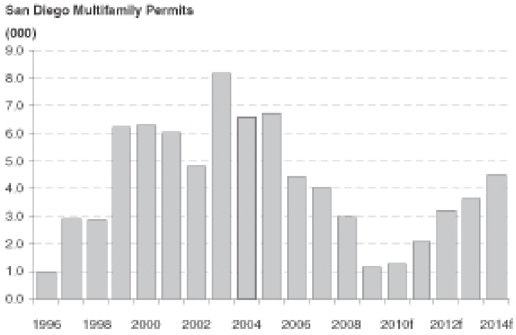
Multifamily

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

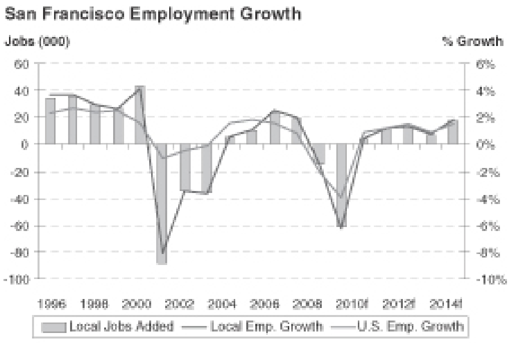


Sources: Census, RCG

Sources: Census, RCG

San Francisco, California

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



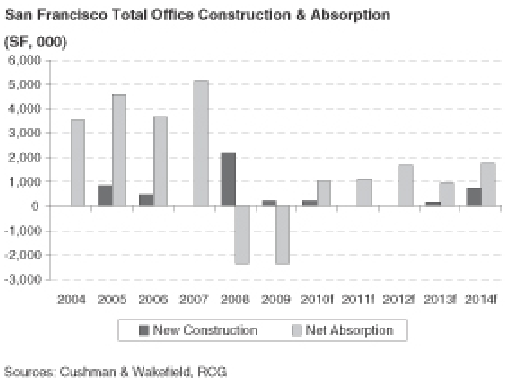
Sources: BLS, California Employment Development Department, RCG

Retail

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

Office

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

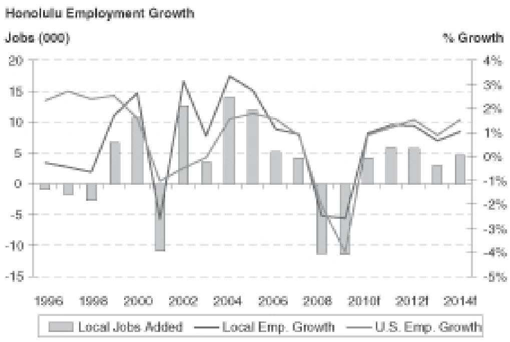


Hawaii Economy

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

Honolulu, Hawaii

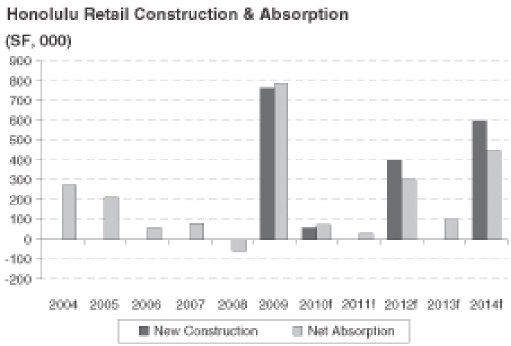
The Honolulu economy experienced a significant rebound in employment from September 2009 through March 2010, with the economy adding 5,000 jobs, regaining 20% of the jobs lost during the recent recession. According to RCG, this momentum is expected to continue through the remainder of 2010, with total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



Sources: BLS, RCG

Retail

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



Sources: CBRE, RCG

Sources: CBRE, RCG

Hospitality

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

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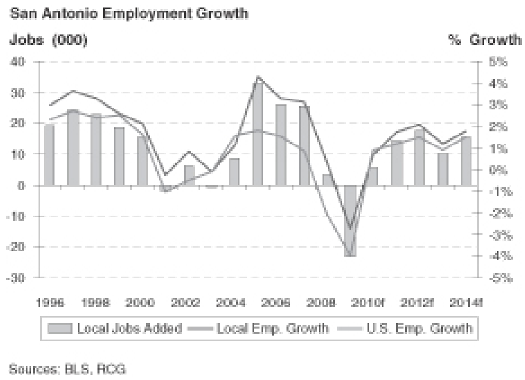
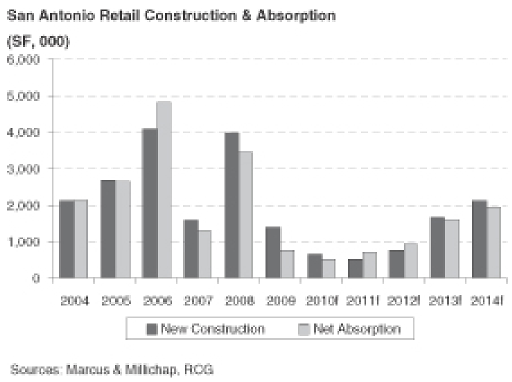
San Antonio, Texas

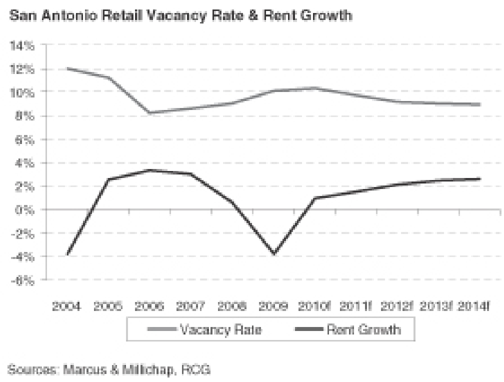
Home to a large military and student population, San Antonio has been ranked by Forbes magazine as one of the fastest-recovering cities in the United States. RCG expects job growth for the area to be slightly positive for 2010 at 0.7% and increase to 1.7% in 2011. San Antonio's job growth is forecast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



Retail

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





BUSINESS AND PROPERTIES

Overview

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

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

- ***Retail:*** Ten properties comprising approximately 3.0 million rentable square feet, which are approximately 96.2% leased and constitute approximately 45.9% of the total annualized base rent of our portfolio as of September 30, 2010;

- ***Office:*** Five properties comprising approximately 1.5 million rentable square feet, which properties are approximately 91.8% leased and represent approximately 37.5% of the total annualized base rent of our portfolio as of September 30, 2010;

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

- ***Multifamily:*** Three apartment communities with stabilized occupancy rates, as well as an RV resort, which is currently operated as part of our multifamily portfolio, in aggregate comprising 922 multifamily units (including 122 RV spaces), which are approximately 90.5% leased and represent approximately 9.8% of the total annualized base rent of our portfolio as of September 30, 2010.

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

We were formed as a Maryland corporation in July 2010. Ernest S. Rady, our Executive Chairman, when combined with his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, is our largest stockholder. Mr. Rady has over 40 years of experience in the commercial real estate industry and has extensive public company experience, including acting as the founder, Chief Executive Officer and director of Westcorp Inc. and WFS Financial Inc., two financial services companies, in addition to serving on the board of three other public companies. Upon completion of this offering, Mr. Rady and his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, will own approximately % of our common stock, approximately % of our common units and approximately % of our company on a fully diluted basis (assuming the exchange of all common units for shares of our common stock). In addition to Mr. Rady, our highly experienced senior management team also includes, among others, John W. Chamberlain and Robert F. Barton, our Chief Executive Officer and Chief Financial Officer, respectively. Messrs. Chamberlain and Barton, who have worked alongside Mr. Rady for 22 and 12 years, respectively, are responsible, along with Mr. Rady, for our strategic planning and day-to-day operations. Our senior management team has been integrally involved in the acquisition, development and redevelopment, management, leasing and financing of, and the joint venture activity relating to, our portfolio. Furthermore, our senior management team has significant real estate experience, long-standing industry, corporate and institutional relationships, and extensive knowledge of our core markets, submarkets and assets classes, which we believe provide us with a significant competitive advantage that will enhance our ability to source leasing and acquisition opportunities and access capital.

Our Competitive Strengths

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

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

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

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

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

- ***Internal Growth Prospects through Development, Redevelopment and Repositioning.*** We believe that the development and redevelopment potential at several of our properties presents compelling growth prospects. We currently have entitlements to support approximately 137,000 additional square feet of office and retail space at our properties. In addition, we expect to obtain entitlements and approvals for a further 92,000 square feet of office space. Furthermore, upon consummation of this offering we will acquire an approximately 80,000 square foot building located on our Carmel Mountain Plaza property, which was vacated by Mervyn's in conjunction with its bankruptcy and was acquired by an affiliate of the Rady Trust on November 10, 2010. We will use a portion of the proceeds from this offering to repay the indebtedness incurred in connection with the purchase of this building, which we intend to reposition and re-lease. Our senior management team successfully completed significant repositioning and redevelopment projects at many of our properties, including Del Monte Center, Solana Beach Towne Centre and Waikele Center. In addition, our senior management team has significant experience with the development and redevelopment of retail and office properties in our core markets, which we believe enhance our ability to capitalize on these internal growth opportunities. For example, we developed three of our retail properties, Carmel

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

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

Business and Growth Strategies

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

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

- ***Repositioning/Redevelopment and Development of Office and Retail Properties.*** We intend to selectively reposition and redevelop several of our existing or newly-acquired properties, and we will also selectively pursue ground-up development of undeveloped land where we believe we can generate attractive risk-adjusted returns. As of September 30, 2010, we have approved entitlements for approximately 137,000 additional square feet of development at our properties and expect to obtain entitlements and approvals for approximately 92,000 additional square feet of development. By repositioning and redeveloping these properties and pursuing ground-up development of undeveloped land, we seek to increase occupancy and rental rates, thereby producing favorable risk-adjusted returns on our invested capital. Our senior management team has redeveloped or developed over 5.4 million of square feet of commercial and residential properties over their careers at American Assets, Inc., and we intend to leverage this expertise to pursue our strategy. Examples of our senior management team's recent repositioning, redevelopment and development experience include the following:

  - *Del Monte Center*: Since acquiring the approximately 628,000 square foot Del Monte Center in Monterey, California in 2004, we have improved the tenant roster by executing a $25 million redevelopment plan, adding approximately 46,000 square feet, and re-leasing many of the stores to well-known, national retailers, including the Apple Store, Banana Republic, Lucky Brand Jeans, Pottery Barn and Williams-Sonoma. We also attracted several restaurant tenants, including California Pizza Kitchen, Islands Bar and Grill and P.F. Chang's China Bistro. Given the limited alternative locations for such tenants in this market, we believe that our combination of well-known retail and restaurant tenants will attract additional customers, thereby increasing sales and enhancing the value of the property. Following our redevelopment and re-leasing efforts, tenants at Del Monte Center (exclusive of anchor tenants) improved their sales per square foot at Del Monte Center from $373 in 2003 to $539 in 2009.

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

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

- *Lomas Santa Fe Plaza/Solana Beach Towne Centre*: We redeveloped the Lomas Santa Fe Plaza in 1997 and Solana Beach Towne Centre in 2000 and 2004 in order to provide improved aesthetics and landscaping, increased parking, improved ingress/egress and increased square footage, all of which required the demolition and new construction of a portion of both centers and the re-alignment of a public street. As a result of this redevelopment, we increased the size of the Vons grocery store at Lomas Santa Fe Plaza from approximately 25,000 square feet to approximately 50,000 square feet, while Solana Beach Towne Centre benefited from the removal of an outdated and redundant 25,000 square foot Vons building, which resulted in enhanced pedestrian plazas and walkways, additional surface parking and the addition of several new tenants, including Henry's Marketplace, Starbucks, Jamba Juice, Togo's and Panda Express. Since the completion of the redevelopment, sales at both centers have increased. Moreover, despite a decrease of approximately 3,200 rentable square feet at Solana Beach Towne Centre resulting from the redevelopment, we estimate that annualized base rent as of September 30, 2010 was approximately $699,000 greater than what annualized base rent would have been if the redundant Vons grocery store had remained.

- ***Disciplined Capital Recycling Strategy.*** We intend to pursue an efficient asset allocation strategy that maximizes the value of our investments by selectively disposing of properties whose returns appear to have been maximized and redeploying capital into acquisition, repositioning, redevelopment and development opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT. We have an extensive track record of completing many significant commercial real estate acquisitions and dispositions and remain thorough in our underwriting, carefully analyzing potential acquisitions to determine which best fit our investment criteria and which will generate attractive risk-adjusted returns. Our underwriting process leverages our extensive knowledge of our local markets and includes comprehensive research of submarkets and competing properties, in-depth asset-level and tenant evaluations and extensive quantitative and qualitative analysis of each potential acquisition's risk and return characteristics. An integral part of our disciplined approach to acquisitions involves focusing primarily on long-term growth potential rather than short-term cash returns, in order to maximize our long-term return on invested capital. We spend significant time researching new markets prior to making a decision whether to expand into such markets. We believe our extensive network of long-standing relationships with real estate owners, developers, brokers, national and regional lenders, tenants and other market participants will allow us to capitalize on attractive acquisition opportunities as they arise in our markets, which opportunities may not be available to our competitors. Furthermore, we believe that our established operating platform and strong reputation within our markets make us a desirable buyer for those institutions and individuals seeking to sell properties.

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

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

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

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

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Our Portfolio

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

Retail and Office Portfolios

Property	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Retail Properties								
Carmel Country Plaza	San Diego, CA	1991	9	77,813	100.0%	$ 3,430,509	$ 44.09	$ 43.16
Carmel Mountain Plaza(1)(2)	San Diego, CA	1994	13	440,228	98.3	8,769,064	20.26	20.04
South Bay Marketplace(1)	San Diego, CA	1997	9	132,873	100.0	2,033,802	15.31	15.18
Rancho Carmel Plaza	San Diego, CA	1993	3	30,421	69.3	685,459	32.53	34.26
Lomas Santa Fe Plaza	Solana Beach, CA	1972/1997	9	209,569	94.3	5,084,868	25.72	25.06
Solana Beach Towne Centre	Solana Beach, CA	1973/2000/2004	12	246,730	96.0	5,229,426	22.07	22.21
Del Monte Center(1)	Monterey, CA	1967/1984/2006	16	674,224	96.9	8,864,335	13.57	12.56
The Shops at Kalakaua	Honolulu, HI	1971/2006	3	11,671	100.0	1,535,028	131.52	130.66
Waikele Center	Waipahu, HI	1993/2008	9	537,965	94.3	16,509,053	32.53	32.43
Alamo Quarry(1)	San Antonio, TX	1997/1999	16	589,479	96.0	11,749,066	20.76	20.75
Subtotal/Weighted Average Retail Portfolio			99	2,950,973	96.2%	$ 63,890,611	$ 22.52	$ 22.24
Office Properties								
Torrey Reserve Campus	San Diego, CA	1996-2000	9	456,801	94.1%	$ 14,874,709	$ 34.62	$ 35.10
Solana Beach Corporate Centre	Solana Beach, CA	1982/2005	4	211,848	83.9	6,219,495	35.01	36.24
Valencia Corporate Center	Santa Clarita, CA	1999-2007	3	194,042	75.2	4,179,072	28.63	30.02
160 King Street	San Francisco, CA	2002	1	167,986	94.5	5,403,900	34.05	36.12
The Landmark at One Market(3)	San Francisco, CA	1917/2000	1	421,934	100.0	21,571,239	51.12	48.84
Subtotal/Weighted Average Office Portfolio			18	1,452,611	91.8%	$ 52,248,414	$ 39.17	$ 38.70
Total/Weighted Average Retail and Office Portfolio			**117**	**4,403,584**	**94.7%**	**$116,139,025**	**$ 27.84**	**$ 27.67**

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Mixed-Use Portfolio

Retail Portion	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased	Annualized Base Rent	Annualized Base Rent per Leased Square Foot	Average Net Effective Annual Base Rent per Leased Square Foot
Waikiki Beach Walk—Retail(4)	Honolulu, HI	2006	1	96,569	97.4%	$9,374,832	$ 99.72	$ 102.13

Hotel Portion	Location	Year Built/ Renovated	Number of Buildings	Units	Average Occupancy	Average Daily Rate	Revenue per Available Room	Total Revenue
Waikiki Beach Walk—Embassy Suites™(5)	Honolulu, HI	2008	2	369	86.6%	$ 223.41	$ 193.52	$26,657,515

Multifamily Portfolio

Property	Location	Year Built/ Renovated	Number of Buildings	Units	Percentage Leased	Annualized Base Rent	Average Monthly Base Rent per Leased Unit
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	91.4%	$ 9,232,224	$1,536
Imperial Beach Gardens	Imperial Beach, CA	1959/2008-present	26	160	93.8%	2,651,328	1,472
Mariner's Point	Imperial Beach, CA	1986	8	88	95.5%	1,048,884	1,040
Santa Fe Park RV Resort(6)	San Diego, CA	1971/2007-2008	1	126	79.1%	740,856	620
Total/Weighted Average Multifamily Portfolio			**115**	**922**	**90.5%**	**$13,673,292**	**$1,365**

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

Property	Number of Ground Leases	Square Footage Leased Pursuant to Ground Leases	Aggregate Annualized Base Rent
Carmel Mountain Plaza	6	127,112	$ 1,020,900
South Bay Marketplace	1	2,824	$ 81,540
Del Monte Center	2	295,100	$ 201,291
Alamo Quarry	4	31,994	$ 428,250

(2) On November 10, 2010, an entity wholly owned by the Rady Trust purchased for approximately $13.2 million an approximately 80,000 rentable square foot building, located at Carmel Mountain Plaza, that was vacated by Mervyn's in conjunction with its bankruptcy. This building will be acquired by us upon consummation of this offering in exchange for the assumption of the outstanding debt on the property.

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

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

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

(6) The Santa Fe Park RV Resort is subject to seasonal variation, with higher rates of occupancy occurring during the summer months. During the 12 months ended September 30, 2010, the highest average monthly occupancy rate for this property was 98%, occurring in July 2010, and the lowest average monthly occupancy rate for this property was 68%, occurring in April 2010. For the 12-month period ended September 30, 2010, the total base rent for this property was $835,224. The number of units at the Santa Fe Park RV Resort includes 122 RV spaces and four apartments.

In the tables above:

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

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

- Annualized base rent is calculated by multiplying (1) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (2) 12. Annualized base rent per leased square foot is calculated by dividing (1) annualized base rent, by (2) square footage under commenced leases as of September 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Total abatements for leases in effect as of September 30, 2010 for (1) our retail and office portfolio and (2) our mixed-use portfolio will equal approximately $1.4 million and zero, respectively, for the 12 months ending September 30, 2011. Total abatements for leases in effect as of September 30, 2010 for our multifamily portfolio equaled approximately $758,000 for the 12 months ended September 30, 2010.

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

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

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

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

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Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Portfolio Net Rentable Square Feet	Annualized Base Rent(2)	Percentage of Retail Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	234,806	5.2%	—	—	—
2010	50	195,689	4.3	7,794,838	6.2%	$ 39.83
2011	79	228,056	5.1	8,832,352	7.0	38.73
2012	113	719,041	16.0	23,334,874	18.6	32.45
2013	97	654,313	14.5	18,207,041	14.5	27.83
2014	69	469,903	10.4	13,608,265	10.8	28.96
2015	67	337,585	7.5	11,633,899	9.3	34.46
2016	40	157,054	3.5	6,866,939	5.5	43.72
2017	25	196,385	4.4	5,512,937	4.4	28.07
2018	19	751,249	16.7	11,923,550	9.5	15.87
2019	17	245,201	5.4	10,285,476	8.2	41.95
Thereafter	20	310,871	6.9	7,513,686	6.0	24.17
Total:	596	4,500,153	100.0%	125,513,857	100.0%	$ 29.43

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

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

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

Retail Portfolio

Our retail portfolio contains ten retail properties comprising an aggregate of approximately 3.0 million rentable square feet. As of September 30, 2010, our retail properties were approximately 96.2% leased to approximately 344 tenants (or 97.3% leased, giving effect to leases signed but not commenced as of that date). All of our retail properties are located in prime California, Hawaii and Texas submarkets. As of September 30, 2010, the weighted average remaining lease term for our retail portfolio was 62.8 months.

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Tenant Diversification of Retail Portfolio

As of September 30, 2010, our retail portfolio was leased to 344 tenants in a variety of industries with no single tenant representing more than 6.2% of total annualized base rent for the retail portfolio. The following table sets forth information regarding the ten largest tenants in our retail portfolio based on annualized base rent as of September 30, 2010:

Tenant	Number of Leases	Number of Properties	Property(ies)	Lease Expiration	Total Leased Square Feet	Percentage of Retail Portfolio Net Rentable Square Feet	Annualized Base Rent(1)	Percentage of Retail Portfolio Annualized Base Rent
Lowe's	1	1	Waikele Center	5/31/18	155,000	5.3%	$3,992,647	6.2%
Kmart	1	1	Waikele Center	6/30/18	119,590	4.1	3,468,110	5.4
Foodland Super Market(2)	1	1	Waikele Center	1/25/14	50,000	1.7	2,247,578	3.5
Sports Authority	2	2	Carmel Mountain Plaza, Waikele Center	11/30/13 7/18/13	90,722	3.1	2,076,602	3.3
Ross Dress for Less	3	3	South Bay Marketplace, Lomas Santa Fe Plaza, Carmel Mountain Plaza	1/31/13 1/31/14	81,125	2.7	1,595,826	2.5
Borders	3	3	Alamo Quarry, Del Monte Center, Waikele Center	11/30/12 1/31/11 1/31/14	59,615	2.0	1,324,500	2.1
Officemax	2	2	Alamo Quarry, Waikele Center	11/30/12 1/31/14	47,962	1.6	1,164,761	1.8
Old Navy	3	3	Alamo Quarry, South Bay Marketplace, Waikele Center	9/30/12 5/31/11 7/31/12	59,780	2.0	*	*
Vons	1	1	Lomas Santa Fe Plaza	12/31/17	49,895	1.7	1,058,000	1.7
Marshalls	2	2	Carmel Mountain Plaza, Solana Beach Towne Centre	1/31/19 1/13/15	68,055	2.3	1,044,887	1.6
Top 10 Tenants Total	**19**				**781,744**	**26.5%**		

* Data withheld at tenant's request.

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

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

Lease Distribution of Retail Portfolio

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

Square Feet Under Lease	Number of Leases	Percentage of Retail Leases	Total Leased Square Feet	Percentage of Retail Portfolio Leased Square Feet	Annualized Base Rent(1)	Percentage of Retail Portfolio Annualized Base Rent
2,500 or less	226	55.4%	302,952	10.7%	$12,285,081	19.2%
2,501-10,000	132	32.4	634,458	22.4	20,195,980	31.6
10,001-20,000	15	3.7	219,099	7.7	4,191,011	6.6
20,001-40,000	22	5.4	615,090	21.7	10,968,882	17.2
40,001-100,000	9	2.2	470,918	16.6	8,240,359	12.9
Greater than 100,000	4	1.0	594,960	21.0	8,009,297	12.5
Retail Portfolio Total:	**408**	**100.0%**	**2,837,477**	**100.0%**	**$63,890,611**	**100.0%**

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

Lease Expirations of Retail Portfolio

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Retail Portfolio Net Rentable Square Feet	Annualized Base Rent(2)	Percentage of Retail Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	113,496	3.8%	—	—	—
2010	18	34,527	1.2	$ 604,988	0.9%	$ 17.52
2011	55	117,494	4.0	3,745,881	5.9	31.88
2012	73	354,135	12.0	8,587,427	13.4	24.25
2013	70	485,518	16.5	11,911,354	18.6	24.53
2014	56	400,495	13.6	11,025,531	17.3	27.53
2015	51	219,334	7.4	5,487,171	8.6	25.02
2016	27	98,541	3.3	3,635,721	5.7	36.90
2017	18	111,249	3.8	2,818,668	4.4	25.34
2018	15	735,394	24.9	10,940,601	17.1	14.88
2019	11	70,197	2.4	1,798,783	2.8	25.62
Thereafter	14	210,593	7.1	3,334,484	5.2	15.83
Retail Portfolio Total:	**408**	**2,950,973**	**100.0%**	**$63,890,611**	**100.0%**	**$ 22.52**

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

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Ground Leases of Retail Portfolio

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

Property	Tenant	Ground Leased Square Feet	Initial Expiration	Extension Options	Annualized Base Rent[(1)]
Carmel Mountain Plaza	Sears	107,870	6/30/18	6 x 5 yrs	$ 452,540
Carmel Mountain Plaza	Main St. California, Inc. d/b/a TGI Friday's	6,162	8/31/14	2 x 5 yrs	100,000
Carmel Mountain Plaza	California Pizza Kitchen	5,500	6/30/14	1 x 5 yrs	119,790
Carmel Mountain Plaza	In-N-Out Burger	2,912	8/31/13	2 x 5 yrs	119,471
Carmel Mountain Plaza	EZ Lube	2,694	5/31/14	2 x 5 yrs	129,274
Carmel Mountain Plaza	Taco Bell Corp.	1,974	6/30/13	2 x 5 yrs	99,825
Subtotal Carmel Mountain Plaza		**127,112**			**$1,020,900**
South Bay Marketplace	McDonald's	2,824	7/1/17	4 x 5 yrs	$ 81,540
Subtotal South Bay Marketplace		**2,824**			**$ 81,540**
Del Monte Center	Macy's[(2)]	212,500	7/31/18	5 x 10 yrs	$ 96,000[(3)]
Del Monte Center	KLA Monterey Leasehold, LLC (previously Mervyn's)	82,600	7/31/20	3 x 10 yrs	105,291[(4)]
Subtotal Del Monte Center		**295,100**			**$ 201,291**
Alamo Quarry	Chili's Grill & Bar	5,980	8/31/12	4 x 5 yrs	$ 90,000
Alamo Quarry	Joe's Crab Shack	11,300	10/31/17	2 x 5 yrs	107,250
Alamo Quarry	J. Alexander's Restaurant, Inc.	7,700	8/31/17	2 x 5 yrs	121,000
Alamo Quarry	P.F. Chang's China Bistro	7,014	9/30/13	3 x 5 yrs	110,000
Subtotal Alamo Quarry		**31,994**			**$ 428,250**
Total		**457,030**			**$1,731,981**

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

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Historical Retail Tenant Improvements and Leasing Commissions

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

	Year Ended December 31,			Nine Months Ended September 30,	Weighted Average January 1, 2007 to September 30,
	2007	2008	2009	2010	2010
Expirations					
Number of leases expired during applicable period	87	84	73	35	72
Aggregate net rentable square footage of expiring leases	256,322	719,316	328,483	158,430	379,452
Renewals					
Number of leases/renewals	43	24	21	23	28
Square feet	130,565	83,639	76,304	102,303	97,929
Tenant improvement costs[1]	$ 421,316	$ 410,084	$ 115,132	$ 279,684	$ 308,345
Leasing commission costs[1]	446,512	202,916	121,550	104,943	226,583
Total tenant improvement and leasing commission costs[1]	$ 867,828	$ 613,000	$ 236,682	$ 384,627	$ 534,928
Tenant improvement costs per square foot[1]	$ 3.23	$ 4.90	$ 1.51	$ 2.73	$ 3.15
Leasing commission costs per square foot[1]	3.42	2.43	1.59	1.03	2.31
Total tenant improvement and leasing commission costs per square foot[1]	$ 6.65	$ 7.33	$ 3.10	$ 3.76	$ 5.46
New Leases					
Number of leases	33	22	19	20	24
Square feet	119,563	189,023	125,620	97,261	135,240
Tenant improvement costs[1]	$7,293,862	$12,206,218	$ 792,593	$ 1,947,859	$ 5,800,951
Leasing commission costs[1]	808,477	1,223,931	570,064	492,028	792,398
Total tenant improvement and leasing commission costs[1]	$8,102,339	$13,430,149	$1,362,656	$ 2,439,887	$ 6,593,349
Tenant improvement costs per square foot[1]	$ 61.00	$ 64.58	$ 6.31	$ 20.03	$ 42.89
Leasing commission costs per square foot[1]	6.76	6.48	4.54	5.06	5.86
Total tenant improvement and leasing commission costs per square foot[1]	$ 67.76	$ 71.06	$ 10.85	$ 25.09	$ 48.75
Total					
Number of leases	76	46	40	43	52
Square feet	250,128	272,662	201,924	199,564	233,170
Tenant improvement costs[1]	$7,715,178	$12,616,303	$ 907,725	2,227,543	$ 6,109,297
Leasing commission costs[1]	1,254,989	1,426,847	691,614	596,971	1,018,981
Total tenant improvement and leasing commission costs[1]	$8,970,166	$14,043,149	$1,599,338	$ 2,824,514	$ 7,128,277
Tenant improvement costs per square foot[1]	$ 30.84	$ 46.27	$ 4.50	$ 11.16	$ 26.20
Leasing commission costs per square foot[1]	5.02	5.23	3.43	2.99	4.37
Total tenant improvement and leasing commission costs per square foot[1]	$ 35.86	$ 51.50	$ 7.93	$ 14.15	$ 30.57

(1) Reflects all tenant improvement and leasing commissions incurred during the calendar year, which may be different than the year in which the lease commenced.

Historical Retail Capital Expenditures

The following table sets forth certain information regarding historical capital expenditures at our retail properties for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010:

	Year Ended December 31,			Nine Months Ended September 30, 2010	Weighted Average January 1, 2007 to September 30, 2010
	2007	2008	2009		
Recurring capital expenditures (in thousands)	$ 501	$1,020	$ 13	$ 69	
Net rentable square feet at period end (in thousands)	2,937	2,951	2,951	2,951	
Recurring capital expenditures per square foot	$ 0.17	$ 0.35	—	$ 0.02	$ 0.14
Nonrecurring capital expenditures (in thousands)	$ —	$ 211	$1,003	—	
Net rentable square feet at period end (in thousands)	2,937	2,951	2,951	$ 2,951	
Nonrecurring capital expenditures per square foot	$ 0.00	$ 0.07	$ 0.34	$ —	$ 0.11

Description of Our Retail Properties

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

Southern California

Carmel Country Plaza

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

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

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Carmel Country Plaza Demographics

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

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

Source: Census, Claritas, Nielson Company

Carmel Country Plaza Primary Tenants

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

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Sharp Healthcare	Healthcare Services	3/31/18	—	6,987	9.0%	$ 333,563	$ 47.74	9.7%
Frazee Industries, Inc.	Paints	9/30/11	—	5,053	6.5	252,048	49.88	7.3
Blockbuster, Inc.	Entertainment	10/31/14	—	5,000	6.4	240,000	48.00	7.0
Katana Sushi	Restaurant	12/31/19	2 x 5 yrs	4,500	5.8	162,000	36.00	4.7
Oggi's Pizza & Brewing Company	Restaurant	8/15/11	—	3,151	4.0	134,546	42.70	3.9
Top 5 Total				**24,691**	**31.7%**	**$1,122,157**	**$ 45.45**	**32.7%**

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

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Carmel Country Plaza Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(2)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	—	—	—	—	—
2010	1	1,296	1.7%	$ 12,000	0.3%	$ 9.26
2011	13	22,473	28.9	1,017,026	29.6	45.26
2012	5	8,646	11.1	418,646	12.2	48.42
2013	4	7,535	9.7	349,872	10.2	46.43
2014	7	15,398	19.8	641,272	18.7	41.65
2015	5	6,300	8.1	256,545	7.5	40.72
2016	1	1,678	2.2	86,585	2.5	51.60
2017	—	—	—	—	—	—
2018	2	9,987	12.8	486,563	14.2	48.72
2019	1	4,500	5.8	162,000	4.7	36.00
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**39**	**77,813**	**100.0%**	**$3,430,509**	**100.0%**	**$ 44.09**

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

Carmel Country Plaza Percentage Leased and Base Rent

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

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	100.0%	$ 44.09	$ 43.16
December 31, 2009	97.7	43.15	43.86
December 31, 2008	95.1	44.35	42.89
December 31, 2007	92.7	41.37	42.95
December 31, 2006	95.7	39.53	38.42
December 31, 2005	97.8	35.83	34.94

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

The current real estate tax rate for Carmel Country Plaza is $10.099 per $1,000 of assessed value. The total annual tax for Carmel Country Plaza for the tax year ended June 30, 2010 was $180,685 (at a taxable assessed value of $16.8 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.014 per $1,000 of assessed value). In addition, there was $11,292 in various direct assessments imposed on Carmel County Plaza by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Carmel Mountain Plaza

As of September 30, 2010, Carmel Mountain Plaza was an approximately 440,000 square foot regional shopping center consisting of 13 buildings and 2,379 parking spaces spread over 39.7 acres. The property is situated on Carmel Mountain Road immediately east of Interstate 15, a major north-south corridor in San Diego County, and caters to the upscale, inland communities of Rancho Bernardo, Poway and Carmel Mountain Ranch. We acquired the property in 2003 and, as of September 30, 2010, the property was approximately 98.3% occupied, with major tenants including Sears, Roebuck and Co. d/b/a Sears, Sports Authority, Reading International, Inc. d/b/a Reading Cinemas, Sprouts Farmers Markets, LLC and Marshalls of CA, LLC d/b/a Marshalls. Additionally, on November 10, 2010, an entity wholly owned by the Rady Trust purchased for approximately $13.2 million an approximately 80,000 rentable square foot building located on the property vacated by Mervyn's in conjunction with its bankruptcy. This building will be acquired by us in the formation transactions in exchange for the assumption of the approximately $13.2 million of indebtedness outstanding on the property. A portion of the proceeds of this offering will be used to repay this debt. We believe that the repositioning of this building will provide a significant opportunity to increase cash flow and increase customer traffic at the property. Currently, we are actively negotiating with prospective tenants to lease this space, however there can be no assurance as to when or if a lease for this space will be signed.

In addition to the 440,000 rentable square feet discussed above, as of September 30, 2010, Mervyn's, Chevy's Fresh Mex, Boston West, LLC d/b/a Boston Market and Texaco Refining & Marketing, Inc., d/b/a Shell Oil/Gas Station owned and occupied an aggregate of 92,190 square feet of space in Carmel Mountain Plaza and paid their respective proportionate share, based on square footage, of the common area expenses for the property plus an administration fee on such amount. The building vacated by Mervyn's, as discussed above, constitutes approximately 80,000 of these 92,190 square feet. As a result of our acquisition of this building, the total rentable square feet at this property will increase to 520,000 square feet, and the aggregate number of square feet at this property not owned by us for which we receive common area expense payments and an administrative fee, will decrease to 12,190 square feet.

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

Carmel Mountain Plaza Demographics

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

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

Source: Census, Claritas, Nielson Company

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Carmel Mountain Plaza Primary Tenants

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

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Sears	Dept. Store	6/30/18	6 x 5 yrs	107,870	24.5%	$ 452,540	$ 4.20	5.2%
Sports Authority	Athletics	11/30/13	2 x 5 yrs	40,672	9.2	575,102	14.14	6.6
Reading Cinemas	Entertainment	7/31/13	2 x 5 yrs	34,561	7.9	904,189	26.16	10.3
Sprouts Farmers Market	Grocery	3/31/25	3 x 5 yrs	30,973	7.0	681,406	22.00	7.8
Marshalls	Dept. Store	1/31/19	1 x 5 yrs	28,760	6.5	491,221	17.08	5.6
Top 5 Total				**242,836**	**55.2%**	**$3,104,458**	**$ 12.78**	**35.4%**

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

Carmel Mountain Plaza Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Square Feet(2)	Annualized Base Rent(3)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(4)
Available	—	7,404	1.7%	—	—	—
2010	3	8,833	2.0	$ 60,000	0.7%	$ 6.79
2011	9	12,030	2.7	565,176	6.4	46.98
2012	9	34,781	7.9	1,202,810	13.7	34.58
2013	13	101,574	23.1	2,536,646	28.9	24.97
2014	9	72,302	16.4	1,564,538	17.8	21.64
2015	9	28,301	6.4	871,254	9.9	30.79
2016	2	5,600	1.3	251,812	2.9	44.97
2017	1	1,800	0.4	91,662	1.0	50.92
2018	1	107,870	24.5	452,540	5.2	4.20
2019	1	28,760	6.5	491,221	5.6	17.08
Thereafter	1	30,973	7.0	681,406	7.8	22.00
Total/Weighted Average:	**58**	**440,228**	**100.0%**	**$8,769,064**	**100.0%**	**$ 20.26**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes an aggregate of 127,112 square feet leased pursuant to six ground leases to Sears, TGI Friday's, California Pizza Kitchen, Inc., In-N-Out Burger, EZ Lube, Inc. and Taco Bell. See "—Ground Leases of Retail Portfolio."
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $1,020,900 pursuant to the six ground leases described above. See "—Ground Leases of Retail Portfolio."
(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

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Carmel Mountain Plaza Percentage Leased and Base Rent

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

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	98.3%	$ 20.26	$ 20.04
December 31, 2009	90.0	19.51	20.86
December 31, 2008	97.2	19.11	19.87
December 31, 2007	100.0	19.53	18.87
December 31, 2006	100.0	18.49	18.40
December 31, 2005	100.0	17.75	17.96

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes an aggregate of 127,112 square feet leased pursuant to ground leases to Sears, TGI Friday's, California Pizza Kitchen, In-N-Out, EZ Lube and Taco Bell. See "—Ground Leases of Retail Portfolio."

(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $1,020,900 pursuant to the six ground leases described above. See "—Ground Leases of Retail Portfolio."

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

The current real estate tax rate for Carmel Mountain Plaza is $10.481 per $1,000 of assessed value. The total annual tax for Carmel Mountain Plaza for the tax year ended June 30, 2010 was $1,123,966 (at a taxable assessed value of $105.9 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.368 per $1,000 of assessed value). In addition, there was $26,449 in various direct assessments imposed on Carmel Mountain Plaza by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

South Bay Marketplace

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

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

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

South Bay Marketplace Demographics

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

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

Source: Census, Claritas, Nielson Company

South Bay Marketplace Primary Tenants

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

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Office Depot Inc.	Office Supplies	4/30/12	3 x 5 yrs	30,686	23.1%	$485,462	$ 15.82	23.9%
Ross Dress for Less	Apparel	1/31/13	3 x 5 yrs	27,125	20.4	294,306	10.85	14.5
Grocery Outlet Inc.	Grocery	10/19/14	1 x 5 yrs	22,560	17.0	324,864	14.40	16.0
Old Navy	Apparel	5/31/11	3 x 5 yrs	20,000	15.1	*	*	*
FP Stores Inc.	Apparel	4/30/12	—	15,024	11.3	136,343	9.08	6.7
Top 5 Total				**115,395**	**86.9%**			

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

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South Bay Marketplace Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet(2)	Annualized Base Rent(3)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(4)
Available	—	—	—	—	—	—
2010	1	1,394	1.0%	$ 44,031	2.2%	$ 31.59
2011	2	22,880	17.2	378,891	18.6	16.56
2012	4	54,650	41.1	855,969	42.1	15.66
2013	2	28,565	21.5	348,507	17.1	12.20
2014	1	22,560	17.0	324,864	16.0	14.40
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	1	2,824	2.1	81,540	4.0	28.87
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**11**	**132,873**	**100.0%**	**$2,033,802**	**100.0%**	**$ 15.31**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes 2,824 square feet ground leased to McDonald's. See "—Ground Leases of Retail Portfolio."
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $81,540 pursuant to a ground lease to McDonald's. See "—Ground Leases of Retail Portfolio."
(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

South Bay Marketplace Percentage Leased and Base Rent

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

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	100.0%	$ 15.31	$ 15.18
December 31, 2009	100.0	15.26	14.91
December 31, 2008	100.0	14.95	14.73
December 31, 2007	100.0	14.54	13.98
December 31, 2006	100.0	13.69	13.27
December 31, 2005	100.0	12.99	12.80

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes 2,824 square feet ground leased to McDonald's. See "—Ground Leases of Retail Portfolio."

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(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $81,540 pursuant to a ground lease to McDonald's. See "—Ground Leases of Retail Portfolio."

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

Upon completion of this offering and the consummation of the formation transactions, South Bay Marketplace will be subject to a $23.0 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for South Bay Marketplace is $11.166 per $1,000 of assessed value. The total annual tax for South Bay Marketplace for the tax year ended June 30, 2010 was $168,407 (at a taxable assessed value of $15.0 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.701 per $1,000 of assessed value). In addition, there was $1,957 in various direct assessments imposed on South Bay Marketplace by the City of National City and County of San Diego for the tax year ended June 30, 2010.

Rancho Carmel Plaza

Rancho Carmel Plaza is a neighborhood shopping center consisting of approximately 30,000 rentable square feet and 68 parking spaces situated on a 3.3 acre lot. The three building property, acquired and developed by us in 1990 and 1993, respectively, is located on Rancho Carmel Drive near the intersection of Interstate 15 and Highway 56 in San Diego and serves the upscale community of Carmel Mountain. The neighborhood center is a key transportation hub for the area and includes the first structured Park-N-Ride commuter parking lot in California. Additionally, several nearby retailers, including Costco, Reading Cinemas, Ross Dress for Less, Sports Authority and Barnes & Noble, attract potential customers to the area and create significant synergies with our center. As of September 30, 2010, the property was approximately 69.3% occupied, with major tenants including Oggi's Pizza & Brewery, Sprint PCS Assets, LLC d/b/a Sprint and USE Credit Union.

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

Rancho Carmel Plaza Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	17,020	116,369	250,260	37,853,430	309,038,974
2015 Projection	18,341	124,838	268,414	40,136,564	321,675,005
Estimated Growth 2010-2015	7.8%	7.3%	7.3%	6.0%	4.1%
Households					
2010 Estimate	6,330	40,295	85,976	12,653,856	116,136,617
2015 Projection	6,810	43,190	92,018	13,342,972	120,947,177
Estimated Growth 2010-2015	7.6%	7.2%	7.0%	5.4%	4.1%
2010 Estimated Average Household Income	$104,016	$117,920	$119,175	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 86,281	$ 98,077	$ 97,179	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

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Rancho Carmel Plaza Primary Tenants

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

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Oggi's Pizza & Brewing Co.	Restaurant	8/31/20	2 x 5 yrs	5,090	16.7%	$144,000	$ 28.29	21.0%
Sprint PCS Assets	Telecommunications	12/31/10	—	3,103	10.2	129,500	41.73	18.9
USE Credit Union	Financial Services	5/31/15	2 x 5 yrs	2,233	7.3	70,206	31.44	10.2
Sang Wook Lee d/b/a Carmel Plaza Cleaners	Dry Cleaning	7/31/13	—	1,683	5.5	72,205	42.90	10.5
Sandra Simpson Management, LLC d/b/a Doctors Weight Loss Clinic	Health	6/30/12	1 x 3 yrs	1,268	4.2	31,345	24.72	4.6
Top 5 Total				**13,377**	**44.0%**	**$447,256**	**$ 33.43**	**65.2%**

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

Rancho Carmel Plaza Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(2)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	9,349	30.7%	—	—	—
2010	1	3,103	10.2	$129,500	18.9%	$ 41.73
2011	2	1,924	6.3	57,446	8.4	29.86
2012	4	3,557	11.7	100,809	14.7	28.34
2013	2	2,947	9.7	120,481	17.6	40.88
2014	—	—	—	—	—	—
2015	2	3,437	11.3	97,638	14.2	28.41
2016	1	1,014	3.3	35,587	5.2	35.10
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	1	5,090	16.7	144,000	21.0	28.29
Total/Weighted Average:	**13**	**30,421**	**100.0%**	**$685,459**	**100.0%**	**$ 32.53**

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

Rancho Carmel Plaza Percentage Leased and Base Rent

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

Date	Percentage Leased(1)(2)	Annualized Base Rent per Leased Square Foot(3)	Average Net Effective Annual Base Rent per Leased Square Foot(4)
September 30, 2010	69.3%	$ 32.53	$ 34.26
December 31, 2009	81.6	30.46	32.65
December 31, 2008	100.0	30.88	28.47
December 31, 2007	100.0	29.75	27.77
December 31, 2006	100.0	27.80	26.39
December 31, 2005	100.0	26.22	25.56

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed a lease at Rancho Carmel Plaza for 1,604 net rentable square feet and an annualized base rent of approximately $43,000, which commenced subsequent to September 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for Rancho Carmel Plaza is $10.878 per $1,000 of assessed value. The total annual tax for Rancho Carmel Plaza for the tax year ended June 30, 2010 was $71,762 (at a taxable assessed value of $6.7 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.368 per $1,000 of assessed value). In addition, there was $2,440 in various direct assessments imposed on Ranch Carmel Plaza by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Lomas Santa Fe Plaza

Lomas Santa Fe Plaza is an approximately 210,000 rentable square foot grocery anchored neighborhood shopping center built in 1972 consisting of nine buildings and 740 parking spaces on a 17.4 acre lot. The property is situated on Lomas Santa Fe Drive, immediately east of Interstate 5, and is located approximately one mile from public beaches, providing essential retail services to the upscale coastal communities of Solana Beach and Rancho Santa Fe. We acquired the shopping center in 1995 and immediately redeveloped the anchor space by doubling its size to 50,000 square feet and signing a new lease with Vons Companies, Inc. d/b/a Vons. Other major tenants include Ross Stores, Inc. d/b/a Ross Dress for Less, We-R-Fabrics, Big 5 Sporting Goods Corp and 24 Hour Fitness USA, Inc., and, as of September 30, 2010, the property was approximately 94.3% occupied.

We have approved entitlements on Lomas Santa Fe Plaza for the redevelopment and development of 65,340 rentable square feet (including 45,553 additional rentable square feet). Subject to future market conditions, we may decide to redevelop the property based on the approved entitlements. We expect that such redevelopment and development would cost approximately $27.8 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering. Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Lomas Santa Fe Plaza.

Lomas Santa Fe Plaza Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	9,097	41,032	125,960	37,853,430	309,038,974
2015 Projection	9,273	42,639	135,083	40,136,564	321,675,005
Estimated Growth 2010-2015	1.9%	3.9%	7.2%	6.0%	4.1%
Households					
2010 Estimate	3,913	17,539	49,840	12,653,856	116,136,617
2015 Projection	4,021	18,379	53,537	13,342,972	120,947,177
Estimated Growth 2010-2015	2.8%	4.8%	7.4%	5.4%	4.1%
2010 Estimated Average Household Income	$145,673	$144,177	$150,037	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 98,958	$100,077	$106,634	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Lomas Santa Fe Plaza Primary Tenants

The following table summarizes information regarding the primary tenants of Lomas Santa Fe Plaza as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Vons	Grocery	12/31/17	2 x 5 yrs 1 x 4 yrs	49,895	23.8%	$1,058,000	$ 21.20	20.8%
Ross Stores, Inc.	Apparel	1/31/13	1 x 5 yrs	30,000	14.3	900,000	30.00	17.7
We-R-Fabrics	Home Design	3/31/13	2 x 3 yrs	13,926	6.6	144,000	10.34	2.8
Big 5 Sporting Goods	Sporting Goods	1/31/13	1 x 5 yrs	9,761	4.7	148,767	15.24	2.9
24 Hour Fitness	Fitness Center	9/7/14	2 x 5 yrs	8,355	4.0	224,797	26.91	4.4
Top 5 Total				**111,937**	**53.4%**	**$2,475,565**	**$ 22.12**	**48.7%**

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

Lomas Santa Fe Plaza Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(2)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	11,884	5.7%	—	—	—
2010	4	13,667	6.5	$ 200,134	3.9%	$ 14.64
2011	7	18,329	8.7	646,992	12.7	35.30
2012	10	12,774	6.1	454,910	8.9	35.61
2013	11	62,602	29.9	1,525,534	30.0	24.37
2014	6	20,378	9.7	491,649	9.7	24.13
2015	6	7,637	3.6	265,598	5.2	34.78
2016	1	4,816	2.3	183,935	3.6	38.19
2017	2	56,191	26.8	1,265,768	24.9	22.53
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	1	1,291	0.6	50,349	1.0	39.00
Total/Weighted Average:	**48**	**209,569**	**100.0%**	**$5,084,868**	**100.0%**	**$ 25.72**

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

Lomas Santa Fe Plaza Percentage Leased and Base Rent

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

Date	Percentage Leased(1)(2)	Annualized Base Rent per Leased Square Foot(3)	Average Net Effective Annual Base Rent per Leased Square Foot(4)
September 30, 2010	94.3%	$ 25.72	$ 25.06
December 31, 2009	96.1	25.74	25.37
December 31, 2008	98.0	25.73	25.61
December 31, 2007	99.0	22.45	22.45
December 31, 2006	99.3	21.14	21.37
December 31, 2005	97.7	20.48	20.88

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed a lease at Lomas Santa Fe Plaza for 1,043 net rentable square feet and an annualized base rent of $25,032, which commenced subsequent to September 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for Lomas Santa Fe Plaza is $12.366 per $1,000 of assessed value. The total annual tax for Lomas Santa Fe Plaza for the tax year ended June 30, 2010 was $316,141 (at a taxable assessed value of $25.6 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.104 per $1,000 of assessed value). In addition, there was $57,762 in various direct assessments imposed on Lomas Santa Fe Plaza by the City of Solana Beach and County of San Diego for the tax year ended June 30, 2010.

Solana Beach Towne Centre

Solana Beach Towne Centre is a grocery anchored neighborhood center consisting of 12 buildings, approximately 247,000 rentable square feet and 1,124 parking spaces that we acquired in 1997. The property, located immediately west of Interstate 5 at the Lomas Santa Fe Drive exit, caters to the San Diego communities of Solana Beach, Del Mar and Rancho Santa Fe. As of September 30, 2010, the property was approximately 96.0% occupied, with major tenants including Henry's Holdings, LLC d/b/a Henry's Marketplace, CVS Pharmacy, Marshalls of CA, LLC d/b/a Marshalls, ProBuild Company, LLC d/b/a Dixieline ProBuild and Staples Properties, Inc. d/b/a Staples.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Solana Beach Towne Centre. However, we have entitlements to develop an additional approximately 13,000 square feet on a neighboring lot which will serve to connect the Solana Beach Towne Centre with our neighboring office property, Solana Beach Corporate Centre. Subject to future market conditions, we may decide to develop the property based on the approved entitlements. We expect that such development would cost approximately $5.9 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Solana Beach Towne Centre Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	11,250	40,476	122,298	37,853,430	309,038,974
2015 Projection	11,478	41,993	130,929	40,136,564	321,675,005
Estimated Growth 2010-2015	2.0%	3.7%	7.1%	6.0%	4.1%
Households					
2010 Estimate	4,996	17,304	48,697	12,653,856	116,136,617
2015 Projection	5,142	18,109	52,240	13,342,972	120,947,177
Estimated Growth 2010-2015	2.9%	4.7%	7.3%	5.4%	4.1%
2010 Estimated Average Household Income	$130,502	$143,500	$148,107	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$ 88,920	$ 99,778	$105,007	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

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Solana Beach Towne Centre Primary Tenants

The following table summarizes information regarding the primary tenants of Solana Beach Towne Centre as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Dixieline ProBuild	Lumber & Supplies	6/30/14	2 x 5 yrs	41,400	16.8%	$ 541,235	$ 13.07	10.3%
Marshalls	Department Store	1/31/15	1 x 5 yrs	39,295	15.9	553,667	14.09	10.6
CVS Pharmacy	Pharmacy	9/10/14	3 x 5 yrs	25,500	10.3	60,000	2.35	1.1
Staples	Office Supplies	4/30/15	1 x 5 yrs	21,875	8.9	365,969	16.73	7.0
Henry's Marketplace	Grocery	6/30/14	3 x 5 yrs	14,986	6.1	356,418	23.78	6.8
Top 5 Total				**143,056**	**58.0%**	**$1,877,289**	**$ 13.12**	**35.9%**

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

Solana Beach Towne Centre Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring[1]	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent[2]	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot[3]
Available	—	9,746	4.0%	—	—	—
2010	1	1,698	0.7	$ 48,842	0.9%	$ 28.76
2011	10	11,359	4.6	464,374	8.9	40.88
2012	10	22,236	9.0	675,551	12.9	30.38
2013	2	4,830	2.0	204,104	3.9	42.26
2014	11	111,504	45.2	1,963,099	37.5	17.61
2015	10	72,898	29.5	1,343,478	25.7	18.43
2016	2	8,794	3.6	325,224	6.2	36.98
2017	—	—	—	—	—	—
2018	1	906	0.4	39,753	0.8	43.88
2019	—	—	—	—	—	—
Thereafter	1	2,759	1.1	165,000	3.2	59.80
Total/Weighted Average:	**48**	**246,730**	**100.0%**	**$5,229,426**	**100.0%**	**$ 22.07**

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

Solana Beach Towne Centre Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Solana Beach Towne Centre as of the dates indicated below:

Date	Percentage Leased(1)(2)	Annualized Base Rent per Leased Square Foot(3)	Average Net Effective Annual Base Rent per Leased Square Foot(4)
September 30, 2010	96.0%	$ 22.07	$ 22.21
December 31, 2009	97.8	21.42	21.05
December 31, 2008	98.0	20.31	20.01
December 31, 2007	98.5	19.75	19.02
December 31, 2006	100.0	18.43	17.82
December 31, 2005	96.7	17.72	17.54

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed a lease at Solana Beach Towne Centre for 4,981 net rentable square feet and an annualized base rent of approximately $102,000, which commenced subsequent to September 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

Upon completion of this offering and the consummation of the formation transactions, Solana Beach Towne Centre will be subject to a $39.9 million mortgage loan, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering.”

The current real estate tax rate for Solana Beach Towne Centre is $12.702 per $1,000 of assessed value. The total annual tax for Solana Beach Towne Centre for the tax year ended June 30, 2010 was $394,228 (at a taxable assessed value of $31.0 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.043 per $1,000 of assessed value). In addition, there was $82,440.40 in various direct assessments imposed on Solana Beach Towne Centre by the City of Solana Beach and County of San Diego for the tax year ended June 30, 2010.

Del Monte Center

Del Monte Center is an approximately 674,000 rentable square foot open-air regional shopping center in Monterey, California, which we have the ability to expand by an additional 15,000 rentable square feet. Located at the intersection of Highway 1 and Munras Avenue and serving as the area’s only regional shopping center, Del Monte Center has attracted major tenants such as The Apple Store, Pottery Barn, Williams-Sonoma, California Pizza Kitchen, Macy’s West, Inc. d/b/a Macy’s, Whole Foods Market California, Inc. d/b/a Whole Foods Market, Petco, Rite Aid and Century Theaters, Inc., as well as more than 70 national retailers, locally owned specialty shops and restaurants. The area’s strict zoning restrictions and regulations serve as high barriers to entry to competitors seeking to replicate Del Monte Center’s offerings in nearby locations. In 2007, two years after we acquired the property, we significantly renovated and repositioned the property. Del Monte Center is subject to an ongoing environmental remediation. See “—Regulation—Environmental Matters.”

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Del Monte Center.

Del Monte Center Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	California	United States
Population					
2010 Estimate	6,212	53,276	90,347	37,853,430	309,038,974
2015 Projection	6,031	52,439	90,487	40,136,564	321,675,005
Estimated Growth 2010-2015	(2.9)%	(1.6)%	0.2%	6.0%	4.1%
Households					
2010 Estimate	2,917	23,499	36,792	12,653,856	116,136,617
2015 Projection	2,849	23,274	36,813	13,342,972	120,947,177
Estimated Growth 2010-2015	(2.3)%	(1.0)%	0.1%	5.4%	4.1%
2010 Estimated Average Household Income	$84,231	$88,931	$88,090	$ 84,690	$ 71,071
2010 Estimated Median Household Income	$65,184	$65,851	$64,336	$ 62,401	$ 52,795

Source: Census, Claritas, Nielson Company

Del Monte Center Primary Tenants

The following table summarizes information regarding the primary tenants of Del Monte Center as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Macy's	Depart. Store	7/31/18	5 x 10 yrs	212,500	31.5%	$ 96,000	$ 0.45	1.1%
KLA Monterey	General Retail(3)	7/31/20	—	82,600	12.3	105,291	1.27	1.2
Century Theatres, Inc.	Entertainment	12/31/24	2 x 10 yrs	43,839	6.5	687,396	15.68	7.8
Macy's Furniture Gallery	Furniture	8/31/15	1 x 5 yrs	39,713	5.9	584,545	14.72	6.6
Whole Foods Market	Grocery	7/31/18	3 x 5 yrs	25,466	3.8	375,624	14.75	4.2
Top 5 Total				**404,118**	**59.9**	**$1,848,855**	**$ 4.58**	**20.9%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) Our tenant KLA Monterey is currently remodeling this space and is negotiating with an apparel company to sublease this space.

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Del Monte Center Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet(2)	Annualized Base Rent(3)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(4)
Available	—	21,072	3.1%	—	—	—
2010	3	3,336	0.5	$ 110,481	1.2%	$ 33.12
2011	8	24,308	3.6	460,055	5.2	18.93
2012	8	25,016	3.7	865,576	9.8	34.60
2013	8	29,344	4.4	904,743	10.2	30.83
2014	5	32,473	4.8	507,254	5.7	15.62
2015	11	66,605	9.9	1,358,179	15.3	20.39
2016	7	21,565	3.2	676,247	7.6	31.36
2017	10	25,270	3.7	935,656	10.6	37.03
2018	5	255,364	37.9	983,308	11.1	3.85
2019	4	12,505	1.9	369,070	4.2	29.51
Thereafter	6	157,366	23.3	1,693,767	19.1	10.76
Total/Weighted Average:	**75**	**674,224**	**100.0%**	**$8,864,335**	**100.0%**	**$ 13.57**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes an aggregate of 295,100 square feet ground leased to Macy's and KLA Monterey Leasehold, LLC. See "—Ground Leases of Retail Portfolio."
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $201,291 pursuant to the two ground leases described above. See "—Ground Leases of Retail Portfolio."
(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Del Monte Center Percentage Leased and Base Rent

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

Date	Percentage Leased(1)(2)	Annualized Base Rent per Leased Square Foot(3)	Average Net Effective Annual Base Rent per Leased Square Foot(4)
September 30, 2010	96.9%	$ 13.57	$ 12.56
December 31, 2009	98.0	15.35	12.73
December 31, 2008	98.7	15.27	12.34
December 31, 2007	94.3	13.52	11.97
December 31, 2006	96.6	12.96	11.60
December 31, 2005	97.8	13.25	11.54

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes an aggregate of 295,100 square feet ground leased to Macy's and KLA Monterey Leasehold, LLC. See "—Ground Leases of Retail Portfolio."

(2) We have executed three leases at Del Monte Center for an aggregate of 11,983 net rentable square feet and an aggregate annualized base rent of $115,000, which commenced subsequent to September 30, 2010.

(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $201,291 pursuant to the two ground leases described above. See "—Ground Leases of Retail Portfolio."

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

Upon completion of this offering and the consummation of the formation transactions, Del Monte Center will be subject to an $82.3 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Del Monte Center is $10.00 per $1,000 of assessed value. The total annual tax for Del Monte Center for the tax year ended June 30, 2010 was $959,726 (at a taxable assessed value of $93.8 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.00 per $1,000 of assessed value). In addition, there was $21,780 in various direct assessments imposed on Del Monte Center by the City of Monterey and County of Monterey for the 2009 tax year.

Oahu, Hawaii

The Shops at Kalakaua

The Shops at Kalakaua is an approximately 12,000 rentable square foot retail destination located in Honolulu, Hawaii. This project, located in the core of the Waikiki Special District, features four storefronts (three buildings) facing heavily trafficked Kalakaua Avenue, the primary thoroughfare in Waikiki. The Shops at Kalakaua is part of the hub of upscale retailers, restaurants, hotels and business plazas that make the area a heavily visited tourist destination. Conveniently located across the street from our mixed-use property, Waikiki Beach Walk, The Shops at Kalakaua was 100% occupied as of September 30, 2010 and features Oakley, Food Pantry, LTD d/b/a Whalers General Store, Swarovski Crystal and Diesel USA, Inc. Originally built in 1971, the property was renovated in 2006 as part of the Waikiki revitalization effort. Given its central Waikiki location, The Shops at Kalakaua enjoy excellent visibility, strong foot traffic and frequent business from both tourist as well as local shoppers.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of The Shops at Kalakaua.

The Shops at Kalakaua Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Hawaii	United States
Population					
2010 Estimate	48,076	181,672	270,108	1,300,985	309,038,974
2015 Projection	48,598	183,417	270,755	1,335,889	321,675,005
Estimated Growth 2010-2015	1.1%	1.0%	0.2%	2.7%	4.1%
Households					
2010 Estimate	25,499	83,578	111,981	444,202	116,136,617
2015 Projection	25,791	85,093	113,401	460,493	120,947,177
Estimated Growth 2010-2015	1.1%	1.8%	1.3%	3.7%	4.1%
2010 Estimated Average Household Income	$56,418	$ 69,774	$ 75,911	$ 85,525	$ 71,071
2010 Estimated Median Household Income	$43,215	$ 49,193	$ 52,464	$ 66,754	$ 52,795

Source: Census, Claritas, Nielson Company

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The Shops at Kalakaua Primary Tenants

The following table summarizes information regarding the tenants of The Shops at Kalakaua as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Whalers General Store	General Merchandise	5/31/14	2 x 5 yrs	3,597	30.8%	$ 410,058	$ 114.00	26.7%
Diesel U.S.A. Inc.	Apparel	1/31/14	1 x 5 yrs	3,340	28.6	462,924	138.60	30.2
Swarovski Crystal	Jewelry & Collectibles	1/31/21	—	2,606	22.3	299,690	115.00	19.5
Oakley	Eyewear	1/31/16	1 x 5 yrs	2,128	18.2	362,356	170.28	23.6
Total				**11,671**	**100.0%**	**$1,535,028**	**$ 131.52**	**100.0%**

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

The Shops at Kalakaua Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(2)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	—	—	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	—	—	—	—	—	—
2013	—	—	—	—	—	—
2014	2	6,937	59.4%	$ 872,982	56.9%	$ 125.84
2015	—	—	—	—	—	—
2016	1	2,128	18.2	362,356	23.6	170.28
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	1	2,606	22.3	299,690	19.5	115.00
Total/Weighted Average:	**4**	**11,671**	**100.0%**	**$1,535,028**	**100.0%**	**$ 131.52**

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

The Shops at Kalakaua Percentage Leased and Base Rent

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

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	100.0%	$ 131.52	$ 130.66
December 31, 2009	100.0	139.42	138.58
December 31, 2008	100.0	133.96	138.58
December 31, 2007	100.0	133.96	138.58
December 31, 2006	100.0	133.96	138.58
December 31, 2005	100.0	132.11	137.45

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

Upon completion of this offering and the consummation of the formation transactions, The Shops at Kalakaua will be subject to a $19.0 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for The Shops at Kalakaua is $12.89 per $1,000 of assessed value. The total annual tax for The Shops at Kalakaua for the tax year ended June 30, 2010 was $115,775 (at a taxable assessed value of $9.0 million and a real estate tax rate for the tax year ended June 30, 2010 of $12.40 per $1,000 of assessed value). In addition, there was $4,140 in various direct assessments imposed on The Shops at Kalakaua by the City of Honolulu and County of Honolulu for the tax year ended June 30, 2010.

Waikele Center

Waikele Center is a 538,000 rentable square foot regional open-air shopping center located in Waipahu, Hawaii, approximately 15 miles west of Honolulu. The property, positioned along a rapidly developing corridor of West Oahu, enjoys over 3,000 feet of frontage along Interstate H-1, which provides high visibility and convenient access to the highway. Waikele Center is situated on 41.85 acres and includes nine structures with 2,108 parking spaces. Initially built in phases between 1992 and 1993, construction of the ninth building, the Waikele Professional Center, was completed in 2008. This shopping complex is one of Central Oahu's largest and highest profile retail projects, and it is anchored by Lowe's Home Improvement, Kmart Corporation, Borders Book & Music, Officemax, Inc. and TSA Stores, Inc. d/b/a The Sports Authority. Along with Old Navy, the shopping center is home to multiple specialty retailers and restaurants that include Chili's Grill & Bar, Starbucks Corporation d/b/a Starbucks Coffee, Jamba Juice, McDonald's, KFC and various other quick-serve restaurants. Supported by solid demographics in the surrounding area, nearly all tenants in Waikele Center outperform their sister stores in Hawaii by a significant margin as measured by sales per square foot. In addition, Waikele Professional Center offers 17,177 rentable square feet of office/retail space, which is particularly attractive to medical and service practitioners integral to the community, adding a supportive service oriented dynamic to this property.

Additionally, the property is uniquely positioned by its proximity to the Waikele Premium Outlets, a factory outlet retail center. Catering to tourist and local trade, both our Waikele Center and the Waikele Premium Outlets enjoy a synergistic and symbiotic relationship, each with complimentary offerings that support a diverse shopping experience. Transport between these properties is encouraged via a free trolley service that circulates customers to various destinations.

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

Waikele Center Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Hawaii	United States
Population					
2010 Estimate	29,451	106,739	206,328	1,300,985	309,038,974
2015 Projection	30,425	108,785	211,364	1,335,889	321,675,005
Estimated Growth 2010-2015	3.3%	1.9%	2.4%	2.7%	4.1%
Households					
2010 Estimate	8,106	30,457	62,692	444,202	116,136,617
2015 Projection	8,502	31,312	64,694	460,493	120,947,177
Estimated Growth 2010-2015	4.9%	2.8%	3.2%	3.7%	4.1%
2010 Estimated Average Household Income	$103,133	$ 94,534	$ 97,103	$ 85,525	$ 71,071
2010 Estimated Median Household Income	$ 88,237	$ 81,458	$ 83,819	$ 66,754	$ 52,795

Source: Census, Claritas, Nielson Company

Waikele Center Primary Tenants

The following table summarizes information regarding the primary tenants of the Waikele Center as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration(1)	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(2)	Annualized Base Rent per Leased Square Foot(3)	Percentage of Property Annualized Base Rent
Lowe's	Hardware	5/31/18	3 x 5 yrs	155,000	28.8%	$3,992,647	$ 25.76	24.2%
Kmart	Discount Dept. Store	6/30/18	5 x 5 yrs	119,590	22.2	3,468,110	29.00	21.0
Sports Authority	Athletics	7/18/13	3 x 5 yrs	50,050	9.3	1,501,500	30.00	9.1
Foodland Super Market(4)	Grocery	1/25/14	—	50,000	9.3	2,247,578	44.95	13.6
Old Navy	Apparel	7/31/12	2 x 4 yrs	24,759	4.6	*	*	*
Top 5 Total				**399,399**	**74.2%**			

* Data withheld at tenant's request.
(1) Expiration dates assume no exercise of renewal, extension or termination options.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 under the applicable lease, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(4) Foodland Super Market, Ltd. has ceased all operations in its leased premises and has subleased the premises to International Church of the Foursquare Gospel. Although we are currently collecting the rent for the leased premises, Foodland Super Market, Ltd.'s lease expires in 2014 and it is unlikely that it will renew its lease with us. We expect to collect the full amount remaining under the lease in accordance with its terms; however, there can be no assurances that we will do so.

Waikele Center Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(2)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	30,484	5.7%	—	—	—
2010	3	—	—	—	—	—
2011	2	—	—	$ 33,600	0.2%	N/A
2012	2	26,943	5.0	737,297	4.5	$ 27.37
2013	7	67,348	12.5	2,589,676	15.7	38.45
2014	12	109,549	20.4	4,403,557	26.7	40.20
2015	3	9,470	1.8	509,220	3.1	53.77
2016	5	15,063	2.8	551,792	3.3	36.63
2017	—	—	—	—	—	—
2018	3	276,052	51.3	7,524,003	45.6	27.26
2019	2	3,056	0.6	159,908	1.0	52.33
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**39**	**537,965**	**100.0%**	**$16,509,053**	**100.0%**	**$ 32.53**

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

Waikele Center Percentage Leased and Base Rent

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

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	94.3%	$ 32.53	$ 32.43
December 31, 2009	94.3	32.19	32.18
December 31, 2008	97.4	30.33	30.61
December 31, 2007	100.0	28.88	31.03
December 31, 2006	100.0	27.68	31.12
December 31, 2005	99.0	27.04	30.83

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

Upon completion of this offering and the consummation of the formation transactions, Waikele Center will be subject to a $140.7 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Waikele Center is $12.40 per $1,000 of assessed value. The total annual tax for Waikele Center for the tax year ended June 30, 2010 was $1,880,167 (at a taxable assessed value of $151.6 million and a real estate tax rate for the tax year ended June 30, 2010 of $12.40 per $1,000 of assessed value). There were no direct assessments imposed on Waikele Center by the City of Waipahu or County of Honolulu for the tax year ended June 30, 2010.

San Antonio, Texas

Alamo Quarry

Alamo Quarry is a 59-acre lifestyle center, which offers shopping, dining and entertainment with a total of approximately 590,000 rentable square feet, and is located in San Antonio, Texas. Once the home of Alamo Cement Company, Alamo Quarry was constructed in 1997 and incorporates the property's original smokestacks, rock crusher building and other historic features. The property has highly visible frontage along the east side of Highway 281, one of San Antonio's busiest thoroughfares, and is easily accessible via the Basse Road and Jones-Maltsberger Road exits. Among more than 70 retail stores and restaurants, major tenants include Borders Books & Music, Whole Foods, Bed Bath & Beyond, Officemax, Old Navy, Michaels Stores, Inc. d/b/a Michaels Arts & Crafts and a Regal Cinemas, Inc. 16-Plex movie theatre.

Anticipated capital expenditure requirements for this property include a multi-year roof replacement project phased over four years. The anticipated capital expenditures for this project are $1,007,500; $735,300; $712,200; and $231,400 for 2010, 2011, 2012 and 2013, respectively. These anticipated capital expenditures will be funded with cash on hand.

Alamo Quarry Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Texas	United States
Population					
2010 Estimate	9,417	116,173	306,905	25,006,778	309,038,974
2015 Projection	10,086	121,176	319,219	26,983,559	321,675,005
Estimated Growth 2010-2015	7.1%	4.3%	4.0%	7.9%	4.1%
Households					
2010 Estimate	4,199	46,565	119,431	8,796,031	116,136,617
2015 Projection	4,521	48,384	124,067	9,473,062	120,947,177
Estimated Growth 2010-2015	7.7%	3.9%	3.9%	7.7%	4.1%
2010 Estimated Average Household Income	$99,839	$ 63,864	$ 54,307	$ 68,330	$ 71,071
2010 Estimated Median Household Income	$70,017	$ 42,460	$ 38,844	$ 49,723	$ 52,795

Source: Census, Claritas, Nielson Company

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Alamo Quarry Primary Tenants

The following table summarizes information regarding the primary tenants of Alamo Quarry as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Regal Cinemas	Entertainment	3/31/18	2 x 5 yrs	72,447	12.3%	$1,014,258	$ 14.00	8.6%
Bed Bath & Beyond	Housewares	1/31/13	3 x 5 yrs	40,015	6.8	510,000	12.75	4.3
Whole Foods Market	Grocery	10/31/12	4 x 5 yrs	38,005	6.4	436,867	11.49	3.7
Borders Books & Music	Books	11/30/12	4 x 5 yrs	30,000	5.1	585,000	19.50	5.0
Bally Total Fitness Corp.	Service	8/31/13	3 x 5 yrs	26,000	4.4	435,500	16.75	3.7
Top 5 Total				**206,467**	**35.0%**	**$2,981,625**	**$ 14.44**	**25.4%**

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

Alamo Quarry Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet(2)	Annualized Base Rent(3)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(4)
Available	—	23,557	4.0%	—	—	—
2010	1	1,200	0.2	—	—	—
2011	2	4,191	0.7	$ 122,322	1.0%	$ 29.19
2012	21	165,532	28.1	3,275,861	27.9	19.79
2013	21	180,773	30.7	3,331,792	28.4	18.43
2014	3	9,394	1.6	256,315	2.2	27.28
2015	5	24,686	4.2	785,260	6.7	31.81
2016	7	37,883	6.4	1,162,184	9.9	30.68
2017	4	25,164	4.3	444,042	3.8	17.65
2018	3	85,215	14.5	1,454,434	12.4	17.07
2019	3	21,376	3.6	616,585	5.2	28.84
Thereafter	3	10,508	1.8	300,272	2.6	28.58
Total/Weighted Average:	**73**	**589,479**	**100.0%**	**$11,749,066**	**100.0%**	**$ 20.76**

(1) Number of leases expiring reflects potential early terminations applicable to certain leases in the event that specified sales targets are not achieved as of such date.
(2) Percentage of property net rentable square feet includes an aggregate of 31,994 square feet ground leased to Joe's Crab Shack, J. Alexander's Restaurant, P.F. Chang's China Bistro and Chili's Grill & Bar. See "—Ground Leases of Retail Portfolio."
(3) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 for the leases expiring during the applicable period, by (ii) 12. Annualized base rent includes $428,250 pursuant to four ground leases. See "—Ground Leases of Retail Portfolio."
(4) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

Alamo Quarry Percentage Leased and Base Rent

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

Date	Percentage Leased(1)(2)	Annualized Base Rent per Leased Square Foot(3)	Average Net Effective Annual Base Rent per Leased Square Foot(4)
September 30, 2010	96.0%	$ 20.76	$ 20.75
December 31, 2009	94.2	20.52	20.81
December 31, 2008	96.7	20.57	20.50
December 31, 2007	96.3	19.68	19.73
December 31, 2006	96.1	18.87	19.58
December 31, 2005	97.8	18.06	19.23

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage. Square footage includes an aggregate of 31,994 square feet ground leased to Joe's Crab Shack, J. Alexander's Restaurant, P.F. Chang's China Bistro and Chili's Grill & Bar. See "—Ground Leases of Retail Portfolio."

(2) We have executed two leases at Alamo Quarry for an aggregate of 9,871 net rentable square feet and annualized base rent of $215,280, which commenced subsequent to September 30, 2010.

(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above. Annualized base rent includes $428,250 pursuant to four ground leases. See "—Ground Leases of Retail Portfolio."

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

Upon completion of this offering and the consummation of the formation transactions, Alamo Quarry will be subject to a $98.5 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Alamo Quarry is $24.649 per $1,000 of assessed value. The total annual tax for Alamo Quarry for the tax year ended December 31, 2009 was $3,531,595 (at a taxable assessed value of $138.8 million and a real estate tax rate for the tax year ended June 30, 2010 of $24.726 per $1,000 of assessed value). There were no direct assessments imposed on Alamo Quarry by the City of San Antonio or County of Bexar for the tax year ended December 31, 2009.

Office Portfolio

Our office portfolio consists of five office properties comprising an aggregate of approximately 1.5 million rentable square feet. As of September 30, 2010, our office properties were approximately 91.8% leased to 122 tenants (or 92.0% leased, giving effect to leases signed but not commenced as of that date). All of our office properties are located in prime California submarkets. As of September 30, 2010, the weighted average remaining lease term for our pro rata office portfolio was 37.3 months.

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Tenant Diversification of Office Portfolio

As of September 30, 2010, the properties in our office portfolio were leased to 122 tenants in a variety of industries with no single tenant representing more than 14.3% of total annualized base rent of our pro rata office portfolio. The following table sets forth information regarding the ten largest tenants in our office portfolio based on annualized base rent as of September 30, 2010:

Tenant	Number of Leases	Number of Properties	Property(s)	Lease Expiration	Total Leased Square Feet	Percentage of Office Portfolio Net Rentable Square Feet	Annualized Base Rent[1]	Percentage of Office Portfolio Annualized Base Rent
salesforce.com, inc.[2]	2	1	The Landmark at One Market	4/30/20 6/30/19	125,663	8.7%	$ 7,477,293	14.3%
Del Monte Corporation[2]	2	1	The Landmark at One Market	12/18/10	101,229	7.0	5,456,239	10.4
Insurance Company of the West[3]	3	2	Torrey Reserve Campus, Valencia Corporate Center	12/31/16[4] 6/30/19	147,196	10.1	4,344,283	8.3
DLA Piper[5]	1	1	160 King Street	2/28/12	69,656	4.8	3,243,784	6.2
Microsoft[6]	2	1	The Landmark at One Market	12/31/12	45,795	3.2	2,885,085	5.5
Autodesk[6]	2	1	The Landmark at One Market	12/31/15 12/31/17	46,170	3.2	2,202,706	4.2
Evelyn & Walter Haas Jr. Fund[6]	1	1	The Landmark at One Market	1/5/11	22,699	1.6	1,316,542	2.5
California Bank & Trust	2	1	Torrey Reserve Campus	5/31/19 10/31/19	29,985	2.1	1,310,616	2.5
McDermott Will & Emery	1	1	Torrey Reserve Campus	11/30/18	25,044	1.7	1,228,634	2.4
Vistage Worldwide, Inc.	1	1	Torrey Reserve Campus	6/30/13	36,980	2.5	1,131,588	2.2
Total					**650,417**	**44.8%**	**$30,596,769**	**58.6%**

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

(2) Del Monte Corporation announced that it will vacate its 101,229 square feet of office space at The Landmark at One Market when its lease expires in December 2010. Salesforce.com, which currently leases 125,663 square feet of office space at this property, has signed a lease to expand into the entire space to be vacated by Del Monte Corporation. Pursuant to the terms of this lease, which commences in June 2011 and has an initial term of ten years, salesforce.com will receive one year of free rent. Total abatements under the new lease are $4,276,899, including $356,408 for the month of June 2011.

(3) Insurance Company of the West was founded, and is indirectly controlled, by Mr. Rady, who currently serves as the chairman of its board of directors.

(4) The earliest optional termination date under this lease is June 30, 2012.

(5) DLA Piper has leased two floors of 160 King Street. DLA Piper has vacated this space in conjunction with its relocation to a new office building but will continue to pay rent on this space until the lease expires in February 2012. As part of DLA Piper's relocation, the manager of DLA Piper's new building is responsible for subleasing DLA Piper's vacated space in 160 King Street. As of September 30, 2010, 37,298 square feet, 28,788 square feet and 3,570 square feet of DLA Piper's vacated space has been subleased to Pier 38 Maritime Business, Greenberg Traurig, LLP and Capsilon Corporation, respectively. We will continue to collect rent from DLA Piper through February 2012 regardless of whether the remaining space is subleased.

(6) Autodesk has entered into leases to expand into the approximately 69,000 square feet of space currently leased by Microsoft and Evelyn & Walter Haas Jr. Fund. Since December 2007, Autodesk has subleased 45,795 square feet of space leased to Microsoft at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over Microsoft's entire 45,795 square feet of space upon the termination of Microsoft's lease in December 2012. In addition, Autodesk is currently subleasing 5,334 square feet of space leased to Evelyn & Walter Haas Jr. Fund, or the Haas Fund, at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over the Haas Fund's entire 22,699 square feet of space upon the termination of the Haas Fund's lease in January 2011.

Lease Distribution of Office Portfolio

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

Square Feet Under Lease	Number of Leases	Percentage of Office Leases	Total Leased Square Feet	Percentage of Office Portfolio Leased Square Feet	Annualized Base Rent(1)	Percentage of Office Portfolio Annualized Base Rent
2,500 or less	38	29.5%	54,371	4.1%	$ 1,799,131	3.4%
2,501-10,000	61	47.3	325,723	24.4	11,675,187	22.3
10,001-20,000	15	11.6	204,829	15.4	6,779,447	13.0
20,001-40,000	8	6.2	234,131	17.6	8,476,819	16.2
40,001-100,000	6	4.7	397,954	29.8	16,359,191	31.3
Greater than 100,000	1	0.8	116,851	8.8	7,158,640	13.7
Office Portfolio Total:	**129**	**100.0%**	**1,333,859**	**100.0%**	**$52,248,414**	**100.0%**

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

Lease Expirations of Office Portfolio

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

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Office Portfolio Net Rentable Square Feet	Annualized Base Rent(1)	Percentage of Office Portfolio Annualized Base Rent	Annualized Base Rent per Leased Square Foot(2)
Available	—	118,752	8.2%	—	—	—
2010	17	153,644	10.6	$ 6,698,398	12.8%	$ 43.60
2011	22	109,772	7.6	4,957,697	9.5	45.16
2012	32	358,722	24.7	13,756,380	26.3	38.35
2013	20	162,339	11.2	5,359,169	10.3	33.01
2014	10	67,449	4.6	2,360,600	4.5	35.00
2015	11	105,554	7.3	4,233,636	8.1	40.11
2016	5	48,322	3.3	1,526,332	2.9	31.59
2017	3	75,106	5.2	1,737,581	3.3	23.14
2018	2	11,182	0.8	365,039	0.7	32.65
2019	6	168,716	11.6	8,235,425	15.8	48.81
Thereafter	2	73,053	5.0	3,018,159	5.8	41.31
Office Portfolio Total:		**1,452,611**	**100.0%**	**$52,248,414**	**100.0%**	**$ 39.17**

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

Historical Office Tenant Improvements and Leasing Commissions

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

	Year Ended December 31,			Nine Months Ended September 30,	Weighted Average January 1, 2007 to September 30,
	2007	2008	2009	2010	2010
Expirations					
Number of leases expired during applicable period	17	16	34	18	21
Aggregate net rentable square footage of expiring leases	68,266	61,146	218,706	74,263	107,684
Renewals					
Number of leases/renewals	16	15	12	11	14
Square feet	112,374	160,828	136,363	276,157	164,449
Tenant improvement costs[1]	$ 233,613	$1,136,538	$ 352,108	$ 580,940	$ 575,457
Leasing commission costs[1]	585,248	1,036,349	716,818	2,821,937	1,187,965
Total tenant improvement and leasing commission costs[1]	$ 818,861	$2,172,887	$1,068,926	$ 3,402,877	$ 1,763,422
Tenant improvement costs per square foot[1]	$ 2.08	$ 7.07	$ 2.58	$ 2.10	$ 3.50
Leasing commission costs per square foot[1]	5.21	6.44	5.26	10.22	7.22
Total tenant improvement and leasing commission costs per square foot[1]	$ 7.29	$ 13.51	$ 7.84	$ 12.32	$ 10.72
New Leases					
Number of leases	32	8	9	14	16
Square feet	175,280	127,110	79,787	151,877	132,289
Tenant improvement costs[1]	$5,009,678	$1,222,534	$2,134,466	$ 705,909	$ 2,372,296
Leasing commission costs[1]	1,182,371	933,627	291,988	1,663,053	974,740
Total tenant improvement and leasing commission costs[1]	$6,192,049	$2,156,161	$2,426,453	$ 2,368,963	$ 3,347,036
Tenant improvement costs per square foot[1]	$ 28.58	$ 9.62	$ 26.75	$ 4.65	$ 17.93
Leasing commission costs per square foot[1]	6.75	7.35	3.66	10.95	7.37
Total tenant improvement and leasing commission costs per square foot[1]	$ 35.33	$ 16.97	$ 30.41	$ 15.60	$ 25.30
Total					
Number of leases	48	23	21	25	30
Square feet	287,654	287,938	216,150	428,034	296,738
Tenant improvement costs[1]	$5,243,291	$2,359,072	$2,486,574	$ 1,286,849	$ 2,947,753
Leasing commission costs[1]	1,767,619	1,969,976	1,008,805	4,442,306	2,162,705
Total tenant improvement and leasing commission costs[1]	$7,010,910	$4,329,048	$3,495,379	$ 5,729,155	$ 5,110,458
Tenant improvement costs per square foot[1]	$ 18.23	$ 8.19	$ 11.50	$ 3.01	$ 9.93
Leasing commission costs per square foot[1]	6.14	6.84	4.67	10.38	7.29
Total tenant improvement and leasing commission costs per square foot[1]	$ 24.37	$ 15.03	$ 16.17	$ 13.38	$ 17.22

(1) Reflects all tenant improvement and leasing commissions incurred during the calendar year, which may be different than the year in which the lease commenced.

Historical Office Capital Expenditures

The following table sets forth certain information regarding historical capital expenditures at the properties in our initial office portfolio for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010:

	Year Ended December 31,			Nine Months Ended September 30, 2010	Weighted Average January 1, 2010 to September 30, 2010
	2007	2008	2009		
Recurring capital expenditures (in thousands)	$ 398	$ 302	$ 265	$ 15	
Net rentable square feet at period end (in thousands)	1,454	1,454	1,453	1,453	
Recurring capital expenditures per square foot	$ 0.27	$ 0.21	$ 0.18	$ 0.01	$ 0.18
Nonrecurring capital expenditures (in thousands)	$ 931	$ 149	$ 42	—	
Net rentable square feet at period end (in thousands)	1,454	1,454	1,453	$ 1,453	
Nonrecurring capital expenditures per square foot	$ 0.64	$ 0.10	$ 0.03	—	$ 0.21

Description of Our Office Properties

The Landmark at One Market will account for more than 10% of our total assets, based on book value, or more than 10% of our gross revenues as of, and for the year ended, December 31, 2009. Our five other office properties described below will each account for less than 10% of our total assets, based on book value, and less than 10% of our gross revenues as of, and for the year ended December 31, 2009.

Southern California

Torrey Reserve Campus

Torrey Reserve Campus is an office campus situated in a prime coastal location in the Del Mar Heights area of San Diego between La Jolla and Del Mar and is conveniently accessible from Interstate 5, Interstate 805 and Highway 56. The campus has views of the Pacific Ocean and the Torrey Pines state park, and is extensively landscaped with numerous high quality tenant amenities including two fully equipped gymnasiums for exclusive tenant use and a 41,000 square foot parking lot.

Torrey Reserve Campus is comprised of seven multi-tenant office buildings and two single-tenant buildings on 11 acres offering approximately 457,000 rentable square feet of space, as described below:

- *ICW Plaza*: ICW Plaza is an approximately 156,000 rentable square foot office building with Insurance Company of the West as a major tenant. ICW Plaza will serve as the headquarters of American Assets Trust, Inc.
- *Torrey Reserve—North Court*: Torrey Reserve—North Court consists of two buildings totaling approximately 130,000 rentable square feet of office space with major tenants including the law firm McDermott Will & Emery and California Bank and Trust.
- *Torrey Reserve—South Court*: Torrey Reserve—South Court consists of two buildings totaling approximately 130,000 rentable square feet of office space with international executive training firm Vistage Worldwide as a major tenant.
- *Torrey Reserve—VC I*: Torrey Reserve—VC I is an office building consisting of approximately 11,000 rentable square feet occupied by California Bank and Trust.

- *Torrey Reserve—VC II*: Torrey Reserve—VC II is a single tenant building consisting of approximately 8,000 rentable square feet occupied by a Ruth's Chris Steak House.
- *Torrey Reserve—VC III*: Torrey Reserve—VC III is an office building consisting of approximately 14,000 rentable square feet occupied by the San Diego Fertility Center and Changes Plastic Surgery.
- *Torrey Reserve—Daycare*: Torrey Reserve—Daycare is a single tenant building consisting of approximately 8,000 rentable square feet occupied by Bright Horizons, a daycare center.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Torrey Reserve Campus. However, we have approved entitlements to further develop two parcels totaling approximately 17 acres. On one parcel, we have approved entitlements to build three additional office buildings totaling approximately 41,692 square feet, as well as a subterranean parking structure. On the other parcel, we have approved entitlements to build two additional office buildings, totaling approximately 40,000 square feet. Subject to future market conditions, we may decide to develope the property based on the approved entitlements. We expect that such development would cost approximately $16.7 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Torrey Reserve Campus Primary Tenants

The following table summarizes information regarding the primary tenants of Torrey Reserve Campus as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[1]	Annualized Base Rent per Leased Square Foot[2]	Percentage of Property Annualized Base Rent
Insurance Company of the West[3]	Insurance	12/31/16[4]	2 x 5 yrs	92,982	20.4%	$2,747,069	$ 29.54	18.5%
Vistage Worldwide Inc.	Executive Training	6/30/13	1 x 5 yrs	36,980	8.1	1,131,588	30.60	7.6
California Bank and Trust	Financial Services	5/31/19 10/31/19	2 x 5 yrs	29,985	6.6	1,310,616	43.71	8.8
McDermott Will & Emery	Legal Services	11/30/18[5]	2 x 5 yrs	25,044	5.5	1,228,634	49.06	8.3
Wells Fargo	Financial Services	6/30/12	—	24,829	5.4	1,036,075	41.73	7.0
Top 5 Total				**209,820**	**45.9%**	**$7,453,981**	**$ 35.53**	**50.1%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) Insurance Company of the West was founded, and is indirectly controlled, by Mr. Rady, who currently serves as the chairman of its board of directors.
(4) The earliest optional termination date under this lease is June 30, 2012.
(5) The earliest optional termination under this lease date is December 1, 2011.

Torrey Reserve Campus Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(1)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(2)
Available	—	27,167	5.9%	—	—	—
2010	5	17,176	3.8	$ 232,728	1.6%	$ 13.55
2011	7	48,979	10.7	2,198,180	14.8	44.88
2012	7	142,366	31.2	4,494,359	30.2	31.57
2013	8	67,907	14.9	2,322,388	15.6	34.20
2014	6	47,333	10.4	1,668,746	11.2	35.26
2015	5	29,380	6.4	1,030,853	6.9	35.09
2016	2	24,984	5.5	825,284	5.5	33.03
2017	—	—	—	—	—	—
2018	1	7,666	1.7	251,092	1.7	32.75
2019	4	43,843	9.6	1,851,078	12.4	42.22
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**45**	**456,801**	**100.0%**	**$14,874,709**	**100.0%**	**$ 34.62**

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

Torrey Reserve Campus Percentage Leased and Base Rent

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

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	94.1%	$ 34.62	$ 35.10
December 31, 2009	90.7	35.37	37.47
December 31, 2008	96.9	34.50	34.99
December 31, 2007	99.3	32.11	30.73
December 31, 2006	91.1	25.54	26.82
December 31, 2005	88.8	25.56	26.32

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

Upon completion of this offering and the consummation of the formation transactions, Torrey Reserve Campus will be subject to a $22.2 million mortgage loan and a $7.5 million mortgage loan, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering.”

The current real estate tax rate for Torrey Reserve Campus is $10.768 per $1,000 of assessed value. The total annual tax for Torrey Reserve Campus for the tax year ended June 30, 2010 was $1,235,311 (at a taxable assessed value of $113.1 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.104 per $1,000 of assessed value). In addition, there was $92,457 in various direct assessments imposed on Torrey Reserve Campus by the City of San Diego and County of San Diego for the tax year.

Solana Beach Corporate Centre

Solana Beach Corporate Centre is located adjacent to Solana Beach Towne Centre between the Lomas Santa Fe and Via de La Valle exits off Interstate 5 in San Diego. Solana Beach Corporate Centre, which was constructed between 1982 and 2005, is comprised of four three-story buildings totaling approximately 212,000 rentable square feet of office space and offers the convenience of nearby restaurants and shopping. The property’s tenant base primarily consists of smaller legal, professional, medical office and financial service firms.

Other than (1) a facade beam replacement, which is expected to occur within the next two years and to cost approximately $1 million, and (2) recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Solana Beach Corporate Centre. The facade beam replacement will be funded out of cash on hand. In addition, as discussed above with respect to Solana Beach Towne Centre, we have entitlements to develop an additional approximately 13,000 square feet on the property, which will serve to connect the Solana Beach Corporate Centre with our neighboring retail property. Subject to future market conditions, we may decide to develop the property based on the approved entitlements. We expect that such development would cost approximately $5.9 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Solana Beach Corporate Centre Primary Tenants

The following table summarizes information regarding the primary tenants of the Solana Beach Corporate Centre as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Daley & Heft Attorneys at Law	Legal Services	2/28/16	1 x 5 yrs	13,162	6.2%	$ 355,374	$ 27.00	5.7%
Arthur L. Gruen M.D.	Medical Services	3/31/12	1 x 5 yrs	13,075	6.2	486,390	37.20	7.8
Zenith Insurance Company	Insurance	5/31/11	1 x 5 yrs	9,740	4.6	388,071	39.84	6.2
Taiyo Yuden (USA), Inc.	General Office	4/30/14	2 x 5 yrs	9,698	4.6	358,611	36.98	5.8
Leavitt Group Agency of San Diego, Inc.	Insurance	3/31/13	2 x 5 yrs	9,072	4.3	278,299	30.68	4.5
Top 5 Total				**54,747**	**25.8%**	**$1,866,745**	**$ 34.10**	**30.0%**

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

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Solana Beach Corporate Centre Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(1)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(2)
Available	—	34,199	16.1%	—	—	—
2010	5	18,934	8.9	$ 682,504	11.0%	$ 36.05
2011	12	34,748	16.4	1,292,405	20.8	37.19
2012	14	56,055	26.5	2,066,091	33.2	36.86
2013	7	22,499	10.6	704,005	11.3	31.29
2014	3	13,929	6.6	485,381	7.8	34.85
2015	2	8,146	3.8	288,062	4.6	35.36
2016	3	23,338	11.0	701,047	11.3	30.04
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average	**46**	**211,848**	**100.0%**	**$6,219,495**	**100.0%**	**$ 35.01**

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

Solana Beach Corporate Centre Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for the Solana Beach Corporate Centre as of the dates indicated below:

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot)(3)
September 30, 2010	83.9%	$ 35.01	$ 36.24
December 31, 2009	88.7	35.31	34.96
December 31, 2008	93.1	34.94	35.08
December 31, 2007	92.0	33.40	30.55
December 31, 2006	68.4	32.33	31.29
December 31, 2005	55.0	26.68	25.29

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

Upon completion of this offering and the consummation of the formation transactions, Solana Beach Corporate Centre will be subject to a $49.3 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Solana Beach Corporate Centre is $12.241 per $1,000 of assessed value. The total annual tax for Solana Beach Corporate Centre for the tax year ended June 30, 2010 was $453,622 (at a taxable assessed value of $37.1 million and a real estate tax rate for the tax year ended June 30, 2010 of $10.043 per $1,000 of assessed value). In addition, there was $81,385 in various direct assessments imposed on Solana Beach Corporate Centre by the City of Solana Beach and County of San Diego for the tax year ended June 30, 2010.

Valencia Corporate Center

Valencia Corporate Center is an approximately 194,000 rentable square foot office complex consisting of three buildings located just off the Golden State Freeway in the rapidly developing Santa Clarita Valley of Los Angeles County. The entire complex was approximately 75.2% leased as of September 30, 2010. Two buildings, which were constructed in 1999, were approximately 81.7% leased as of September 30, 2010. The most recently constructed building, which was completed in 2007, offers lease-up potential and was approximately 57.2% leased as of September 30, 2010. We believe that this property's high quality construction will attract new tenants in the Valencia submarket, while maintaining cash flow from the existing tenant base. Major tenants include Insurance Company of the West, the Los Angeles Department of Children and Family Services and Psomas.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Valencia Corporate Center.

Valencia Corporate Center Tenants

The following table summarizes information regarding the primary tenants of the Valencia Corporate Center as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Insurance Company of the West(3)	Insurance	6/30/19	2 x 5 yrs	54,214	27.9%	$1,597,214	$ 29.46	38.2%
Los Angeles Department of Children and Family Services	Services	5/20/12	2 x 5 yrs	32,743	16.9	719,036	$ 21.96	17.2%
Psomas	Engineering	11/30/17	1 x 5 yrs	15,312	7.9	506,828	$ 33.10	12.1%
North LA County Regional Center	Non-profit Services	7/31/13	1 x 5 yrs	10,743	5.5	328,241	$ 30.55	7.9%
Creativa Associates Financial and Insurance Services, Inc.	Insurance	3/31/13	1 x 5 yrs	6,843	3.5	216,177	$ 31.59	5.2%
Top 5 Total				**119,855**	**61.8%**	**$3,367,496**	**$ 28.10**	**80.6%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) Insurance Company of the West was founded by, and is indirectly controlled by, Mr. Rady, who currently serves as the chairman of its board of directors. Insurance Company of the West has two leases at Valencia Corporate Center, one for 43,956 square feet expiring June 30, 2019 and one for 10,258 square feet that is month-to-month.

Valencia Corporate Center Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(1)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(2)
Available	—	48,095	24.8%	—	—	—
2010	2	14,602	7.5	$ 326,927	7.8%	$ 22.39
2011	—	—	—	—	—	—
2012	3	36,793	19.0	826,913	19.8	22.47
2013	4	25,581	13.2	785,413	18.8	30.70
2014	1	6,187	3.2	206,473	4.9	33.37
2015	—	—	—	—	—	—
2016	—	—	—	—	—	—
2017	1	15,312	7.9	506,828	12.1	33.10
2018	1	3,516	1.8	113,947	2.7	32.41
2019	1	43,956	22.7	1,412,570	33.8	32.14
Thereafter	—	—	—	—	—	—
Total/Weighted Average:	**13**	**194,042**	**100.0%**	**$4,179,072**	**100.0%**	**$ 28.63**

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

Valencia Corporate Center Percentage Leased and Base Rent

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

Date	Percentage Leased(1)(2)	Annualized Base Rent per Leased Square Foot(3)	Average Net Effective Annual Base Rent per Leased Square Foot(4)
September 30, 2010	75.2%	$ 28.63	$ 30.02
December 31, 2009	69.8	28.87	29.55
December 31, 2008	79.4	26.51	23.48
December 31, 2007	76.0	26.20	20.65
December 31, 2006	100.0	25.28	21.33
December 31, 2005	97.0	23.64	19.86

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.
(2) We have executed a lease at Valencia Corporate Center for 2,223 net rentable square feet and annualized base rent of approximately $97,000, which commenced subsequent to September 30, 2010.
(3) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.
(4) Average net effective annual base rent per leased square foot represents (i) the contractual base rent for leases in place as of the dates indicated above, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) square footage under commenced leases as of the same date.

The current real estate tax rate for Valencia Corporate Center is $14.377 per $1,000 of assessed value. The total annual tax for Valencia Corporate Center for the tax year ended June 30, 2010 was $364,703 (at a taxable assessed value of $25.6 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.6118 per $1,000 of assessed value). In addition, there was $67,644 in various direct assessments imposed on Valencia Corporate Center by the City of Santa Clarita and County of Los Angeles for the 2009 tax year.

Northern California

160 King Street

160 King Street is a nine story, high quality office building in the South of Market, or SOMA, submarket of San Francisco, California. Built in 2002, the building contains approximately 168,000 rentable square feet and a five-level structured parking garage that offers 376 reserved and public spaces on-site. The property is located directly across the street from AT&T Park, home of the San Francisco Giants, and is close to the city's financial district and the Moscone Convention Center. It is easily accessible by both public transportation and Highway 280 to residents throughout the San Francisco Peninsula and East Bay areas. The SOMA submarket historically has had a high concentration of technology and Internet-related tenants. As investments in technology-related businesses continue to increase, we believe that 160 King Street will attract many of these companies, enlarging and diversifying the potential tenant base for this property beyond more traditional knowledge-based tenants such as law firms and medical groups.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of 160 King Street.

160 King Street Primary Tenants

The following table summarizes information regarding the primary tenants of 160 King Street as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent[(1)]	Annualized Base Rent per Leased Square Foot[(2)]	Percentage of Property Annualized Base Rent
DLA Piper[(3)]	Legal Services	2/28/12	1 x 5 yrs	69,656	41.5%	$3,243,784	$ 46.57	60.0%
Brown & Toland	Medical Services	7/31/17	1 x 5 yrs	53,148	31.6	1,037,420	19.52	19.2
Liebert Cassidy Whitmore	Legal Services	2/28/15	1 x 5 yrs	11,162	6.6	401,832	36.00	7.4
Osterhouf Design Group	Design Services	6/30/15	1 x 5 yrs	10,696	6.4	310,184	29.00	5.7
Ligne Roset San Francisco	Interior Design	7/31/17	1 x 5 yrs	6,646	4.0	193,332	29.09	3.6
Top 5 Total				**151,308**	**90.1%**	**$5,186,552**	**$ 34.28**	**96.0%**

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 under the applicable lease, by (ii) 12.
(2) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(3) DLA Piper has leased two floors of 160 King Street. DLA Piper has vacated this space in conjunction with its relocation to a new office building but will continue to pay rent on this space until the lease expires in February 2012. As part of DLA Piper's relocation, the manager of DLA Piper's new building is responsible for subleasing DLA Piper's vacated space in 160 King Street. As of September 30, 2010, 37,298 square feet, 28,788 square feet and 3,570 square feet of DLA Piper's vacated space has been subleased to Pier 38 Maritime Business, Greenberg Traurig, LLP and Capsilon Corporation, respectively. We will continue to collect rent from DLA Piper through February 2012 regardless of whether the remaining space is subleased.

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160 King Street Lease Expirations

The following table sets forth the lease expirations for leases in place at 160 King Street as of September 30, 2010, plus available space, for each of the ten full calendar years beginning January 1, 2010. The information set forth in the table assumes that tenants exercise no renewal options and all early termination rights.

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases	Percentage of Property Square Feet	Annualized Base Rent(1)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(2)
Available	—	9,291	5.5%	—	—	—
2010	—	—	—	—	—	—
2011	—	—	—	—	—	—
2012	5	77,043	45.9	$3,461,132	64.0%	$ 44.92
2013	—	—	—	—	—	—
2014	—	—	—	—	—	—
2015	2	21,858	13.0	712,016	13.2	$ 32.57
2016	—	—	—	—	—	—
2017	2	59,794	35.6	1,230,752	22.8	$ 20.58
2018	—	—	—	—	—	—
2019	—	—	—	—	—	—
Thereafter	—	—	—	—	—	—
Total/Weighted Average	**9**	**167,986**	**100.0%**	**$5,403,900**	**100.0%**	**$ 34.05**

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

160 King Street Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for 160 King Street as of the dates indicated below:

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	94.5%	$ 34.05	$ 36.12
December 31, 2009	96.2	35.45	34.77
December 31, 2008	96.2	35.04	34.67
December 31, 2007	100.0	33.25	33.22
December 31, 2006	100.0	31.45	40.36
December 31, 2005	98.5	28.66	36.93

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

Upon completion of this offering and the consummation of the formation transactions, 160 King Street will be subject to a $33.3 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for 160 King Street is $11.643 per $1,000 of assessed value. The total annual tax for 160 King Street for the tax year ended June 30, 2010 was $865,782 (at a taxable assessed value of $74.7 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.59 per $1,000 of assessed value). In addition, there was $236 in various direct assessments imposed on 160 King Street by the City of San Francisco and County of San Francisco for the tax year ended June 30, 2010.

The Landmark at One Market

The Landmark at One Market is an 11-story, steel-framed, historic high quality office building located in San Francisco, California. The property has approximately 422,000 rentable square feet consisting of the Landmark office building, including approximately 44,220 rentable square feet of space located in an adjacent six-story leasehold known as the Annex, which we lease as lessee. We currently have a long-term master lease on the Annex with the master lessor, Paramount Group, effective through June 30, 2011, which we have the option to extend until 2026 by way of three five-year extension options. We exercised a renewal option for a renewal term of July 1, 2011 through June 30, 2016. Monthly lease payments during this renewal term will be the greater of current payments or 97.5% of the prevailing rate at the start of the renewal term. Currently, minimum annual payments under the lease are $1,403,000. The property is located across the street from the Embarcadero Centre and the historic Ferry Building at the corner of Market Street and Steuart Street in the core of San Francisco's Financial District. This location provides access to numerous tenant amenities, a developed transportation infrastructure and diverse cultural attractions. The Landmark at One Market is also the only building in San Francisco with panoramic views of the San Francisco Bay and both California and Market streets. The building, which was originally built in 1917 and served as the headquarters of the Southern Pacific Railroad until 1998, received a complete seismic retrofit and renovation in 2000. We believe The Landmark at One Market occupies a premier location in San Francisco's Financial District and will continue to command market leading rents from premier Bay Area tenants.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of The Landmark at One Market.

The Landmark at One Market Primary Tenants

The following table summarizes information regarding the primary tenants of The Landmark at One Market as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet(1)	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(2)	Annualized Base Rent per Leased Square Foot(3)	Percentage of Property Annualized Base Rent
salesforce.com(4)	Business Solutions	4/30/20 6/30/19	2 x 5 yrs	125,663	29.8%	$ 7,477,293	$ 59.50	34.7%
Del Monte Corporation(4)	Brand Management	12/18/10	2 x 5 yrs	101,229	24.0	5,456,239	53.90	25.3
Autodesk(5)	Software	12/31/15 12/31/17	1 x 3 yrs 1 x 4 yrs 1 x 6 yrs	46,170	10.9	2,202,706	47.71	10.2
Microsoft Corporation(5)	Software	12/31/12	—	45,795	10.9	2,885,085	63.00	13.4
Simpson Gumpertz & Heger	Architecture	10/31/13	—	27,226	6.5	782,322	28.73	3.6
Top 5 Total				**346,083**	**82.0%**	**$18,803,645**	**$ 54.33**	**87.2%**

(1) Total leased square feet includes approximately 44,220 rentable square feet of space leased to us under the master lease with Paramount Group.

(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 under the applicable lease, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent under the applicable lease, by (ii) square footage under such lease.
(4) Del Monte Corporation announced that it will vacate its 101,229 square feet of office space at The Landmark at One Market when its lease expires in December 2010. Salesforce.com, which currently leases 125,663 square feet of office space of this property, has signed a lease to expand into the entire space to be vacated by Del Monte Corporation. Pursuant to the terms of this lease, which commences in June 2011 and has an initial term of ten years, salesforce.com will receive one year of free rent. Total abatements under the new lease are $4,276,899, including $356,408 for the month of June 2011.
(5) Autodesk has entered into leases to expand into the approximately 69,000 square feet of space currently leased by Microsoft and Evelyn & Walter Haas Jr. Fund. Since December 2007, Autodesk has subleased 45,795 square feet of space leased to Microsoft at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over Microsoft's entire 45,795 square feet of space upon the termination of Microsoft's lease in December 2012. In addition, Autodesk is currently subleasing 5,334 square feet of space leased to Evelyn & Walter Haas Jr. Fund, or the Haas Fund, at The Landmark at One Market. We have entered into a lease with Autodesk, for Autodesk to take over the Haas Fund's entire 22,699 square feet of space upon the termination of the Haas Fund's lease in January 2011.

The Landmark at One Market Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring	Square Footage of Expiring Leases(1)	Percentage of Property Net Rentable Square Feet(1)	Annualized Base Rent(2)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	—	—	—	—	—
2010	5	102,932	24.4%	$ 5,456,239	25.3%	$ 53.01
2011	3	26,045	6.2	1,467,112	6.8	56.33
2012	3	46,465	11.0	2,907,885	13.5	62.58
2013	1	46,352	11.0	1,547,362	7.2	33.38
2014	—	—	—	—	—	—
2015	2	46,170	10.9	2,202,706	10.2	47.71
2016	—	—	—	—	—	—
2017	—	—	—	—	—	—
2018	—	—	—	—	—	—
2019	1	80,917	19.2	4,971,777	23.0	61.44
Thereafter	2	73,053	17.3	3,018,159	14.0	41.31
Total/Weighted Average:	**17**	**421,934**	**100.0%**	**$21,571,239**	**100.0%**	**$ 51.12**

(1) Amount includes approximately 44,220 rentable square feet of space leased to us under the master lease with Paramount Group, which we have subsequently subleased to tenants. Amounts are included for the years in which the leases with such tenants expire.
(2) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010 for the leases expiring during the applicable period, by (ii) 12.
(3) Annualized base rent per leased square foot is calculated by dividing (i) annualized base rent for leases expiring during the applicable period, by (ii) square footage under such expiring leases.

The Landmark at One Market Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for The Landmark at One Market as of the dates indicated below:

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	100.0%	$ 51.12	$ 48.84
December 31, 2009	100.0	50.71	49.28
December 31, 2008	100.0	50.11	49.27
December 31, 2007	100.0	49.24	49.04
December 31, 2006	90.0	54.44	54.48
December 31, 2005	99.0	56.17	47.94

(1) Percentage leased is calculated as (i) square footage under commenced leases as of the dates indicated above, divided by (ii) net rentable square feet, expressed as a percentage.

(2) Annualized base rent per leased square foot is calculated by dividing (i) base rental payments (defined as cash base rent (before abatements)) for the month ended as of the dates indicated above multiplied by 12, by (ii) square footage under commenced leases as of the dates indicated above.

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

Upon completion of this offering and the consummation of the formation transactions, The Landmark at One Market will be subject to a $133 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for The Landmark at One Market is $11.641 per $1,000 of assessed value. The total annual tax for The Landmark at One Market for the tax year ended June 30, 2010 was $2,407,249 (at a taxable assessed value of $207.7 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.59 of assessed value). In addition, there was $236 in various direct assessments imposed on The Landmark at One Market by the City of San Francisco and County of San Francisco for the tax year ended June 30, 2010.

Future Office Development

In addition to the properties discussed above, upon completion of this offering and consummation of the formation transactions, we will own two parcels of undeveloped land located in San Diego, California, collectively referred to as Sorrento Pointe, totaling approximately 14 acres. On March 8, 1998, we submitted to the City of San Diego a proposed development plan for Sorrento Pointe, which contemplates a two building, 79,053 square foot office project. If we obtain the entitlements, subject to future market conditions, we may decide to develop the property based on such entitlements. We expect that such development would cost approximately $30.3 million and would be funded out of cash on hand, borrowings under our anticipated credit facility, standard construction loans and/or, potentially, proceeds from this offering.

Currently, we lease portions of Sorrento Pointe to certain cellular providers to host cellular telecommunications installations. We receive $17,600 per month in aggregate rent under these leases. These cellular telecommunications installations will be incorporated into any future development of the property. The Sorrento Pointe land also contains a billboard that we expect to remove upon commencement of any development.

Mixed-Use Portfolio

Our mixed-use portfolio includes a mixed-use property comprised of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel. As of September 30, 2010, the retail portion of our mixed-use property was approximately 97.4% leased to 59 tenants. As of September 30, 2010 the weighted average remaining lease term for the retail portion of our mixed-use portfolio was 79.5 months. In addition, for the 12 months ended September 30, 2010, the average occupancy at the hotel portion of our mixed-use property was approximately 86.6%. Our mixed-use property is located in Honolulu, Hawaii.

Oahu, Hawaii

Waikiki Beach Walk

Waikiki Beach Walk is a mixed-use retail and hotel property in Honolulu, Hawaii, located just steps from the destination beaches of Waikiki, as well as the upscale offerings of Kalakaua Street. It contains approximately 97,000 rentable square feet of restaurant and retail space, for which construction was completed in 2008, and is conveniently located at the base of our 369-room Embassy Suites™ hotel, which was redeveloped and reconfigured as an all-suite hotel in 2007, and is managed by Outrigger Hotels & Resorts, or Outrigger. The 97,000 rentable square feet of restaurant and retail space includes approximately 3,000 rentable square feet that we lease from First Hawaiian Bank pursuant to a sublease, effective through December 31, 2021. Among the more than 40 retailers and restaurants at Waikiki Beach Walk, major tenants include Yard House Waikiki, LLC d/b/a Yard House Restaurant, QS Retail, Inc. d/b/a Quicksilver, Beachwalk Steak House, LLC d/b/a Ruth's Chris Steak House and Roy's Waikiki. At the hotel portion of this property, for the twelve month period ended September 30, 2010, we achieved an average occupancy of 86.6%, an average daily rate of $223.4, revenue per available room of $193.5 and total revenue of $26.7 million.

By providing centralized and convenient dining, shopping and lodging options for tourists, this property benefits from the synergies and competitive advantages created by a mixed-use property. For example the hotel consistently outperforms in its upscale and upper upscale peer groups for the local market. Further, because the property is at the heart of a tourist destination, local traffic accounts for a considerable portion of sales across most of our restaurants and shops.

Under our retail management agreement with Outrigger, we pay Outrigger a monthly management fee of 3% of net revenues from the retail property. Pursuant to the terms of the retail management agreement, if the agreement is terminated in certain instances, including our election not to repair damage or destruction at the property, a condemnation or our failure to make required working capital infusions, we will be obligated to pay Outrigger a termination fee equal to the sum of the management fees paid for the two calendar months immediately preceding the termination date. The retail management agreement may not be terminated by us or by Outrigger without cause.

Under our hotel management agreement with Outrigger, we pay Outrigger a monthly management fee of 6.0% of the hotel's gross operating profit, as well as 3.0% of the hotel's gross revenues to cover the monthly franchise royalty fee payable to the franchisor of the brand under which this hotel operates; provided that the aggregate management fee for any year shall not exceed 3.5% of the hotel's gross revenues for such fiscal year. Pursuant to the terms of the hotel management agreement, if the agreement is terminated in certain instances, including upon a transfer by us of the hotel or upon a default by us under the hotel management agreement, we will be required to pay a cancellation fee calculated by multiplying (1) the management fees for the previous 12 months by (2) (A) eight, if the agreement is terminated in the first 11 years, or (B) four, three, two or one, if the agreement is terminated in the twelfth, thirteenth, fourteenth or fifteenth year, respectively, of the term of the agreement. We may not terminate the hotel management agreement without cause.

Under the franchise license agreement between Outrigger and Promus Hotels, Inc., the franchisor of the brand "Embassy Suites™," Outrigger obtained the non-exclusive right to operate the hotel under the Embassy Suites brand for 15 years. The franchise license agreement provides that Outrigger must comply with certain management, operational, record keeping, accounting, reporting and marketing standards and procedures. In addition, Outrigger must pay a monthly franchise royalty fee equal to 4.0% of the hotel's gross room revenue and a program fee equal to 4.0% of the hotel's gross room revenue. The franchisor has a right of first offer to purchase the hotel if we propose to sell all or a portion of the hotel. In the event that we choose to dispose of the hotel, we would be required to notify the franchisor, prior to offering the hotel to any other potential buyer, of the price and conditions on which we would be willing to sell the hotel, and the franchisor would have the right, within 60 days of receiving such notice, to make an offer to purchase the hotel. If the franchisor makes an offer to purchase that is equal to or greater than the price and on substantially the same terms set forth in our notice, then we will be obligated to sell the hotel to the franchisor at that price and on those terms. The franchisor has waived its right of first offer with respect to a transfer pursuant to the proposed formation transactions. The franchisor may terminate the franchise license agreement at its option upon the occurrence of certain events including: Outrigger's failure to pay royalties and fees or comply with other covenants included in the franchise license agreement; bankruptcy; abandonment of the franchise; commission of a felony; or assignment of the franchise agreement without the consent of the franchisor.

Pursuant to a letter agreement dated September 6, 2010, we have agreed, provided that this offering is consummated, to: (1) use our best efforts to obtain the release of Outrigger from its guarantee with respect to a $130.3 million mortgage loan related to Waikiki Beach Walk—Retail that will remain outstanding after this offering, provided that, if the lender of such loan does not agree to such a release, we will use our best efforts to cause the lender to agree to look to us or the operating partnership for primary recourse under such guarantee prior to looking to Outrigger for any recourse under such guarantee and we or the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs as a secondary guarantor of such loan, provided further that, if neither of the foregoing proposals are accepted by such lender, then we and the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs under such guarantee; (2) assume the indemnification obligation which American Assets, Inc. had with respect to Outrigger with regarding any adverse tax consequences arising from the formation of the Waikiki Beach Walk—Embassy Suites™ tenancy in common; and (3) along with the operating partnership, waive and relinquish all rights and benefits afforded to us or the operating partnership, other than pursuant to documents entered into pursuant to the formation transactions to which certain affiliates of Outrigger are a party, for claims against Outrigger and/or its affiliates, for actions or omissions by Outrigger and/or its affiliates taken prior to the completion of the formation transactions.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Waikiki Beach Walk.

Waikiki Beach Walk—Retail Demographics

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

	1-Mile Radius	3-Mile Radius	5-Mile Radius	Hawaii	United States
Population					
2010 Estimate	44,896	173,966	264,609	1,300,985	309,038,974
2015 Projection	45,469	175,657	265,394	1,335,889	321,675,005
Estimated Growth 2010-2015	1.3%	1.0%	0.3%	2.7%	4.1%
Households					
2010 Estimate	23,722	79,961	110,727	444,202	116,136,617
2015 Projection	24,039	81,411	112,189	460,493	120,947,177
Estimated Growth 2010-2015	1.3%	1.8%	1.3%	3.7%	4.1%
2010 Estimated Average Household Income	$57,067	$ 70,098	$ 75,938	$ 85,525	$ 71,071
2010 Estimated Median Household Income	$43,768	$ 49,432	$ 52,484	$ 66,754	$ 52,795

Source: Census, Claritas, Nielson Company

Waikiki Beach Walk—Retail Primary Tenants

The following table summarizes information regarding the primary tenants of the Waikiki Beach Walk—Retail as of September 30, 2010:

Tenant	Principal Nature of Business	Lease Expiration	Renewal Options	Total Leased Square Feet	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(1)	Annualized Base Rent per Leased Square Foot(2)	Percentage of Property Annualized Base Rent
Yardhouse Restaurant	Restaurant	2/28/20	2 x 5 yrs	11,558	12.0%	$ 369,902	$ 32.00	3.9%
Roy's	Restaurant	1/31/22	—	10,229	10.6	442,448	43.25	4.7
Ruth's Chris Steak House	Restaurant	2/28/19	2 x 5 yrs	6,288	6.5	251,268	39.96	2.7
Quiksilver	Apparel	12/31/15	1 x 6 yr	6,214	6.4	1,528,644	246.00	16.3
G.P. Lewers, LLC d/b/a/ Giovanni's Pastrami	Restaurant	1/31/17	1 x 4 yrs 1 x 3 yrs	5,402	5.6	337,110	62.40	3.6
Top 5 Total				**39,691**	**41.1%**	**$2,929,374**	**$ 73.80**	**31.2%**

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

Waikiki Beach Walk—Retail Lease Expirations

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

Year of Lease Expiration	Number of Leases Expiring(1)	Square Footage of Expiring Leases	Percentage of Property Net Rentable Square Feet	Annualized Base Rent(2)	Percentage of Property Annualized Base Rent	Annualized Base Rent per Leased Square Foot(3)
Available	—	2,558	2.6%	—	—	—
2010	15	7,518	7.8	$ 491,452	5.2%	$ 65.37
2011	2	790	0.8	128,774	1.4	163.01
2012	8	6,184	6.4	991,068	10.6	160.26
2013	7	6,456	6.7	936,518	10.0	145.06
2014	3	1,959	2.0	222,135	2.4	113.39
2015	5	12,697	13.1	1,913,092	20.4	150.67
2016	8	10,191	10.6	1,704,886	18.2	167.29
2017	4	10,030	10.4	956,688	10.2	95.38
2018	2	4,673	4.8	617,910	6.6	132.23
2019	1	6,288	6.5	251,268	2.7	39.96
Thereafter	4	27,225	28.2	1,161,042	12.4	42.65
Total/Weighted Average:	**59**	**96,569**	**100.0%**	**$9,374,832**	**100.0%**	**$ 99.72**

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

Waikiki Beach Walk—Retail Percentage Leased and Base Rent

The following table sets forth the percentage leased, annualized base rent per leased square foot and average net effective annual base rent per leased square foot for Waikiki Beach Walk – Retail as of the dates indicated below:

Date	Percentage Leased(1)	Annualized Base Rent per Leased Square Foot(2)	Average Net Effective Annual Base Rent per Leased Square Foot(3)
September 30, 2010	97.4%	$ 99.72	$ 102.13
December 31, 2009	97.4	99.77	105.10
December 31, 2008	98.7	107.80	113.36
December 31, 2007	98.0	81.46	92.93
December 31, 2006	90.9	160.71	179.52

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

Waikiki Beach Walk—Embassy Suites™ Average Occupancy, Average Daily Rate and Revenue Per Available Room

The following table sets forth the average occupancy, average daily rate and revenue per available room for Waikiki Beach Walk—Embassy Suites™ as of the dates indicated below:

Date	Average Occupancy(1)	Average Daily Rate(2)	Revenue per Available Room(3)
September 30, 2010	86.6%	$223.41	$193.52
December 31, 2009	84.0	$228.31	191.78
December 31, 2008	84.7	$261.79	221.79
December 31, 2007 (4)	72.0	$231.39	166.59

(1) Average occupancy represents the percentage of available units that were sold during the 12-month period ended as of the dates indicated above, and is calculated by dividing (a) the number of units sold by (b) the product of the total number of units and the total number of days in the period.
(2) Average daily rate represents the average rate paid for the units sold, and is calculated by dividing (a) the total room revenue (i.e., excluding food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services) for the 12-month period ended as of the dates indicated above, by (b) the number of units sold.
(3) Revenue per available room, or RevPAR, represents the total unit revenue per total available units for the 12-month period ended as of the dates indicated above and is calculated by multiplying average occupancy by the average daily rate. RevPAR does not include food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services.
(4) A portion of Waikiki Beach Walk—Embassy Suites™ opened in December 2006 and the remainder opened in February 2007.

Upon completion of this offering and the consummation of the formation transactions, Waikiki Beach Walk—Retail will be subject to a $130.3 million mortgage loan, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering.”

The current real estate tax rate for Waikiki Beach Walk is $12.40 per $1,000 of assessed value. The total annual tax for Waikiki Beach Walk for the tax year ended June 30, 2010 was $772,847 (at a taxable assessed value of $62.3 million and a real estate tax rate for the tax year ended June 30, 2010 of $12.40 per $1,000 of assessed value). In addition, there was $9,556 in various direct assessments imposed on Waikiki Beach Walk by the City of Honolulu and County of Honolulu for the tax year ended December 31, 2009.

Historical Mixed-Use Tenant Improvements and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs per square foot for tenants at the retail portion of our mixed-use property for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010:

	Year Ended December 31,			Nine Months Ended September 30, 2010	Weighted Average January 1, 2010 to September 30, 2010
	2007	2008	2009		
Expirations					
Number of leases expired during applicable period	1	3	4	3	3
Aggregate net rentable square footage of expiring leases	522	6,936	3,380	2,836	3,457
Renewals					
Number of leases/renewals….	—	—	1	—	—
Square Feet….	—	—	959	—	256
Tenant improvement costs(1)	$ —	$ —	$100,005	$ —	$ 26,668
Leasing commission costs(1)	—	—	—	—	—
Total tenant improvement and leasing commission costs(1)	$ —	$ —	$100,005	$ —	$ 26,668
Tenant improvement costs per square foot(1)	$ —	$ —	$ 104.28	$ —	$ 104.28
Leasing commission costs per square foot(1)	—	—	—	—	—
Total tenant improvement and leasing commission costs per square foot(1)	$ —	$ —	$ 104.28	$ —	$ 104.28
New Leases					
Number of leases….	4	4	5	2	4
Square Feet….	3,080	7,366	2,920	1,925	3,949
Tenant improvement costs(1)	$131,762	$ —	$ —	$ —	$ 35,137
Leasing commission costs(1)	13,614	86,182	25,024	—	33,285
Total tenant improvement and leasing commission costs(1)	$145,376	$86,182	$ 25,024	$ —	$ 68,422
Tenant improvement costs per square foot(1)	$ 42.78	$ —	$ —	$ —	$ 8.90
Leasing commission costs per square foot(1)	4.42	11.70	8.57	—	8.43
Total tenant improvement and leasing commission costs per square foot(1)	$ 47.20	$ 11.70	$ 8.57	$ —	$ 17.33
Total					
Number of leases….	4	4	6	2	4
Square Feet….	3,080	7,366	3,879	1,925	4,205
Tenant improvement costs(1)	$131,762	$ —	$404,502	$ —	$ 61,805
Leasing commission costs(1)	13,614	86,182	33,243	—	33,285
Total tenant improvement and leasing commission costs(1)	$145,376	$86,182	$437,745	$ —	$ 95,090
Tenant improvement costs per square foot(1)	$ 42.78	$ —	$ 104.28	$ —	$ 14.70
Leasing commission costs per square foot(1)	4.42	11.70	8.57	—	7.92
Total tenant improvement and leasing commission costs per square foot(1)	$ 47.20	$ 11.70	$ 112.85	$ —	$ 22.61

(1) Reflects all tenant improvement and leasing commissions incurred during the calendar year, which may be different than the year in which the lease commenced.

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Historical Mixed-Use Capital Expenditures

The following table sets forth certain information regarding historical capital expenditures at the retail portion of Waikiki Beach Walk for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010:

	Year Ended December 31,			Nine Months Ended September 30, 2010	Weighted Average January 1, 2007 to September 30, 2010
	2007	2008	2009		
Recurring capital expenditures (in thousands)	$ 120	$ 120	$ 120	$ 90	
Net rentable square feet at period end (in thousands)	97	97	97	97	
Recurring capital expenditures per square foot	$ 1.24	$ 1.24	$ 1.24	$ 0.93	$ 1.24
Nonrecurring capital expenditures (in thousands)	—	$ —	$ 18	—	
Net rentable square feet at period end (in thousands)	97	97	97	97	
Nonrecurring capital expenditures per square foot	—	—	$ 0.19	—	$ 0.05

The following table sets forth certain information regarding furniture, fixture and equipment expense for the hotel portion of Waikiki Beach Walk for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010:

	Year Ended December 31,			Nine Months Ended September 31, 2010	Weighted Average January 1, 2007 to September 30, 2010
	2007	2008	2009		
Recurring furniture, fixture and equipment expense	$ 189	$ 189	$ 189	$ 142	$ 189
Nonrecurring furniture, fixture and equipment expense	—	$ 162	$ 6	—	$ 45

Multifamily Portfolio

Our multifamily portfolio consists of four multifamily properties comprising an aggregate of 922 units (including 122 RV spaces). As of September 30, 2010, our multifamily properties were approximately 90.5% leased. All of our multifamily properties are located in coastal submarkets in San Diego, California. Our multifamily leases, other than at our RV resort, generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms. Spaces at the RV resort can be rented at a daily, weekly or monthly rate.

Property	Location	Year Built/Renovated	Number of Buildings	Units[(1)]	Percentage Leased[(2)]	Annualized Base Rent[(3)]	Average Monthly Base Rent per Leased Unit[(4)]
Multifamily Properties							
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	91.4%	$ 9,232,224	$ 1,536
Imperial Beach Gardens	Imperial Beach, CA	1959/2008-present	26	160	93.8%	2,651,328	1,472
Mariner's Point	Imperial Beach, CA	1986	8	88	95.5%	1,048,884	1,040
Santa Fe Park RV Resort[(5)]	San Diego, CA	1971/2007-2008	1	126	79.1%	740,856	620
Total/Weighted Average			**115**	**922**	**90.5%**	**$13,673,292**	**$ 1,365**

(1) Units represent the total number of units available for rent at September 30, 2010.
(2) Percentage leased is calculated as (i) total units rented as of September 30, 2010, divided by (ii) total units available, expressed as a percentage.
(3) Annualized base rent is calculated by multiplying (i) base rental payments for the month ended September 30, 2010, by (ii) 12. Total abatements for leases in effect as of September 30, 2010 for our multifamily portfolio will equal approximately $758,299 for the 12 months ending September 30, 2010.
(4) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended September 30, 2010.
(5) The Santa Fe Park RV Resort is subject to seasonal variation with higher rates of occupancy occurring during the summer months. During the 12 months ended September 30, 2010, the highest average monthly occupancy rate for this property was 98.0%, occurring in July 2010, and the lowest average monthly occupancy rate for this property was 68.0%, occurring in April 2009. For the twelve month period ended September 30, 2010, the total base rent for this property was $835,224. The number of units at the Santa Fe Park RV Resort includes 122 units and four apartments.

Historical Multifamily Capital Expenditures

The following table sets forth certain information regarding historical capital expenditures at the multifamily properties in our portfolio for the years ended December 31, 2007, 2008 and 2009 and the nine months ended September 30, 2010:

	Year Ended December 31,			Nine Months Ended September 30,	Weighted Average January 1, 2007 to
	2007	2008	2009	2010	September 30, 2010
Recurring capital expenditures (in thousands)	$ 649	$ 397	$ 333	$ 147	
Total units at period end	922	922	922	922	
Recurring capital expenditures per unit	$ 703.96	$ 430.83	$ 360.99	$ 159.54	$ 430.78
Nonrecurring capital expenditures (in thousands)	$ 1,009	$ 1,194	$ 1,772	$ 224	
Total units at period end	922	922	922	922	
Nonrecurring capital expenditures per unit	$1,094.32	$1,294.92	$1,921.55	$ 242.71	$ 1,198.09

Description of our Multifamily Properties

Each of the following four multifamily properties will account for less than 10% of our total assets, based on book value, and less than 10% of our gross revenues as of, and for the year ended December 31, 2009.

Southern California

Loma Palisades

Loma Palisades is a high quality multifamily community comprised of 548 units consisting of single level, ranch-style and townhome-style two and three bedroom apartments. Centrally-located in San Diego's Point Loma community, the property offers apartments with balcony views, private garden patios and garage parking. Loma Palisades enjoys convenient access to all major San Diego freeways, the San Diego Airport and is approximately ten minutes to Downtown San Diego. The property was built in 1958 and over 91% of units received significant renovations during 2001-2008. Amenities, including eight swimming pools, two children's pools, a spa, a fully equipped fitness center, a half-court basketball court, sand volleyball court and 513 parking spaces, drive strong occupancy of 91.4% for the property. For the nine months ended September 30, 2010, Loma Palisades had an average monthly base rent per leased unit of $1,536.

Other than certain roof repairs, which we expect to cost approximately $250,000 and recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Loma Palisades. These anticipated capital expenditures will be funded with cash on hand.

Loma Palisades Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Loma Palisades as of the dates indicated below:

Date	Percentage Leased[(1)]	Average Monthly Base Rent per Leased Unit[(2)]
September 30, 2010	91.4%	$ 1,536
December 31, 2009	97.0	1,583
December 31, 2008	98.0	1,565
December 31, 2007	98.1	1,440
December 31, 2006	97.8	1,393
December 31, 2005	96.7	1,369

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Upon completion of this offering and the consummation of the formation transactions, Loma Palisades will be subject to a $73.7 million mortgage loan, as described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering.”

The current real estate tax rate for Loma Palisades is $11.079 per $1,000 of assessed value. The total annual tax for Loma Palisades for the tax year ended June 30, 2010 was $471,806, (at a taxable assessed value of $42.6 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.0195 per $1,000 of assessed value). In addition, there was $2,664 in various direct assessments imposed on Loma Palisades by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Imperial Beach Gardens

Imperial Beach Gardens is a high quality multifamily property containing 160 units consisting of spacious two and three bedroom townhouse apartments. Originally built in 1959, the property enjoys a small town feel while being conveniently located approximately 15 minutes from metropolitan San Diego. Residents of the townhouse-style homes benefit from a neighboring wildlife preserve, a lagoon and the Pacific Ocean. In addition to convenient access to the I-5, I-805 and San Diego Trolley, Imperial Beach Gardens is within two blocks of the beach and the Imperial Beach fishing pier. Kitchen and bathroom renovations in 2008 and 2009 contribute to Imperial Beach Gardens’ 93.8% occupancy as of September 30, 2010. Amenities for the property include two swimming pools, 160 covered carports with storage, a fitness center and “Smart Card” laundry facilities. Imperial Beach Gardens is competitively priced and located to serve San Diego’s naval demographic with many of its units leased to U.S. Navy personnel. As of September 30, 2010, the average base leased rental rate was $1,472 per unit.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Imperial Beach Gardens.

Imperial Beach Gardens Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Imperial Beach Gardens as of the dates indicated below:

Date	Percentage Leased(1)	Average Monthly Base Rent per Leased Unit(2)
September 30, 2010	93.8%	$ 1,472
December 31, 2009	97.6	1,366
December 31, 2008	99.1	1,347
December 31, 2007	98.2	1,311
December 31, 2006	96.5	1,284
December 31, 2005	93.8	1,247

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Upon completion of this offering and the consummation of the formation transactions, Imperial Beach Gardens will be subject to a $20.0 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Imperial Beach Gardens is $13.556 per $1,000 of assessed value. The total annual tax for Imperial Beach Gardens for the tax year ended June 30, 2010 was $128,973 (at a taxable assessed value of $9.7 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.3646 per $1,000 of assessed value). In addition, there was $19,061 in various direct assessments imposed on Imperial Beach Gardens by the City of Imperial Beach and County of San Diego for the tax year ended June 30, 2010.

Mariner's Point

Mariner's Point is the neighboring property to Imperial Beach Gardens and contains 88 one and two bedroom units. Located within three blocks of the Pacific Ocean, the community offers residents convenient beach access as well as views of the nearby wildlife reserve. Built in 1986, Mariner's Point is conveniently located near I-5 and I-805, offering easy commutes to downtown San Diego, Coronado and nearby Naval facilities. Amenities include a dedicated spa and swimming pool and a fitness center. The property contains 128 dedicated parking spaces. As of September 30, 2010, Mariner's Point was 95.5% occupied and had an average base rental rate of $1,040.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of Mariner's Point.

Mariner's Point Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Mariner's Point as of the dates indicated below:

Date	Percentage Leased[(1)]	Average Monthly Base Rent per Leased Unit[(2)]
September 30, 2010	95.5%	$ 1,040
December 31, 2009	97.1	1,099
December 31, 2008	99.1	1,094
December 31, 2007	98.8	1,077
December 31, 2006	99.3	1,054
December 31, 2005	98.4	1,020

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Upon completion of this offering and the consummation of the formation transactions, Mariner's Point will be subject to a $7.7 million mortgage loan, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Consolidated Indebtedness to be Outstanding after this Offering."

The current real estate tax rate for Mariner's Point is $14.237 per $1,000 of assessed value. The total annual tax for Mariner's Point for the tax year ended June 30, 2010 was $116,035 (at a taxable assessed value of $8.5 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.3646 per $1,000 of assessed value). In addition, there was $19,619 in various direct assessments imposed on Mariner's Point by the City of Imperial Beach and County of San Diego for the tax year June 30, 2010.

Santa Fe Park RV Resort

The Santa Fe Park RV Resort offers 122 RV spaces and four apartment units, conveniently located directly off the I-5. Designed for comfort and convenience, the resort offers spaces by the day, by the week, by the month, or longer. The Santa Fe Park RV Resort offers both locals and tourists looking to enjoy San Diego's mild, year-round climate the chance to take up temporary residence with a complete list of amenities. Full-hook up spaces with pads include free Satellite TV, free Wi-Fi, spa and swimming pool, a fully equipped fitness center and a mini theater. Developed in 1971 and renovated from 2007-2008, the Santa Fe Park RV Resort experiences strong occupancy. As of September 30, 2010, the Santa Fe Park RV Resort had an average monthly base rental rate of $620. As of September 30, 2010, the Santa Fe Park RV Resort was 79.1% occupied. Occupancy and rental rates at Santa Fe Park RV Resort are subject to seasonal variations as a result of its use by tourists visiting the San Diego area. Accordingly, occupancies and rents at Santa Fe Park RV Resort tend to peak in the summer months—the height of San Diego's tourist season—and again in the winter months, when many tourists visit the San Diego area to enjoy its mild year-round climate.

Santa Fe Park RV Resort Percentage Leased and Base Rent

The following table sets forth the percentage leased and the average monthly base rent per leased unit for Santa Fe Park RV Resort as of the dates indicated below:

Date	Percentage Leased[1]	Average Monthly Base Rent per Leased Unit[2]
September 30, 2010	79.1%	$ 620
December 31, 2009	76.7	544
December 31, 2008	80.8	571
December 31, 2007	81.4	563
December 31, 2006	84.7	566
December 31, 2005	84.4	547

(1) Percentage leased is calculated as (i) total units rented as of the dates indicated above, divided by (ii) total units available, expressed as a percentage.
(2) Average monthly base rent per leased unit represents the average monthly base rent per leased units for the 12-month period ended as of the dates indicated above.

Other than recurring capital expenditures, we have no immediate plans with respect to major renovation or redevelopment of the Santa Fe Park RV Resort.

The current real estate tax rate for Santa Fe Park RV Resort is $11.087 per $1,000 of assessed value. The total annual tax for Santa Fe Park RV Resort for the tax year ended June 30, 2010 was $27,181 (at a taxable assessed value of $2.5 million and a real estate tax rate for the tax year ended June 30, 2010 of $11.0195 per $1,000 of assessed value). In addition, there was $174 in various direct assessments imposed on Santa Fe Park RV Resort by the City of San Diego and County of San Diego for the tax year ended June 30, 2010.

Depreciation

The following table sets forth for each property that comprised 10% or more of our total consolidated assets as of December 31, 2009 or that had gross revenues that amounted to 10% or more of our consolidated gross revenues for the year end December 31, 2009 and component thereof upon which depreciation is taken, the (1) federal tax basis upon completion of this offering and the formation transactions, (2) depreciation rate, (3) method, and (4) life claimed with respect to such property or component thereof for purposes of depreciation.

Property	Federal Tax Basis	Rate	Method[1][2]	Life Claimed
Waikele Center	$ 183,028,920	2.564%-9.88%	Straight-Line, Declining Balance	15-39 years
The Landmark at One Market	$ 151,660,427	2.564%-9.88%	Straight-Line, Declining Balance	15-39 years

(1) Unless otherwise noted, depreciation method and life claimed for each property and component thereof is determined by reference to the IRS-mandated method for depreciating assets placed into service after 1986, known as the Modified Accelerated Cost Recovery System.
(2) Buildings, building improvements and tenant improvements are depreciated over 39 years using the straight-line method with the mid-month convention, or straight-line. Land improvements are depreciated over 15 years using the 150% declining balance switching to straight-line method, or declining balance.

In addition, we had an aggregate of approximately $2,936,821 in additional tax basis of depreciable furniture, fixtures and equipment associated with the properties in our portfolio as of December 31, 2009. Depreciation on this furniture, fixtures and equipment is computed on the straight-line and double declining balance methods over the claimed life of such property, which is either five or seven years.

Seasonality

The hotel portion of Waikiki Beach Walk and Santa Fe Park RV Resort are seasonal in nature. The hotel portion of Waikiki Beach Walk's occupancy tends to fluctuate in conjunction with the typical school year and has higher occupancy and rates in March, April, June, July, August and December. Santa Fe Park RV Resort's occupancy rates are the highest in the months of July and August and are lowest during months of April and May. This seasonality can be expected to cause quarterly fluctuations in our revenues for these properties.

Property Revenue and Operating Expenses

Due to the geographic diversity of our portfolio, our portfolio contains full service gross, modified gross and triple net leases. In the case of modified gross leases and triple net leases, base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. In order to provide a better understanding of how these expenses impact the comparability of the leases in place at the properties comprising our portfolio, the tables below include information regarding base rent, additional property income, billed expense reimbursements and property operating expenses associated with each of the properties in our portfolio. As our properties are self-managed, property operating expenses do not include property management fees (other than with respect to our Alamo Quarry property and our mixed-use property).

Retail Portfolio

Property	Base Rent(1)	Additional Property Income(2)	Billed Expense Reimbursements(3)	Property Operating Expenses(4)
Carmel Country Plaza	$ 3,342,332	$ 130,226(5)	$ 618,265	$ (545,740)
Carmel Mountain Plaza	8,462,855	164,420	2,492,242	(2,381,243)
South Bay Market Place	2,027,518	1,939	604,231	(590,197)
Rancho Carmel Plaza	745,563	42,758(6)	174,049	(271,245)
Lomas Santa Fe Plaza	5,088,536	26,292	842,177	(1,064,302)
Solana Beach Towne Centre	5,225,859	53,142	1,215,239	(1,156,608)
Del Monte Shopping Center	8,248,076	967,182	3,572,114	(4,062,739)(7)
The Shops at Kalakaua	1,475,266	77,644	172,524	(282,263)
Waikele Center	16,424,567	1,206,350	4,188,532	(5,002,622)
Alamo Quarry	11,589,460	315,233	5,093,583	(6,383,940)
Subtotal Retail Portfolio	**$62,630,032**	**$2,985,186**	**$ 18,972,956**	**$(21,740,899)**

(1) Represents base rent for the 12 months ended September 30, 2010 (before abatements) and excludes impact of straight line rent and FAS 141 adjustments. Total abatements for our retail portfolio were $47,467 for the 12 months ended September 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.
(2) Represents additional property-related income for the 12 months ended September 30, 2010, which includes (i) percentage rent, (ii) other rent (such as storage rent, license fees, film shooting income and association fees) and (iii) other property income (such as late fees, default fees, lease termination fees, parking revenue and the reimbursement of general excise taxes).
(3) Represents billed tenant expense reimbursements relating to the 12 months ended September 30, 2010. Includes accrued amount to be billed of approximately $119,000 for Macy's cost reimbursements at Del Monte Center.
(4) Represents property operating expenses for the 12 months ended September 30, 2010. Property operating expenses includes all rental expenses.
(5) Includes approximately $62,336 of lease termination fees.
(6) Includes approximately $9,000 of lease termination fees.
(7) Reflects the impact of a $59,448 insurance refund.

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Office Portfolio

Property	Base Rent(1)	Additional Property Income(2)		Billed Expense Reimbursements(3)	Property Operating Expenses(4)
Torrey Reserve Campus	$14,710,950	$ 276,497		$ 498,854	$ (3,160,456)
Solana Beach Corporate Centre	6,574,772	9,454		147,229	(1,340,858)
Valencia Corporate Center	4,117,544	12,831		19,337	(1,348,896)
160 King Street	5,622,412	1,146,071		1,136,335	(2,273,216)
The Landmark at One Market	21,509,754	115,733	(5)	1,462,818	(7,606,692)
Subtotal Office Portfolio	**$52,535,432**	**$1,560,586**		**$ 3,264,573**	**$(15,730,118)**

(1) Represents base rent for the 12 months ended September 30, 2010 (before abatements) and excludes impact of straight line rent and FAS 141 adjustments. Total abatements for our office portfolio were $1,395,619 for the 12 months ended September 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses.
(2) Represents additional property-related income for the 12 months ended September 30, 2010, which includes (i) percentage rent, (ii) other rent (such as storage rent and license fees) and (iii) other property income.
(3) Represents billed tenant expense reimbursements relating to the 12 months ended September 30, 2010.
(4) Represents property operating expenses for the 12 months ended September 30, 2010. Property operating expenses includes all rental expenses.
(5) Includes approximately $8,831 of lease termination fees.

Mixed-Use Portfolio

Property	Base Rent/ Actual Revenue(1)	Additional Property Income(2)	Billed Expense Reimbursements(3)	Property Operating Expenses(4)
Waikiki Beach Walk - Retail	$ 9,489,746	$3,347,789	$ 2,361,473	$ (5,617,731)
Waikiki Beach Walk – Embassy Suites™	26,063,739	593,389	—	(19,737,293)
Subtotal Mixed-Use Portfolio	**$35,553,485**	**$3,941,178**	**$ 2,361,473**	**$(25,355,024)**

(1) For Waikiki Beach Walk—Retail, represents base rent for the 12 months ended September 30, 2010 (before abatements). Total abatements for Waikiki Beach Walk—Retail were zero for the 12 months ended September 30, 2010. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. For Waikiki Beach Walk—Embassy Suites™, we have included the actual room revenue for the 12 months ended September 30, 2010.
(2) Represents additional property-related income for the 12 months ended September 30, 2010, which includes (i) percentage rents, (ii) other rent, and (iii) other property income.
(3) Represents billed expense reimbursements relating to the 12 months ended September 30, 2010.
(4) Represents property operating expenses for the 12 months ended September 30, 2010. Property operating expenses for Waikiki Beach Walk—Retail include all rental expenses. Property operating expenses for Waikiki Beach Walk—Embassy Suites™ includes on-site general and administrative expenses of $1,651,955 million for the 12 months ended September 30, 2010.

Multifamily Portfolio

Property	Base Rent (1)	Additional Property Income (2)	Billed Expense Reimbursements (3)	Property Operating Expenses (4)
Loma Palisades	$ 8,938,061	$ 693,535	$ —	$(3,108,065)
Imperial Beach Gardens	2,435,341	200,187	—	(806,154)
Mariner's Point	1,067,290	98,262	—	(453,369)
Santa Fe Park RV Resort	835,318	71,087	—	(458,940)
Subtotal Multifamily Portfolio	**$13,276,010**	**$1,063,071**	**$ —**	**$(4,826,528)**

(1) Represents base rent (including parking) less vacancy allowance, employee rent credits and concessions and includes additional rents (additional rents include insufficient notice penalties, month-to-month charges and pet rent) for the 12 months ended September 30, 2010 (before abatements). Total abatements for our multifamily portfolio were approximately $758,294 for the 12 months ended September 30, 2010.

(2) Represents additional property-related income for the 12 months ended September 30, 2010 (such as laundry revenue).
(3) Represents property operating expenses for the 12 months ended September 30, 2010. Property operating expenses includes all rental expenses.

Regulation

General

Our properties are subject to various covenants, laws, ordinances and regulations, including regulations relating to common areas and fire and safety requirements. We believe that each of the properties in our portfolio has the necessary permits and approvals to operate its business.

Americans With Disabilities Act

Our properties must comply with Title III of the Americans with Disabilities Act, or ADA, to the extent that such properties are "public accommodations" as defined by the ADA. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. Although we believe that the properties in our portfolio in the aggregate substantially comply with present requirements of the ADA, we have not conducted a comprehensive audit or investigation of all of our properties to determine our compliance, and we are aware that some particular properties may currently be in non-compliance with the ADA. Noncompliance with the ADA could result in the incurrence of additional costs to attain compliance, the imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

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

Some of our properties contain, have contained, or are adjacent to or near other properties that have contained or currently contain storage tanks for the storage of petroleum products or other hazardous or toxic substances. Similarly, some of our properties were used in the past for commercial or industrial purposes, or are currently used for commercial purposes, that involve or involved the use of petroleum products or other hazardous or toxic substances, or are adjacent to or near properties that have been or are used for similar commercial or industrial purposes. As a result, some of our properties have been or may be impacted by contamination arising from the releases of such hazardous substances or petroleum products. Where we have deemed appropriate, we have taken steps to address identified contamination or mitigate risks associated with such contamination; however, we are unable to ensure that further actions will not be necessary. As a result of the foregoing, we could potentially incur materially liability.

We possess Phase I Environmental Site Assessments for certain of the properties in our portfolio. Other than as discussed below with respect to Del Monte Center, none of the site assessments identified any known past or present contamination that we believe would have a material adverse effect on our business, assets or operations. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations or hazardous materials survey) and may have failed to identify all environmental conditions or concerns. A prior owner or operator of a property or historic operations at our properties may have created a material environmental condition that is not known to us or the independent consultants preparing the site assessments. Material environmental conditions may have arisen after the review was completed or may arise in the future, and future laws, ordinances or regulations may impose material additional environmental liability. Furthermore, we do not have Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, therefore, may not be aware of all potential or existing environmental contamination liabilities at our properties.

A Phase I Environmental Site Assessment is a report prepared for real estate holdings that identifies potential or existing environmental contamination liabilities. Site assessments are intended to discover and evaluate information regarding the environmental condition of the surveyed property and surrounding properties. An Environmental Site Assessment conducted in 1996 for the prior owner of Del Monte Center identified a release of dry cleaning solvent chemicals by a former tenant of Del Monte Center into a portion of the property, impacting the soil and groundwater. The primary constituent of concern is tetrachloroethylene (PCE), a chlorinated hydrocarbon. In January 1997, the prior owner entered into a fixed fee environmental services agreement with an environmental remediation consultant pursuant to which the consultant agreed to complete any necessary remediation for $3,533,000. Pursuant to the terms of the agreement, the remediation costs are paid for through an escrow that was funded by the prior owner. The California Regional Water Quality Control Board – Central Coast Region, or the RWQCB, approved the remediation plan to remove the source of dry cleaning chemicals and prevent any further contamination of the groundwater, creek and nearby habitat in accordance with the requirements of the RWQCB. In 2004, our predecessor acquired Del Monte Center and all of the prior owner's rights and obligations under the environmental services agreement. As of October 31, 2010, the balance in this escrow account was approximately $870,000. We expect that this escrow account will cover all remaining costs and expenses of the environmental remediation concluding in a "no further action" letter issued by the RWQCB. However, if the RWQCB were to require further work costing more than the remaining escrowed funds, we could be required to pay such overage, although we may have a contractual claim for such costs against the prior owner or our environmental remediation consultant. Our environmental engineers expect to complete the environmental remediation in the next two to three years.

Environmental laws also govern the presence, maintenance and removal of asbestos-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability. Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos, adequately notify or train those who may come into contact with asbestos, and undertake special precautions, including removal or other abatement, if asbestos would be disturbed during renovation or demolition of a building. In addition, the presence of ACBM in our properties may expose us to third-party liability (e.g. liability for personal injury associated with exposure to asbestos). We are not presently aware of any material adverse issues at our properties including ACBM.

Similarly, environmental laws govern the presence, maintenance and removal of lead-based paint in residential buildings, and may impose fines and penalties for failure to comply with these requirements. Such laws require, among other things, that owners or operators of residential facilities that contain or potentially contain lead-based paint notify residents of the presence or potential presence of lead-based paint prior to occupancy and prior to renovations and manage lead-based paint waste appropriately. In addition, the presence of lead-based paint in our buildings may expose us to third-party liability (e.g., liability for personal injury associated with exposure to lead-based paint). We are not presently aware of any material adverse issues at our properties involving lead-based paint.

In addition, the properties in our portfolio also are subject to various federal, state, and local environmental and health and safety requirements, such as state and local fire requirements. Moreover, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. Our leases sometimes require our tenants to comply with environmental and health and safety laws and regulations and to indemnify us for any related liabilities. But in the event of the bankruptcy or inability of any of our tenants to satisfy such obligations, we may be required to satisfy such obligations. In addition, we may be held directly liable for any such damages or claims regardless of whether we knew of, or were responsible for, the presence or disposal of hazardous or toxic substances or waste and irrespective of tenant lease provisions. The costs associated with such liability could be substantial and could have a material adverse effect on us.

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

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy, in addition to other coverages, such as trademark and pollution coverage, that may be appropriate for certain of our properties. We believe the policy specifications and insured limits are appropriate and adequate for our properties given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Some of our policies, like those covering losses due to terrorism and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, for such events. In addition, all but one of our properties are located in California and Hawaii, which are areas subject to an increased risk of earthquakes. While we will carry earthquake insurance on certain of our properties in Hawaii, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. See "Risk Factors—Risks Related to Our Business and Operations—Potential losses from earthquakes in California and Hawaii may not be covered by insurance." We may reduce or discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Also, if destroyed, we may not be able to rebuild certain of our properties due to current zoning and land use regulations. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage as the market value of our portfolio increases. If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

Competition

We compete with a number of developers, owners and operators of retail, office, mixed-use and multifamily real estate, many of which own properties similar to ours in the same markets in which our properties are located and some of which have greater financial resources than we do. In operating and managing our portfolio, we compete for tenants based on a number of factors, including location, rental rates, security, flexibility and expertise to design space to meet prospective tenants' needs and the manner in which the property is operated, maintained and marketed. As leases at our properties expire, we may encounter significant competition to renew or re-let space in light of the large number of competing properties within the markets in which we operate. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below-market renewal options, or we may not be able to timely lease vacant space. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends to you may be adversely affected.

We also face competition when pursuing acquisition and disposition opportunities. Our competitors may be able to pay higher property acquisition prices, may have private access to opportunities not available to us and otherwise be in a better position to acquire a property. Competition may also have the effect of reducing the number of suitable acquisition opportunities available to us, increase the price required to consummate an acquisition opportunity and generally reduce the demand for retail, office, mixed-use and multifamily space in our markets. Likewise, competition with sellers of similar properties to locate suitable purchasers may result in us receiving lower proceeds from a sale or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable return.

Employees

Upon the completion of this offering and the formation transactions, we expect to have approximately 100 employees.

Principal Executive Offices

Our headquarters is located at 11455 El Camino Real, Suite 200, San Diego, California 92130. We believe that our current facilities are adequate for our present and future operations, although we may add regional offices or relocate our headquarters, depending upon our future operational needs.

Legal Proceedings

We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us. Following the consummation of this offering and the formation transactions, we may be subject to on-going litigation, including existing claims relating to American Assets, Inc., the current direct and indirect owners of our portfolio and the properties comprising our portfolio and we expect to otherwise be party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. American Assets, Inc., the Rady Trust and Mr. Rady are subject to on-going litigation filed in California Superior Court in 2009 by certain direct and indirect stockholders of American Assets, Inc., alleging, among other things that Mr. Rady breached his fiduciary duties to the plaintiffs in his capacity as an officer, director and controlling shareholder of American Assets, Inc. The claims brought by the various plaintiffs include direct and derivative claims for an accounting, injunctive and declaratory relief, and involuntary dissolution of American Assets, Inc., in addition to claims for an unspecified amount of damages. In order to obtain authorization to effectuate the formation transactions, we solicited the consent of the prior investors pursuant to a confidential private placement memorandum. In response to this solicitation, each of the prior investors who is also a plaintiff in this matter provided his or her consent to the formation transactions.

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MANAGEMENT

Our Directors, Director Nominees and Executive Officers

Upon completion of this offering, our board of directors will consist of seven members, including a majority of directors who are independent within the meaning of the listing standards of the NYSE. Pursuant to our charter, each of our directors will be elected by our stockholders to serve until the next annual meeting of our stockholders and until his or her successor is duly elected and qualifies. See "Material Provisions of Maryland Law and of Our Charter and Bylaws—Our Board of Directors." The first annual meeting of our stockholders after this offering will be held in 2011. Subject to rights pursuant to any employment agreements, officers serve at the pleasure of our board of directors.

The following table sets forth certain information concerning our directors, executive officers and certain other officers upon completion of this offering:

Name	Age	Position
Ernest S. Rady*	73	Executive Chairman of the Board of Directors
John W. Chamberlain*#	50	Chief Executive Officer and Director Nominee
Robert F. Barton*	53	Executive Vice President and Chief Financial Officer
Adam Wyll*	35	Senior Vice President, General Counsel and Secretary
Patrick Kinney*	47	Senior Vice President of Real Estate Operations
Christopher E. Sullivan	48	Vice President of Retail Leasing
James R. Durfey	60	Vice President of Office Leasing
Jerry Gammieri	45	Vice President of Construction
Larry E. Finger†#	57	Director Nominee
Edward F. Lange, Jr.†#	51	Director Nominee
Duane A. Nelles†#	66	Director Nominee
Thomas S. Olinger†#	44	Director Nominee
Robert S. Sullivan†#	66	Director Nominee

* Denotes our named executive officers.

† Independent within the meaning of the NYSE listing standards.

\# It is expected that this individual will become a director immediately upon completion of this offering.

Biographical Summaries of Directors and Executive Officers

The following are biographical summaries of the experience of our directors, executive officers and certain other officers.

Ernest S. Rady. Mr. Rady will serve as Executive Chairman of our board of directors. Mr. Rady has over 40 years of experience in real estate management and development. Mr. Rady founded American Assets, Inc. in 1967 and currently serves as president and chairman of the board of directors of American Assets, Inc. In 1971, he also founded Insurance Company of the West and Westcorp, a financial services holding company. From 1973 until 2006, Mr. Rady served as chairman and chief executive officer of Westcorp. He served as chairman of Western Financial Bank from 1982 until 2006 and chief executive officer of Western Financial from 1994 until 2006. He also served as a director of WFS Financial Inc., an automobile finance company, from 1988 until 2006 and as chairman from 1995 until 2006. From 2006 until 2007, Mr. Rady served as chairman of dealer finance business and California banking business for Wachovia Corporation, and also served as a director from 2006 until 2008. Mr. Rady currently serves as chairman of the board of directors of Insurance Company of the West, chairman of the Dean's Advisory Council of the Rady School of Management at the University of California, San Diego and trustee of the Salk Institute for Biological Sciences as well as Scripps Health. Mr. Rady received his degrees in commerce and law from the University of Manitoba. Our board of directors determined that Mr. Rady should serve as a director based on his extensive knowledge of American Assets, Inc. and his wealth of experience in the real estate industry.

John W. Chamberlain. Mr. Chamberlain will serve as our Chief Executive Officer and a member of our board of directors. Mr. Chamberlain brings more than 25 years of experience in commercial real estate to this position. From 1989 until the formation of the company, Mr. Chamberlain served in executive roles within American Assets, Inc., most recently as chief executive officer. Prior to joining American Assets, Inc., Mr. Chamberlain was vice president of Coldwell Banker Real Estate Corporation, where he brokered various commercial real estate acquisitions. Mr. Chamberlain started his career as a sales associate at CW Clark, Inc., a commercial real estate development firm. In addition to serving as a director of American Assets, Inc. since 1997, Mr. Chamberlain also currently serves as a director of the Solana Beach Community Foundation. Mr. Chamberlain received his Bachelor of Arts degree in economics from the University of California, San Diego. Our board of directors determined that Mr. Chamberlain should serve as a director based on his extensive knowledge of American Assets, Inc. and his wealth of experience in the commercial real estate industry.

Robert F. Barton. Mr. Barton will serve as our Executive Vice President and Chief Financial Officer. Mr. Barton brings to his role more than 30 years of experience in commercial real estate, accounting, tax, mergers and acquisitions and structured finance. From 1998 until the formation of the company, Mr. Barton served as executive vice president and chief financial officer of American Assets, Inc. Additionally, from 2002 until the formation of our company, Mr. Barton served as chief financial officer and chief compliance officer of American Assets Investment Management, LLC, an investment advisor affiliated with American Assets, Inc. that is registered with the SEC. From 1996 until 1998, Mr. Barton served as executive director of real estate and finance for Flour Daniel, a Fortune 500 engineering and construction company. From 1986 until 1996, Mr. Barton served as senior vice president and chief financial officer of RCI Asset Management Group, a privately held real estate developer, whose capital partners included Melvin Simon & Associates, the predecessor entity to Simon Property Group. Prior to joining RCI, Mr. Barton was a senior audit manager at Kenneth Leventhal & Company, where he served private and publicly traded companies, including commercial and residential real estate developers. He began his professional career in 1980 with Arthur Young & Co. as an auditor. Mr. Barton received his Bachelor of Science degree in business administration with a major in accounting from California State University, Pomona. Mr. Barton is licensed as a Certified Public Accountant in California.

Adam Wyll. Adam Wyll will serve as our Senior Vice President, General Counsel and Secretary. From 2004 until the formation of our company, Mr. Wyll served in two officer positions at American Assets, Inc., initially as vice president of private equity and most recently as vice president of legal and business affairs. His responsibilities included structuring and managing complex corporate transactions, including real estate acquisitions, dispositions and financings, as well as private equity investments. Additionally, from 2007 until the formation of our company, Mr. Wyll served as vice president, director of client services of American Assets Investment Management, LLC, an investment advisor affiliated with American Assets, Inc. that is registered with the SEC. Prior to joining American Assets, Inc., Mr. Wyll was an attorney with Jenkens & Gilchrist, a professional corporation, where he specialized in representing institutional lenders in structured financial transactions and real estate investment trusts in securities and debt issuances. Mr. Wyll is a graduate of the University of Texas School of Law. He obtained his finance degree from the McCombs School of Business (University of Texas, Austin).

Patrick Kinney. Mr. Kinney will serve as our Senior Vice President of Real Estate Operations. From 2004 until the formation of our company, Mr. Kinney served as vice president of real estate for American Assets, Inc., where he was responsible for all aspects of asset management for retail, office, multifamily and hospitality properties. From 1993 until 2003, Mr. Kinney served in senior management positions, including as vice president of operations and vice president of accounting at Caruso Affiliated Holdings, a real estate development company headquartered in Los Angeles, California. His responsibilities at Caruso included supervising corporate tax and accounting functions as well as overseeing management and lease administration of retail, office, residential and industrial properties, including The Grove in Los Angeles, California. Mr. Kinney obtained his Bachelor of Science degree in business administration and a minor in accounting and finance from California Polytechnic State University, San Luis Obispo.

Christopher E. Sullivan. Mr. Sullivan will serve as our Vice President of Retail Leasing. Mr. Sullivan brings to his role more than 25 years of experience in commercial real estate leasing and management. From 2004 until the formation of our company, Mr. Sullivan served as vice president of retail leasing for American Assets, Inc., where he oversaw all aspects of retail leasing for regional, community and neighborhood shopping centers in California, Texas and Hawaii. From 2000 until 2004, Mr. Sullivan served as the director of leasing for National Retail Partners, LLC, a commercial real estate advisor to CALPERS, where he managed the retail leasing for a national portfolio of over twenty retail centers. From 1995 until 2000, Mr. Sullivan served as director of leasing for Burnham Pacific Properties, where he managed the retail leasing of over twenty southern California retail centers. From 1990 until 1995, Mr. Sullivan served as vice president and general manager of Seaport Village, a large waterfront shopping center in San Diego, California. From 1984 to 1990, Mr. Sullivan was a senior leasing representative for the Hahn Company, a national owner and developer of regional shopping centers. Mr. Sullivan received his Bachelor of Arts in economics from the University of California, Santa Barbara. Mr. Sullivan is a licensed real estate broker in California and an active member of the International Council of Shopping Centers.

James R. Durfey. Mr. Durfey will serve as our Vice President of Office Leasing. Mr. Durfey brings to his role more than 28 years of experience in commercial real estate leasing, management and development. From 2004 until the formation of our company, Mr. Durfey served as vice president of office leasing for American Assets, Inc., where he oversaw all aspects of leasing for office properties. From 1996 until 2004, Mr. Durfey served as general manager of Century Plaza Towers and ABC Entertainment Center in Los Angeles, California for Trammell Crow Company, a real estate development and investment firm. From 1980 until 1995, Mr. Durfey served in several executive positions, most recently as senior development director, at Homart Development Co., a shopping center development company, where he managed Homart's west coast portfolio. Mr. Durfey obtained his Bachelor of Science degree in business management from Indiana University. Mr. Durfey is a licensed real estate broker in California.

Jerry Gammieri. Mr. Gammieri will serve as our Vice President of Construction. From 2000 until the formation of our company, Mr. Gammieri served as vice president of construction for American Assets, Inc., where he oversaw all of American Assets, Inc.'s and its affiliate's construction activities. From 1989 until 2000, Mr. Gammieri served as vice president of operations of Peterbilt Construction Company, where he was responsible for all aspects of operations. Mr. Gammieri obtained his Associate of Arts and Sciences degree in construction from the State University of New York at Canton.

Larry E. Finger. Mr. Finger will serve as a member of our board of directors. Since 2008, Mr. Finger has served as president of Strategic Advisory, Inc., an advisory services company. Prior to forming Strategic Advisory, Inc., Mr. Finger served as chief financial officer of Federal Realty Investment Trust from 2002 until 2007. During his tenure at Federal Realty Investment Trust, Mr. Finger also served as executive vice president from 2005 until 2007 and as senior vice president from 2002 until 2005. From 1993 until 2001, he served as chief financial officer of Washington Real Estate Investment Trust. From 1978 until 1991, Mr. Finger served in various senior management positions at Savage/Fogarty Companies, Inc., a real estate development company, including as chief operating officer. Mr. Finger received his Juris Doctor degree from Georgetown University Law Center and his Bachelor of Science degree in accountancy from the University of Illinois. Our board of directors determined that Mr. Finger should serve as a director based on his financial background and experience as an executive officer of publicly traded REITs.

Edward F. Lange, Jr. Mr. Lange will serve as a member of our board of directors. Mr. Lange served as an executive officer of BRE Properties, Inc., or BRE, from July 2000 until July 2010, and served as a director of BRE from 2008 until 2010. He served as chief operating officer of BRE from 2007 until July 2010 and as BRE's chief financial officer from November 2008 until September 2009. He also served as BRE's chief financial officer from July 2000 until April 2008. Prior to joining BRE, Mr. Lange served as executive vice president and chief financial officer of Health Care REIT, Inc. from 1996 until 2000. From 1992 until 1996, Mr. Lange served as senior vice president of finance of the Mediplex Group, Inc., an operator of health care facilities, and affiliated companies. He also served as a director of BRE from 2008 until 2010. Mr. Lange received his Master of Business Administration degree from the University of Connecticut and his Bachelor of Science degree in urban planning from the University of Massachusetts. Our board of directors determined that Mr. Lange should serve as a director based on his leadership and financial expertise, as well as his experience as an executive officer of publicly traded REITs.

Duane A. Nelles. Mr. Nelles will serve as a member of our board of directors. From 1987 until 2000, Mr. Nelles served as president of CICA, Inc., a private personal investment business. From 1968 until 1987, Mr. Nelles was a partner in the international public accounting firm of Coopers & Lybrand LLP. Mr. Nelles has served as a director of Qualcomm, Inc. since August 1988. From 2003 until 2006, Mr. Nelles served as a director of Westcorp, a financial services holding company, and Western Financial Bank. Mr. Nelles also served as a director of WFS Financial Inc., an automobile finance company, from 1995 until 2006. Mr. Nelles earned his Master of Business Administration degree from the University of Michigan and his Bachelor of Arts degree in economics and mathematics from Albion College. Our board of directors determined that Mr. Nelles should serve as a director based on his expertise with publicly traded companies, as well as his financial background.

Thomas S. Olinger. Mr. Olinger will serve as a member of our board of directors. Since 2007, Mr. Olinger has served as chief financial officer of AMB Property Corporation, a global operator and developer of industrial real estate. From 2002 until 2007, Mr. Olinger served as corporate controller of Oracle Corporation, a computer hardware and software company. Mr. Olinger began his professional career in 1988 with Arthur Andersen LLP as an auditor, where he served various REITs. Mr. Olinger received his Bachelor of Science degree in finance from Indiana University. Our board of directors determined that Mr. Olinger should serve as a director based on his wealth of experience in the real estate industry, as well as his financial background.

Robert S. Sullivan. Dr. Sullivan will serve as a member of our board of directors. Since 2003, Dr. Sullivan has been dean of the Rady School of Management at University of California, San Diego. From 1998 until 2002, he was dean of Kenan-Flagler Business School at University of North Carolina, Chapel Hill. From 1976 until 1998, Dr. Sullivan served in a variety of senior positions at the University of Texas and Carnegie Mellon University. Since 2004, Dr. Sullivan has served on the board of directors of Cubic Corporation, and is currently its lead independent director. From 1992 until 2006, Dr. Sullivan served as a director of Stewart and Stevenson Services, Inc. Dr. Sullivan received his Doctor of Philosophy degree from Pennsylvania State University. He received his Master of Business Administration degree from Cornell University and his Bachelor of Arts degree in mathematics from Boston College. Our board of directors determined that Dr. Sullivan should serve as a director based on his leadership expertise and extensive experience as a director of public and private companies.

Additional Background Regarding Our Management Team

We were formed to succeed to the real estate business of American Assets, Inc., a privately held corporation founded in 1967 and, as such, we have significant experience, long-standing relationships and extensive knowledge of our core markets, submarkets and asset classes. Our senior management team's operational experience with American Assets, Inc. includes overseeing the acquisition or development of more than 9.5 million square feet of retail and office properties and more than 4,600 multifamily units, as well as the disposition of over 4.2 million square feet of retail and office properties and more than 3,600 multifamily units. During their time with American Assets, Inc., our senior management team has experienced numerous real estate economic cycles, each of which has presented different challenges and opportunities. For example, our senior management team faced challenges during the savings and loan crisis occurring in the early 1990s, during which higher interest rates made it difficult to obtain nonrecourse financing and commercial real estate values in West

Coast markets declined. Furthermore, the dot-com bust in 1999 led to higher office vacancies in certain West Coast markets, and the 2008 global credit crisis greatly constrained liquidity in the real estate capital markets. The challenges faced by our senior management team during these and other down real estate cycles have included declining occupancies, lower rents and higher costs of capital, all of which have translated into lower unrealized valuations and revenue from time to time. Other such challenges have included longer than expected delays and costs in the entitlement processes on new construction in high-barrier-to-entry coastal locations. In the most recent global credit crisis, our senior management team experienced the evaporation of liquidity in the capital markets. In addition, during 2007, our Predecessor experienced losses from the start up of operations at its mixed-use retail and hotel project in Oahu, Hawaii and, in 2008, incurred losses from discontinued operations attributable to its office campus project in Chicago, which it sold in 2008 as a result of weakening demand for this product type in this region. Also in 2008, our Predecessor recorded a $15.8 million impairment charge on its joint venture investment in the Fireman's Fund Headquarters due to a general expansion in capitalization rates. However, our Predecessor's lack of significant debt maturities during the global credit crisis enabled it to prudently focus on operational efficiencies during the period of time before the credit markets began to re-open. In addition, the Company believes that its high quality of assets allowed our Predecessor to access credit markets as debt maturities occurred in 2009.

Corporate Governance Profile

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our stockholders. Notable features of our corporate governance structure include the following:

- our board of directors is not staggered, with each of our directors subject to re-election annually;
- of the seven persons who will serve on our board of directors immediately after the completion of this offering, we expect our board of directors to determine that five, or 71.4%, of our directors satisfy the listing standards for independence of the NYSE and Rule 10A-3 under the Exchange Act;
- we anticipate that at least one of our directors will qualify as an "audit committee financial expert" as defined by the SEC;
- we have opted out of the business combination and control share acquisition statutes in the MGCL; and
- we do not have a stockholder rights plan.

Our directors will stay informed about our business by attending meetings of our board of directors and its committees and through supplemental reports and communications. Our independent directors will meet regularly in executive sessions without the presence of our corporate officers or non-independent directors.

Role of the Board in Risk Oversight

One of the key functions of our board of directors is informed oversight of our risk management process. Our board of directors administers this oversight function directly, with support from its three standing committees, the audit committee, the nominating and corporate governance committee and the compensation committee, each of which addresses risks specific to their respective areas of oversight. In particular, our audit committee has the responsibility to consider and discuss our major financial risk exposures and the steps our management has taken to monitor and control these exposures, including guidelines and policies to govern the process by which risk assessment and management is undertaken. The audit committee also monitors compliance with legal and regulatory requirements, in addition to oversight of the performance of our internal audit function. Our nominating and corporate governance committee monitors the effectiveness of our corporate governance guidelines, including whether they are successful in preventing illegal or improper liability-creating conduct. Our compensation committee assesses and monitors whether any of our compensation policies and programs has the potential to encourage excessive risk-taking.

Board Committees

Upon completion of this offering, our board of directors will establish three standing committees: an audit committee, a compensation committee and a nominating and corporate governance committee. The principal functions of each committee are briefly described below. We intend to comply with the listing requirements and other rules and regulations of the NYSE, as amended or modified from time to time, and each of these committees will be comprised exclusively of independent directors. Additionally, our board of directors may from time to time establish certain other committees to facilitate the management of our company.

Audit Committee

Upon completion of this offering, our audit committee will consist of three of our independent directors. We expect that the chairman of our audit committee will qualify as an “audit committee financial expert” as that term is defined by the applicable SEC regulations and NYSE corporate governance listing standards. We expect that our board of directors will determine that each of the audit committee members is “financially literate” as that term is defined by the NYSE corporate governance listing standards. Prior to the completion of this offering, we expect to adopt an audit committee charter, which will detail the principal functions of the audit committee, including oversight related to:

- our accounting and financial reporting processes;
- the integrity of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements;
- the evaluation of the qualifications, independence and performance of our independent registered public accounting firm;
- the performance of our internal audit function; and
- our overall risk profile.

The audit committee will also be responsible for engaging an independent registered public accounting firm, reviewing with the independent registered public accounting firm the plans and results of the audit engagement, approving professional services provided by the independent registered public accounting firm, including all audit and non-audit services, reviewing the independence of the independent registered public accounting firm, considering the range of audit and non-audit fees and reviewing the adequacy of our internal accounting controls. The audit committee also will prepare the audit committee report required by SEC regulations to be included in our annual proxy statement. Mr. Lange has been designated as chair and Messrs. Finger and Olinger have been appointed as members of the audit committee.

Compensation Committee

Upon completion of this offering, our compensation committee will consist of three of our independent directors. Prior to the completion of this offering, we expect to adopt a compensation committee charter, which will detail the principal functions of the compensation committee, including:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to our chief executive officer’s compensation, evaluating our chief executive officer’s performance in light of such goals and objectives and determining and approving the remuneration of our chief executive officer based on such evaluation;
- reviewing and approving the compensation, if any, of all of our other officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements;
- producing a report on executive compensation to be included in our annual proxy statement; and
- reviewing, evaluating and recommending changes, if appropriate, to the remuneration for directors.

Mr. Finger has been designated as chair and Messrs. Lange and Nelles have been appointed as members of the compensation committee.

Nominating and Corporate Governance Committee

Upon completion of this offering, our nominating and corporate governance committee will consist of three of our independent directors. Prior to the completion of this offering, we expect to adopt a nominating and corporate governance committee charter, which will detail the principal functions of the nominating and corporate governance committee, including:

- identifying and recommending to the full board of directors qualified candidates for election as directors and recommending nominees for election as directors at the annual meeting of stockholders;
- developing and recommending to the board of directors corporate governance guidelines and implementing and monitoring such guidelines;
- reviewing and making recommendations on matters involving the general operation of the board of directors, including board size and composition, and committee composition and structure;
- recommending to the board of directors nominees for each committee of the board of directors;
- annually facilitating the assessment of the board of directors’ performance as a whole and of the individual directors, as required by applicable law, regulations and the NYSE corporate governance listing standards; and
- overseeing the board of directors’ evaluation of management.

In identifying and recommending nominees for directors, the nominating and corporate governance committee may consider diversity of relevant experience, expertise and background. Mr. Nelles has been designated as chair and Mr. Olinger and Dr. Sullivan have been appointed as members of the nominating and corporate governance committee.

Code of Business Conduct and Ethics

Upon completion of this offering, our board of directors will establish a code of business conduct and ethics that applies to our officers, directors and employees. Among other matters, our code of business conduct and ethics will be designed to deter wrongdoing and to promote:

- honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- full, fair, accurate, timely and understandable disclosure in our SEC reports and other public communications;
- compliance with laws, rules and regulations;
- prompt internal reporting of violations of the code to appropriate persons identified in the code; and
- accountability for adherence to the code of business conduct and ethics.

Any waiver of the code of business conduct and ethics for our executive officers or directors must be approved by a majority of our independent directors, and any such waiver shall be promptly disclosed as required by law or NYSE regulations.

Limitation of Liability and Indemnification

We intend to enter into indemnification agreements with each of our directors and executive officers that will obligate us, if a director or executive officer is or is threatened to be made a party to any proceeding by reason of such director's or executive officer's status as a present or former director, officer, employee or agent of our company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of another enterprise that the director or executive officer served in such capacity at our request, to indemnify such director or executive officer, and advance expenses actually and reasonably incurred by him or her, or on his or her behalf, unless it has been established that:

- the act or omission of the director or executive officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or executive officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal action or proceeding, the director or executive officer had reasonable cause to believe his or her conduct was unlawful.

In addition, except as described below, our directors and executive officers will not be entitled to indemnification pursuant to the indemnification agreement:

- if the proceeding was one brought by us or in our right and the director or executive officer is adjudged to be liable to us;

- if the director or executive officer is adjudged to be liable on the basis that personal benefit was improperly received in a proceeding charging improper personal benefit to the director or executive officer; or
- in any proceeding brought by the director or executive officer other than to enforce his or her rights under the indemnification agreement, and then only to the extent provided by the agreement, and except as may be expressly provided in our charter, our bylaws, a resolution of our board of directors or of our stockholders entitled to vote generally in the election of directors or an agreement approved by our board of directors.

Notwithstanding the limitations on indemnification described above, on application by a director or executive officer of our company to a court of appropriate jurisdiction, the court may order indemnification of such director or executive officer if the court determines that such director or executive officer is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director or executive officer (1) has met the standards of conduct set forth above or (2) has been adjudged liable for receipt of an “improper personal benefit”; however, our indemnification obligations to such director or executive officer will be limited to the expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with any proceeding by or in the right of our company or in which the officer or director shall have been adjudged liable for receipt of an improper personal benefit. If the court determines the director or executive officer is so entitled to indemnification, the director or executive officer will also be entitled to recover from us the expenses of securing such indemnification.

Notwithstanding, and without limiting, any other provisions of the indemnification agreements, if a director or executive officer is or is threatened to be made a party to any proceeding by reason of such director’s or executive officer’s status as a director, officer, employee or agent of our company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of another entity that the director or executive officer served in such capacity at our request, and such director or executive officer is successful, on the merits or otherwise, as to one or more (even if less than all) claims, issues or matters in such proceeding, we must indemnify such director or executive officer for all expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with each successfully resolved claim, issue or matter, including any claim, issue or matter in such a proceeding that is terminated by dismissal, with or without prejudice.

In addition, the indemnification agreements will require us to advance reasonable expenses incurred by the indemnitee within ten days of the receipt by us of a statement from the indemnitee requesting the advance, provided the statement evidences the expenses and is accompanied by:

- a written affirmation of the indemnitee’s good faith belief that he or she has met the standard of conduct necessary for indemnification; and
- a written undertaking to reimburse us if a court of competent jurisdiction determines that the director or executive officer is not entitled to indemnification.

The indemnification agreements will also provide for procedures for the determination of entitlement to indemnification, including a requirement that such determination be made by independent counsel after a change of control of us.

Our charter permits us and our bylaws obligate us, to the maximum extent permitted by Maryland law, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to (1) any of our present or former directors or officers who is made or threatened to be made a party to the proceeding by reason of his service in that capacity or (2) any individual who, while serving as our director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise, and who is made or threatened to be made a party to the proceeding by reason of his service in that capacity.

Generally, Maryland law permits a Maryland corporation to indemnify its present and former directors and officers except in instances where the person seeking indemnification acted in bad faith or with active and deliberate dishonesty, actually received an improper personal benefit in money, property or services or, in the case of a criminal proceeding, had reasonable cause to believe that his or her actions were unlawful. Under Maryland law, a Maryland corporation also may not indemnify a director or officer in a suit by or in the right of the corporation in which the director or officer was adjudged liable to the corporation or for a judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct; however, indemnification for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling our company pursuant to the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

In addition, our directors and officers may be entitled to indemnification pursuant to the terms of the partnership agreement. See “Description of the Partnership Agreement of American Assets Trust, L.P.”

Rule 10b5-1 Sales Plans

Our directors and executive officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell shares of our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. The director or officer may amend a Rule 10b5-1 plan in some circumstances and may terminate a plan at any time. Our directors and executive officers also may buy or sell additional shares outside of a Rule 10b5-1 plan when they are not in possession of material nonpublic information subject to compliance with the terms of our insider trading policy. Prior to the 365-day period after the completion of this offering (subject to potential extension or early termination), the sale of any shares under such plan would be subject to the lock-up agreement that the director or officer has entered into with the underwriters.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

During 2009, because we did not conduct business, no compensation was paid to any of our named executive officers, and, accordingly, no compensation policies or objectives governed our named executive officer compensation. At this time, our board of directors and our compensation committee have not yet adopted compensation policies applicable to our named executive officers, but intend to do so in the near future. We anticipate that our compensation policies will be established by our compensation committee based on factors such as the desire to retain our named executive officers' services over the long term, aligning their interests with those of our stockholders, incentivizing them over the near, medium and long term, rewarding them for exceptional performance and such other factors as our compensation committee may consider in shaping its compensation philosophy. We will pay base salaries and annual bonuses and expect to make grants of awards under our 2010 Equity Incentive Award Plan to certain of our executive officers and certain other employees effective upon completion of this offering. These awards under our 2010 Equity Incentive Award Plan will be granted to recognize such individuals' efforts on our behalf in connection with our formation and this offering. Our "named executive officers" during 2010 are expected to be Ernest S. Rady, Executive Chairman; John W. Chamberlain, Chief Executive Officer; Robert F. Barton, Executive Vice President and Chief Financial Officer; Adam Wyll, Senior Vice President, General Counsel and Secretary; and Patrick Kinney, Senior Vice President of Real Estate Operations.

We expect that our compensation strategy will focus on providing a total compensation package that will not only attract and retain high-caliber executive officers and employees, but will also be utilized as a tool to align employee contributions with our corporate objectives and stockholder interests. We intend to provide a competitive total compensation package and will share our success with our named executive officers, as well as our other employees, when our objectives are met.

The following is a non-exhaustive list of items that we expect our compensation committee will consider in formulating our compensation philosophy and applying that philosophy to the implementation of our overall compensation program for named executive officers and other employees:

- goals of the compensation program;
- role of our compensation committee;
- engagement and role(s) of an external compensation consultant and other advisors;
- involvement of management in compensation decisions;
- components of compensation, including equity, cash, incentive, fixed, short-, medium- and long-term compensation, and the interaction of these various components with one another;
- equity grant guidelines with regard to timing, type, vesting and other terms and conditions of equity grants;
- stock ownership guidelines and their role in aligning the interests of named executive officers with our stockholders;
- severance and change of control protections;
- perquisites, enhanced benefits and insurance;

- deferred compensation and other tax-efficient compensation programs;
- retirement and other savings programs;
- peer compensation, benchmarking and survey data; and
- risk mitigation and related protective and remedial measures.

Elements of Executive Officer Compensation

Set forth below is an overview of the expected initial components of our named executive officer compensation program, including annual cash compensation, equity awards and health and retirement benefits to be provided following completion of this offering. Because we were only recently formed, meaningful individual compensation information is not available for prior periods. In addition, no compensation will be paid by us in 2010 to our named executive officers until the consummation of this offering.

Base Salaries

As of the completion of the offering, our named executive officers will earn annualized base salaries that are commensurate with their positions and are expected to provide a steady source of income sufficient to permit these officers to focus their time and attention on their work duties and responsibilities. The expected amounts of 2010 annual base salaries for our named executive officers are set forth in the Summary Compensation Table below, but may be adjusted by our compensation committee.

Cash Bonuses

Following the completion of this offering, we expect that our named executive officers will be eligible to earn, at the discretion of our compensation committee, annual cash bonuses for 2010. In addition, commencing in 2011, we expect to establish a program pursuant to our 2010 Equity Incentive Award Plan pursuant to which annual cash bonuses may be paid to our executive officers, including the named executive officers, based on the attainment of financial performance metrics and/or individual performance objectives established and approved in the sole discretion of our compensation committee.

Eligibility to receive these cash bonuses is expected to incentivize our named executive officers to strive to attain company and/or individual performance goals that further our interests and the interests of our stockholders. The following table lists target bonuses for 2011 for our named executive officers pursuant to the terms of the employment agreements to be entered into with our named executive officers:

Executive	Target Bonus (% Base Salary)
Ernest S. Rady	125%
John W. Chamberlain	125%
Robert F. Barton	100%
Adam Wyll	50%
Patrick Kinney	40%

Equity Awards

We will make grants of restricted common stock to certain of our employees, including our named executive officers, upon completion of this offering pursuant to the terms of the employment agreements to be entered into with our named executive officers. These awards under our 2010 Equity Incentive Award Plan will be granted to recognize such individuals' efforts on our behalf in connection with our formation and this offering. With respect to Messrs. Chamberlain, Barton, Wyll and Kinney, awards of restricted stock will be subject to both time-based vesting and performance-based vesting. With respect to Mr. Rady, awards of restricted stock will be subject only to performance-based vesting.

We expect that those restricted stock awards subject to time-based vesting will vest, based on continued employment, in two substantially equal installments on each of the third and fourth anniversaries of the date of grant. We expect that the vesting of those restricted stock awards subject to performance-based vesting will be based on the achievement of absolute and relative total shareholder return hurdles over a three-year performance period, commencing on the date of completion of this offering, which hurdles will be established by our board of directors and set forth in the applicable award agreements. Following the completion of the three-year performance period, our compensation committee will determine the number of shares to which an executive will be entitled based on our performance relative to the performance hurdles set forth in the executive's award agreement. These shares will then vest in two substantially equal installments, with the first installment vesting on the third anniversary of the date of grant and the second installment vesting on the fourth anniversary of the date of grant, subject to the executive's continued employment on those dates.

The following table lists the time-based and performance-based vesting restricted stock awards to be granted to our named executive officers upon the completion of this offering and the years in which such awards may vest. The shares subject to the performance-based restricted stock awards below represent the maximum number of shares subject to such awards that may vest, assuming the highest performance hurdles are achieved and all of the shares subject to such awards ultimately vest.

Executive	Year	Time Vesting Restricted Stock	Performance Vesting Restricted Stock
Ernest S. Rady	2011	—	—
	2012	—	—
	2013	—	
	2014	—	
John W. Chamberlain	2011	—	—
	2012	—	—
	2013		
	2014		
Robert F. Barton	2011	—	—
	2012	—	—
	2013		
	2014		
Adam Wyll	2011	—	—
	2012	—	—
	2013		
	2014		
Patrick Kinney	2011	—	—
	2012	—	—
	2013		
	2014		

The amounts and types of future equity awards, which may include restricted common stock, option awards, stock appreciation rights and other forms of equity awards, among others, will be determined by our compensation committee in its discretion. In addition to attracting, motivating and retaining the talent for which we compete, equity award grants are expected to incentivize and reward increases in long-term stockholder value, align the interests of our employees, including our named executive officers, with the interests of our stockholders and promote the retention of our employees, including our named executive officers.

Retirement Savings

We expect to establish and maintain a retirement savings plan under section 401(k) of the Code to cover our eligible employees. The Code allows eligible employees to defer a portion of their compensation, within prescribed limits, which may be on a pre-tax basis through contributions to the 401(k) plan. We may match a portion of our employees' annual contributions, within prescribed limits.

Employee Benefits

We expect that our full-time employees, including our named executive officers, will be eligible to participate in health and welfare benefit plans, which will provide medical, dental, prescription and other health and related benefits.

Additional Compensation Components

In the future, as we formulate and implement our compensation program, we may provide different and/or additional compensation components, benefits and/or perquisites to our employees, including our named executive officers, to ensure that we provide a balanced and comprehensive compensation structure. We believe that it is important to maintain flexibility to adapt our compensation structure at this time to properly attract, motivate and retain the top executive talent for which we compete.

Employment Agreements

We intend to enter into employment agreements with each of our named executive officers, effective as of the date of this offering. We believe that the protections contained in these employment agreements will help to ensure the day-to-day stability necessary to our executives to enable them to properly focus their attention on their duties and responsibilities with the company and will provide security with regard to some of the most uncertain events relating to continued employment, thereby limiting concern and uncertainty and promoting productivity. The following is a summary of the material terms of the agreements.

Under the agreements, Messrs. Rady, Chamberlain, Barton, Wyll and Kinney will serve as the company's Executive Chairman, Chief Executive Officer, Executive Vice President and Chief Financial Officer, Senior Vice President, General Counsel and Secretary, and Senior Vice President of Real Estate Operations, respectively. Messrs. Rady and Chamberlain will report directly to the board, while the other executives will report to our Chief Executive Officer. The initial term of the employment agreements will end on the third anniversary of the closing of this offering. On that date and on each subsequent anniversary of that date, the term of the employment agreements will automatically be extended for successive one year periods, unless earlier terminated. Pursuant to Messrs. Rady and Chamberlain's employment agreements, during the terms of their employment, we will nominate each for election as a director.

Under the employment agreements, the executives will receive initial annual base salaries in the amounts reflected in the "Summary Compensation Table" below, which are subject to increase at the discretion of our compensation committee. In addition, the executives will each be eligible to receive an annual cash performance bonus, the amount of which will be determined based on the attainment of performance criteria established by our compensation committee. The executives' target bonuses are set forth above under "—Elements of Executive Officer Compensation—Cash Bonuses." In connection with entering into the employment agreements, each of our named executive officers will be granted a "founders" award of restricted shares of our common stock as described above under "—Elements of Executive Officer Compensation—Equity Awards." In addition, the executives will be eligible to participate in customary health, welfare and fringe benefit plans, and will accrue up to five weeks of paid vacation per year.

Under the employment agreements, if an executive's employment is terminated by the company without "cause" or by the executive for "good reason" (each, as defined in the employment agreements) then, in addition to accrued amounts and any earned but unpaid bonuses, the executive will be entitled to receive the following:

- a lump-sum payment in an amount equal to two times the sum of (i) the executive's annual base salary then in effect, (ii) the highest annual bonus earned by the executive during the employment term (or, in the event of a termination prior to the end of the completion of the company's first full fiscal year, an amount as determined by our compensation committee in its sole discretion, but in no event less than the executive's base salary in effect on the termination date) and (iii) the highest value of any annual equity award(s) made to the executive during the employment term (not including the initial grant of restricted stock described above made in connection with the completion of this offering that vest on the basis of performance objectives or any award(s) granted pursuant to a multi-year or long-term performance program, initial hiring or retention award or similar non-reoccurring award);

- a lump-sum payment in an amount equal to the executive's pro-rated annual bonus for the year in which the termination occurs, based on performance achieved as of the termination date;
- accelerated vesting of all outstanding equity awards held by the executive as of the termination date; and
- a lump-sum cash payment equal to the executive's cost for continued healthcare coverage for up to 18 months after the termination date.

In the event that an executive's employment is terminated because the company elects not to renew the initial term of the employment agreement, then the executive will be entitled to receive the same payments and benefits described above for a termination without cause or for good reason. The executive's right to receive the severance payments and benefits described above is subject to his delivery of an effective general release of claims in favor of the company.

Under the employment agreements, upon a change in control of the company, the executives will be entitled to accelerated vesting of the executive's initial restricted stock grant such that the restricted stock will become fully vested and nonforfeitable.

Upon a termination of employment by reason of death or disability, the executive or his/her estate will be entitled to accelerated vesting of all outstanding equity awards held by the executive as of the termination date, in addition to accrued amounts and earned but unpaid bonuses.

The employment agreements also contain customary confidentiality and non-solicitation provisions.

Equity Incentive Award Plan

We intend to adopt our 2010 Equity Incentive Award Plan, which we sometimes refer to as the 2010 Plan, subject to approval by a majority of our stockholders, under which we expect to grant cash and equity incentive awards to eligible service providers in order to attract, motivate and retain the talent for which we compete. The material terms of the 2010 Plan, as it is currently contemplated, are summarized below. We are still in the process of implementing the 2010 Plan and, accordingly, this summary is subject to change prior to the effectiveness of the registration statement of which this prospectus is a part.

Eligibility and Administration

Our directors, officers, employees and consultants and the directors, officers, employees and consultants of our operating partnership and our respective subsidiaries will be eligible to receive awards under the 2010 Plan. The 2010 Plan will be administered by our compensation committee, which may delegate its duties and responsibilities to subcommittees of our directors and/or officers, subject to certain limitations that may be imposed under Code Section 162(m), Section 16 of the Exchange Act and/or stock exchange rules, as applicable. Our board of directors will administer the 2010 Plan with respect to awards to non-employee directors. The plan administrator will have the authority to make all determinations and interpretations under, prescribe all forms for use with, and adopt rules for the administration of, the 2010 Plan, subject to its express terms and conditions. The plan administrator will also set the terms and conditions of all awards under the 2010 Plan, including any vesting and vesting acceleration conditions.

Limitation on Awards and Shares Available

An aggregate of shares of our common stock, which number will be equal to approximately 8% of our pro forma shares outstanding as of the closing of this offering, will be available for issuance under awards granted pursuant to the 2010 Plan, which shares may be authorized but unissued shares or shares purchased in the open market. If an award under the 2010 Plan is forfeited, expires or is settled for cash, then any shares subject to such award may, to the extent of such forfeiture, expiration or cash settlement, be used again for new grants under the 2010 Plan. However, the following shares may not be used again for grant under the 2010 Plan: (1) shares tendered or withheld to satisfy grant or exercise price or tax withholding obligations associated with an award, (2) shares subject to a stock appreciation right, or SAR, that are not issued in connection with the stock settlement of the SAR on its exercise, and (3) shares purchased on the open market with the cash proceeds from the exercise of options.

Under the 2010 Plan, each LTIP unit issued pursuant to an award shall be counted against the share reserve under the 2010 Plan as one share of common stock, but only to the extent that such LTIP unit is exchangeable into shares of common stock, and on the same basis as the exchange ratio applicable to the LTIP unit.

Awards granted under the 2010 Plan upon the assumption of, or in substitution for, awards authorized or outstanding under a qualifying equity plan maintained by an entity with which we enter into a merger or similar corporate transaction will not reduce the shares authorized for grant under the 2010 Plan. After a transition period that may apply following the effective date of the offering, the maximum number of shares of our common stock that may be subject to one or more awards granted to any one participant pursuant to the 2010 Plan during any calendar year is and the maximum amount that may be paid in cash pursuant to the 2010 Plan to any one participant during any calendar year period is $10,000,000.

Awards

The 2010 Plan provides for the grant of stock options, including incentive stock options, or ISOs, and nonqualified stock options, or NSOs, restricted stock, dividend equivalents, stock payments, restricted stock units, or RSUs, performance shares, other incentive awards, LTIP units, SARs and cash awards. Except as described above with respect to the named executive officers, no determination has been made as to the types or amounts of awards that will be granted to specific individuals pursuant to the 2010 Plan. Certain awards under the 2010 Plan may constitute or provide for a deferral of compensation, subject to Code Section 409A, which may impose additional requirements on the terms and conditions of such awards. All awards will be set forth in award agreements, which will detail all terms and conditions of the awards, including any applicable vesting and payment terms. Awards other than cash awards will generally be settled in shares of our common stock, but the plan administrator may provide for cash settlement of any award. A brief description of each award type follows:

- *Stock Options*. Stock options provide for the purchase of shares of our common stock in the future at an exercise price set on the grant date. ISOs, by contrast to NSOs, may provide tax deferral beyond exercise and favorable capital gains tax treatment to their holders if certain holding period and other tax Code requirements are satisfied. The exercise price of a stock option may not be less than 100% of the fair market value of the underlying share on the date of grant (or 110% in the case of ISOs granted to certain significant shareholders), except with respect to certain substitute options granted in connection with a corporate transaction. The term of a stock option may not be longer than ten years (or five years in the case of ISOs granted to certain significant shareholders). Vesting conditions determined by the plan administrator may apply to stock options and may include continued service, performance and/or other conditions.

- *Stock Appreciation Rights.* SARs entitle their holder, upon exercise, to receive from us an amount equal to the appreciation of the shares subject to the award between the grant date and the exercise date. The exercise price of a SAR may not be less than 100% of the fair market value of the underlying share on the date of grant (except with respect to certain substitute SARs granted in connection with a corporate transaction) and the term of a SAR may not be longer than ten years. Vesting conditions determined by the plan administrator may apply to SARs and may include continued service, performance and/or other conditions.

- *Restricted Stock, RSUs and Performance Shares*. Restricted stock is an award of nontransferable shares of our common stock that remain forfeitable unless and until specified conditions are met, and which may be subject to a purchase price. RSUs are contractual promises to deliver shares of our common stock in the future, which may also remain forfeitable unless and until specified conditions are met. Delivery of the shares underlying these awards may be deferred under the terms of the award or at the election of the participant, if the plan administrator permits such a deferral. Performance shares are contractual rights to receive a range of shares of our common stock in the future based on the attainment of specified performance goals, in addition to other conditions which may apply to these awards. Conditions applicable to restricted stock, RSUs and performance shares may be based on continuing service with us or our affiliates, the attainment of performance goals and/or such other conditions as the plan administrator may determine.

- *Stock Payments, Other Incentive Awards, LTIP Units and Cash Awards*. Stock payments are awards of fully vested shares of our common stock that may, but need not, be made in lieu of base salary, bonus, fees or other cash compensation otherwise payable to any individual who is eligible to receive awards. Other incentive awards are awards other than those enumerated in this summary that are denominated in, linked to or derived from shares of our common stock or value metrics related to our shares, and may remain forfeitable unless and until specified conditions are met. LTIP units are awards of units of our operating partnership intended to constitute “profits interests” within the meaning of the relevant Revenue Procedure guidance, which may be exchangeable into shares of our common stock. Cash awards are cash incentive bonuses subject to performance goals.

- *Dividend Equivalents*. Dividend equivalents represent the right to receive the equivalent value of dividends paid on shares of our common stock and may be granted alone or in tandem with awards other than stock options or SARs. Dividend equivalents are credited as of dividend payments dates during the period between the date an award is granted and the date such award vests, is exercised, is distributed or expires, as determined by the plan administrator.

Performance Awards

Performance awards include any of the awards that are granted subject to vesting and/or payment based on the attainment of specified performance goals. The plan administrator will determine whether performance awards are intended to constitute “qualified performance-based compensation,” or QPBC, within the meaning of Code Section 162(m), in which case the applicable performance criteria will be selected from the list below in accordance with the requirements of Code Section 162(m).

Code Section 162(m) imposes a $1.0 million cap on the compensation deduction that we may take in respect of compensation paid to our “covered employees” (which should include our chief executive officer and our next three most highly compensated employees other than our chief financial officer), but excludes from the calculation of amounts subject to this limitation any amounts that constitute QPBC. We do not expect Code Section 162(m) to apply to awards under the 2010 Plan until the earliest to occur of our annual shareholders’ meeting in 2014, a material modification of the 2010 Plan or exhaustion of the share supply under the 2010 Plan. However, QPBC performance criteria may be used with respect to performance awards that are not intended to constitute QPBC.

In order to constitute QPBC under Code Section 162(m), in addition to certain other requirements, the relevant amounts must be payable only upon the attainment of pre-established, objective performance goals set by our compensation committee and linked to stockholder-approved performance criteria. For purposes of the 2010 Plan, one or more of the following performance criteria will be used in setting performance goals applicable to QPBC, and may be used in setting performance goals applicable to other performance awards: (1) net earnings (either before or after one or more of the following: (a) interest, (b) taxes, (c) depreciation and (d) amortization); (2) gross or net sales or revenue; (3) net income (either before or after taxes); (4) adjusted net income; (5) operating earnings or profit; (6) cash flow or NOI (including, but not limited to, operating cash flow and free cash flow); (7) return on assets; (8) return on capital; (9) return on stockholders' equity; (10) total stockholder return; (11) return on sales; (12) gross or net profit or operating margin; (13) costs; (14) funds from operations; (15) expenses; (16) working capital; (17) earnings per share; (18) adjusted earnings per share; (19) price per share of common stock; (20) implementation or completion of critical projects; (21) market share; and (22) economic value, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices.

The 2010 Plan also will permit the plan administrator to provide for objectively determinable adjustments to the applicable performance criteria in setting performance goals for QPBC awards. Such adjustments may include one or more of the following: (1) items related to a change in accounting principle; (2) items relating to financing activities; (3) expenses for restructuring or productivity initiatives; (4) other non-operating items; (5) items related to acquisitions; (6) items attributable to the business operations of any entity acquired by us during the performance period; (7) items related to the disposal of a business or segment of a business; (8) items related to discontinued operations that do not qualify as a segment of a business under GAAP; (9) items attributable to any stock dividend, stock split, combination or exchange of shares occurring during the performance period; (10) any other items of significant income or expense which are determined to be appropriate adjustments; (11) items relating to unusual or extraordinary corporate transactions, events or developments; (12) items related to amortization of acquired intangible assets; (13) items that are outside the scope of our core, on-going business activities; or (14) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions.

Certain Transactions

The plan administrator will have broad discretion to equitably adjust the provisions of the 2010 Plan, as well as the terms and conditions of existing and future awards, to prevent the dilution or enlargement of intended benefits and facilitate necessary or desirable changes in the event of certain transactions and events affecting our common stock, such as stock dividends, stock splits, mergers, acquisitions, consolidations and other corporate transactions. In addition, in the event of certain non-reciprocal transactions with our shareholders known as "equity restructurings," the plan administrator will make equitable adjustments to the 2010 Plan and outstanding awards. In the event of a change in control of our company (as defined in the 2010 Plan), the surviving entity must assume outstanding awards or substitute economically equivalent awards for such outstanding awards; however, if the surviving entity refuses to assume or substitute for all or some outstanding awards, then all such awards will vest in full and be deemed exercised (as applicable) upon the transaction. Individual award agreements may provide for additional accelerated vesting and payment provisions.

Foreign Participants, Transferability and Participant Payments

The plan administrator may modify award terms, establish subplans and/or adjust other terms and conditions of awards, subject to the share limits described above, in order to facilitate grants of awards subject to the laws and/or stock exchange rules of countries outside of the United States. With limited exceptions for estate planning, domestic relations orders, certain beneficiary designations and the laws of descent and distribution, awards under the 2010 Plan are generally non-transferable prior to vesting and are exercisable only by the participant. With regard to tax withholding, exercise price and purchase price obligations arising in connection with awards under the 2010 Plan, the plan administrator may, in its discretion, accept cash or check, shares of our common stock that meet specified conditions, a "market sell order" or such other consideration as it deems suitable.

Plan Amendment and Termination

Our board of directors may amend or terminate the 2010 Plan at any time; however, except in connection with certain changes in our capital structure, stockholder approval will be required for any amendment that increases the number of shares available under the 2010 Plan, “reprices” any stock option or SAR or cancels any stock option or SAR in exchange for cash or another award when the option or SAR price per share exceeds the fair market value of the underlying shares or as otherwise required by applicable law or stock exchange rule. No award may be granted pursuant to the 2010 Plan after the tenth anniversary of the date on which we adopt the 2010 Plan.

Additional REIT Restrictions

The 2010 Plan will provide that no participant will be granted, become vested in the right to receive or acquire or be permitted to acquire, or will have any right to acquire, shares under an award if such acquisition would be prohibited by the restrictions on ownership and transfer of our stock contained in our charter or would impair our status as a REIT.

Tax Considerations

Section 162(m) of the Internal Revenue Code

Section 162(m) of the Code disallows a tax deduction for any publicly held corporation for individual compensation exceeding $1.0 million in any taxable year for our chief executive officer and each of our other named executive officers (other than our chief financial officer), unless compensation is performance based. We expect that our compensation committee will, following this offering, adhere to the principle that, where reasonably practicable, we will seek to qualify the variable compensation paid to our named executive officers for an exemption from the deductibility limitations of Section 162(m). As such, in approving the amount and form of compensation for our named executive officers in the future, our compensation committee will consider all elements of the cost to our company of providing such compensation, including the potential impact of Section 162(m). However, our compensation committee may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent.

Section 409A of the Internal Revenue Code

Section 409A of the Code requires that “nonqualified deferred compensation” be deferred and paid under plans or arrangements that satisfy the requirements of the statute with respect to the timing of deferral elections, timing of payments and certain other matters. Failure to satisfy these requirements can expose employees and other service providers to accelerated income tax liabilities, penalty taxes and interest on their vested compensation under such plans. Accordingly, as a general matter, it is our intention to design and administer our compensation and benefits plans and arrangements for all of our employees and other service providers, including our named executive officers, so that they are either exempt from, or satisfy the requirements of, Section 409A.

Section 280G of the Internal Revenue Code

Section 280G of the Code disallows a tax deduction with respect to excess parachute payments to certain executives of companies which undergo a change in control. In addition, Section 4999 of the Internal Revenue Code imposes a 20% penalty on the individual receiving the excess payment.

Parachute payments are compensation that is linked to or triggered by a change in control and may include, but are not limited to, bonus payments, severance payments, certain fringe benefits, and payments and acceleration of vesting from long-term incentive plans, including stock options and other equity-based compensation. Excess parachute payments are parachute payments that exceed a threshold determined under Section 280G based on the executive’s prior compensation. In approving the compensation arrangements for our named executive officers in the future, our compensation committee will consider all elements of the cost to our company of providing such compensation, including the potential impact of Section 280G. However, our compensation committee may, in its judgment, authorize compensation arrangements that could give rise to loss of deductibility under Section 280G and the imposition of excise taxes under Section 4999 when it believes that such arrangements are appropriate to attract and retain executive talent.

Accounting Standards

ASC Topic 718, *Compensation—Stock Compensation* (referred to as ASC Topic 718 and formerly known as FASB 123R), requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options, restricted stock, restricted stock units and performance units under our 2010 Equity Incentive Award Plan will be accounted for under ASC Topic 718. Our compensation committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity plans and programs. As accounting standards change, we may revise certain programs to appropriately align accounting expenses of our equity awards with our overall executive compensation philosophy and objectives.

Compensation Committee Interlocks and Insider Participation

Upon completion of this offering and the formation transactions, we do not anticipate that any of our executive officers will serve as a member of a board of directors or compensation committee, or other committee serving an equivalent function, of any other entity that has one or more of its executive officers serving as a member of our board of directors or compensation committee.

Compensation Tables

Summary Compensation Table

We did not conduct business in 2009 and, accordingly, we did not pay any compensation to our named executive officers during or in respect of that year. Because we have no 2009 compensation to report, we are including below a Summary Compensation Table setting forth certain compensation that we expect to pay to our named executive officers during 2010 in order to provide some understanding of our expected compensation levels. While the table below accurately reflects our current expectations with respect to 2010 named executive officer compensation, actual 2010 compensation for these officers may be increased or decreased, including through the use of compensation components not currently contemplated or described herein. We expect to disclose actual 2010 compensation for our named executive officers in 2011, to the extent required by applicable SEC disclosure rules.

Name and Principal Position	Fiscal Year	Salary ($)(1)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)(4)
Ernest S. Rady Executive Chairman	2010		(2)	(3)	—	—	—	
John W. Chamberlain Chief Executive Officer	2010		(2)	(3)	—	—	—	
Robert F. Barton Executive Vice President and Chief Financial Officer	2010		(2)	(3)	—	—	—	
Adam Wyll Senior Vice President, General Counsel and Secretary	2010		(2)	(3)	—	—	—	
Patrick Kinney Senior Vice President of Real Estate Operations	2010		(2)	(3)	—	—	—	

(1) Salary amounts are annualized for the year ending December 31, 2010 based on the expected base salary levels to be effective upon the completion of this offering. Each of our named executive officers will receive a pro-rata portion of his 2010 base salary for the period from the completion of this offering through December 31, 2010.

(2) Any bonus awards to our named executive officers will be determined after the end of the 2010 fiscal year in the sole discretion of our compensation committee contingent upon such factors as the compensation committee may deem appropriate.

(3) Stock awards have not yet been granted to our named executive officers but are expected to be made on or about the date of this offering. Stock awards are anticipated to equal, for Messrs. Rady, Chamberlain, Barton, Wyll and Kinney, an aggregate number of shares of our common stock equal to, respectively, (all of which will be subject to performance-based vesting), (of which shares will be subject to time-based vesting and shares will be subject to performance-based vesting), (of which shares will be subject to time-based vesting and shares will be subject to performance-based vesting), (of which shares will be subject to time-based vesting and shares will be subject to performance-based vesting) and (of which shares will be subject to time-based vesting and shares will be subject to performance-based vesting). For additional information regarding the stock awards we expect to grant to the named executive officers upon the completion of this offering, see "Executive Compensation – Elements of Executive Officer Compensation – Equity Awards."

(4) Amounts shown in this column do not include the value of restricted stock awards (described in Note 3 above) that are expected to be granted to our named executive officers in connection with the offering, but which have not yet been granted.

Director Compensation

We intend to approve and implement a compensation program for our non-employee directors that consists of annual cash retainers, meeting fees and long-term equity awards. Following the completion of this offering, each non-employee director is expected to receive an annual base retainer for his or her services of $20,000, payable in cash in quarterly installments in conjunction with quarterly meetings of the board of directors. In addition, each non-employee director who serves as the chair of the audit, compensation or nominating and corporate governance committees is expected to receive an additional annual cash retainer of $10,000, $5,000 or $5,000, respectively. Directors will also receive additional cash consideration equal to $1,500 for each board meeting attended in person, $750 for each telephonic board meeting, $1,000 for each committee meeting attended in person and $500 for each telephonic committee meeting. Directors will be permitted to elect to receive these cash amounts in the form of fully vested shares of our common stock. We intend to reimburse each of our directors for his or her travel expenses incurred in connection with his or her attendance at full board of directors and committee meetings. We have not made any payments to any of our non-employee directors or director nominees to date. Following the consummation of this offering, each of our non-employee directors will also be eligible to receive automatic grants of restricted stock under our 2010 Plan. On the date of each annual meeting of stockholders, beginning with the 2011 annual meeting of stockholders, each non-employee director who will continue to serve on our board of directors following such annual meeting will be granted an award of restricted stock with a value equal to $40,000, based on the closing price of our common stock on the date of such grant. These awards of restricted stock are expected to vest ratably as to one-third of the shares subject to each grant on each of the first three anniversaries of the date of grant, subject to the director's continued service on our board of directors. All awards of restricted stock granted to each non-employee director will vest in full upon a change in control (as defined in the 2010 Plan).

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Formation Transactions

Each property that will be owned by us through our operating partnership upon the completion of this offering and the formation transactions is currently owned directly or indirectly by partnerships, limited liability companies or corporations in which Ernest S. Rady and his affiliates, including the Rady Trust, our other directors and executive officers and their affiliates and/or other third parties own a direct or indirect interest. We refer to these partnerships, limited liability companies and corporations collectively as the “ownership entities.” The current owners of the ownership entities, whom we refer to as the “prior investors,” have (1) entered into contribution agreements with us or our operating partnership, pursuant to which they will contribute their interests in the ownership entities to us or our operating partnership or its subsidiaries, or (2) caused the ownership entities to enter into merger agreements pursuant to which the ownership entities will merge with and into us, our operating partnership or certain of our or our operating partnership’s subsidiaries (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities), in each case substantially concurrently with the completion of this offering. To the extent that we are party directly to certain mergers in the formation transactions, we will contribute the assets received in such merger transactions to our operating partnership in exchange for common units. In addition, in connection with such transactions, American Assets, Inc. will contribute its property management business, which we refer to as the “property management business,” to our operating partnership in exchange for common units pursuant to a contribution agreement. The prior investors will receive cash, shares of our common stock and/or common units in exchange for their interests in the ownership entities. See “Structure and Formation of Our Company—Formation Transactions.”

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

The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or prior investors, on the other hand. In all cases, the aggregate value of consideration to be paid to each investor will be determined by applying his or her allocated share of ownership in each applicable property to the equity value of such property. The equity value of each property will be determined by applying the results of a relative equity valuation analysis of the properties and the property management business, which valuation analysis was conducted by an independent third-party valuation specialist, to the total value of our portfolio and the property management business, as determined upon pricing of this offering. These relative net asset values were based on a discounted cash flow analysis (based on information provided by us) and on the face amount of the outstanding secured and mortgage debt on each property on June 30, 2010. The actual value of the consideration to be paid by us to each of the prior investors, in the form of common stock, common units or cash (in the case of non-accredited investors), ultimately will be determined at pricing based on the initial public offering price of our common stock. The initial public offering price will be negotiated between the representatives of the underwriters and us. In determining the initial public offering price of our common stock, the representatives of the underwriters will consider, among other things, the history and prospects for the industry in which we compete, our results of operations, the ability of our management, our business potential and earnings prospects, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the prevailing securities markets at the time of this offering, the recent market prices of, and the demand for, publicly traded shares of companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. Prior to this offering, there has been no public market for our common stock. As such, the initial public offering price does not necessarily bear any relationship to the book value of the properties and assets to be acquired in the formation transactions, our financial condition or any other established criteria of value and may not be indicative of the market price for our common stock after this offering.

This calculation of the value of the consideration to be paid to each of the prior investors in the formation transactions, as described above, is further subject to adjustment to account for the existence of certain unsecured indebtedness related to the applicable properties and for changes in indebtedness related to the applicable properties. As part of the formation transactions, intercompany indebtedness obligations between or among ownership entities and the prior investors will be settled as an adjustment to the formation transaction consideration otherwise receivable by or payable to prior investors who were debtors or lenders or who held interests in ownership entities that were debtors or lenders, with respect to such debt obligations. The number of units or shares to be issued to each prior investor will be equal to (1) the value of the consideration to be received by him or her, divided by (2) the initial public offering price of our common stock.

In the event that the formation transactions are completed, we and our operating partnership will be solely responsible for all transaction costs incurred by the ownership entities in connection with the formation transactions and this offering. Moreover, while the merger agreements contain certain representations and warranties regarding the ownership entities and the contribution agreements contain certain representations warranties by the prior investors who are parties to such agreements, the majority of these representations and warranties will not survive the closing of the formation transactions. The prior investors will provide us with no indemnification for breaches of the surviving representations and warranties and our sole remedy against the prior investors will be for breach of contract.

The following table sets forth the consideration to be received by our directors, officers and affiliates in connection with the formation transactions, assuming a price per share of our common stock equal to the mid-point of the range set forth on the cover of this prospectus:

Prior Investors	Relationship with Us	Number of Shares Received in Formation Transactions	Number of Units Received in Formation Transactions	Total Value of Formation Transaction Consideration
American Assets, Inc.	Owner of 5% or more of our outstanding common stock			
Ernest Rady Trust U/D/T March 10, 1983(1)	Owner of 5% or more of our outstanding common stock			
Ernest S. Rady(2)	Director and Executive Officer			
John W. Chamberlain(3)	Director Nominee and Executive Officer			
Robert F. Barton(4)	Executive Officer			
Adam Wyll	Executive Officer			
Patrick Kinney	Executive Officer			

(1) Includes shares and common units held by American Assets, Inc., which is controlled by the Rady Trust. The Rady Trust disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(2) Includes (a) shares and common units held by the Rady Trust, for which Mr. Rady is the trustee and beneficiary; (b) shares and common units held by the Donald R. Rady Trust, for which Mr. Rady is the trustee; (c) shares and common units held by the Harry M. Rady Trust, for which Mr. Rady is the trustee; (d) shares and common units held by the Margo S. Rady Trust, for which Mr. Rady is the trustee; (e) shares and common units held by DHM Trust dated as of 29th May 1959, for which Mr. Rady is the trustee; and (f) shares and common units held by American Assets, Inc., which is indirectly controlled by Mr. Rady. Mr. Rady disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(3) Includes (a) shares and common units held by Trust A of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; (b) shares and common units held by Trust C of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; and (c) shares and common units held by The John W. and Rebecca S. Chamberlain Trust dated July 14, 1994, as amended, for which Mr. Chamberlain and his wife are the trustees and beneficiaries. Mr. Chamberlain disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(4) Includes shares and common units held by the Robert and Katherine Barton Living Trust, for which Mr. Barton is a trustee and beneficiary, and as such is the beneficial owner of the shares and common units held by such trust.

We have not obtained independent third-party appraisals of the properties in our portfolio. Accordingly, there can be no assurance that the fair market value of the cash and equity securities that we pay or issue to the prior investors will not exceed the fair market value of the properties and other assets acquired by us in the formation transactions. See “Risk Factors—Risks Related to Our Properties and Our Business—The value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined, net tangible book value of approximately $136.4 million as of September 30, 2010.”

Upon completion of this offering and the formation transactions, Mr. Rady and his affiliates, including the Rady Trust, and our other directors and executive officers will own % of our outstanding common stock, or % on a fully diluted basis (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters’ overallotment option is exercised in full) based upon the mid-point of the range of prices shown on the cover of this prospectus.

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

Excluded Assets

We will not be acquiring our Predecessor’s noncontrolling 25% ownership interest in the Fireman’s Fund Headquarters office property located in Novato, California, because the tenant at this property has not agreed to waive the potential application of a right of first offer with respect to a transfer by our Predecessor of its 25% ownership interest in this property to us in the formation transactions. In addition, our Predecessor’s joint venture partner in this property, which owns the remaining 75% ownership interest, did not consent to include its interest in such asset in the formation transactions. As a result of the fact that this joint venture interest in the Fireman's Fund Headquarters will not be included in the formation transactions, Ernest S. Rady, our Executive Chairman, and his affiliates will continue to own their relative interests in this noncontrolling 25% joint venture interest in the Fireman's Fund Headquarters. In addition, American Assets, Inc., an entity controlled by Mr. Rady, will continue as the manager of this property and will receive a management fee in an amount equal to 1.25% of gross receipts, payable monthly in arrears. However, pursuant to the terms of this property's triple net lease, American Assets, Inc. is not responsible for the day-to-day management of this property.

To the extent that an ownership entity has an excess of net working capital over "target net working capital" (as set forth below) as determined by us within 45 days prior to the date of the preliminary prospectus in connection with this offering, the amount of such excess shall be due to the prior owners of such ownership entity following the completion of the offering, including Ernest S. Rady and his affiliates and our other directors and executive officers who are prior investors. To the extent not distributed or paid by such ownership entity prior to the completion of this offering, our operating partnership shall pay such amounts on behalf of each such ownership entity promptly after the completion of this offering. For purposes of this calculation, the target net working capital of each ownership entity will be zero, other than with respect to certain ownership entities holding interests in Waikiki Beach Walk—Retail and the Waikiki Beach Walk—Embassy Suites™. With respect to Waikiki Beach Walk—Retail, ABW Lewers LLC will have a target net working capital of $5,000,000 and with respect to the Waikiki Beach Walk—Embassy Suites™, each of EBW Hotel, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC, and Waikele Venture Holdings, LLC, will have a target net working capital of $2,050,000, $766,500, $470,000 and $1,713,500, respectively. Therefore, any such amounts will not be included in the assets that we acquire in the formation transactions.

We estimate that the aggregate amount of such excess of net working capital will be $, of which $ will be payable to Ernest S. Rady and his affiliates, $ will be payable to John W. Chamberlain and his affiliates and $ will be payable to Robert F. Barton and his affiliates.

Release of Guarantees

The Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $70.9 million of indebtedness, in the aggregate, with respect to Waikele Center, Waikiki Beach Walk—Embassy Suites™, 160 King Street, The Landmark at One Market, Valencia Corporate Center and Carmel Mountain Plaza (relating to a building acquired on November 10, 2010). All of the indebtedness underlying the foregoing guaranteed amounts will be repaid with proceeds from this offering and, as a result, the Rady Trust and these other affiliates of Mr. Rady will be released from these guarantee obligations.

In addition, the Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $880.4 million of indebtedness, in the aggregate, that will be assumed by us upon completion of this offering. The guarantees with respect to substantially all of this indebtedness are limited to losses incurred by the applicable lender arising from a borrower's fraud, intentional misrepresentation or other "bad acts," a borrower's bankruptcy, a prohibited transfer under the loan documents or losses arising from a borrower's breach of certain environmental covenants. In connection with this assumption, we will seek to have the Rady Trust and such other affiliates of Mr. Rady released from such guarantees and to have our operating partnership assume any such guarantee obligations as replacement guarantor. To the extent lenders do not consent to the release of the Rady Trust and or such other affiliates of Mr. Rady, and the Rady Trust and such other affiliates remain guarantors on assumed indebtedness following the IPO, our operating partnership will enter into a reimbursement agreement with the Rady Trust and such affiliates, pursuant to which our operating partnership will be obligated to reimburse the Rady Trust and such other affiliates of Mr. Rady for any amounts paid by them under guarantees with respect to the assumed indebtedness.

Partnership Agreement

In connection with the completion of this offering, we will enter into an amended and restated partnership agreement with the various persons receiving common units in the formation transactions, including

Mr. Rady, his affiliates and certain other executive officers of our company. As a result, these persons will become limited partners of our operating partnership. See “Description of the Partnership Agreement of American Assets Trust, L.P.” Upon completion of this offering and the formation transactions, Mr. Rady and his affiliates and our other directors and executive officers will own % of the outstanding common units (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters’ overallotment option is exercised in full).

Pursuant to the partnership agreement, limited partners of our operating partnership and some assignees of limited partners will have the right, beginning 14 months after the completion of this offering, to require our operating partnership to redeem part or all of their common units for cash equal to the then-current market value of an equal number of shares of our common stock (determined in accordance with and subject to adjustment under the partnership agreement), or, at our election, to exchange their common units for shares of our common stock on a one-for-one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled “Description of Securities—Restrictions on Ownership and Transfer.”

In addition, we may not, without prior limited partner approval, directly or indirectly transfer all or any portion of our interest in the operating partnership before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. See “Description of the Partnership Agreement of American Assets Trust, L.P.—Restrictions on Transfers by the General Partner.”

Registration Rights

In connection with the completion of this offering, we will enter into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions, including Mr. Rady, his affiliates, immediate family members and related trusts and certain of our executive officers. Under the registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of this offering, we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the resale of the shares of our common stock issued or issuable, at our option, in exchange for common units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act in lieu of our operating partnership’s obligation to pay cash for such units.

Commencing one year after the date of this offering (but prior to the date upon which the registration statement described above is effective) or 16 months after the date of this offering if a shelf registration statement is not then effective, Mr. Rady and his affiliates, immediate family members and related trusts will have demand rights to require us to undertake an underwritten offering under a resale registration statement (so long as a majority-in-interest of such group makes such a demand). In addition, if we file a registration statement with respect to an underwritten offering for our own account, any of Mr. Rady and his affiliates, immediate family members and related trusts will have the right, subject to certain limitations, to register such number of shares of our common stock issued to him or her pursuant to the formation transactions as each such person requests.

Commencing upon our filing of a resale registration statement not later than 14 months after the date of this offering, under certain circumstances, we will also be required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided the securities to be registered in such offering shall (1) have a market value of at least $25 million or (2) shall represent all of the remaining securities acquired in the formation transactions by Mr. Rady and his affiliates, immediate family members and related trusts and such securities shall have a market value of at least $10 million, and provided further that we are not obligated to effect more than three such underwritten offerings. We will agree to pay all of the expenses relating to the securities registrations described above. See “Shares Eligible for Future Sale—Registration Rights.”

Tax Protection Agreement

In connection with the formation transactions and this offering, we will enter into a tax protection agreement with certain limited partners of our operating partnership, or the protected partners, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain. Under this agreement, our operating partnership will indemnify the protected partners for their tax liabilities (plus an additional amount equal to the taxes incurred as a result of such indemnity payment) attributable to their share of the built-in gain, as of the closing of the formation transactions, with respect to their interest in Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza, portion of Torrey Reserve Campus, which we collectively refer to as the tax protected properties, if the operating partnership, without the consent of Mr. Rady, disposes of any interest with respect to such properties in a taxable transaction during the shorter of the seven-year period after the closing of the formation transactions and the date on which 50% or more of the common units originally received by any such protected partner in the formation transactions have been sold, exchanged or otherwise disposed of by the protected partner, subject to certain exceptions and limitations. In addition, if during this period we fail to offer certain of the protected partners an opportunity to guarantee, in the aggregate, up to $ million of our outstanding indebtedness, or if we fail to make commercially reasonable efforts to provide such partners who continue to own more than 50% of the common units originally received by such partners in the formation transactions with an opportunity to guarantee debt after this period, we will be required to indemnify such partners against their resulting tax liabilities (plus an additional amount equal to the taxes they incur as a result of such indemnity payment). Notwithstanding the foregoing, the operating partnership’s indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain will have the opportunity to guarantee up to $ million and $ million, respectively, of our outstanding indebtedness. Among other things, this opportunity to guarantee debt is intended to allow the protected partners to defer the recognition of gain in connection with the formation transactions. The sole and exclusive rights and remedies of any protected partner under the tax protection agreement shall be a claim against our operating partnership for such protected partner’s tax liabilities as calculated in the tax protection agreement, and no protected partner shall be entitled to pursue a claim for specific performance or bring a claim against any person that acquires a protected party from our operating partnership in violation of the tax protection agreement.

Reimbursement of Pre-closing Transaction Costs

From time to time prior to this offering, American Assets, Inc., which is indirectly controlled by Mr. Rady, has advanced or incurred an aggregate of approximately $ million in organizational, legal, accounting and other similar expenses in connection with this offering and the formation transactions. These funds were advanced or incurred with the understanding that they would be repaid out of the proceeds of a completed public offering. Accordingly, upon consummation of this offering, we will reimburse American Assets, Inc. for the approximately $ million of such advances.

Repayment of Related Party Debt

In connection with the formation transactions, we will repay in cash from the proceeds of this offering approximately $4.5 million in notes payable to certain of the prior investors in Del Monte Center. Mr. Rady and his affiliates will receive approximately $3.4 million of this amount in their capacity as direct or indirect owners of the entities that own Del Monte Center. In addition, in connection with the formation transactions, we will repay in cash from the proceeds of this offering approximately $420,000 in notes payable to certain prior investors in Torrey Reserve Campus. Mr. Rady and his affiliates will receive approximately $30,000 of this amount in their capacity as direct or indirect owners of the entities that own Torrey Reserve Campus.

Lease Agreements

Insurance Company of the West, which was founded by Mr. Rady and is indirectly controlled by him, is a major tenant at Torrey Reserve Campus and Valencia Corporate Center. American Assets, Inc., which was also founded by Mr. Rady and is indirectly controlled by him, is a tenant at Torrey Reserve Campus. Mr. Rady currently serves as the chairman of the board of directors of both Insurance Company of the West and American Assets, Inc. Pursuant to the lease agreements with Insurance Company of the West, we will receive approximately $360,000 per month ($4,320,000 per year) in rent from Insurance Company of the West, and pursuant to the lease agreement with American Assets, Inc., we will receive approximately $57,000 per month ($684,000 per year) in rent from American Assets, Inc.

Assets Recently Acquired by Our Founders

In June 2010, the Rady Trust purchased a 99% indirect ownership interest in Landmark Venture JV, LLC, which indirectly owns an approximately 66.2% interest in The Landmark at One Market, for approximately $22.2 million. In connection with the formation transactions, we will acquire all of the indirect interests in Landmark Venture JV, LLC acquired by the Rady Trust in June 2010 for shares of common stock and/or common units with an aggregate value equal to $ million (based on the mid-point of the range set forth on the cover of this prospectus). In addition, in August 2010, a family trust established by Mr. Barton acquired an approximately 2.1% interest in Landmark Assets, Inc., which owns the remaining 1% interest in Landmark Venture JV, LLC, for $3,500. In connection with the formation transactions, we will acquire all of the interests in Landmark Assets, Inc. acquired by this Barton family trust in August 2010 for shares of common stock and/or common units with an aggregate value equal to $ (based on the mid-point of the range set forth on the cover of this prospectus). The value of the consideration that we will pay for these interests will be determined according to the applicable merger agreements and/or contribution agreements in the manner described above under “—Formation Transactions.” In addition to the foregoing, on November 10, 2010 an entity wholly owned by the Rady Trust purchased an approximately 80,000 rentable square foot building vacated by Mervyn’s, which is located at our Carmel Mountain Plaza property, for approximately $13.2 million. In connection with the formation transactions, we will acquire this property from the Rady Trust in exchange for the assumption of the outstanding debt on the property, which we will repay with a portion of the proceeds from this offering.

Outrigger Agreements

Under our hotel management agreement with Outrigger, we pay Outrigger a monthly management fee of 6.0% of the hotel’s gross operating profit as well as 3.0% of the hotel’s gross revenues to cover the monthly franchise royalty fee payable to the franchisor of the brand under which this hotel operates, provided that the aggregate management fee for any year shall not exceed 3.5% of the hotel’s gross revenues for such fiscal year. Pursuant to the terms of the hotel management agreement, if the agreement is terminated in certain instances, including upon a transfer by us of the hotel or upon a default by us under the hotel management agreement, we will be required to pay a cancellation fee calculated by multiplying (1) the management fees for the previous 12 months by (2) (A) eight, if the agreement is terminated in the first 11 years, or (B) four, three, two or one, if the agreement is terminated in the twelfth, thirteenth, fourteenth or fifteenth year, respectively, of the term of the agreement. We may not terminate the hotel management agreement without cause.

Under our retail management agreement with Outrigger, we pay Outrigger a monthly management fee of $10,000 per month or 3% of net revenues from the retail property, which ever is greater. Pursuant to the terms of the retail management agreement, if the agreement is terminated in certain instances, including our election not to repair damage or destruction at the property, a condemnation or our failure to make required working capital infusions, we will be obligated to pay Outrigger a termination fee equal to the sum of the management fees paid for the two calendar months immediately preceding the termination date. The retail management agreement may not be terminated by us or by Outrigger without cause.

Pursuant to a letter agreement dated September 6, 2010, we have agreed, provided that this offering is consummated, to: (1) use our best efforts to obtain the release of Outrigger from its guarantee with respect to a

$130.3 million mortgage loan related to Waikiki Beach Walk—Retail that will remain outstanding after this offering, provided that, if the lender of such loan does not agree to such a release, we will use our best efforts to cause the lender to agree to look to us or the operating partnership for primary recourse under such guarantee prior to looking to Outrigger for any recourse under such guarantee and we or the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs as a secondary guarantor of such loan, provided further that, if neither of the foregoing proposals are accepted by such lender, then we and the operating partnership, will indemnify, defend and hold harmless Outrigger for any losses, costs and expenses it incurs under such guarantee; (2) assume the indemnification obligation which American Assets, Inc. had with respect to Outrigger with regarding any adverse tax consequences arising from the formation of the Waikiki Beach Walk—Embassy Suites™ tenancy in common; and (3) along with the operating partnership, waive and relinquish all rights and benefits afforded to us or the operating partnership, other than pursuant to documents entered into pursuant to the formation transactions to which certain affiliates of Outrigger are a party, for claims against Outrigger and/or its affiliates, for actions or omissions by Outrigger and/or its affiliates taken prior to the completion of the formation transactions.

Employment Agreements

We intend to enter into employment agreements with each of our named executive officers, effective as of the date of this offering, which will provide for salary, bonus and other benefits, including accelerated equity vesting upon a change in control and severance upon a termination of employment under certain circumstances. The material terms of the agreements with our named executive officers are described under "Executive Compensation—Employment Agreements" and "Executive Compensation—Compensation Tables."

Management Business Contribution Agreement

We will succeed to the property management business of American Assets, Inc. as a result of the contribution by American Assets, Inc., which is indirectly controlled by Mr. Rady, of the assets and liabilities associated with the property management business to its wholly owned subsidiary, American Assets Trust Management, LLC, and the subsequent contribution of its interest in that entity to our operating partnership in exchange for common units. Upon the consummation of the formation transactions, substantially all employees of American Assets, Inc. will be terminated by American Assets, Inc. and hired by our operating partnership, American Assets Trust Management, LLC or another affiliate of our operating partnership. These employees will receive offers of employment on substantially the same terms and conditions of their employment as were in effect immediately prior to this transition and will be eligible to participate in any employee benefit plans maintained following the consummation of this offering by our operating partnership, American Assets Trust Management, LLC, or such affiliate. The new employer will provide service credit to each transferred employee for all service with American Assets, Inc. under its employee benefit plans and programs. The transferred employees will roll over their accrued paid time off, flexible spending account balances and deferred compensation plan balances, subject to the requirements of applicable law and any restrictions on transfer set forth in the Code. Except as described above, American Assets, Inc. will retain all liabilities related to the transferred employees to the extent those liabilities arose prior to the closing of the foregoing transactions.

Transition Services Agreement

Our operating partnership has entered into a transition services agreement with American Assets, Inc., which is indirectly controlled by Mr. Rady, pursuant to which it and American Assets, Inc. have each agreed to provide the other with such services as the other shall reasonably request. Any party receiving services under this agreement shall reimburse the party providing such services for the fully loaded cost of providing such services and for any other actual and reasonable out of pocket expenses incurred in connection with providing such services. Either party may terminate this agreement upon 30-days' written notice.

Equity Incentive Award Plan

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

Indemnification of Officers and Directors

Effective upon completion of this offering, our charter and bylaws will provide for certain indemnification rights for our directors and officers and we will enter into an indemnification agreement with each of our executive officers and directors, providing for procedures for indemnification and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us or, at our request, service to other entities, as officers or directors to the maximum extent permitted by Maryland law. See “Management—Limitation of Liability and Indemnification.”

POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of certain of our investment, financing and other policies. These policies have been determined by our board of directors and, in general, may be amended or revised from time to time by our board of directors without a vote of our stockholders.

Investment Policies

Investments in Real Estate or Interests in Real Estate

We will conduct all of our investment activities through our operating partnership and its subsidiaries. Our investment objectives are to maximize the cash flow of our properties, acquire properties with cash flow growth potential, provide quarterly cash distributions and achieve long-term capital appreciation for our stockholders through increases in the value of our company. Consistent with our policy to acquire assets for both income and capital gain, our operating partnership intends to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our investment objectives. We have not established a specific policy regarding the relative priority of these investment objectives. For a discussion of our properties and our acquisition and other strategic objectives, see "Business and Properties."

We expect to pursue our investment objectives primarily through the ownership by our operating partnership of our portfolio of properties and other acquired properties and assets. We currently intend to invest primarily in retail, office, mixed-use and multifamily properties. Future investment or development activities will not be limited to any geographic area, property type or to a specified percentage of our assets. While we may diversify in terms of property locations, size and market, we do not have any limit on the amount or percentage of our assets that may be invested in any one property or any one geographic area. We intend to engage in such future investment activities in a manner that is consistent with the maintenance of our status as a REIT for U.S. federal income tax purposes. In addition, we may purchase or lease income-producing office or other types of properties for long-term investment, expand and improve the properties we presently own or other acquired properties, or sell such properties, in whole or in part, when circumstances warrant.

We may also participate with third parties in property ownership, through joint ventures or other types of co-ownership. We also may acquire real estate or interests in real estate in exchange for the issuance of common stock, units, preferred stock or options to purchase stock. These types of investments may permit us to own interests in larger assets without unduly restricting our diversification and, therefore, provide us with flexibility in structuring our portfolio. We will not, however, enter into a joint venture or other partnership arrangement to make an investment that would not otherwise meet our investment policies.

Equity investments in acquired properties may be subject to existing mortgage financing and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these properties. Debt service on such financing or indebtedness will have a priority over any dividends with respect to our common stock. Investments are also subject to our policy not to fall within the definition of an "investment company" under the Investment Company Act of 1940, as amended, or the 1940 Act.

Investments in Real Estate Mortgages

While our portfolio consists of, and our business objectives emphasize, equity investments in retail, office, mixed-use and multifamily properties, we may, at the discretion of our board of directors and without a vote of our stockholders, invest in mortgages and other types of real estate interests in a manner that is consistent with our qualification as a REIT. We do not presently intend to invest in mortgages or deeds of trust, but may invest in participating or convertible mortgages if we conclude that we may benefit from the gross revenues or any appreciation in value of the property. If we choose to invest in mortgages, we would expect to invest in mortgages secured by retail, office, mixed-use or multifamily properties. However, there is no restriction on the proportion of our assets that may be invested in a type of mortgage or any single mortgage or type of mortgage loan. Investments in real estate mortgages run the risk that one or more borrowers may default under the mortgages and that the collateral securing those mortgages may not be sufficient to enable us to recoup our full investment.

Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Subject to the percentage of ownership limitations and the income and asset tests necessary for REIT qualification, we may in the future invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers where such investment would be consistent with our investment objectives. We may invest in the debt or equity securities of such entities, including for the purpose of exercising control over such entities. We have no current plans to invest in entities that are not engaged in real estate activities. While we may attempt to diversify our investments with respect to the retail, office, mixed-use and multifamily owned by such entities, in terms of property locations, size and market, we do not have any limit on the amount or percentage of our assets that may be invested in any one entity, property or geographic area. Our investment objectives are to maximize cash flow of our investments, acquire investments with growth potential and provide cash distributions and long-term capital appreciation to our stockholders through increases in the value of our company. We have not established a specific policy regarding the relative priority of these investment objectives. We will limit our investment in such securities so that we will not fall within the definition of an "investment company" under the 1940 Act.

Investments in Other Securities

Other than as described above, we do not intend to invest in any additional securities such as bonds, preferred stocks or common stock.

Dispositions

We do not currently intend to dispose of any of our properties, although we reserve the right to do so if, based upon management's periodic review of our portfolio, our board of directors determines that such action would be in our best interests. The tax consequences to our directors and executive officers who hold units resulting from a proposed disposition of a property may influence their decision as to the desirability of such proposed disposition. See "Risk Factors—Risks Related to Our Organizational Structure—Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our stockholders."

Financings and Leverage Policy

Upon completion of this offering, we will use significant amounts of cash to repay mortgage indebtedness on certain of the properties in our portfolio. Other uses of proceeds from this offering are described in greater detail under "Use of Proceeds" elsewhere in this prospectus. In the future, however, we anticipate using a number of different sources to finance our acquisitions and operations, including cash flows from operations, asset sales, seller financing, issuance of debt securities, private financings (such as additional bank credit facilities, which may or may not be secured by our assets), property-level mortgage debt, common or preferred equity issuances or any combination of these sources, to the extent available to us, or other sources that may become available from time to time. Any debt that we incur may be recourse or non-recourse and may be secured or unsecured. We also may take advantage of joint venture or other partnering opportunities as such opportunities arise in order to acquire properties that would otherwise be unavailable to us. We may use the proceeds of our borrowings to acquire assets, to refinance existing debt or for general corporate purposes.

Although we are not required to maintain any particular leverage ratio, we intend, when appropriate, to employ prudent amounts of leverage and to use debt as a means of providing additional funds for the acquisition of assets, to refinance existing debt or for general corporate purposes. We expect to use leverage conservatively, assessing the appropriateness of new equity or debt capital based on market conditions, including prudent assumptions regarding future cash flow, the creditworthiness of tenants and future rental rates. Our charter and bylaws do not limit the amount of debt that we may incur. Our board of directors has not adopted a policy limiting the total amount of debt that we may incur.

Our board of directors will consider a number of factors in evaluating the amount of debt that we may incur. If we adopt a debt policy, our board of directors may from time to time modify such policy in light of then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general conditions in the market for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors. Our decision to use leverage in the future to finance our assets will be at our discretion and will not be subject to the approval of our stockholders, and we are not restricted by our governing documents or otherwise in the amount of leverage that we may use.

Lending Policies

We have not made any loans to third parties, although we do not have a policy limiting our ability to make loans to other persons. We may consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be received by us for the property sold. We also may make loans to joint ventures in which we participate. However, we do not intend to engage in significant lending activities. Any loan we make will be consistent with maintaining our status as a REIT.

Equity Capital Policies

To the extent that our board of directors determines to obtain additional capital, we may issue debt or equity securities, including additional units or senior securities of our operating partnership, retain earnings (subject to provisions in the Code requiring distributions of income to maintain REIT qualification) or pursue a combination of these methods. As long as our operating partnership is in existence, we will generally contribute the proceeds of all equity capital raised by us to our operating partnership in exchange for additional interests in our operating partnership, which will dilute the ownership interests of the limited partners in our operating partnership.

Existing stockholders will have no preemptive rights to common or preferred stock or units issued in any securities offering by us, and any such offering might cause a dilution of a stockholder’s investment in us. Although we have no current plans to do so, we may in the future issue shares of common stock or units in connection with acquisitions of property.

We may, under certain circumstances, purchase shares of our common stock or other securities in the open market or in private transactions with our stockholders, provided that those purchases are approved by our board of directors. Our board of directors has no present intention of causing us to repurchase any shares of our common stock or other securities, and any such action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualification as a REIT.

Conflict of Interest Policies

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

Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistently with the obligation of good faith and fair dealing. The duty of loyalty requires a general partner of a Maryland general partnership to account to the partnership and hold as trustee for it any property, profit, or benefit derived by the general partner in the conduct of the partnership business or derived from a use by the general partner of partnership property, including the appropriation of a partnership opportunity, to refrain from dealing with the partnership in the conduct of the partnership's business as or on behalf of a party having an interest adverse to the partnership and to refrain from competing with the partnership in the conduct of the partnership business, although the partnership agreement may identify specific types or categories of activities that do not violate the duty of loyalty. The partnership agreement provides that, in the event of a conflict between the interests of our operating partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our operating partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of the operating partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our operating partnership, owe to the operating partnership and its partners. The duty of care requires a general partner to refrain from engaging in grossly negligent or reckless conduct, intentional misconduct or a knowing violation of law, and this duty may not be unreasonably reduced by the partnership agreement.

The partnership agreement provides that we are not be liable to our operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by our operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. The partnership agreement also provides that any obligation or liability in our capacity as the general partner of our operating partnership that may arise at any time under the partnership agreement or any other instrument, transaction or undertaking contemplated by the partnership agreement will be satisfied, if at all, out of our assets or the assets of our operating partnership only, and no obligation or liability of the general partner will be personally binding upon any of our directors, stockholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise, and none of our directors or officers will be liable or accountable in damages or otherwise to the partnership, any partner or any assignee of a partner for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or any act or omission. Our operating partnership must indemnify us, our directors and officers, officers of our operating partnership and any other person designated by us against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, that relate to the operations of the operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which such person actually received an improper personal benefit in violation or breach of any provision of the partnership agreement, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful.

Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action.

No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify or reduce the fiduciary duties and obligations of a general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce our fiduciary duties that would be in effect were it not for the partnership agreement.

Sale or Refinancing of Properties. Upon the sale of certain of the properties to be owned by us at the completion of the formation transactions, certain unitholders could incur adverse tax consequences which are different from the tax consequences to us and to holders of our common stock. Consequently, unitholders may have differing objectives regarding the appropriate pricing and timing of any such sale or repayment of indebtedness.

While we will have the exclusive authority under the partnership agreement to determine whether, when, and on what terms to sell a property or when to refinance or repay indebtedness, any such decision would require the approval of our board of directors. In addition, our operating partnership has agreed to indemnify certain limited partners for their tax liabilities (plus an additional amount equal to the taxes incurred as a result of such indemnity payment) attributable to their share of the built-in gain, as of the closing of the formation transactions, with respect to their interest in the tax protected properties, if the operating partnership, without the consent of Mr. Rady, disposes of any interest with respect to such properties in a taxable transaction during the shorter of the seven-year period after the closing of the formation transactions and the date on which 50% or more of the common units originally received by any such protected partner in the formation transactions have been sold, exchanged or otherwise disposed of by the protected partner, subject to certain exceptions and limitations.

Policies Applicable to All Directors and Officers. Our charter and bylaws do not restrict any of our directors, officers, stockholders or affiliates from having a pecuniary interest in an investment or transaction that we have an interest in or from conducting, for their own account, business activities of the type we conduct. We intend, however, to adopt policies that are designed to eliminate or minimize potential conflicts of interest, including a policy for the review, approval or ratification of any related party transactions. This policy will provide that the audit committee of our board of directors will review the relevant facts and circumstances of each related party transaction, including if the transaction is on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party before approving such transaction. We will also adopt a code of business conduct and ethics, which will provide that all of our directors, officers and employees are prohibited from taking for themselves opportunities that are discovered through the use of corporate property, information or position without our consent. See "Management—Code of Business Conduct and Ethics." However, we cannot assure you that these policies or provisions of law will always be successful in eliminating the influence of such conflicts, and if they are not successful, decisions could be made that might fail to reflect fully the interests of all stockholders.

Interested Director and Officer Transactions

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof, provided that:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board, and our board or such committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;

- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the transaction or contract is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote other than the votes of shares owned of record or beneficially by the interested director or corporation, firm or other entity; or

- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Furthermore, under Maryland law (where our operating partnership is formed), we, as general partner, have a fiduciary duty of loyalty to our operating partnership and its partners and, consequently, such transactions also are subject to the duties that we, as general partner, owe to the operating partnership and its limited partners (as such duty has been modified by the partnership agreement). We will also adopt a policy that requires that all contracts and transactions between us, our operating partnership or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of our disinterested directors even if less than a quorum. Where appropriate, in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion or engage independent counsel to represent the interests of non-affiliated security holders, although our board of directors will have no obligation to do so.

Policies With Respect To Other Activities

We will have authority to offer common stock, preferred stock or options to purchase stock in exchange for property and to repurchase or otherwise acquire our common stock or other securities in the open market or otherwise, and we may engage in such activities in the future. As described in "Description of the Partnership Agreement of American Assets Trust, L.P.," we expect, but are not obligated, to issue common stock to holders of common units upon exercise of their redemption rights. Except in connection with the initial capitalization of our company and our operating partnership, the formation transactions or employment agreements, we have not issued common stock, units or any other securities in exchange for property or any other purpose, and our board of directors has no present intention of causing us to repurchase any common stock. Our board of directors has the authority, without further stockholder approval, to amend our charter to increase or decrease the number of authorized shares of common stock or preferred stock and authorize us to issue additional shares of common stock or preferred stock, in one or more series, including senior securities, in any manner, and on the terms and for the consideration, it deems appropriate. See "Description of Securities." We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers other than our operating partnership and do not intend to do so. At all times, we intend to make investments in such a manner as to qualify as a REIT, unless because of circumstances or changes in the Code, or the Treasury regulations, our board of directors determines that it is no longer in our best interest to qualify as a REIT. In addition, we intend to make investments in such a way that we will not be treated as an investment company under the 1940 Act.

Reporting Policies

We intend to make available to our stockholders our annual reports, including our audited financial statements. After this offering, we will become subject to the information reporting requirements of the Exchange Act. Pursuant to those requirements, we will be required to file annual and periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

STRUCTURE AND FORMATION OF OUR COMPANY

Our Operating Entities

Our Operating Partnership

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

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

Our Services Company

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

Formation Transactions

Each property that will be owned by us through our operating partnership upon the completion of this offering and the formation transactions is currently owned directly or indirectly by partnerships, limited liability companies or corporations in which Ernest S. Rady and his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, our other directors and executive officers and their affiliates and/or other third parties own a direct or indirect interest. We refer to these partnerships, limited liability companies and corporations collectively as the "ownership entities." The current owners of the ownership entities, whom we refer to as the "prior investors," have (1) entered into contribution agreements with us or our operating partnership, pursuant to which they will contribute their interests in the ownership entities to us or our operating partnership or its subsidiaries, or (2) caused the ownership entities to enter into merger agreements pursuant to which the ownership entities will merge with and into us, our operating partnership or certain of our or our operating partnership's subsidiaries (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities), in each case substantially concurrently with the completion of this offering. To the extent that we are party directly to certain mergers in the formation transactions, we will contribute the assets received in such merger transactions to our operating partnership in exchange for common units. In addition, in connection with such transactions, American Assets, Inc. will contribute its property management business, which we refer to as the "property management business," to our operating partnership in exchange for common units pursuant to a contribution agreement. The prior investors will receive cash, shares of our common stock and/or common units in exchange for their interests in the ownership entities. See "Certain Relationships and Related Transactions." The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or investors, on the other hand, and will be determined based on a relative equity valuation analysis of all of the properties included in our portfolio and the property management business. We have not obtained independent third-party appraisals of the properties in our portfolio. See "—Our Structure—Determination of Consideration Payable for Our Properties." These formation transactions are designed to:

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

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

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

- We were formed as a Maryland corporation on July 16, 2010.
- American Assets Trust, L.P., our operating partnership, was formed as a Maryland limited partnership on July 16, 2010.

- We will sell shares of our common stock in this offering and an additional shares if the underwriters exercise their overallotment option in full, and we will contribute the net proceeds from this offering to our operating partnership in exchange for common units (or common units if the underwriters exercise their overallotment option in full).

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

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

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

- The Ernest Rady Trust U/D/T March 10, 1983, or the Rady Trust, has entered into a representation, warranty and indemnity agreement, pursuant to which it has made certain representations and warranties to us regarding the entities and assets being acquired in the formation transactions and agreed to indemnify us and our operating partnership for breaches of such representations and warranties for one year after the completion of this offering and the formation transactions. For purposes of satisfying any indemnification claims, the Rady Trust will deposit into escrow shares of our common stock and/or common units with an aggregate value equal to ten percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions. The Rady Trust has no obligation to increase the amount of common stock and/or common units in the escrow in the event the trading price of our common stock declines below the initial public offering price. Any and all amounts remaining in the escrow one year from the closing of the formation transactions will be distributed to the Rady Trust to the extent that indemnity claims have not been made against such amounts. This indemnification is subject to a one-time aggregate deductible equal to one percent of the consideration payable to the Rady Trust and its affiliates in the formation transactions and a cap equal to the value of the consideration deposited in the escrow.

Other than the Rady Trust, none of the prior investors or the entities that we are acquiring in the formation transactions will provide us with any indemnification.

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

- Our operating partnership intends to use a portion of the net proceeds of this offering to repay approximately $355.8 million of outstanding indebtedness, including applicable prepayment costs, exit fees and defeasance costs of $30.2 million and $13.2 million of debt incurred in connection with the acquisition of a building at Carmel Mountain Plaza on November 10, 2010. As a result of the foregoing use of proceeds, we expect to have approximately $880.4 million of total debt outstanding upon completion of this offering and the formation transactions. We determined the loans to be repaid based upon our determination of which would be economically prudent to repay, taking account the maturity dates, interest rates and prepayment costs, exit fees and defeasance costs associated with the various outstanding loans.

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

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

Consequences of this Offering and the Formation Transactions

The completion of this offering and the formation transactions will have the following consequences. All amounts are based on the mid-point of the range set forth on the cover of this prospectus:

- Through our interest in our operating partnership and its wholly owned subsidiaries, we will indirectly own a 100% fee simple interest in all of the properties in our portfolio and will operate all of the properties in our portfolio other than Waikiki Beach Walk, which will be operated by Outrigger.

- We will indirectly own our services company through our operating partnership, which will own 100% of its common stock.

- Purchasers of shares of our common stock in this offering will own % of our outstanding common stock, or % on a fully diluted basis (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters’ overallotment option is exercised in full).

- The prior investors in the entities that own the properties in our portfolio, including Mr. Rady and his affiliates and our executive officers, will own % of our outstanding common stock, or % on a fully diluted basis (% of our outstanding common stock, or % on a fully diluted basis, if the underwriters’ overallotment option is exercised in full).

- We will be the sole general partner of our operating partnership. We will own % of the outstanding common units of partnership interest in our operating partnership, and the prior investors in the entities that own the properties in our portfolio, including Mr. Rady and his affiliates and our executive officers, will own % of the outstanding common units. If the underwriters’ overallotment option is exercised in full, we will own % of the outstanding common units and the prior investors in the entities that own the properties in our portfolio, including Mr. Rady and his affiliates and our executive officers, will own %.

- We expect to have total consolidated indebtedness of approximately $880.4 million.

- To the extent that an ownership entity has an excess of net working capital over target net working capital (as set forth below) as determined by us within 45 days prior to the date of the preliminary prospectus in connection with this offering, the amount of such excess shall be due to the prior owners of such ownership entity following the completion of the offering, including Mr. Rady and his affiliates and our other directors and executive officers and their affiliates who are prior investors. To the extent not distributed or paid by such ownership entity prior to the completion of this offering, our operating partnership shall pay such amounts on behalf of each such ownership entity promptly after the completion of this offering. For purposes of this calculation the target net working capital of each ownership entity will be zero, other than with respect to certain ownership entities holding interests in Waikiki Beach Walk – Retail and the Waikiki Beach Walk – Embassy Suites™. With respect to Waikiki Beach Walk – Retail, ABW Lewers LLC will have a target net working capital of $5,000,000, and with respect to the Waikiki Beach Walk – Embassy Suites™, each of EBW Hotel, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC and Waikele Venture Holdings, LLC will have a target net working capital of $2,050,000, $766,500, $470,000 and $1,713,500, respectively. Therefore, any such amounts will not be included in the assets that we acquire in the formation transactions.

Benefits of the Formation Transactions to Related Parties

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

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

- In connection with the formation transactions, we will repay in cash from the proceeds of this offering (1) approximately $4.5 million in notes payable to certain of the prior investors in Del Monte Center and (2) approximately $420,000 in notes payable to certain prior investors in Torrey Reserve Campus. In their capacity as direct or indirect owners of the entities that own Del Monte Center and the Torrey Reserve Campus, Mr. Rady and his affiliates will receive approximately $3.4 million and $30,000, respectively, of these amounts.

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

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

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

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

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

- The Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $70.9 million of indebtedness, in the aggregate, with respect to Waikele Center, Waikiki Beach Walk—Embassy Suites™, 160 King Street, The Landmark at One Market, Valencia Corporate Center and Carmel Mountain Plaza (relating to a building acquired on November 10, 2010). All of the indebtedness underlying the foregoing guaranteed amounts will be repaid with proceeds from this offering and, as a result, the Rady Trust and these other affiliates of Mr. Rady will be released from these guarantee obligations. In addition, the Rady Trust and certain other affiliates of Mr. Rady are guarantors of approximately $880.4 million of indebtedness, in the aggregate, that will be assumed by us upon completion of this offering. The guarantees with respect to substantially all of this indebtedness are limited to losses incurred by the applicable lender arising from a borrower's fraud, intentional misrepresentation or other "bad acts," a borrower's bankruptcy, a prohibited transfer under the loan documents or losses arising from a borrower's breach of certain environmental covenants. In connection with this assumption, we will seek to have the Rady Trust and such other affiliates of Mr. Rady released from such guarantees and to have our operating partnership assume any such guarantee obligations as replacement guarantor. To the extent lenders do not consent to the release of the Rady Trust and or such other affiliates of Mr. Rady, and the Rady Trust and such other affiliates remain guarantors on assumed indebtedness following the IPO, our operating partnership will enter into a reimbursement agreement with the Rady Trust and such affiliates, pursuant to which our operating partnership will be obligated to reimburse the Rady Trust and such other affiliates of Mr. Rady for any amounts paid by them under guarantees with respect to the assumed indebtedness.

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

- In connection with the completion of this offering, we will enter into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions, including Mr. Rady his affiliates, immediate family members and related trusts and certain of our other directors and executive officers and their affiliates. Under the registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of this offering, we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the resale of the shares of our common stock issued or issuable, at our option, in exchange for common units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act in lieu of our operating partnership's obligation to pay cash for such units. Commencing one year after the date of this offering (but prior to the date upon which the registration statement described above is effective) or 16 months after the date of this offering if the shelf registration statement described above is not then effective, Mr. Rady and his affiliates, immediate family members and related trusts will have demand rights to require us to undertake an underwritten offering under a resale registration statement (so long as a majority-in-interest of such group makes such a demand). In addition, if we file a registration statement with respect to an underwritten offering for our own account, any of Mr. Rady and his affiliates, immediate family members and related trusts will have the right, subject to certain limitations, to register such number of shares of our common stock issued to him or her pursuant to the formation transactions as each such person requests. Commencing upon our filing of a resale registration statement not later than 14 months after the date of this offering, under certain circumstances, we will also be required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided the securities to be registered in such offering shall (1) have a market value of at least $25 million or (2) shall represent all of the remaining securities acquired in the formation transactions by Mr. Rady and his affiliates, immediate family members and related trusts and such securities shall have a market value of at least $10 million, and provided further that we are not obligated to effect more than three such underwritten offerings. We will agree to pay all of the expenses relating to the securities registrations described above. See "Shares Eligible for Future Sale—Registration Rights."

- We intend to enter into employment agreements with our named executive officers, effective as of the date of this offering, which will provide for salary, bonus and other benefits, including accelerated equity vesting upon a change in control and severance upon a termination of employment under certain circumstances. The material terms of the agreements with our named executive officers are described under "Executive Compensation—Employment Agreements" and "Executive Compensation—Compensation Tables."

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

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

Cost of Recent Acquisitions

In June 2010, the Rady Trust purchased a 99% indirect ownership interest in Landmark Venture JV, LLC, which indirectly owns an approximately 66.2% interest in The Landmark at One Market, for approximately $23.0 million. In connection with the formation transactions, we will acquire all of the indirect interests in Landmark Venture JV, LLC acquired by the Rady Trust in June 2010 for shares of common stock and/or common units with an aggregate value equal to $ million (based on the mid-point of the range set forth on the cover of this prospectus). In addition, in August 2010, a family trust established by Mr. Barton acquired an approximately 2.1% interest in Landmark Assets, Inc., which owns the remaining 1% interest in Landmark Venture JV, LLC, for $3,500. In connection with the formation transactions, we will acquire all of the interests in Landmark Assets, Inc. acquired by this Barton family trust in August 2010 for shares of common stock and/or common units with an aggregate value equal to $ (based on the mid-point of the range set forth on the cover of this prospectus). The value of the consideration that we will pay for these interests will be determined according to the applicable merger agreements and/or contribution agreements in the manner described above under "—Formation Transactions." In addition to the foregoing, on November 10, 2010 an entity wholly owned by the Rady Trust purchased an approximately 80,000 rentable square foot building vacated by Mervyn's, which is located at Carmel Mountain Plaza, for approximately $13.2 million. In connection with the formation transactions, we will acquire this property from the Rady Trust in exchange for the assumption of the outstanding debt on the property, which we will repay with a portion of the proceeds from this offering.

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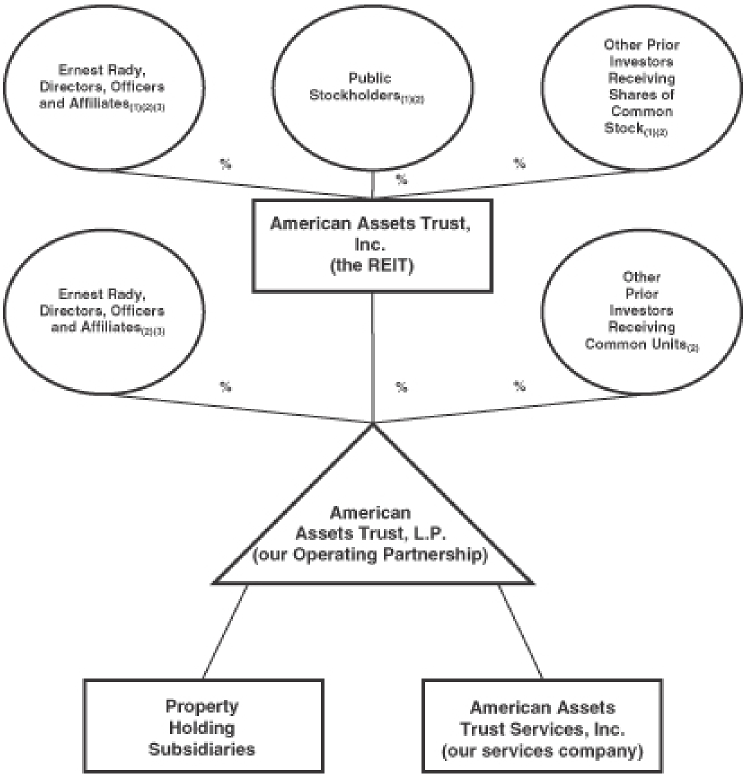
Our Structure

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



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

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

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

Determination of Consideration Payable for Our Properties

We will acquire the direct or indirect ownership of each of the properties in our portfolio in connection with the formation transactions. The value of the consideration to be paid to each of the prior investors in the formation transactions, in each case, will be based upon the terms of the applicable merger or contribution agreement among us and/or our operating partnership, on the one hand, and the prior investor or prior investors, on the other hand. In all cases, the aggregate value of consideration to be paid to each investor will be determined by applying his or her allocated share of ownership in each applicable property to the equity value of such property. The equity value of each property will be determined by applying the results of a relative equity valuation analysis of the properties and the property management business, which valuation analysis was conducted by an independent third-party valuation specialist, to the total value of our portfolio and the property management business, as determined upon pricing of this offering. These relative net asset values were based on a discounted cash flow analysis (based on information provided by us) and on the face amount of the outstanding secured and mortgage debt on each property on June 30, 2010. The actual value of the consideration to be paid by us to each of the prior investors, in the form of common stock, common units or cash (in the case of non-accredited investors), ultimately will be determined at pricing based on the initial public offering price of our common stock, which will be determined as described below under the heading "—Determination of Offering Price."

This calculation of the value of the consideration to be paid to each of the prior investors in the formation transactions, as described above, is further subject to adjustment to account for the existence of certain unsecured indebtedness related to the applicable properties and for changes in indebtedness related to the applicable properties. As part of the formation transactions, intercompany indebtedness obligations between or among ownership entities and the prior investors will be settled as an adjustment to the formation transaction consideration otherwise recievable by or payable to prior investors who were debtors or lenders or who held interests in ownership entities that were debtors or lenders, with respect to such debt obligations. The number of units or shares to be issued to each prior investor will be equal to (1) the value of the consideration to be received by him or her, divided by (2) the initial public offering price of our common stock.

We have not obtained independent third-party appraisals of the properties in our portfolio. Accordingly, there can be no assurance that the fair market value of the cash and equity securities that we pay or issue to the prior investors will not exceed the fair market value of the properties and other assets acquired by us in the formation transactions. See "Risk Factors—Risks Related to Our Properties and Our Business—The value of the common units and shares of our common stock to be issued as consideration for the properties and assets to be acquired by us in the formation transactions may exceed their aggregate fair market value and exceed their aggregate historical combined, net tangible book value of approximately $136.4 million as of September 30, 2010."

Determination of Offering Price

Prior to this offering, there has been no public market for our common stock. The initial public offering price will be negotiated between the representatives of the underwriters and us. In determining the initial public offering price of our common stock, the representatives of the underwriters will consider, among other things, the history and prospects for the industry in which we compete, our results of operations, the ability of our management, our business potential and earnings prospects, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the prevailing securities markets at the time of this offering, the recent market prices of, and the demand for, publicly traded shares of companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to the book value of the properties and assets to be acquired in the formation transactions, our financial condition or any other established criteria of value and may not be indicative of the market price for our common stock after this offering.

DESCRIPTION OF THE PARTNERSHIP AGREEMENT OF AMERICAN ASSETS TRUST, L.P.

Although the following summary describes the material terms and provisions of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., which we refer to as the "partnership agreement," it is not a complete description of the Maryland Revised Uniform Limited Partnership Act or the partnership agreement, a copy of which is filed as an exhibit to the registration statement of which this prospectus is a part and is available from us upon request. See "Where You Can Find More Information." For purposes of this section, references to "we," "our," "us" and "our company" refer to American Assets Trust, Inc.

General

Upon completion of the formation transactions, substantially all of our assets will be held by, and substantially all of our operations will be conducted through, our operating partnership, either directly or through its subsidiaries. We are the sole general partner of our operating partnership and, upon completion of this offering, the formation transactions and the other transactions described in this prospectus, common units will be outstanding and we will own % of the outstanding common units. In connection with the formation transactions, we will enter into the partnership agreement and prior investors in our portfolio who elect to receive common units in the formation transactions will be admitted as limited partners of our operating partnership. Our operating partnership is also authorized to issue a class of units of partnership interest designated as LTIP units, which have the terms described below. The provisions of the partnership agreement described below and elsewhere in the prospectus will be in effect after the completion of the formation transactions and this offering. We do not intend to list the common units on any exchange or any national market system.

Provisions in the partnership agreement may delay or make more difficult unsolicited acquisitions of us or changes in our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions also make it more difficult for third parties to alter the management structure of our operating partnership without the concurrence of our board of directors. These provisions include, among others:

- redemption rights of limited partners and certain assignees of common units;
- transfer restrictions on units and other partnership interests;
- a requirement that we may not be removed as the general partner of our operating partnership without our consent;
- our ability in some cases to amend the partnership agreement and to cause our operating partnership to issue preferred partnership interests in our operating partnership with terms that we may determine, in either case, without the approval or consent of any limited partner; and
- the rights of the limited partners to consent to certain direct or indirect transfers of our interest in our operating partnership, including in connection with certain mergers, consolidations and other business combinations involving us, recapitalizations and reclassifications of our outstanding stock and issuances of our stock that require approval of our stockholders.

Purpose, Business and Management

Our operating partnership is formed for the purpose of conducting any business, enterprise or activity permitted by or under the Maryland Revised Uniform Limited Partnership Act. Our operating partnership may enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement and may own interests in any entity engaged in any business permitted by or under the Maryland Revised Uniform Limited Partnership Act. However, our operating partnership may not, without our specific consent, which we may give or withhold in our sole and absolute discretion, take, or refrain from taking, any action that, in our judgment, in our sole and absolute discretion:

- could adversely affect our ability to continue to qualify as a REIT;
- could subject us to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code; or
- could violate any law or regulation of any governmental body or agency having jurisdiction over us, our securities or our operating partnership.

In general, our board of directors will manage the business and affairs of our operating partnership by directing our business and affairs, in our capacity as the sole general partner of our operating partnership. Except as otherwise expressly provided in the partnership agreement and subject to the rights of holders of any class or series of partnership interest, all management powers over the business and affairs of our operating partnership are exclusively vested in us, in our capacity as the sole general partner of our operating partnership. No limited partner, in its capacity as a limited partner, has any right to participate in or exercise management power over our operating partnership's business, transact any business in our operating partnership's name or sign documents for or otherwise bind our operating partnership. We may not be removed as the general partner of our operating partnership, with or without cause, without our consent, which we may give or withhold in our sole and absolute discretion. In addition to the powers granted to us under applicable law or any provision of the partnership agreement, but subject to certain rights of holders of any class or series of partnership interest, we, in our capacity as the general partner of our operating partnership, have the full and exclusive power and authority to do all things that we deem necessary or desirable to conduct the business and affairs of our operating partnership, to exercise or direct the exercise of all of the powers of our operating partnership and to effectuate the purposes of our operating partnership without the approval or consent of any limited partner. We may authorize our operating partnership to incur debt and enter into credit, guarantee, financing or refinancing arrangements for any purpose, including, without limitation, in connection with any acquisition of properties, on such terms as we determine to be appropriate, and to acquire or dispose of any, all or substantially all of its assets (including goodwill), dissolve, merge, consolidate, reorganize or otherwise combine with another entity, without the approval or consent of any limited partner. With limited exceptions, we may execute, deliver and perform agreements and transactions on behalf of our operating partnership without the approval or consent of any limited partner.

Restrictions on General Partner's Authority

The partnership agreement prohibits us, in our capacity as general partner, from taking any action that would make it impossible to carry out the ordinary business of our operating partnership or performing any act that would subject a limited partner to liability as a general partner in any jurisdiction or any other liability except as provided under the partnership agreement. We may not, without the prior consent of the partners of our operating partnership (including us), amend, modify or terminate the partnership agreement, except for certain amendments that we may approve without the approval or consent of any limited partner, described in "—Amendment of the Partnership Agreement," and certain amendments described below that require the approval of each affected partner. We may not, in our capacity as the general partner of our operating partnership, without the consent of a majority in interest of the limited partners (excluding us and any limited partner 50% or more of whose equity is owned, directly or indirectly, by us):

- take any action in contravention of an express provision or limitation of the partnership agreement;
- transfer of all or any portion of our general partnership interest in our operating partnership or admit any person as a successor general partner, subject to the exceptions described in "—Transfers and Withdrawals—Restrictions on Transfers by the General Partner"; or

- voluntarily withdraw as the general partner.

Without the consent of each affected limited partner, we may not enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts us or our operating partnership from performing our or its specific obligations in connection with a redemption of units or expressly prohibits or restricts a limited partner from exercising its redemption rights in full. For the avoidance of doubt, because we have the right to elect to acquire common units tendered for redemption in exchange for shares of common stock, the approval of the limited partners generally should not be required in order for us or our operating partnership to enter into loan agreements which conditionally restrict our operating partnership from redeeming common units for cash. In addition to any approval or consent required by any other provision of the partnership agreement, we may not, without the consent of each affected partner, amend the partnership agreement or take any other action that would:

- convert a limited partner into a general partner;
- modify the limited liability of a limited partner;
- alter the rights of any partner to receive the distributions to which such partner is entitled, or alter the allocations specified in the partnership agreement, except to the extent permitted by the partnership agreement in connection with the creation or issuance of any new class or series of partnership interest;
- alter or modify the redemption rights of holders of common units or the related definitions specified in the partnership agreement;
- remove, alter or amend certain provisions of the partnership agreement relating to the requirements for us to qualify as a REIT or permitting us to avoid paying tax under Sections 857 or 4981 of the Code; or
- amend the provisions of the partnership agreement requiring the consent of each affected partner before taking any of the actions described above.

Additional Limited Partners

We may cause our operating partnership to issue additional units or other partnership interests and to admit additional limited partners to our operating partnership from time to time, on such terms and conditions and for such capital contributions as we may establish in our sole and absolute discretion, without the approval or consent of any limited partner, including:

- upon the conversion, redemption or exchange of any debt, units or other partnership interests or securities issued by our operating partnership;
- for less than fair market value; or
- in connection with any merger of any other entity into our operating partnership.

The net capital contribution need not be equal for all limited partners. We may cause our operating partnership to issue LTIP units for no consideration. Each person admitted as an additional limited partner must make certain representations to each other partner relating to, among other matters, such person’s ownership of any tenant of us or our operating partnership and the number of persons that may, as a result of such person’s admission as a limited partner, be treated as directly or indirectly owning an interest in our operating partnership. No person may be admitted as an additional limited partner without our consent, which we may give or withhold in our sole and absolute discretion, and no approval or consent of any limited partner is required in connection with the admission of any additional limited partner.

The partnership agreement authorizes our operating partnership to issue common units and LTIP units, and our operating partnership may issue additional partnership interests in one or more additional classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over the units) as we may determine, in our sole and absolute discretion, without the approval of any limited partner or any other person. Without limiting the generality of the foregoing, we may specify, as to any such class or series of partnership interest:

- the allocations of items of partnership income, gain, loss, deduction and credit to each such class or series of partnership interest;
- the right of each such class or series of partnership interest to share, on a junior, senior or pari passu basis, in distributions;
- the rights of each such class or series of partnership interest upon dissolution and liquidation of our operating partnership;
- the voting rights, if any, of each such class or series of partnership interest; and
- the conversion, redemption or exchange rights applicable to each such class or series of partnership interest.

Ability to Engage in Other Businesses; Conflicts of Interest

We may not conduct any business other than in connection with the ownership, acquisition and disposition of partnership interests, the management of the business and affairs of our operating partnership, our operation as a reporting company with a class (or classes) of securities registered under the Exchange Act, our operations as a REIT, the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, financing or refinancing of any type related to our operating partnership or its assets or activities and such activities as are incidental to those activities discussed above. In general, we must contribute any assets or funds that we acquire to our operating partnership in exchange for additional partnership interests. We may, however, in our sole and absolute discretion, from time to time hold or acquire assets in our own name or otherwise other than through our operating partnership so long as we take commercially reasonable measures to ensure that the economic benefits and burdens of such property are otherwise vested in our operating partnership.

Distributions

Our operating partnership will make distributions at such times and in such amounts, as we may in our sole and absolute discretion determine:

- first, with respect to any partnership interests that are entitled to any preference in distribution, in accordance with the rights of the holders of such class(es) or series of partnership interest, and, within each such class, among the holders of such class pro rata in proportion to their respective percentage interests of such class; and
- second, with respect to any partnership interests that are not entitled to any preference in distribution, including the common units and, except as described below under "—Special Allocations and Liquidating Distributions on LTIP Units" with respect to liquidating distributions and as may be provided in the 2010 Plan or any other incentive award plan, or any applicable award agreement, the LTIP units, in accordance with the rights of the holders of such class(es) or series of partnership interest, and, within each such class, among the holders of each such class, pro rata in proportion to their respective percentage interests of such class.

Distributions payable with respect to any units that were not outstanding during the entire quarterly period in respect of which a distribution is made, other than units issued to us in connection with the issuance of shares of our common stock, will be prorated based on the portion of the period that such units were outstanding.

Allocations

Except for the special allocations to holders of LTIP units described below under “Special Allocations and Liquidating Distributions on LTIP Units,” and subject to the rights of the holders of any other class or series of partnership interest, net income or net loss of our operating partnership will generally be allocated to us, as the general partner, and to the limited partners in accordance with the partners’ respective percentage ownership of the aggregate outstanding common units and LTIP units. Allocations to holders of a class or series of partnership interest will generally be made proportionately to all such holders in respect of such class or series. However, in some cases gain or loss may be disproportionately allocated to partners who have contributed appreciated property or guaranteed debt of our operating partnership. The allocations described above are subject to special rules relating to depreciation deductions and to compliance with the provisions of Sections 704(b) and 704(c) of the Code and the associated Treasury Regulations. See “Federal Income Tax Considerations—Taxation of our Company—Tax Aspects of Our Operating partnership, the Subsidiary Partnerships and the Limited Liability Companies.”

Special Allocations and Liquidating Distributions on LTIP Units

A partner who receives units from the partnership has an initial capital account balance that is equal to the amount the partner paid (or contributed to our operating partnership) for its units and is subject to subsequent adjustments, including as the result of allocations of the partner’s share of income or loss of our operating partnership. Because a holder of LTIP units generally will not pay for the LTIP units, the initial capital account balance attributable to such LTIP units will be zero. However, the partnership agreement provides that holders of LTIP units will receive special allocations of income in the event of a sale or “hypothetical sale” of the assets of our operating partnership, prior to the allocation of income to us or other holders of common units with respect to our or their common units. Such income will be allocated to holders of LTIP units to the extent necessary to cause the capital account of a holder of LTIP units to be economically equivalent to our capital account with respect to an equal number of common units. The term “hypothetical sale” does not refer to an actual sale of our operating partnership’s assets, but refers to certain adjustments to the value of our operating partnership’s assets and the partners’ capital account balances, determined as if there had been a sale of such assets at their fair market value, as required by applicable Treasury Regulations. Further, we may delay or accelerate allocations to holders of LTIP units, or adjust the allocation of income or loss among the holders of LTIP units, so that, for the year during which each LTIP unit’s distribution participation date falls, the ratio of the income and loss allocated to the LTIP unit to the total amounts distributed with respect to each such LTIP unit is more nearly equal to the ratio of the income and loss allocated to our common units to the amounts distributed to us with respect to our common units.

Because distributions upon liquidation of our operating partnership will be made in accordance with the partners’ respective capital account balances, not numbers of units, LTIP units will not have full parity with common units with respect to liquidating distributions until the special allocations of income to the holders of LTIP units in the event of a sale or “hypothetical sale” of our operating partnership’s assets causes the capital account of a holder of LTIP units to be economically equivalent to our capital account with respect to an equal number of common units. To the extent that there is not sufficient income to allocate to an LTIP unitholder’s capital account to cause such capital account to become economically equivalent to our capital account with respect to an equal number of common units, or if such a sale or “hypothetical sale” does not occur, the holder’s LTIP units will not achieve parity with common units with respect to liquidating distributions.

Borrowing by the Operating Partnership

We may cause our operating partnership to borrow money and to issue and guarantee debt as we deem necessary for the conduct of the activities of our operating partnership. Such debt may be secured, among other things, by mortgages, deeds of trust, liens or encumbrances on the properties of our operating partnership.

Reimbursements of Expenses; Transactions with General Partner and its Affiliates

We will not receive any compensation for our services as the general partner of our operating partnership. We have the same right to distributions as other holders of common units. In addition, our operating partnership must reimburse us for all amounts expended by us in connection with our operating partnership's business, including expenses relating to the ownership of interests in and management and operation of our operating partnership, compensation of officers and employees, including payments under future compensation plans that may provide for stock units, or phantom stock, pursuant to which our employees or employees of our operating partnership will receive payments based upon dividends on or the value of our common stock, director fees and expenses, any expenses (other than the purchase price) incurred by us in connection with the redemption or repurchase of shares of our preferred stock and our costs and expenses of being a public company, including costs of filings with the SEC, reports and other distributions to our stockholders. Our operating partnership must reimburse us for all expenses incurred by us relating to any offering of our stock, including any underwriting discounts or commissions, based on the percentage of the net proceeds from such issuance that we contribute or otherwise make available to our operating partnership. Any reimbursement will be reduced by the amount of any interest we earn on funds we hold on behalf of our operating partnership.

We and our affiliates may engage in any transactions with our operating partnership on such terms as we may determine in our sole and absolute discretion.

Exculpation and Indemnification of General Partner

The partnership agreement provides that we are not liable to our operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by our operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. The partnership agreement also provides that any obligation or liability in our capacity as the general partner of our operating partnership that may arise at any time under the partnership agreement or any other instrument, transaction or undertaking contemplated by the partnership agreement will be satisfied, if at all, out of our assets or the assets of our operating partnership only, and no such obligation or liability will be personally binding upon any of our directors, stockholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise, and none of our directors or officers will be liable or accountable in damages or otherwise to the partnership, any partner or any assignee of a partner for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission. We, as the general partner of our operating partnership, are not responsible for any misconduct or negligence on the part of our employees or agents, provided that we appoint such employees or agents in good faith. We, as the general partner of our operating partnership, may consult with legal counsel, accountants, appraisers, management consultants, investment bankers and other consultants and advisors, and any action that we take or omit to take in reliance upon the opinion of such persons, as to matters which we reasonably believe to be within their professional or expert competence, will be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

In addition, the partnership agreement requires our operating partnership to indemnify us, our directors and officers, officers of our operating partnership and any other person designated by us against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, whether civil, criminal, administrative or investigative, that relate to the operations of our operating partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) such person actually received an improper personal benefit in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful. Our operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our operating partnership on any portion of any claim in the action.

Business Combinations of Our Operating Partnership

Subject to the limitations on the transfer of our interest in our operating partnership described in "—Transfers and Withdrawals—Restrictions on Transfers by the General Partner," we generally have the exclusive power to cause our operating partnership to merge, reorganize, consolidate, sell all or substantially all of its assets or otherwise combine its assets with another entity. However, in connection with the acquisition of properties from persons to whom our operating partnership issues units or other partnership interests as part of the purchase price, in order to preserve such persons' tax deferral, our operating partnership may contractually agree, in general, not to sell or otherwise transfer the properties for a specified period of time, or in some instances, not to sell or otherwise transfer the properties without compensating the sellers of the properties for their loss of the tax deferral.

Redemption Rights of Qualifying Parties

Beginning 14 months after first becoming a holder of common units, each limited partner and some assignees of limited partners will have the right, subject to the terms and conditions set forth in the partnership agreement, to require our operating partnership to redeem all or a portion of the common units held by such limited partner or assignee in exchange for a cash amount per common unit equal to the value of one share of our common stock, determined in accordance with and subject to adjustment under the partnership agreement. Our operating partnership's obligation to redeem common units does not arise and is not binding against our operating partnership until the sixth business day after we receive the holder's notice of redemption or, if earlier, the day we notify the holder seeking redemption that we have declined to acquire some or all of the common units tendered for redemption. If we do not elect to acquire the common units tendered for redemption in exchange for shares of our common stock (as described below), our operating partnership must deliver the cash redemption amount on or before the tenth business day after we receive the holder's notice of redemption.

On or before the close of business on the fifth business day after a holder of common units gives notice of redemption to us, we may, in our sole and absolute discretion but subject to the restrictions on the ownership and transfer of our stock set forth in our charter and described in "Description of Securities—Restrictions on Ownership and Transfer," elect to acquire some or all of the common units tendered for redemption from the tendering party in exchange for shares of our common stock, based on an exchange ratio of one share of common stock for each common unit, subject to adjustment as provided in the partnership agreement. The holder of the common units tendered for redemption must provide certain information, certifications, representations, opinions and other instruments to ensure compliance with the restrictions on ownership and transfer of our stock set forth in our charter and the Securities Act. The partnership agreement does not require us to register, qualify or list any shares of common stock issued in exchange for common units with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange. Shares of our common stock issued in exchange for common units pursuant to the partnership agreement may contain legends regarding restrictions under the Securities Act and applicable state securities laws.

Transfers and Withdrawals

Restrictions on Transfers by Limited Partners

Until the expiration of 14 months after the date on which a limited partner first acquires a partnership interest, the limited partner generally may not directly or indirectly transfer all or any portion of its partnership interest without our consent, which we may give or withhold in our sole and absolute discretion, except for certain permitted transfers to certain affiliates, family members and charities, and certain pledges of partnership interests to lending institutions in connection with bona fide loans.

After the expiration of 14 months after the date on which a limited partner first acquires a partnership interest, the limited partner will have the right to transfer all or any portion of its partnership interest without our consent to any person that is an “accredited investor,” within meaning set forth in Rule 501 promulgated under the Securities Act, upon ten business days prior notice to us, subject to the satisfaction of conditions specified in the partnership agreement, including minimum transfer requirements and our right of first refusal. Unless waived by us in our sole and absolute discretion, a transferring limited partner must also deliver an opinion of counsel reasonably satisfactory to us that the proposed transfer may be effected without registration under the Securities Act, and will not otherwise violate any state securities laws or regulations applicable to our operating partnership or the partnership interest proposed to be transferred. We may exercise our right of first refusal in connection with a proposed transfer by a limited partner within ten business days of our receipt of notice of the proposed transfer, which must include the identity and address of the proposed transferee and the amount and type of consideration proposed to be paid for the partnership interest. We may deliver all or any portion of any cash consideration proposed to be paid for a partnership interest that we acquire pursuant to our right of first refusal in the form of a note payable to the transferring limited partner not more than 180 days after our purchase of such partnership interest.

Any transferee of a limited partner’s partnership interest must assume by operation of law or express agreement all of the obligations of the transferring limited partner under the partnership agreement with respect to the transferred interest, and no transfer (other than a transfer pursuant to a statutory merger or consolidation in which the obligations and liabilities of the transferring limited partner are assumed by a successor corporation by operation of law) will relieve the transferring limited partner of its obligations under the partnership agreement without our consent, which we may give or withhold in our sole and absolute discretion.

We may take any action we determine is necessary or appropriate in our sole and absolute discretion to prevent our operating partnership from being taxable as a corporation for U.S. federal income tax purposes. No transfer by a limited partner of its partnership interest, including any redemption or any acquisition of partnership interests by us or by our operating partnership or conversion of LTIP units into common units, may be made to or by any person without our consent, which we may give or withhold in our sole and absolute discretion, if the transfer could:

- result in our operating partnership being treated as an association taxable as a corporation for U.S. federal income tax purposes;
- result in a termination of our operating partnership under Section 708 of the Code;
- be treated as effectuated through an “established securities market” or a “secondary market (or the substantial equivalent thereof)” within the meaning of Section 7704 of the Code and the Treasury Regulations promulgated thereunder;
- result in our operating partnership being unable to qualify for one or more of the “safe harbors” set forth in Section 7704 of the Code and the Treasury Regulations thereunder; or
- based on the advice of counsel to us or our operating partnership, adversely affect our ability to continue to qualify as a REIT or subject us to any additional taxes under Sections 857 or 4981 of the Code.

Admission of Substituted Limited Partners

No limited partner has the right to substitute a transferee as a limited partner in its place. A transferee of a partnership interest of a limited partner may be admitted as a substituted limited partner only with our consent, which we may give or withhold in our sole and absolute discretion, and only if the transferee accepts all of the obligations of a limited partner under the partnership and executes such instruments as we may require to evidence such acceptance and to effect the assignee's admission as a limited partner. Any assignee of a partnership interest that is not admitted as a limited partner will be entitled to all the rights of an assignee of a limited partner interest under the partnership agreement and the Maryland Revised Uniform Limited Partnership Act, including the right to receive distributions from our operating partnership and the share of net income, net losses and other items of income, gain, loss, deduction and credit of our operating partnership attributable to the partnership interest held by the assignee and the rights to transfer and redemption of the partnership interest provided in the partnership agreement, but will not be deemed to be a limited partner or holder of a partnership interest for any other purpose under the partnership agreement or the Maryland Revised Uniform Limited Partnership Act, and will not be entitled to consent to or vote on any matter presented to the limited partners for approval. The right to consent or vote, to the extent provided in the partnership agreement or under the Maryland Revised Uniform Limited Partnership Act, will remain with the transferring limited partner.

Restrictions on Transfers by the General Partner

Except as described below, any transfer of all or any portion of our interest in our operating partnership, whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise, must be approved by the consent of a majority in interest of the limited partners (excluding us and any limited partner 50% or more of whose equity is owned, directly or indirectly, by us). Subject to the rights of our stockholders and the limited partners of our operating partnership to approve certain direct or indirect transfers of our interests in our operating partnership described below and the rights of holders of any class or series of partnership interest, we may transfer all (but not less than all) of our general partnership interest without the consent of the limited partners, voting as a separate class, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets or a reclassification, recapitalization or change in any outstanding shares of our stock if:

- in connection with such event, all of the limited partners will receive or have the right to elect to receive, for each common unit, the greatest amount of cash, securities or other property paid to a holder of one share of our common stock (subject to adjustment in accordance with the partnership agreement) in the transaction and, if a purchase, tender or exchange offer is made and accepted by holders of our common stock in connection with the event, each holder of common units receives, or has the right to elect to receive, the greatest amount of cash, securities or other property that the holder would have received if it had exercised its redemption right and received shares of our common stock in exchange for its common units immediately before the expiration of the purchase, tender or exchange offer and had accepted the purchase, tender or exchange offer; or

- substantially all of the assets of our operating partnership will be owned by a surviving entity (which may be our operating partnership) in which the limited partners of our operating partnership holding common units immediately before the event will hold a percentage interest based on the relative fair market value of the net assets of our operating partnership and the other net assets of the surviving entity immediately before the event, which interest will be on terms that are at least as favorable as the terms of the common units in effect immediately before the event and as those applicable to any other limited partners or non-managing members of the surviving entity and will include a right to redeem interests in the surviving entity for the consideration described in the preceding bullet or cash on similar terms as those in effect with respect to the common units immediately before the event, or, if common equity securities of the person controlling the surviving entity are publicly traded, such common equity securities.

We may also transfer all (but not less than all) of our interest in our operating partnership to a controlled affiliate of ours without the consent of any limited partner, subject to the rights of holders of any class or series of partnership interest.

We may not, without prior "partnership approval," directly or indirectly transfer all or any portion of our interest in our operating partnership, before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. The "partnership approval" requirement is satisfied, with respect to such a transfer, when the sum of the (1) the percentage interest of limited partners consenting to the transfer of our interest, plus (2) the product of (a) the percentage of the outstanding common units held by us multiplied by (b) the percentage of the votes that were cast in favor of the event by our common stockholders equals or exceeds the percentage required for our common stockholders to approve the event resulting in the transfer. Limited partners will be entitled to cast one vote for each common unit or LTIP unit, subject to adjustment under the partnership agreement.

In addition, any transferee of our interest in our operating partnership must be admitted as a general partner of our operating partnership, assume, by operation of law or express agreement, all of our obligations as general partner under the partnership agreement, accept all of the terms and conditions of the partnership agreement and execute such instruments as may be necessary to effectuate the transferee's admission as a general partner.

Restrictions on Transfers by Any Partner

Any transfer or purported transfer of a partnership interest other than in accordance with the partnership agreement will be void. Partnership interests may be transferred only on the first day of a fiscal quarter, and no partnership interest may be transferred to any lender under certain nonrecourse loans to us or our operating partnership, in either case, unless we otherwise consent, which we may give or withhold in our sole and absolute discretion. No transfer of any partnership interest, including in connection with any redemption or acquisition of units by us or by our operating partnership or any conversion of LTIP units into common units, may be made:

- to a person or entity that lacks the legal right, power or capacity to own the partnership interest;
- in violation of applicable law;
- without our consent, which we may give or withhold in our sole and absolute discretion, of any component portion of a partnership interest, such as a partner's capital account or rights to distributions, separate and apart from all other components of the partner's interest in our operating partnership;
- if the proposed transfer could cause us or any of our affiliates to fail to comply with the requirements under the Code for qualifying as a REIT or as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2));
- without our consent, which we may give or withhold in our sole and absolute discretion, if the proposed transfer could, based on the advice of our counsel or counsel to our operating partnership, cause a termination of our operating partnership for U.S. federal or state income tax purposes (other than as a result of the redemption or acquisition by us of all units held by limited partners);
- if the proposed transfer could, based on the advice of our legal counsel or legal counsel to our operating partnership, cause our operating partnership to cease to be classified as a partnership for U.S. federal income tax purposes (other than as a result of the redemption or acquisition by us of all units held by limited partners);
- if the proposed transfer would cause our operating partnership to become, with respect to any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended, or ERISA, a "party-in-interest" for purposes of ERISA or a "disqualified person" as defined in Section 4975(c) of the Code;

- if the proposed transfer could, based on the advice of our counsel or counsel to our operating partnership, cause any portion of the assets of our operating partnership to constitute assets of any employee benefit plan pursuant to applicable regulations of the United States Department of Labor;

- if the proposed transfer requires the registration of the partnership interest under any applicable federal or state securities laws;

- without our consent, which we may give or withhold in our sole and absolute discretion, if the proposed transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Treasury Regulations promulgated thereunder, (2) could cause our operating partnership to become a "publicly traded partnership," as that term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could cause (i) our operating partnership to have more than 100 partners, including as partners certain persons who own their interests in our operating partnership indirectly or (ii) the partnership interest initially issued to such partner or its predecessors to be held by more than   partners, including as partners certain persons who own their interests in our operating partnership indirectly, or (4) could cause our operating partnership to fail one or more of the "safe harbors" within the meaning of Section 7704 of the Code and the Treasury Regulations thereunder;

- if the proposed transfer would cause our operating partnership (as opposed to us) to become a reporting company under the Exchange Act; or

- if the proposed transfer subjects our operating partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended.

Withdrawal of Partners

We may not voluntarily withdraw as the general partner of our operating partnership without the consent of a majority in interest of the limited partners (excluding us and any limited partner 50% or more of whose equity is owned, directly or indirectly, by us) other than upon the transfer of our entire interest in our operating partnership and the admission of our successor as a general partner of our operating partnership. A limited partner may withdraw from our operating partnership only as a result of a transfer of the limited partner's entire partnership interest in accordance with the partnership agreement and the admission of the limited partner's successor as a limited partner of our operating partnership or as a result of the redemption or acquisition by us of the limited partner's entire partnership interest.

Amendment of the Partnership Agreement

Except as described below and amendments requiring the consent of each affected partner described in "—Restrictions on General Partner's Authority," amendments to the partnership agreement must be approved by a majority in interest of the partners, including us and our subsidiaries. Amendments to the partnership agreement may be proposed only by us or by limited partners holding 25% or more of the partnership interests held by limited partners. Following such a proposal, we must submit any proposed amendment that requires the consent, approval or vote of any partners to the partners entitled to vote on the amendment for approval and seek the consent of such partners to the amendment.

We may, without the approval or consent of any limited partner but subject to the rights of holders of any additional class or series of partnership interest, amend the partnership agreement as may be required to facilitate or implement any of the following purposes:

- to add to our obligations as general partner or surrender any right or power granted to us or any of our affiliates for the benefit of the limited partners;

- to reflect the admission, substitution or withdrawal of partners, the transfer of any partnership interest, the termination of our operating partnership in accordance with the partnership agreement or the adjustment of the number of outstanding LTIP units, or a subdivision or combination of outstanding LTIP units, to maintain a one-for-one conversion and economic equivalence between LTIP units and common units;

- to reflect a change that is of an inconsequential nature or does not adversely affect the limited partners in any material respect, or to cure any ambiguity, correct or supplement any provision in the partnership agreement that is not inconsistent with law or with other provisions of the partnership agreement, or make other changes with respect to matters arising under the partnership agreement that will not be inconsistent with law or with the provisions of the partnership agreement;

- to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the holders any additional classes or series of partnership interest;

- to satisfy any requirements, conditions or guidelines contained in any order, directive, opinion, ruling or regulation of a federal or state agency or contained in federal or state law;

- to reflect such changes as are reasonably necessary for us to maintain our status as a REIT or satisfy the requirements for us to qualify as a REIT or to reflect the transfer of all or any part of a partnership interest among us and any entity that is disregarded with respect to us for U.S. federal income tax purposes;

- to modify the manner in which items of net income or net loss are allocated or the manner in which capital accounts are adjusted, computed, or maintained (but in each case only to the extent provided by the partnership agreement and permitted by applicable law);

- to reflect the issuance of additional partnership interests; and

- to reflect any other modification to the partnership agreement as is reasonably necessary for our business or operations or those of our operating partnership and that does not require the consent of each affected partner as described in "—Restrictions on General Partner's Authority."

Amendments to the provisions of the partnership agreement relating to the restrictions on transfers of partnership interests by general or limited partners and the admission of transferees as limited partners must be approved by a majority in interest of the limited partners (excluding us and any limited partners 50% or more whose equity is owned, directly or indirectly, by us). Amendments to any other provision of the partnership agreement that requires the approval or consent of any partner or group of partners to any action may be amended only with the approval or consent of such partner or group of partners.

Procedures for Actions and Consents of Partners

Meetings of partners may be called only by us, to transact any business that we determine. Notice of any meeting must be given to all partners entitled to act at the meeting not less than seven days nor more than 60 days before the date of the meeting. Unless approval by a different number or proportion of the partners is required by the partnership agreement, the affirmative vote of the partners holding a majority of the outstanding partnership interests held by partners entitled to act on any proposal is sufficient to approve the proposal at a meeting of the partners. Partners may vote in person or by proxy. Each meeting of partners will be conducted by us or any other person we appoint, pursuant to rules for the conduct of the meeting determined by the person conducting the meeting. Whenever the vote, approval or consent of partners is permitted or required under the partnership agreement, such vote, approval or consent may be given at a meeting of partners, and any action requiring the approval or consent of any partner or group of partners or that is otherwise required or permitted to be taken at a meeting of the partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken, approved or consented to is given by partners whose affirmative vote would be sufficient to approve such action or provide such approval or consent at a meeting of the partners. If we seek partner approval of or consent to any matter (other than "partnership approval" of direct or indirect transfers of our interests in our operating partnership) in writing or by electronic transmission, we may require a response within a reasonable specified time, but not less than fifteen days, and failure to respond in such time period will constitute a partner's consent consistent with our recommendation, if any, with respect to the matter. If we seek "partnership approval" of a direct or indirect transfer of our interests in our operating partnership, the record date for the determination of limited partners entitled to provide such approval shall be the same day as the record date for the approval by our stockholders of the event giving rise to such "partnership approval" rights. If "partnership approval" is not obtained with respect to any particular event within five business days from the date upon which our stockholders approved of such event, then "partnership approval" will be deemed not to exist with respect to such event.

Dissolution

Our operating partnership will dissolve, and its affairs will be wound up, upon the first to occur of any of the following:

- the removal or withdrawal of the last remaining general partner in accordance with the partnership agreement, the withdrawal of the last remaining general partner in violation of the partnership agreement or the involuntary withdrawal of the last remaining general partner as a result of such general partner's death, adjudication of incompetency, dissolution or other termination of legal existence or the occurrence of certain events relating to the bankruptcy or insolvency of such general partner unless, within ninety days after any such withdrawal, a majority in interest of the remaining partners agree in writing, in their sole and absolute discretion, to continue our operating partnership and to the appointment, effective as of the date of such withdrawal, of a successor general partner;

- an election to dissolve our operating partnership by us, in our sole and absolute discretion, with or without the consent of a majority in interest of the partners;

- the entry of a decree of judicial dissolution of our operating partnership pursuant to the Maryland Revised Uniform Limited Partnership Act;

- the sale or other disposition of all or substantially all of the assets of our operating partnership not in the ordinary course of our operating partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of our operating partnership not in the ordinary course of our operating partnership's business; or

- the redemption or other acquisition by us or our operating partnership of all of the outstanding partnership interests other than partnership interests held by us.

Upon dissolution we or, if there is no remaining general partner, a liquidator will proceed to liquidate the assets of our operating partnership and apply the proceeds from such liquidation in the order of priority set forth in the partnership agreement and among holders of partnership interests in accordance with their capital account balances.

Tax Matters

Pursuant to the partnership agreement, we, as the general partner, are the tax matters partner of our operating partnership, and in such capacity, have the authority to handle tax audits on behalf of our operating partnership. In addition, as the general partner, we have the authority to arrange for the preparation and filing of our operating partnership's tax returns and to make tax elections under the Code on behalf of our operating partnership.

LTIP Units

Our operating partnership is authorized to issue a class of units of partnership interest designated as "LTIP units." We may cause our operating partnership to issue LTIP units to persons who provide services to or for the benefit of our operating partnership, for such consideration or for no consideration as we may determine to be appropriate, and we may admit such persons as limited partners of our operating partnership, without the approval or consent of any limited partner. Further, we may cause our operating partnership to issue LTIP units in one or more classes or series, with such terms as we may determine, without the approval or consent of any limited partner. LTIP units may be subject to vesting, forfeiture and restrictions on transfer and receipt of distributions pursuant to the terms of any applicable equity-based plan and the terms of the 2010 Plan or any other award agreement relating to the issuance of the LTIP units.

Conversion Rights

Vested LTIP units are convertible at the option of each limited partner and some assignees of limited partners into common units, upon notice to us and our operating partnership, to the extent that the capital account balance of the LTIP unitholder with respect to all of his or her LTIP units is at least equal to our capital account balance with respect to an equal number of common units. We may cause our operating partnership to convert vested LTIP units eligible for conversion into an equal number of common units at any time, upon at least 10 and not more than 60 days' notice to the holder of the LTIP units.

If we or our operating partnership is party to a transaction, including a merger, consolidation, sale of all or substantially all of our assets or other business combination, as a result of which common units are exchanged for or converted into the right, or holders of common units are otherwise entitled, to receive cash, securities or other property (or any combination thereof), we must cause our operating partnership to convert any vested LTIP units then eligible for conversion into common units immediately before the transaction, taking into account any special allocations of income that would be made as a result of the transaction. If holders of common units have the opportunity to elect the form or type of consideration to be received in any such transaction, we must give prompt written notice to each limited partner holding LTIP units of such opportunity and use commercially reasonable efforts to allow limited partners holding LTIP units the opportunity to make such elections with respect to the common units that each such limited partner will receive upon conversion of his or her LTIP units. Our operating partnership must use commercially reasonable efforts to cause each limited partner (other than a party to such a transaction or an affiliate of such a party) holding LTIP units that will be converted into common units in such a transaction to be afforded the right to receive the same kind and amount of cash, securities and other property (or any combination thereof) for such common units that each holder of common units receives in the transaction. Our operating partnership must also use commercially reasonable efforts to enter into an agreement with the successor or purchasing entity in any such transaction for the benefit of the limited partners holding LTIP units, enabling the limited partners holding LTIP units that remain outstanding after such a transaction to convert their LTIP units into securities as comparable as reasonably possible under the circumstances to common units and preserving as far as reasonably possible under the circumstances the distribution, special allocation, conversion, and other rights set forth in the partnership agreement for the benefit of the LTIP unitholders.

Any conversion of LTIP units into common units will be effective as of the close of business on the effective date of the conversion.

Transfer

Unless the 2010 Plan, any other applicable equity-based plan or the terms of an award agreement specify additional restrictions on transfer of LTIP units, LTIP units are transferable to the same extent as common units, as described above in "—Transfers and Withdrawals."

Voting Rights

Limited partners holding LTIP units are entitled to vote together with limited partners holding common units on all matters on which limited partners holding common units are entitled to vote or consent, and may cast one vote for each LTIP unit so held.

Adjustment of LTIP Units

If our operating partnership takes certain actions, including making a distribution of units on all outstanding common units, combining or subdividing the outstanding common units into a different number of common units or reclassifying the outstanding common units, we must adjust the number of outstanding LTIP units or subdivide or combine outstanding LTIP units to maintain a one-for-one conversion ratio and economic equivalence between common units and LTIP units.

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PRINCIPAL STOCKHOLDERS

The following table sets forth, as of , 2010, certain information regarding the beneficial ownership of shares of our common stock and shares of common stock into which common units are exchangeable immediately following the completion of this offering and the formation transactions for (1) each person who is expected to be the beneficial owner of 5% or more of our outstanding common stock immediately following the completion of this offering, (2) each of our directors, director nominees and named executive officers, and (3) all of our directors, director nominees and executive officers as a group. This table assumes that the formation transactions and this offering are completed, and gives effect to the expected issuance of common stock and common units in connection with this offering and the formation transactions. Each person named in the table has sole voting and investment power with respect to all of the shares of our common stock shown as beneficially owned by such person, except as otherwise set forth in the notes to the table. The extent to which a person will hold shares of common stock as opposed to units is set forth in the footnotes below.

The SEC has defined "beneficial ownership" of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (1) the exercise of any option, warrant or right, (2) the conversion of a security, (3) the power to revoke a trust, discretionary account or similar arrangement or (4) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, common shares subject to options or other rights (as set forth above) held by that person that are exercisable as of , 2010 or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Unless otherwise indicated, the address of each named person is c/o American Assets Trust, Inc., 11455 El Camino Real, Suite 200, San Diego, California 92130. No shares beneficially owned by any executive officer, director or director nominee have been pledged as security, except with respect to shares pledged by the Rady Trust pursuant to an indemnity escrow agreement for the purposes of satisfying any of our indemnification claims in connection with the formation transactions.

Name of Beneficial Owner	Number of Shares and Units Beneficially Owned	Percentage of All Shares(1)	Percentage of All Shares and Units(2)
American Assets, Inc.			
Ernest Rady Trust U/D/T March 10, 1983(3)			
Ernest S. Rady(4)			
John W. Chamberlain(5)			
Robert F. Barton(6)			
Adam Wyll			
Patrick Kinney			
Larry E. Finger			
Edward F. Lange, Jr.			
Duane A. Nelles			
Thomas S. Olinger			
Robert S. Sullivan			
All directors, director nominees and executive officers as a group (13 persons)			

* Less than 1.0%

(1) Assumes shares of common stock are outstanding immediately following this offering. In addition, amounts for individuals assume that all common units held by the person are exchanged for shares of our common stock, and amounts for all directors, director

nominees and executive officers as a group assume all common units held by them are exchanged for shares of our common stock in each case, regardless of when such common units are currently exchangeable. The total number of shares of our common stock outstanding used in calculating this percentage assumes that none of the common units held by other persons are exchanged for shares of our common stock.

(2) Assumes a total of shares of our common stock and common units, which units may be redeemed for cash or, at our option, exchanged for shares of our common stock as described in "Description of the Partnership Agreement of American Assets Trust, L.P.," are outstanding immediately following this offering.

(3) Includes shares and common units held by American Assets, Inc., which is controlled by the Rady Trust. The Rady Trust disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(4) Includes (a) shares and common units held by the Rady Trust; (b) shares and common units held by the Donald R. Rady Trust, for which Mr. Rady is the trustee; (c) shares and common units held by the Harry M. Rady Trust, for which Mr. Rady is the trustee; (d) shares and common units held by the Margo S. Rady Trust, for which Mr. Rady is the trustee; (e) shares and common units held by DHM Trust dated as of 29th May 1959, for which Mr. Rady is the trustee; and (f) shares and common units held by American Assets, Inc., which is indirectly controlled by Mr. Rady. Mr. Rady disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(5) Includes (a) shares and common units held by Trust A of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; (b) shares and common units held by Trust C of the W.E. & B.M. Chamberlain Trust, for which Mr. Chamberlain is the trustee; and (c) shares and common units held by The John W. and Rebecca S. Chamberlain Trust dated July 14, 1994, as amended, for which Mr. Chamberlain and his wife are the trustees and beneficiaries. Mr. Chamberlain disclaims beneficial ownership of such shares and common units, except to the extent of his pecuniary interest therein.

(6) Includes shares and common units held by the Robert and Katherine Barton Living Trust, for which Mr. Barton is a trustee and beneficiary, and as such is the beneficial owner of the shares and common units held by such trust.

DESCRIPTION OF SECURITIES

Although the following summary describes the material terms of our stock, it is not a complete description of the MGCL or our charter and bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus is a part and are available from us upon request. See "Where You Can Find More Information."

General

Our charter provides that we may issue up to 490 million shares of common stock, $0.01 par value per share, or common stock, and 10 million shares of preferred stock, $0.01 par value per share, or preferred stock. Our charter authorizes our board of directors, with the approval of a majority of the entire board of directors and without any action by our stockholders, to amend our charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of any class or series of our stock. Upon completion of this offering, the formation transactions and the other transactions described in this prospectus, shares of our common stock will be issued and outstanding, and no shares of preferred stock will be issued and outstanding.

Under Maryland law, stockholders generally are not personally liable for our debts or obligations solely as a result of their status as stockholders.

Common Stock

Subject to the preferential rights of any other class or series of stock and to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, holders of shares of our common stock are entitled to receive dividends and other distributions on such shares if, as and when authorized by our board of directors out of assets legally available therefor and declared by us and to share ratably in the assets of our company legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up after payment or establishment of reserves for all known debts and liabilities of our company.

Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock and except as may otherwise be specified in the terms of any class or series of our common stock, each outstanding share of our common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors, and, except as provided with respect to any other class or series of stock, the holders of shares of common stock will possess the exclusive voting power. There is no cumulative voting in the election of our directors. Directors are elected by a plurality of all of the votes cast in the election of directors.

Holders of shares of our common stock have no preference, conversion, exchange, sinking fund or redemption rights and have no preemptive rights to subscribe for any securities of our company. Our charter provides that our stockholders generally have no appraisal rights unless our board of directors determines prospectively that appraisal rights will apply to one or more transactions in which holders of our common stock would otherwise be entitled to exercise appraisal rights. Subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, holders of our common stock will have equal dividend, liquidation and other rights.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend its charter, merge, consolidate, sell all or substantially all of its assets or engage in a statutory share exchange unless declared advisable by its board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of all of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Our charter provides for approval of any of these matters by the affirmative vote of stockholders entitled to cast a majority of the votes entitled to be cast on such matters, except that the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors is required to remove a director and the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on such matter is required to amend the provisions of our charter relating to the removal of directors or specifying that our stockholders may act without a meeting only by unanimous consent, or to amend the vote required to amend such provisions. Maryland law also permits a Maryland corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to an entity if all of the equity interests of the entity are owned, directly or indirectly, by the corporation. Because our operating assets may be held by our operating partnership or its subsidiaries, these subsidiaries may be able to merge or transfer all or substantially all of their assets without the approval of our stockholders.

Our charter authorizes our board of directors to reclassify any unissued shares of our common stock into other classes or series of stock, to establish the designation and number of shares of each class or series and to set, subject to the provisions of our charter relating to the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of each such class or series.

Preferred Stock

Our charter authorizes our board of directors to classify any unissued shares of preferred stock and to reclassify any previously classified but unissued shares into one or more classes or series of preferred stock. Prior to issuance of shares of each new class or series, our board of directors is required by the MGCL and our charter to set, subject to the provisions of our charter regarding the restrictions on ownership and transfer of our stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of each such class or series. As a result, our board of directors could authorize the issuance of shares of preferred stock that have priority over shares of our common stock with respect to dividends or other distributions or rights upon liquidation or with other terms and conditions that could have the effect of delaying, deferring or preventing a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests. As of the date hereof, no shares of preferred stock are outstanding and we have no present plans to issue any preferred stock.

Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock

We believe that the power of our board of directors to amend our charter to increase or decrease the aggregate number of authorized shares of stock, to authorize us to issue additional authorized but unissued shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional authorized shares of common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests. See “Material Provisions of Maryland Law and of Our Charter and Bylaws—Anti-takeover Effect of Certain Provisions of Maryland Law and Our Charter and Bylaws.”

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of stock (after taking into account options to acquire shares of stock) may be owned, directly, indirectly or through application of certain attribution rules by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with these requirements and continuing to qualify as a REIT. The relevant sections of our charter provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than % (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock, or % in value of the aggregate of the outstanding shares of all classes and series of our stock, in each case excluding any shares of our common stock that are not treated as outstanding for federal income tax purposes. We refer to each of these restrictions as an “ownership limit” and collectively as the “ownership limits.” A person or entity that would have acquired actual, beneficial or constructive ownership of our stock but for the application of the ownership limits or any of the other restrictions on ownership and transfer of our stock discussed below is referred to as a “prohibited owner.”

The constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than % of our common stock (or the acquisition of an interest in an entity that owns, actually or constructively, our common stock) by an individual or entity, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively in excess of % of our outstanding common stock and thereby violate the applicable ownership limit.

Our board of directors, in its sole and absolute discretion, prospectively or retroactively, may exempt a person from either or both of the ownership limits if doing so would not result in us being “closely held” within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT and our board of directors determines that:

- such waiver will not cause or allow five or fewer individuals to actually or beneficially own more than 49% in value of the aggregate of the outstanding shares of all classes and series of our stock; and

- subject to certain exceptions, the person does not and will not own, actually or constructively, an interest in a tenant of ours (or a tenant of any entity owned in whole or in part by us) that would cause us to own, actually or constructively, more than a 9.9% interest (as set forth in Section 856(d)(2)(B) of the Code) in such tenant.

As a condition of the exception, our board of directors may require an opinion of counsel or IRS ruling, in either case in form and substance satisfactory to our board of directors, in its sole and absolute discretion, in order to determine or ensure our status as a REIT and such representations and undertakings from the person requesting the exception as are reasonably necessary to make the determinations above. Our board of directors may impose such conditions or restrictions as it deems appropriate in connection with such an exception.

Our board of directors will grant to Ernest S. Rady and certain of his affiliates, or the Rady Group, an exemption from the ownership limits, subject to various conditions and limitations. During the time that such waiver is effective, the Rady Group will be subject to an increased ownership limit, or an excepted holder limit of %. As a condition to granting such excepted holder limit, the Rady Group will be required to make representations and warranties to us, including a representation that, as a result of granting the Rady Group a waiver from the ownership limits and providing the Rady Group with an excepted holder limit of %, no other person will actually, beneficially or constructively own shares of our stock in excess of the ownership limit. In addition, Mr. Rady generally will be required to represent that the Rady Group does not, and will not at any time the Rady Group has an exception from the ownership limits, actually or constructively own in excess of 9.8% of the outstanding equity interests in any of our tenants, other than certain specifically identified tenants. These and certain other representations and undertakings are intended to ensure that, as a result of granting such waiver and providing the Rady Group with an excepted holder limit, we will continue to meet the REIT ownership requirements. Mr. Rady must inform us if any of these representations becomes untrue or is violated, in which case the Rady Group will lose its exemption from the ownership limit.

In connection with a waiver of an ownership limit or at any other time, our board of directors may, in its sole and absolute discretion, increase or decrease one or both of the ownership limits for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of our stock exceeds the decreased ownership limit at the time of the decrease until the person’s actual, beneficial or constructive ownership of our stock equals or falls below the decreased ownership limit, although any further acquisition of our stock will violate the decreased ownership limit. Our board of directors may not increase or decrease any ownership limit if, among other limitations, the new ownership limit would allow five or fewer persons to actually or beneficially own more than 49% in value of our outstanding stock or could otherwise cause us to fail to qualify as a REIT.

Our charter further prohibits:

- any person from actually, beneficially or constructively owning shares of our stock that could result in us being “closely held” under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause us to fail to qualify as a REIT (including, but not limited to, actual, beneficial or constructive ownership of shares of our stock that could result in (i) us owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code, or (ii) any manager of a “qualified lodging facility,” within the meaning of Section 856(d)(9)(D) of the Code, leased by us to one of our taxable REIT subsidiaries failing to qualify as an “eligible independent contractor” within the meaning of Section 856(d)(9)(A) of the Code, in each case if the income we derive from such tenant or such taxable REIT subsidiary, taking into account our other income that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause us to fail to satisfy any the gross income requirements imposed on REITs); and

- any person from transferring shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of shares of our stock that will or may violate the ownership limits or any of the other restrictions on ownership and transfer of our stock described above must give written notice immediately to us or, in the case of a proposed or attempted transaction, provide us at least 15 days prior written notice, and provide us with such other information as we may request in order to determine the effect of such transfer on our status as a REIT.

The ownership limits and other restrictions on ownership and transfer of our stock described above will not apply until the closing of this offering and will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT or that compliance is no longer required in order for us to qualify as a REIT.

Pursuant to our charter, if any purported transfer of our stock or any other event would otherwise result in any person violating the ownership limits or such other limit established by our board of directors, or could result in us being “closely held” within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT, then that number of shares causing the violation (rounded up to the nearest whole share) will be automatically transferred to, and held by, a trust for the exclusive benefit of one or more charitable organizations selected by us. The prohibited owner will have no rights in shares of our stock held by the trustee. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the trust. Any dividend or other distribution paid to the prohibited owner, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of our stock, then that transfer of the number of shares that otherwise would cause any person to violate the above restrictions will be void. If any transfer of our stock would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer will be void and of no force or effect and the intended transferee will acquire no rights in the shares.

Shares of our stock transferred to the trustee are deemed offered for sale to us, or our designee, at a price per share equal to the lesser of (1) the price per share in the transaction that resulted in the transfer of the shares to the trust (or, in the event of a gift, devise or other such transaction, the last reported sale price on the NYSE on the day of the transfer or other event that resulted in the transfer of such shares to the trust) and (2) the last reported sale price on the NYSE on the date we accept, or our designee accepts, such offer. We must reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the trustee and pay the amount of such reduction to the trustee for the benefit of the charitable beneficiary. We have the right to accept such offer until the trustee has sold the shares of our stock held in the trust. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the trustee with respect to such stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, within 20 days of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or persons designated by the trustee who could own the shares without violating the ownership limits or other restrictions on ownership and transfer of our stock. Upon such sale, the trustee must distribute to the prohibited owner an amount equal to the lesser of (1) the price paid by the prohibited owner for the shares (or, if the prohibited owner did not give value in connection with the transfer or other event that resulted in the transfer to the trust (e.g., a gift, devise or other such transaction), the last reported sale price on the NYSE on the day of the transfer or other event that resulted in the transfer of such shares to the trust) and (2) the sales proceeds (net of commissions and other expenses of sale) received by the trustee for the shares. The trustee will reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by us that shares of our stock have been transferred to the trustee, such shares of stock are sold by a prohibited owner, then such shares shall be deemed to have been sold on behalf of the trust and, to the extent that the prohibited owner received an amount for or in respect of such shares that exceeds the amount that such prohibited owner was entitled to receive, such excess amount shall be paid to the trustee upon demand.

The trustee will be designated by us and will be unaffiliated with us and with any prohibited owner. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the charitable beneficiary, all dividends and other distributions paid by us with respect to such shares, and may exercise all voting rights with respect to such shares for the exclusive benefit of the charitable beneficiary.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee may, at the trustee’s sole discretion:

- rescind as void any vote cast by a prohibited owner prior to our discovery that the shares have been transferred to the trust; and

- recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

If our board of directors or a committee thereof determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of our stock set forth in our charter, our board of directors or such committee may take such action as it deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem shares of stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Every owner of 5% or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding shares of our stock, within 30 days after the end of each taxable year, must give written notice to us stating the name and address of such owner, the number of shares of each class and series of our stock that the owner beneficially owns and a description of the manner in which the shares are held. Each such owner also must provide us with any additional information that we request in order to determine the effect, if any, of the person’s actual or beneficial ownership on our status as a REIT and to ensure compliance with the ownership limits. In addition, any person that is an actual owner, beneficial owner or constructive owner of shares of our stock and any person (including the stockholder of record) who is holding shares of our stock for an actual owner, beneficial owner or constructive owner must, on request, disclose to us such information as we may request in good faith in order to determine our status as a REIT and comply with requirements of any taxing authority or governmental authority or to determine such compliance.

Any certificates representing shares of our stock will bear a legend referring to the restrictions on ownership and transfer of our stock described above.

These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our common stock that our stockholders believe to be in their best interest.

Transfer Agent and Registrar

We expect the transfer agent and registrar for our shares of common stock to be American Stock Transfer & Trust Company, located at 59 Maiden Lane, Plaza Level, New York, NY 10038.

MATERIAL PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

Although the following summary describes certain provisions of Maryland law and the material provisions of our charter and bylaws, it is not a complete description of Maryland law or our charter and bylaws, copies of which are filed as exhibits to the registration statement of which this prospectus is a part and are available from us upon request. See "Where You Can Find More Information."

Our Board of Directors

Our charter and bylaws provide that the number of directors of our company may be established, increased or decreased only by a majority of our entire board of directors but may not be fewer than the minimum number required under the MGCL nor, unless our bylaws are amended, more than 15. Upon completion of this offering, we expect to have seven directors.

Our charter also provides that, at such time as we become eligible to elect to be subject to certain elective provisions of the MGCL (which we expect will be upon completion of this offering) and except as may be provided by our board of directors in setting the terms of any class or series of stock, any vacancy may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum. Any director so elected will serve for the remainder of the full term of the directorship in which the vacancy occurred and until a successor is duly elected and qualifies.

Each of our directors is elected by our stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies under the MGCL. Holders of shares of our common stock will have no right to cumulative voting in the election of directors. Directors are elected by a plurality of the votes cast.

Removal of Directors

Our charter provides that, subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause (as defined in our charter) and only by the affirmative vote of at least two-thirds of the votes entitled to be cast generally in the election of directors. This provision, when coupled with the exclusive power of our board of directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Business Combinations

Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances specified under the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and any interested stockholder, or an affiliate of such an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Maryland law defines an interested stockholder as:

- any person who beneficially owns, directly or indirectly, 10% or more of the voting power of the corporation's outstanding voting stock; or
- an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding voting stock of the corporation.

A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. In approving a transaction, however, a board of directors may provide that its approval is subject to compliance, at or after the time of the approval, with any terms and conditions determined by it.

After such five-year period, any such business combination must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and
- two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder.

These supermajority approval requirements do not apply if, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a corporation's board of directors prior to the time that the interested stockholder becomes an interested stockholder. Our board of directors has, by board resolution, elected to opt out of the business combination provisions of the MGCL. However, we cannot assure you that our board of directors will not opt to be subject to such business combination provisions in the future. Notwithstanding the foregoing, an alteration or repeal of this resolution will not have any effect on any business combinations that have been consummated or upon any agreements existing at the time of such modification or repeal.

Control Share Acquisitions

The MGCL provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights with respect to any control shares except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of directors, generally, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of such shares in the election of directors: (1) the person who made or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock that, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition, directly or indirectly, of ownership of, or the power to direct the exercise of voting power with respect to, issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses and making an "acquiring person statement" as described in the MGCL), may compel the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the control shares. If no request for a special meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights of control shares are not approved at the meeting or if the acquiring person does not deliver an “acquiring person statement” as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to: (1) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of shares of our stock. We cannot provide you any assurance, however, that our board of directors will not amend or eliminate this provision at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred; or
- a majority requirement for the calling of a special meeting of stockholders.

Our charter provides that, at such time as we become eligible to make a Subtitle 8 election and except as may be provided by our board of directors in setting the terms of any class or series of stock, we elect to be subject to the provisions of Subtitle 8 relating to the filling of vacancies on our board of directors. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) require a two-thirds vote for the removal of any director from the board, which removal will be allowed only for cause, (2) vest in the board the exclusive power to fix the number of directorships, subject to limitations set forth in our charter and bylaws and (3) require, unless called by the chairman of our board of directors, our president, our chief executive officer or our board of directors, the request of stockholders entitled to cast not less than a majority of all votes entitled to be cast on a matter at such meeting to call a special meeting to consider and vote on any matter that may properly be considered at a meeting of stockholders. We have not elected to create a classified board. In the future, our board of directors may elect, without stockholder approval, to create a classified board or elect to be subject to one or more of the other provisions of Subtitle 8.

Amendments to Our Charter and Bylaws

Other than amendments to certain provisions of our charter described below and amendments permitted to be made without stockholder approval under Maryland law or by a specific provision in the charter, our charter may be amended only if such amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. The provisions of our charter relating to the removal of directors or specifying that our stockholders may act without a meeting only by unanimous consent, or the provision specifying the vote required to amend such provisions, may be amended only if such amendment is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast not less than two-thirds of all of the votes entitled to be cast on the matter. Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws or to make new bylaws.

Transactions Outside the Ordinary Course of Business

We generally may not merge with or into or consolidate with another company, sell all or substantially all of our assets or engage in a statutory share exchange unless such transaction is declared advisable by our board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. In addition, to the extent that such a merger, consolidation, sale of assets of statutory share exchange would require the vote of our stockholders, such transaction would also require the approval of the limited partners of our operating partnership. See “Description of the Partnership Agreement of American Assets Trust, L.P.—Restrictions on Transfers by the General Partner.”

Dissolution of Our Company

The dissolution of our company must be declared advisable by a majority of our entire board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter.

Meetings of Stockholders

Under our bylaws, annual meetings of stockholders must be held each year at a date, time and place determined by our board of directors. Special meetings of stockholders may be called by the chairman of our board of directors, our chief executive officer, our president and our board of directors. Additionally, subject to the provisions of our bylaws, a special meeting of stockholders to act on any matter that may properly be considered at a meeting of stockholders must be called by our secretary upon the written request of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter at such meeting who have requested the special meeting in accordance with the procedures specified in our bylaws and provided the information and certifications required by our bylaws. Only matters set forth in the notice of a special meeting of stockholders may be considered and acted upon at such a meeting.

Advance Notice of Director Nominations and New Business

Our bylaws provide that:

- with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders at the annual meeting may be made only:
  - pursuant to our notice of the meeting;
  - by or at the direction of our board of directors; or

- by a stockholder who was a stockholder of record both at the time of giving of the notice required by our bylaws and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has provided the information and certifications required by the advance notice procedures set forth in our bylaws; and

- with respect to special meetings of stockholders, only the business specified in our notice of meeting may be brought before the meeting of stockholders, and nominations of individuals for election to our board of directors may be made only:

  - by or at the direction of our board of directors; or

  - provided that the meeting has been called for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving of the notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has provided the information and certifications required by the advance notice procedures set forth in our bylaws.

The purpose of requiring stockholders to give advance notice of nominations and other proposals is to afford our board of directors the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by our board of directors, to inform stockholders and make recommendations regarding the nominations or other proposals. The advance notice procedures also permit a more orderly procedure for conducting our stockholder meetings.

Anti-takeover Effect of Certain Provisions of Maryland Law and Our Charter and Bylaws

The restrictions on ownership and transfer of our stock, the provisions of our charter regarding the removal of directors, the exclusive power of our board of directors to fill vacancies on the board and the advance notice provisions of the bylaws could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interests. Likewise, if our board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Subtitle 8 of Title 3 of the MGCL providing for a classified board of directors, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were amended or rescinded, these provisions of the MGCL could have similar anti-takeover effects.

Indemnification and Limitation of Directors’ and Officers’ Liability

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

The MGCL requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and:

  - was committed in bad faith; or

- was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify a director or officer for an adverse judgment in a suit by or in the right of the corporation or if the director or officer was adjudged liable on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer, without requiring a preliminary determination of the director's or officer's ultimate entitlement to indemnification, upon the corporation's receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director's of officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Our charter authorizes us to obligate our company and our bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding, without requiring a preliminary determination of the director's or officer's ultimate entitlement to indemnification, to:

- any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while serving as our director or officer and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us, with the approval of our board of directors, to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

The partnership agreement also provides that we, as general partner, and our directors, officers, employees, agents and designees are indemnified to the extent provided therein. See "Description of the Partnership Agreement of American Assets Trust, L.P.—Exculpation and Indemnification of General Partner."

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Indemnification Agreements

We intend to enter into indemnification agreements with each of our executive officers and directors as described in "Management—Limitation of Liability and Indemnification."

Restrictions on Ownership and Transfer

Subject to certain exceptions, our charter provides that no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than % (in value or number of shares, whichever is more restrictive) of the outstanding shares of our common stock or more than % in value of the aggregate outstanding shares of our stock. For a fuller description of this and other restrictions on ownership and transfer of our stock, see “Description of Securities—Restrictions on Ownership and Transfer.”

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interests to continue to be qualified as a REIT. Our charter also provides that our board of directors may determine that compliance with the restrictions on ownership and transfer of our stock is no longer required in order for us to qualify as a REIT.

SHARES ELIGIBLE FOR FUTURE SALE

General

Upon completion of this offering, we will have outstanding shares of our common stock (shares if the underwriters' overallotment option is exercised in full). In addition, upon completion of this offering, shares of our common stock will be reserved for issuance upon exchange of common units.

Of these shares, the shares sold in this offering (shares if the underwriters' overallotment option is exercised in full) will be freely transferable without restriction or further registration under the Securities Act, subject to the limitations on ownership set forth in our charter, except for any shares purchased in this offering by our "affiliates," as that term is defined by Rule 144 under the Securities Act. The remaining shares of common stock issued to our officers, directors and affiliates in the formation transactions and the shares of our common stock issuable to officers, directors and affiliates upon exchange of common units will be "restricted shares" as defined in Rule 144.

Prior to this offering, there has been no public market for our common stock. Trading of our common stock on the NYSE is expected to commence immediately following the completion of this offering. No assurance can be given as to (1) the likelihood that an active market for our shares of common stock will develop, (2) the liquidity of any such market, (3) the ability of the stockholders to sell the shares or (4) the prices that stockholders may obtain for any of the shares. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our common stock (including shares issued upon the exchange of units tendered for redemption or the exercise of stock options), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock. See "Risk Factors—Risks Related to this Offering."

For a description of certain restrictions on transfers of our shares of common stock held by certain of our stockholders, see "Description of Securities—Restrictions on Ownership and Transfer."

Rule 144

After giving effect to this offering, shares of our outstanding shares of common stock will be "restricted" securities under the meaning of Rule 144 under the Securities Act, and may not be sold in the absence of registration under the Securities Act unless an exemption from registration is available, including the exemption provided by Rule 144.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale and who has beneficially owned shares considered to be restricted securities under Rule 144 for at least six months would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned shares considered to be restricted securities under Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

An affiliate of ours who has beneficially owned shares of our common stock for at least six months would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1.0% of the shares of our common stock then outstanding, which will equal approximately shares immediately after this offering (shares if the underwriters exercise their overallotment option in full); or

- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

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Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Redemption/Exchange Rights

In connection with the formation transactions, our operating partnership will issue an aggregate of common units to prior investors in the entities that own the properties in our portfolio. Beginning on or after the date which is 14 months after the completion of this offering, limited partners of our operating partnership and certain qualifying assignees of a limited partner will have the right to require our operating partnership to redeem part or all of their common units for cash, or, at our election, shares of our common stock, based upon the fair market value of an equivalent number of shares of our common stock at the time of the redemption, subject to the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled "Description of Securities—Restrictions on Ownership and Transfer." See "Description of the Partnership Agreement of American Assets Trust, L.P."

Registration Rights

In connection with the completion of this offering, will enter into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions, including Mr. Rady his affiliates, immediate family members and related trusts and certain of our executive officers. Under the registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of this offering, we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the resale of the shares of our common stock issued or issuable, at our option, in exchange for operating partnership units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act in lieu of our operating partnership's obligation to pay cash for such units.

Commencing one year after the date of this offering (but prior to the date upon which the registration statement described above becomes effective) or 16 months after the date of this offering if the shelf registration statement described above is not then effective, Mr. Rady and his affiliates, immediate family members and related trusts will have demand rights to require us to undertake an underwritten offering under a resale registration statement (so long as a majority-in-interest of such group makes such a demand). In addition, if we file a registration statement with respect to an underwritten offering for our own account, any of Mr. Rady and his affiliates, immediate family members and related trusts will have the right, subject to certain limitations, to register such number of shares of our common stock issued to him or her pursuant to the formation transactions as each such person requests.

Commencing upon our filing of a resale registration statement not later than 14 months after the date of this offering, under certain circumstances, we will also be required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided the securities to be registered in such offering shall (1) have a market value of at least $25 million or (2) shall represent all of the remaining securities acquired in the formation transactions by Mr. Rady and his affiliates, immediate family members and related trusts and such securities shall have a market value of at least $10 million, and provided further that we are not obligated to effect more than three such underwritten offerings. We will agree to pay all of the expenses relating to the securities registrations described above.

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Equity Incentive Award Plan

We intend to adopt our 2010 Equity Incentive Award Plan immediately prior to the completion of this offering. The plan will provide for the grant of incentive awards to our directors, officers, employees and consultants. We expect that an aggregate of shares of our common stock will be available for issuance under the awards granted pursuant to our 2010 Equity Incentive Award Plan.

We intend to file with the SEC a Registration Statement on Form S-8 covering the shares of common stock issuable under our 2010 Equity Incentive Award Plan. Shares of our common stock covered by this registration statement, including any shares of our common stock issuable upon the exercise of options or shares of restricted common stock, will be eligible for transfer or resale without restriction under the Securities Act unless held by affiliates.

Lock-up Agreements

In addition to the limits placed on the sale of our common stock by operation of Rule 144 and other provisions of the Securities Act, our directors, executive officers, director nominees and their affiliates, as well as each of the prior investors have agreed with the underwriters of this offering, subject to certain exceptions, not to sell or otherwise transfer or encumber, or enter into any transaction that transfers, in whole or in part, directly or indirectly, any shares of common stock or securities convertible into, exchangeable for or exercisable for shares of common stock owned by them at the completion of this offering or thereafter acquired by them for a period of 365 days (with respect to Mr. Rady and our other directors, director nominees and executive officers and their affiliates) and 180 days (with respect to other prior investors) after the date of this prospectus, without the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated (with respect to our executive officers, directors and director nominees and their affiliates) or Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC (with respect to other prior investors).

However, in addition to certain other exceptions, (1) each of our directors, director nominees, executive officers and their affiliates, as well as prior investors may transfer or dispose of his or her shares during the lock-up period in the case of gifts or for estate planning purposes, and (2) each of the prior investors that is an entity may distribute its shares to its limited partners, members or stockholders or to its affiliates or to any investment fund or other entity controlled or managed by it, provided in each case that each transferee agrees to a similar lock-up agreement for the remainder of the lock-up period, the transfer does not involve a disposition for value, no report is required to be filed by the transferor under the Exchange Act as a result of the transfer and the transferor does not voluntarily effect any public filing or report regarding such transfer. See “Underwriting—No Sales of Similar Securities.”

FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations regarding our company and this offering of our common stock. For purposes of this discussion, references to “we,” “our” and “us” mean only American Assets Trust, Inc., and do not include any of its subsidiaries, except as otherwise indicated. This summary is for general information only and is not tax advice. The information in this summary is based on:

- the Internal Revenue Code of 1986, as amended, or the Code;
- current, temporary and proposed Treasury Regulations promulgated under the Code;
- the legislative history of the Code;
- administrative interpretations and practices of the Internal Revenue Service, or the IRS; and
- court decisions;

in each case, as of the date of this prospectus. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. The sections of the Code and the corresponding Treasury Regulations that relate to qualification and taxation as a REIT are highly technical and complex. The following discussion sets forth certain material aspects of the sections of the Code that govern the federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations promulgated under the Code, and administrative and judicial interpretations thereof. Future legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any such change could apply retroactively to transactions preceding the date of the change. We have not requested and do not intend to request a ruling from the IRS that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state, local or non-U.S. tax consequences associated with the purchase, ownership, or disposition of our common stock or our election to be taxed as a REIT.

You are urged to consult your tax advisors regarding the tax consequences to you of:

- **the purchase, ownership or disposition of our common stock, including the federal, state, local, non-U.S. and other tax consequences;**
- **our election to be taxed as a REIT for federal income tax purposes; and**
- **potential changes in applicable tax laws.**

Taxation of Our Company

General

We currently have in effect an election to be taxed as an S corporation under subchapter S of the Code, but intend to revoke our subchapter S election prior to the closing date of this offering. We intend to elect to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ending December 31, 2010. We believe that we are organized and will operate in a manner that will allow us to qualify for taxation as a REIT under the Code commencing with our taxable year ending December 31, 2010, and we intend to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized or will be able to operate in a manner so as to qualify or remain qualified as a REIT. See "—Failure to Qualify."

Latham & Watkins LLP has acted as our tax counsel in connection with this offering of our common stock and our intended election to be taxed as a REIT. Latham & Watkins LLP will render an opinion to us to the effect that, commencing with our taxable year ending December 31, 2010, we have been organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion will be based on various assumptions and representations as to factual matters, including representations made by us in a factual certificate provided by one of our officers. In addition, this opinion will be based upon our factual representations set forth in this prospectus. Moreover, our qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Latham & Watkins LLP. Accordingly, no assurance can be given that our actual results of operation for any particular taxable year will satisfy those requirements. Further, the anticipated federal income tax treatment described in this discussion may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. Latham & Watkins LLP has no obligation to update its opinion subsequent to the date of such opinion.

Provided we qualify for taxation as a REIT, we generally will not be required to pay federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the "double taxation" that ordinarily results from investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. We will, however, be required to pay federal income tax as follows:

- First, we will be required to pay tax at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

- Second, we may be required to pay the "alternative minimum tax" on our items of tax preference under some circumstances.

- Third, if we have (1) net income from the sale or other disposition of "foreclosure property" held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay tax at the highest corporate rate on this income. To the extent that income from foreclosure property is otherwise qualifying income for purposes of the 75% gross income test, this tax is not applicable. Subject to certain other requirements, foreclosure property generally is defined as property we acquired through foreclosure or after a default on a loan secured by the property or a lease of the property.

- Fourth, we will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.

- Fifth, if we fail to satisfy the 75% gross income test or the 95% gross income test, as described below, but have otherwise maintained our qualification as a REIT because certain other requirements are met, we will be required to pay a tax equal to (1) the greater of (A) the amount by which we fail to satisfy the 75% gross income test and (B) the amount by which we fail to satisfy the 95% gross income test, multiplied by (2) a fraction intended to reflect our profitability.

- Sixth, if we fail to satisfy any of the asset tests (other than a de minimis failure of the 5% or 10% asset test), as described below, due to reasonable cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.

- Seventh, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the gross income tests or certain violations of the asset tests, as described below) and the violation is due to reasonable cause and not due to willful neglect, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.

- Eighth, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of (1) 85% of our ordinary income for the year, (2) 95% of our capital gain net income for the year, and (3) any undistributed taxable income from prior periods.

- Ninth, if we acquire any asset from a corporation that is or has been a C corporation in a transaction in which our basis in the asset is determined by reference to the C corporation's basis in the asset (as is expected to occur in connection with certain mergers that are part of the formation transactions), and we subsequently recognize gain on the disposition of the asset during the ten-year period beginning on the date on which we acquired the asset, then we will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted basis in the asset, in each case determined as of the date on which we acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation.

- Tenth, our subsidiaries that are C corporations, including our "taxable REIT subsidiaries," generally will be required to pay federal corporate income tax on their earnings.

- Eleventh, we will be required to pay a 100% tax on any "redetermined rents," "redetermined deductions" or "excess interest." See "—Penalty Tax." In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a taxable REIT subsidiary of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations.

- Twelfth, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include its proportionate share of our undistributed net capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the basis of the stockholder in our common stock.

Requirements for Qualification as a REIT. The Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;

(3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;

(4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code;

(5) that is beneficially owned by 100 or more persons;

(6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including certain specified entities, during the last half of each taxable year; and

(7) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term “individual” includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or profit sharing trust.

We believe that we have been organized, will operate and will issue sufficient shares of our common stock with sufficient diversity of ownership pursuant to this offering of our common stock to allow us to satisfy conditions (1) through (7) inclusive, during the relevant time periods. In addition, our charter provides for restrictions regarding ownership and transfer of our shares which are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. A description of the share ownership and transfer restrictions relating to our stock is contained in the discussion in this prospectus under the heading “Description of Securities—Restrictions on Ownership and Transfer.” These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above. If we fail to satisfy these share ownership requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement. See “—Failure to Qualify.”

In addition, we may not maintain our status as a REIT unless our taxable year is the calendar year. We will have a calendar taxable year.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries. In the case of a REIT that is a partner in a partnership or a member in a limited liability company treated as a partnership for federal income tax purposes, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company, as the case may be, based on its interest in partnership capital, subject to special rules relating to the 10% asset test described below. Also, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership or limited liability company retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership’s share of these items of any partnership or limited liability company treated as a partnership or disregarded entity for federal income tax purposes in which it owns an interest, is treated as our assets and items of income for purposes of applying the requirements described in this discussion, including the gross income and asset tests described below. A brief summary of the rules governing the federal income taxation of partnerships and limited liability companies is set forth below in “—Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies.”

We expect to control our operating partnership and the subsidiary partnerships and limited liability companies and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own and operate certain properties through subsidiaries that we intend to be treated as "qualified REIT subsidiaries" under the Code. A corporation will qualify as our qualified REIT subsidiary if we own 100% of the corporation's outstanding stock and do not elect with the subsidiary to treat it as a "taxable REIT subsidiary," as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit of the parent REIT for all purposes under the Code, including all REIT qualification tests. Thus, in applying the federal tax requirements described in this discussion, any qualified REIT subsidiaries we own are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such corporations are treated as our assets, liabilities and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not subject to federal income tax, and our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under "—Asset Tests."

Ownership of Interests in Taxable REIT Subsidiaries. We will own an interest in one or more taxable REIT subsidiaries and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities as more fully described below under "—Income Tests," a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt funded directly or indirectly by its parent REIT if certain tests regarding the taxable REIT subsidiary's debt to equity ratio and interest expense are not satisfied. A REIT's ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset test described below. See "—Asset Tests."

Income Tests

We must satisfy two gross income requirements annually to maintain our qualification as a REIT. First, in each taxable year we must derive directly or indirectly at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from investments relating to real property or mortgages on real property, including "rents from real property" and, in certain circumstances, interest, or certain types of temporary investments. Second, in each taxable year we must derive at least 95% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from the real property investments described above or dividends, interest and gain from the sale or disposition of stock or securities, or any combination of the foregoing. For these purposes, the term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents we receive from a tenant will qualify as "rents from real property" for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

- The amount of rent is not based in any way on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term "rents from real property" solely because it is based on a fixed percentage or percentages of receipts or sales;
- Neither we nor an actual or constructive owner of 10% or more of our stock actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents we receive from such a tenant that is a taxable REIT subsidiary of ours, however, will not be excluded from the definition of "rents from real property" as a result of this condition if (1) at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by our other tenants for comparable space, or (2) the property to which the rents relate is a qualified lodging facility and such property is operated on behalf of the taxable REIT subsidiary by a person who is an eligible independent contractor and certain other requirements are met, as described below. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a "controlled taxable REIT subsidiary" is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as "rents from real property." For purposes of this rule, a "controlled taxable REIT subsidiary" is a taxable REIT subsidiary in which the parent REIT owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;
- Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as "rents from real property." To the extent that rent attributable to personal property, leased in connection with a lease of real property, exceeds 15% of the total rent received under the lease, we may transfer a portion of such personal property to a taxable REIT subsidiary; and
- We generally do not operate or manage the property or furnish or render services to our tenants, subject to a 1% *de minimis* exception and except as provided below. We may, however, perform services that are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant" of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we may employ an independent contractor from whom we derive no revenue to provide customary services, or a taxable REIT subsidiary, which may be wholly or partially owned by us, to provide both customary and non-customary services to our tenants without causing the rent we receive from those tenants to fail to qualify as "rents from real property." Any amounts we receive from a taxable REIT subsidiary with respect to the taxable REIT subsidiary's provision of non-customary services will, however, be nonqualifying income under the 75% gross income test and, except to the extent received through the payment of dividends, the 95% gross income test.

A portion of our rental income will be derived from the lease of our hotel property, which we plan to lease to our taxable REIT subsidiary. In order for the rent payable under this lease to constitute "rents from real property," the lease must be respected as a true lease for federal income tax purposes and must not be treated as a service contract, joint venture, or some other similar type of arrangement. We believe that this lease will be respected as a true lease for federal income tax purposes. However, this determination is inherently a question of fact, and we cannot assure you that the IRS will not successfully assert a contrary position. If this lease is not respected as a true lease, part or all of the payments that we receive as rent from our taxable REIT subsidiary with respect to such lease may not be considered rent or may not otherwise satisfy the various requirements for qualification as “rents from real property.” In that case, we may not be able to satisfy either the 75% or 95% gross income test and could fail to qualify as a REIT.

Also, our taxable REIT subsidiary may not operate or manage a lodging facility or provide rights to any brand name under which any lodging facility is operated. However, rents we receive from a lease of a hotel to our taxable REIT subsidiary will constitute “rents from real property” if the following conditions are satisfied:

- First, the hotel must be a “qualified lodging facility.” A qualified lodging facility is a hotel, motel or other establishment more than one-half of the dwelling units in which are used on a transient basis, unless wagering activities are conducted at or in connection with such facility by any person who is engaged in the business of accepting wagers and who is legally authorized to engage in such business at or in connection with such facility. Accordingly, we will not be permitted to have gambling or wagering activity on the premises of our hotel property or to earn income from gambling or wagering activities.

- Second, the hotel manager must be an “eligible independent contractor.” An eligible independent contractor is an independent contractor that, at the time the management contract is entered into, is actively engaged in the trade or business of operating qualified lodging facilities for any person not related to us or any of our taxable REIT subsidiaries. For this purpose, an independent contractor means any person (1) that does not own (taking into account relevant attribution rules) more than 35% of our stock, and (2) with respect to which no person or group owning directly or indirectly (taking into account relevant attribution rules) 35% or more of our stock owns 35% or more directly or indirectly (taking into account relevant attribution rules) of the ownership interest in the contractor.

We believe that our hotel property will be a qualified lodging facility, and that the hotel manager engaged by our taxable REIT subsidiary to manage the hotel will be an eligible independent contractor. Furthermore, while we will monitor the activities of the eligible independent contractor to maximize the value of our hotel investment, neither we nor our taxable REIT subsidiary lessee will directly or indirectly operate or manage our hotel. Thus, we believe that the rents we derive from our taxable REIT subsidiary with respect to the lease of our hotel property will qualify as “rents from real property.”

We generally do not intend, and as a general partner of our operating partnership, do not intend to permit our operating partnership, to take actions we believe will cause us to fail to satisfy the rental conditions described above. However, we may intentionally fail to satisfy some of these conditions to the extent we determine, based on the advice of our tax counsel, that the failure will not jeopardize our tax status as a REIT. For example, as described in “Description of Our Securities—Restrictions on Ownership and Transfer,” an excepted holder limit was established for Mr. Rady and his affiliates in excess of the ownership limit. Because Mr. Rady and his affiliates will own in excess of 10% of our stock and in excess of 10% or more of the voting power or value of all classes of stock of certain of our tenants, we anticipate the rents payable by such tenants will not qualify as “rents from real property” and, therefore, will not qualify under the 95% and 75% gross income tests described above. We believe, however, that we will be able to satisfy the REIT gross income tests notwithstanding our receipt of such nonqualifying rental income. With respect to the limitation on the rental of personal property, we have not obtained appraisals of the real property and personal property leased to tenants. Accordingly, there can be no assurance that the IRS will not disagree with our determinations of value of such property.

Income we receive that is attributable to the rental of parking spaces at the properties generally will constitute rents from real property for purposes of the gross income tests if certain services provided with respect to the parking spaces are performed by independent contractors from whom we derive no revenue, either directly or indirectly, or by a taxable REIT subsidiary, and certain other conditions are met. We believe that the income we receive that is attributable to parking spaces will meet these tests and, accordingly, will constitute rents from real property for purposes of the gross income tests.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income and thus will be exempt from the 75% and 95% gross income tests. The term "hedging transaction," as used above, generally means any transaction we enter into in the normal course of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets, or (2) currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

To the extent our taxable REIT subsidiaries pay dividends, we generally will derive our allocable share of such dividend income through our interest in our operating partnership. Such dividend income will qualify under the 95%, but not the 75%, gross income test.

We will monitor the amount of the dividend and other income from our taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the gross income tests. Although we expect these actions will be sufficient to prevent a violation of the gross income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. We generally may make use of the relief provisions if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year in accordance with Treasury Regulations to be issued; and
- our failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. As discussed above in "—Taxation of Our Company—General," even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our nonqualifying income. We may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of our income.

Prohibited Transaction Income. Any gain that we realize on the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships and limited liability companies, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax, unless certain safe harbor exceptions apply. This prohibited transaction income may also adversely affect our ability to satisfy the gross income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. Our operating partnership intends to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our operating partnership's investment objectives. We do not intend to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of the sales made by our operating partnership or its subsidiary partnerships or limited liability companies are prohibited transactions. We would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales.

Penalty Tax. Any redetermined rents, redetermined deductions or excess interest we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary of ours, and redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's length negotiations. Rents we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

We anticipate that one or more of our taxable REIT subsidiaries will provide services to certain of our tenants and will pay rent to us. We intend to set the fees paid to our taxable REIT subsidiaries for such services, and the rent payable to us at arm's length rates, although the amounts paid may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on the excess of an arm's length fee for tenant services over the amount actually paid, or on the excess rents paid to us.

Asset Tests

At the close of each calendar quarter of our taxable year, we must also satisfy four tests relating to the nature and diversification of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and government securities. For purposes of this test, the term "real estate assets" generally means real property (including interests in real property and interests in mortgages on real property) and shares (or transferable certificates of beneficial interest) in other REITs, as well as any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the date the REIT receives such proceeds.

Second, not more than 25% of the value of our total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries), other than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class, and except for investments in other REITs, our qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer's securities may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer except, in the case of the 10% value test, securities satisfying the "straight debt" safe-harbor or securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT. Certain types of securities we may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of our interest in the assets of a partnership or limited liability company in which we own an interest will be based on our proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Code.

Fourth, not more than 25% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries. Our operating partnership will own 100% of the securities of one or more corporations that will elect, together with us, to be treated as our taxable REIT subsidiaries, and we may acquire securities in other taxable REIT subsidiaries in the future. We believe that the aggregate value of our taxable REIT subsidiaries will not exceed 25% of the aggregate value of our gross assets. No independent appraisals have been obtained to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with our determinations of value.

The asset tests must be satisfied at the close of each calendar quarter of our taxable year in which we (directly or through our operating partnership) acquire securities in the applicable issuer, and also at the close of each calendar quarter in which we increase our ownership of securities of such issuer (including as a result of increasing our interest in our operating partnership). For example, our indirect ownership of securities of each issuer will increase as a result of our capital contributions to our operating partnership or as limited partners exercise their redemption/exchange rights. Accordingly, after initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy an asset test because we acquire securities or other property during a quarter (including as a result of an increase in our interest in our operating partnership), we may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. We believe that we have maintained and intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests. If we fail to cure any noncompliance with the asset tests within the 30 day cure period, we would cease to qualify as a REIT unless we are eligible for certain relief provisions discussed below.

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% asset tests if the value of our nonqualifying assets (1) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (2) we dispose of the nonqualifying assets or otherwise satisfy such tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case of the 5% and 10% asset tests, in excess of the *de minimis* exception described above, we may avoid disqualification as a REIT after the 30-day cure period by taking steps including (1) the disposition of sufficient nonqualifying assets, or the taking of other actions, which allow us to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued, (2) paying a tax equal to the greater of (a) $50,000 or (b) the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets, and (3) disclosing certain information to the IRS.

Although we believe we have satisfied the asset tests described above and plan to take steps to ensure that we satisfy such tests for any quarter with respect to which retesting is to occur, there can be no assurance that we will always be successful, or will not require a reduction in our operating partnership's overall interest in an issuer (including in a taxable REIT subsidiary). If we fail to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, we would cease to qualify as a REIT.

Annual Distribution Requirements

To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

- 90% of our "REIT taxable income"; and
- 90% of our after-tax net income, if any, from foreclosure property; minus
- the excess of the sum of certain items of non-cash income over 5% of our "REIT taxable income."

For these purposes, our "REIT taxable income" is computed without regard to the dividends paid deduction and our net capital gain. In addition, for purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount on purchase money debt, cancellation of indebtedness, or a like-kind exchange that is later determined to be taxable.

In addition, if we dispose of any asset we acquired from a corporation which is or has been a C corporation in a transaction in which our basis in the asset is determined by reference to the basis of the asset in the hands of that C corporation, within the ten-year period following our acquisition of such asset, we would be required to distribute at least 90% of the after-tax gain, if any, we recognized on the disposition of the asset, to the extent that gain does not exceed the excess of (a) the fair market value of the asset over (b) our adjusted basis in the asset, in each case, on the date we acquired the asset.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, the amount distributed must not be preferential—*i.e.*, every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be required to pay tax on the undistributed amount at regular corporate tax rates. We believe that we will make timely distributions sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the partnership agreement of our operating partnership authorizes us, as general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock dividends in order to meet the distribution requirements, while preserving our cash. In addition, we may decide to retain our cash, rather than distribute it, in order to repay debt or for other reasons.

Pursuant to recent IRS guidance, certain part-stock and part-cash dividends distributed by publicly traded REITs with respect to calendar years 2008 though 2011, and in some cases declared as late as December 31, 2012, will be treated as distributions for purposes of the REIT distribution requirements. Under the terms of this Revenue Procedure, up to 90% of our distributions could be paid in shares of our stock. If we make such a distribution, taxable stockholders would be required to include the full amount of the dividend (*i.e.*, the cash and the stock portion) as ordinary income (subject to limited exceptions), to the extent of our current and accumulated earnings and profits for federal income tax purposes, as described under the headings "—Federal Income Tax Considerations for Holders of Our Common Stock—Taxation of Taxable U.S. Stockholders—Distributions Generally" and "—Federal Income Tax Considerations for Holders of Our Common Stock—Taxation of Non-U.S. Stockholders— Distributions Generally." As a result, our stockholders could recognize taxable income in excess of the cash received and may be required to pay tax with respect to such dividends in excess of the cash received. If a taxable stockholder sells the stock it receives as a dividend, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock.

Under some circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying “deficiency dividends” to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends.

Furthermore, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of 85% of our ordinary income for such year, 95% of our capital gain net income for the year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year, will be treated as paid by us and received by our stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges

We may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Failure To Qualify

If we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT, certain specified cure provisions may be available to us. Except with respect to violations of the gross income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to satisfy the requirements for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be required to pay tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us, and we will not be required to distribute any amounts to our stockholders. As a result, we anticipate that our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, all distributions to stockholders will be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. In such event, corporate distributees may be eligible for the dividends-received deduction. In addition, non-corporate stockholders, including individuals, may be eligible for the preferential tax rates on qualified dividend income. Unless entitled to relief under specific statutory provisions, we will also be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lost our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies

General. All of our investments will be held indirectly through our operating partnership. In addition, our operating partnership will hold certain of its investments indirectly through subsidiary partnerships and limited liability companies which we expect will be treated as partnerships or disregarded entities for federal income tax purposes. In general, entities that are classified as partnerships or disregarded entities for federal income tax purposes are "pass-through" entities which are not required to pay federal income tax. Rather, partners or members of such entities are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership or limited liability company, and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership or limited liability company. We will include in our income our share of these partnership and limited liability company items for purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requirements. Moreover, for purposes of the asset tests, we will include our pro rata share of assets held by our operating partnership, including its share of its subsidiary partnerships and limited liability companies, based on our capital interests in each such entity. See "—Taxation of Our Company."

Entity Classification. Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships (or disregarded entities). For example, an entity that would otherwise be classified as a partnership for federal income tax purposes may nonetheless be taxable as a corporation if it is a "publicly traded partnership" and certain other requirements are met. A partnership or limited liability company would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. Interests in a partnership are not treated as readily tradable on a secondary market, or the substantial equivalent thereof, if all interests in the partnership were issued in one or more transactions that were not required to be registered under the Securities Act, and the partnership does not have more than 100 partners at any time during the taxable year of the partnership, taking into account certain ownership attribution and anti-avoidance rules (the "100 Partner Safe Harbor"). Our operating partnership may not qualify for the 100 Partner Safe Harbor. In the event that the 100 Partner Safe Harbor or certain other safe harbor provisions of applicable Treasury Regulations are not available, our operating partnership could be classified as a publicly traded partnership.

If our operating partnership does not qualify for the 100 Partner Safe Harbor, interests in our operating partnership may nonetheless be viewed as not readily tradable on a secondary market or the substantial equivalent thereof if the sum of the percentage interests in capital or profits of our operating partnership transferred during any taxable year of our operating partnership does not exceed 2% of the total interests in our operating partnership's capital or profits, subject to certain exceptions. For purpose of this 2% trading restriction, our interests in our operating partnership are excluded from the determination of the percentage interests in capital or profits of our operating partnership. In addition, this 2% trading restriction does not apply to transfers by a limited partner in one or more transactions during any 30-day period representing in the aggregate more than 2% of the total interests in our operating partnership's capital or profits. We, as general partner of our operating partnership, have the authority to take any steps we determine necessary or appropriate to prevent any trading of interests in our operating partnership that would cause our operating partnership to become a publicly traded partnership, including any steps necessary to ensure compliance with this 2% trading restriction.

We believe our operating partnership and each of our other partnerships and limited liability companies will be classified as partnerships or disregarded entities for federal income tax purposes, and we do not anticipate that our operating partnership or any subsidiary partnership or limited liability company will be treated as a publicly traded partnership that is taxable as a corporation.

If our operating partnership or any of our other partnerships or limited liability companies were to be treated as a publicly traded partnership, it would be taxable as a corporation unless it qualified for the statutory "90% qualifying income exception." Under that exception, a publicly traded partnership is not subject to corporate-level tax if 90% or more of its gross income consists of dividends, interest, "rents from real property" (as that term is defined for purposes of the rules applicable to REITs, with certain modifications), gain from the sale or other disposition of real property, and certain other types of qualifying income. However, if any such entity did not qualify for this exception or was otherwise taxable as a corporation, it would be required to pay an entity-level tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the REIT income tests. See "—Taxation of Our Company—Asset Tests" and "—Income Tests." This, in turn, could prevent us from qualifying as a REIT. See "—Failure to Qualify" for a discussion of the effect of our failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary partnership or limited liability company might be treated as a taxable event. If so, we might incur a tax liability without any related cash payment.

Allocations of Income, Gain, Loss and Deduction. Except for special allocations to holders of LTIP units described under "Description of the Partnership Agreement of American Assets Trust, L.P.—Special Allocations and Liquidations Distributions on LTIP Units," the operating partnership agreement generally provides that allocations of net income to holders of common units generally will be made proportionately to all such holders in respect of such units. Certain limited partners will have the opportunity to guarantee debt of our operating partnership, indirectly through an agreement to make capital contributions to our operating partnership under limited circumstances. As a result of these guaranties or contribution agreements, and notwithstanding the foregoing discussion of allocations of income and loss of our operating partnership to holders of units, such limited partners could under limited circumstances be allocated a disproportionate amount of net loss upon a liquidation of our operating partnership, which net loss would have otherwise been allocable to us.

If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Our operating partnership's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder.

Tax Allocations With Respect to the Properties. Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership, must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution, as adjusted from time to time. These allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Our operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnership. In that case, the tax basis of these property interests generally carries over to the operating partnership, notwithstanding their different book (*i.e.*, fair market) value (this difference is referred to as a book-tax difference). The partnership agreement requires that income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. Depending on the method we choose in connection with any particular contribution, the carryover basis of each of the contributed interests in the properties in the hands of our operating partnership (1) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if any of the contributed properties were to have a tax basis equal to its respective fair market value at the time of the contribution and (2) could cause us to be allocated taxable gain in the event of a sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale, with a corresponding benefit to the other partners in our operating partnership. An allocation described in clause (2) above might cause us or the other partners to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements. See "—General—Requirements for Qualification as a REIT" and "—Annual Distribution Requirements."

Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code generally will not apply.

Certain Tax Considerations Related to the Formation Transactions

As described under "Structure and Formation of Our Company—Formation Transactions," we intend to acquire certain entities through separate mergers of such entities with and into us. Each such merger is intended to constitute a "reorganization" within the meaning of Section 368(a) of the Code. If each merger qualifies as a reorganization for U.S. federal income tax purposes, we will succeed to the tax liabilities and earnings and profits, if any, of each acquired entity, and our tax basis of the assets we acquire from each such entity will be determined by reference to the tax basis of the asset in the hands of each such entity.

To qualify as a REIT, any earnings and profits accumulated in a year in which we, or any entity the earnings and profits of which we succeed to, were not a REIT must be distributed as of the close of the taxable year in which we accumulated or acquired such earnings and profits. Some of the entities merging with and into us have elected since their formation to be taxed as an S corporation for U.S. federal income tax purposes. Assuming each such entity has at all times so qualified, we believe those entities will have no accumulated earnings and profits at the time of the formation transactions. However, if any of these entities did not qualify as an S corporation for U.S. federal income tax purposes, we may succeed to earnings and profits accumulated by such entities, which we would be required to distribute by the close of the taxable year in which the merger occurs. In addition, certain taxable C corporations are also merging with and into us in connection with the formation transactions, and we will be required to distribute any earnings and profits accumulated by such entities by the close of the taxable year in which each such merger occurs. If the IRS were to determine that we acquired earnings and profits that we failed to distribute prior to the end of the appropriate taxable year, we could avoid disqualification as a REIT by using "deficiency dividend" procedures. Under these procedures, we generally would be required to distribute any such earnings and profits to our stockholders within 90 days of the determination and pay a statutory interest charge at a specified rate to the IRS.

In addition, in the case of assets we acquire from a C corporation in a transaction in which the tax basis of corporation's assets in our hands is determined by reference to the tax basis of the asset in the hands of the corporation (a "Carry-Over Basis Transaction"), if we dispose of any such asset in a taxable transaction during the ten-year period beginning on the date of the Carry-Over Basis Transaction, then we will be required to pay tax at the highest regular corporate tax rate on the gain recognized to the extent of the excess of (a) the fair market value of the asset over (b) our tax basis in the asset, in each case determined as of the date of the Carry-Over Basis Transaction. The foregoing rules regarding the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation. Assuming that each target entity that has elected to be taxed as an S corporation at all times so qualified for U.S. federal income tax purposes, and has not acquired assets from a C corporation in a Carry-Over Basis Transaction, we will not be treated as acquiring assets from a C corporation in a Carry-Over Basis Transaction with respect to our merger with each such entity. However, because we are also merging with certain entities that are taxable C corporations, we will be treated as acquiring assets from a C corporation in a Carry-Over Basis Transaction with respect to such mergers, and any sales of such assets in a taxable transaction during the ten-year period beginning on the date of the merger would be subject to taxation as described above.

Furthermore, our tax basis in the assets we acquire in a Carry-Over Basis Transaction will be lower than the assets' fair market values. This lower tax basis could cause us to have lower depreciation deductions and more gain on a subsequent sale of the assets than would be the case if we had directly purchased the assets in a taxable transaction.

If any of the mergers described above does not qualify as a reorganization within the meaning of Section 368(a) of the Code, the merger would be treated as a sale of the assets of the applicable target entity to us in a taxable transaction, and such entity would recognize taxable gain. In such a case, as the successor-in-interest to the target entity, we would be required to pay the tax on any such gain, but we would not succeed to the earnings and profits, if any, of such entity and our tax basis of the assets we acquire from such entity would not be determined by reference to the basis of the asset in the hands of such entity.

Federal Income Tax Considerations for Holders of Our Common Stock

The following summary describes the principal federal income tax consequences to you of purchasing, owning and disposing of our common stock. This summary assumes you hold shares of our common stock as a “capital asset” (generally, property held for investment within the meaning of Section 1221 of the Code). It does not address all the tax consequences that may be relevant to you in light of your particular circumstances. In addition, this discussion does not address the tax consequences relevant to persons who receive special treatment under the federal income tax law, except where specifically noted. Holders receiving special treatment include, without limitation:

- financial institutions, banks and thrifts;
- insurance companies;
- tax-exempt organizations;
- “S” corporations;
- traders in securities that elect to mark to market;
- partnerships, pass-through entities and persons holding our stock through a partnership or other pass-through entity;
- stockholders subject to the alternative minimum tax;
- regulated investment companies and REITs;
- foreign governments and international organizations;
- broker-dealers or dealers in securities or currencies;
- U.S. expatriates;
- persons holding our stock as part of a hedge, straddle, conversion, integrated or other risk reduction or constructive sale transaction; or
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar.

If you are considering purchasing our common stock, you should consult your tax advisors concerning the application of federal income tax laws to your particular situation as well as any consequences of the purchase, ownership and disposition of our common stock arising under the laws of any state, local or non-U.S. taxing jurisdiction.

When we use the term “U.S. stockholder,” we mean a holder of shares of our common stock who, for federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or of any state thereof or in the District of Columbia;

- an estate the income of which is subject to federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If you hold shares of our common stock and are not a U.S. stockholder, you are a “non-U.S. stockholder.”

If a partnership or other entity treated as a partnership for federal income tax purposes holds shares of our common stock, the tax treatment of a partner generally will depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding shares of our common stock are encouraged to consult their tax advisors.

Taxation of Taxable U.S. Stockholders

Distributions Generally. Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax discussed below, will be taxable to our taxable U.S. stockholders as ordinary income when actually or constructively received. See “—Tax Rates” below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. stockholders that are corporations or, except to the extent provided in “—Tax Rates” below, the preferential rates on qualified dividend income applicable to non-corporate U.S. stockholders, including individuals.

To the extent that we make distributions on our common stock in excess of our current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to a U.S. stockholder. This treatment will reduce the U.S. stockholder’s adjusted tax basis in such shares of stock by the amount of the distribution, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. stockholder’s adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in October, November, or December of any year and which are payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

Certain stock dividends, including dividends partially paid in our stock and partially paid in cash that comply with IRS Revenue Procedure 2010-12, will be taxable to the recipient U.S. stockholder to the same extent as if paid in cash.

Capital Gain Dividends. Dividends that we properly designate as capital gain dividends will be taxable to our U.S. stockholders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the taxable year. U.S. stockholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income.

Retention of Net Capital Gains. We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, our earnings and profits (determined for federal income tax purposes) would be adjusted accordingly, and a U.S. stockholder generally would:

- include its pro rata share of our undistributed net capital gains in computing its long-term capital gains in its return for its taxable year in which the last day of our taxable year falls, subject to certain limitations as to the amount that is includable;

- be deemed to have paid its share of the capital gains tax imposed on us on the designated amounts included in the U.S. stockholder's income as long-term capital gain;
- receive a credit or refund for the amount of tax deemed paid by it;
- increase the adjusted basis of its stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and
- in the case of a U.S. stockholder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

Passive Activity Losses and Investment Interest Limitations. Distributions we make and gain arising from the sale or exchange by a U.S. stockholder of our shares will not be treated as passive activity income. As a result, U.S. stockholders generally will not be able to apply any "passive losses" against this income or gain. A U.S. stockholder may elect to treat capital gain dividends, capital gains from the disposition of our stock and income designated as qualified dividend income, described in "—Tax Rates" below, as investment income for purposes of computing the investment interest limitation, but in such case, the stockholder will be taxed at ordinary income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Dispositions of Our Common Stock. If a U.S. stockholder sells or disposes of shares of common stock, it will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder's adjusted basis in the shares. This gain or loss, except as provided below, will be a long-term capital gain or loss if the holder has held such common stock for more than one year. However, if a U.S. stockholder recognizes a loss upon the sale or other disposition of common stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. stockholder received distributions from us which were required to be treated as long-term capital gains.

Tax Rates. The maximum tax rate for non-corporate taxpayers for (1) capital gains, including certain "capital gain dividends," has generally been reduced to 15% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) "qualified dividend income" has generally been reduced to 15%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT's dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if it distributed taxable income that it retained and paid tax on in the prior taxable year) or to dividends properly designated by the REIT as "capital gain dividends." The currently applicable provisions of the federal income tax laws relating to the 15% tax rate are currently scheduled to "sunset" or revert to the provisions of prior law effective for taxable years beginning after December 31, 2010, at which time the capital gains tax rate will be increased to 20% and the rate applicable to dividends will be increased to the tax rate then applicable to ordinary income. U.S. stockholders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income.

Medicare Tax on Unearned Income. Newly enacted legislation requires certain U.S. stockholders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common stock.

New Legislation Relating to Foreign Accounts. Under newly enacted legislation, certain payments made after December 31, 2012 to "foreign financial institutions" in respect of accounts of U.S. stockholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this new legislation on their ownership and disposition of our common stock. See "—Taxation of Non-U.S. Stockholders—New Legislation Relating to Foreign Accounts."

Information Reporting and Backup Withholding. We are required to report to our U.S. stockholders and the IRS the amount of dividends paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to dividends paid unless the holder comes within certain exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide us with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stockholder's federal income tax liability, provided the required information is timely furnished to the IRS. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status. See "—Taxation of Non-U.S. Stockholders."

Taxation of Tax-Exempt Stockholders

Dividend income from us and gain arising upon a sale of our shares generally should not be unrelated business taxable income, or UBTI, to a tax-exempt stockholder, except as described below. This income or gain will be UBTI, however, if a tax-exempt stockholder holds its shares as "debt-financed property" within the meaning of the Code or if the shares are used in a trade or business of the tax-exempt stockholder. Generally, "debt-financed property" is property the acquisition or holding of which was financed through a borrowing by the tax-exempt stockholder.

For tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, or qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respectively, income from an investment in our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a "pension-held REIT" may be treated as unrelated business taxable income as to certain trusts that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a "pension-held REIT" if it is able to satisfy the "not closely held" requirement without relying on the "look-through" exception with respect to certain trusts or if such REIT is not "predominantly held" by "qualified trusts." As a result of restrictions on ownership and transfer of our stock contained in our charter, we do not expect to be classified as a "pension-held REIT," and as a result, the tax treatment described above should be inapplicable to our stockholders. However, because our stock will be publicly traded, we cannot guarantee that this will always be the case.

Taxation of Non-U.S. Stockholders

The following discussion addresses the rules governing federal income taxation of the purchase, ownership and disposition of our common stock by non-U.S. stockholders. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of federal income taxation and does not address state, local or non-U.S. tax consequences that may be relevant to a non-U.S. stockholder in light of its particular circumstances. We urge non-U.S. stockholders to consult their tax advisors to determine the impact of federal, state, local and non-U.S. income tax laws on the purchase, ownership and disposition of shares of our common stock, including any reporting requirements.

Distributions Generally. Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by us of U.S. real property interests nor designated by us as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to withholding of federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively connected with the conduct by the non-U.S. stockholder of a U.S. trade or business. Under certain treaties, however, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT. Certain certification and disclosure requirements must be satisfied to be exempt from withholding under the effectively connected income exemption. Dividends that are treated as effectively connected with a U.S. trade or business will generally not be subject to withholding but will be subject to federal income tax on a net basis at graduated rates, in the same manner as dividends paid to U.S. stockholders are subject to federal income tax. Any such dividends received by a non-U.S. stockholder that is a corporation may also be subject to an additional branch profits tax at a 30% rate (applicable after deducting federal income taxes paid on such effectively connected income) or such lower rate as may be specified by an applicable income tax treaty.

Except as otherwise provided below, we expect to withhold federal income tax at the rate of 30% on any distributions made to a non-U.S. stockholder unless:

(1) a lower treaty rate applies and the non-U.S. stockholder files with us an IRS Form W-8BEN evidencing eligibility for that reduced treaty rate; or

(2) the non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is income effectively connected with the non-U.S. stockholder's trade or business.

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. stockholder to the extent that such distributions do not exceed the adjusted basis of the stockholder's common stock, but rather will reduce the adjusted basis of such stock. To the extent that such distributions exceed the non-U.S. stockholder's adjusted basis in such common stock, they will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below. For withholding purposes, we expect to treat all distributions as made out of our current or accumulated earnings and profits. However, amounts withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits, provided that certain conditions are met.

Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of U.S. Real Property Interests. Distributions to a non-U.S. stockholder that we properly designate as capital gain dividends, other than those arising from the disposition of a U.S. real property interest, generally should not be subject to federal income taxation, unless:

(1) the investment in our stock is treated as effectively connected with the non-U.S. stockholder's U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, except that a non-U.S. stockholder that is a non-U.S. corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or

(2) the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains.

Pursuant to the Foreign Investment in Real Property Tax Act, which is referred to as "FIRPTA," distributions to a non-U.S. stockholder that are attributable to gain from sales or exchanges by us of "U.S. real property interests," or USRPI, whether or not designated as capital gain dividends, will cause the non-U.S. stockholder to be treated as recognizing such gain as income effectively connected with a U.S. trade or business. Non-U.S. stockholders would generally be taxed at the same rates applicable to U.S. stockholders, subject to any applicable alternative minimum tax. We also will be required to withhold and to remit to the IRS 35% (or 15% to the extent provided in Treasury Regulations) of any distribution to non-U.S. stockholders that is designated as a capital gain dividend or, if greater, 35% of any distribution to non-U.S. stockholders that could have been designated as a capital gain dividend. The amount withheld is creditable against the non-U.S. stockholder's federal income tax liability. However, any distribution with respect to any class of stock that is "regularly traded" on an established securities market located in the United States is not subject to FIRPTA, and therefore, not subject to the 35% U.S. withholding tax described above, if the non-U.S. stockholder did not own more than 5% of such class of stock at any time during the one-year period ending on the date of the distribution. Instead, such distributions will generally be treated as ordinary dividend distributions and subject to withholding in the manner described above with respect to ordinary dividends.

Retention of Net Capital Gains. Although the law is not clear on the matter, it appears that amounts designated by us as retained net capital gains in respect of the stock held by stockholders generally should be treated with respect to non-U.S. stockholders in the same manner as actual distributions of capital gain dividends. Under that approach, the non-U.S. stockholders would be able to offset as a credit against their federal income tax liability resulting from their proportionate share of the tax paid by us on such retained net capital gains and to receive from the IRS a refund to the extent their proportionate share of such tax paid by us exceeds their actual federal income tax liability. If we were to designate any portion of our net capital gain as retained net capital gain, a non-U.S. stockholder should consult its tax advisor regarding the taxation of such retained net capital gain.

Sale of Our Common Stock. Gain recognized by a non-U.S. stockholder upon the sale, exchange or other taxable disposition of our common stock generally will not be subject to federal income taxation unless such stock constitutes a USRPI. In general, stock of a domestic corporation that constitutes a "U.S. real property holding corporation," or USRPHC, will constitute a USRPI. We expect that we will be a USRPHC. Our common stock will not, however, constitute a USRPI so long as we are a "domestically controlled qualified investment entity." A "domestically controlled qualified investment entity" includes a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by non-U.S. stockholders. We believe, but cannot guarantee, that we are a "domestically controlled qualified investment entity." Because our common stock will be publicly traded, no assurance can be given that we will continue to be a "domestically controlled qualified investment entity."

Notwithstanding the foregoing, gain from the sale, exchange or other taxable disposition of our common stock not otherwise subject to FIRPTA will be taxable to a non-U.S. stockholder if either (a) the investment in our common stock is treated as effectively connected with the non-U.S. stockholder's U.S. trade or business or (b) the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our stock (subject to the 5% exception applicable to "regularly traded" stock described below), a non-U.S. stockholder may be treated as having gain from the sale or other taxable disposition of a USRPI if the non-U.S. stockholder (1) disposes of our stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, or is deemed to acquire, other shares of that stock during the 61-day period beginning with the first day of the 30-day period described in clause (1).

Even if we do not qualify as a "domestically controlled qualified investment entity" at the time a non-U.S. stockholder sells our stock, gain arising from the sale or other taxable disposition by a non-U.S. stockholder of such stock would not be subject to federal income taxation under FIRPTA as a sale of a USRPI if:

(1) such class of stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market such as the NYSE; and

(2) such non-U.S. stockholder owned, actually and constructively, 5% or less of such class of our stock throughout the five-year period ending on the date of the sale or exchange.

If gain on the sale, exchange or other taxable disposition of our common stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to regular federal income tax with respect to such gain in the same manner as a taxable U.S. stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, if the sale, exchange or other taxable disposition of our common stock were subject to taxation under FIRPTA, and if shares of our common stock were not "regularly traded" on an established securities market, the purchaser of such common stock would generally be required to withhold and remit to the IRS 10% of the purchase price.

Information Reporting and Backup Withholding Tax. Generally, we must report annually to the IRS the amount of dividends paid to a non-U.S. stockholder, such holder's name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. stockholder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the non-U.S. stockholder's country of residence.

Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. stockholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we have or our paying agent has actual knowledge, or reason to know, that a non-U.S. stockholder is a U.S. person.

Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is timely furnished to the IRS.

New Legislation Relating to Foreign Accounts. Newly enacted legislation may impose withholding taxes on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities. Under this legislation, the failure to comply with additional certification, information reporting and other specified requirements could result in withholding tax being imposed on payments of dividends and sales proceeds to U.S. stockholders that own the shares through foreign accounts or foreign intermediaries and certain non-U.S. stockholders. The legislation imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, our stock paid to a foreign financial institution or to a foreign nonfinancial entity, unless (1) the foreign financial institution undertakes certain diligence and reporting obligations or (2) the foreign non-financial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. In addition, if the payee is a foreign financial institution, it generally must enter into an agreement with the U.S. Treasury that requires, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to certain other account holders. The legislation applies to payments made after December 31, 2012. Prospective investors should consult their tax advisors regarding this legislation.

Other Tax Consequences

State, local and non-U.S. income tax laws may differ substantially from the corresponding federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or non-U.S. jurisdiction. You should consult your tax advisor regarding the effect of state, local and non-U.S. tax laws with respect to our tax treatment as a REIT and on an investment in our common stock.

ERISA CONSIDERATIONS

General

The following is a summary of certain considerations arising under the Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser that is an employee benefit plan subject to ERISA. The following summary may also be relevant to a prospective purchaser that is not an employee benefit plan subject to ERISA, but is a tax-qualified retirement plan or an individual retirement account, individual retirement annuity, medical savings account or education individual retirement account, which we refer to collectively as an "IRA." This discussion does not address all aspects of ERISA or Section 4975 of the Code or, to the extent not preempted, state law that may be relevant to particular employee benefit plan stockholders in light of their particular circumstances, including plans subject to Title I of ERISA, other employee benefit plans and IRAs subject to the prohibited transaction provisions of Section 4975 of the Code, and governmental, church, foreign and other plans that are exempt from ERISA and Section 4975 of the Code but that may be subject to other federal, state, local or foreign law requirements.

A fiduciary making the decision to invest in shares of our common stock on behalf of a prospective purchaser which is an ERISA plan, a tax qualified retirement plan, an IRA or other employee benefit plan is advised to consult its legal advisor regarding the specific considerations arising under ERISA, Section 4975 of the Code, and, to the extent not preempted, state law with respect to the purchase, ownership or sale of shares of our common stock by the plan or IRA.

Plans should also consider the entire discussion under the heading "Federal Income Tax Considerations," as material contained in that section is relevant to any decision by an employee benefit plan, tax-qualified retirement plan or IRA to purchase our common stock.

Employee Benefit Plans, Tax-Qualified Retirement Plans and IRAs

Each fiduciary of an "ERISA plan," which is an employee benefit plan subject to Title I of ERISA, should carefully consider whether an investment in shares of our common stock is consistent with its fiduciary responsibilities under ERISA. In particular, the fiduciary requirements of Part 4 of Title I of ERISA require that:

- an ERISA plan make investments that are prudent and in the best interests of the ERISA plan, its participants and beneficiaries;
- an ERISA plan make investments that are diversified in order to reduce the risk of large losses, unless it is clearly prudent for the ERISA plan not to do so;
- an ERISA plan's investments are authorized under ERISA and the terms of the governing documents of the ERISA plan; and
- the fiduciary not cause the ERISA plan to enter into transactions prohibited under Section 406 of ERISA (and certain corresponding provisions of the Code).

In determining whether an investment in shares of our common stock is prudent for ERISA purposes, the appropriate fiduciary of an ERISA plan should consider all of the facts and circumstances, including whether the investment is reasonably designed, as a part of the ERISA plan's portfolio for which the fiduciary has investment responsibility, to meet the objectives of the ERISA plan, taking into consideration the risk of loss and opportunity for gain or other return from the investment, the diversification, cash flow and funding requirements of the ERISA plan, and the liquidity and current return of the ERISA plan's portfolio. A fiduciary should also take into account the nature of our business, the length of our operating history and other matters described in the section entitled "Risk Factors." Specifically, before investing in shares of our common stock, any fiduciary should, after considering the employee plan's or IRA's particular circumstances, determine whether the investment is appropriate under the fiduciary standards of ERISA or other applicable law including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA and the Code.

Our Status Under ERISA

In some circumstances where an ERISA plan holds an interest in an entity, the assets of the entity are deemed to be ERISA plan assets. This is known as the "look-through rule." Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favorable statutory or administrative exemption or exception applies). For example, a prohibited transaction may occur if our assets are deemed to be assets of investing ERISA plans and persons who have certain specified relationships to an ERISA plan ("parties in interest" within the meaning of ERISA, and "disqualified persons" within the meaning of the Code) deal with these assets. Further, if our assets are deemed to be assets of investing ERISA plans, any person that exercises authority or control with respect to the management or disposition of the assets is an ERISA plan fiduciary.

ERISA plan assets are not defined in ERISA or the Code, but the United States Department of Labor has issued regulations that outline the circumstances under which an ERISA plan's interest in an entity will be subject to the look-through rule. The Department of Labor regulations apply to the purchase by an ERISA plan of an "equity interest" in an entity, such as stock of a REIT. However, the Department of Labor regulations provide an exception to the look-through rule for equity interests that are "publicly offered securities."

Under the Department of Labor regulations, a "publicly offered security" is a security that is:

- freely transferable;
- part of a class of securities that is widely held; and
- either part of a class of securities that is registered under section 12(b) or 12(g) of the Exchange Act or sold to an ERISA plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and the class of securities of which this security is a part is registered under the Exchange Act within 120 days, or longer if allowed by the SEC, after the end of the fiscal year of the issuer during which this offering of these securities to the public occurred.

Whether a security is considered "freely transferable" depends on the facts and circumstances of each case. Under the Department of Labor regulations, if the security is part of an offering in which the minimum investment is $10,000 or less, then any restriction on or prohibition against any transfer or assignment of the security for the purposes of preventing a termination or reclassification of the entity for federal or state tax purposes will not ordinarily prevent the security from being considered freely transferable. Additionally, limitations or restrictions on the transfer or assignment of a security which are created or imposed by persons other than the issuer of the security or persons acting for or on behalf of the issuer will ordinarily not prevent the security from being considered freely transferable.

A class of securities is considered "widely held" if it is a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be "widely held" because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer's control.

The shares of our common stock offered in this prospectus may meet the criteria of the publicly offered securities exception to the look-through rule. First, the common stock could be considered to be freely transferable, as the minimum investment will be less than $10,000 and the only restrictions upon its transfer are those generally permitted under the Department of Labor regulations, those required under federal tax laws to maintain our status as a REIT, resale restrictions under applicable federal securities laws with respect to securities not purchased pursuant to this prospectus and those owned by our officers, directors and other affiliates, and voluntary restrictions agreed to by the selling stockholder regarding volume limitations.

Second, we expect (although we cannot confirm) that our common stock will be held by 100 or more investors, and we expect that at least 100 or more of these investors will be independent of us and of one another.

Third, the shares of our common stock will be part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the common stock is registered under the Exchange Act.

In addition, the Department of Labor regulations provide exceptions to the look-through rule for equity interests in some types of entities, including any entity which qualifies as either a "real estate operating company" or a "venture capital operating company."

Under the Department of Labor regulations, a "real estate operating company" is defined as an entity which on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost:

- invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development activities; and

- which, in the ordinary course of its business, is engaged directly in real estate management or development activities.

According to those same regulations, a "venture capital operating company" is defined as an entity which on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost:

- invested in one or more operating companies with respect to which the entity has management rights; and

- which, in the ordinary course of its business, actually exercises its management rights with respect to one or more of the operating companies in which it invests.

We have not endeavored to determine whether we will satisfy the "real estate operating company" or "venture capital operating company" exception.

Prior to making an investment in the shares offered in this prospectus, prospective employee benefit plan investors (whether or not subject to ERISA or section 4975 of the Code) should consult with their legal and other advisors concerning the impact of ERISA and the Code (and, particularly in the case of non-ERISA plans and arrangements, any additional state, local and foreign law considerations), as applicable, and the potential consequences in their specific circumstances of an investment in such shares.

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Wells Fargo Securities, LLC	
Morgan Stanley & Co. Incorporated	
Total	

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of common stock sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriters may be required to make in respect of those liabilities.

The underwriters are offering the shares of common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares of common stock, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer's certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and the dealers may reallow, a discount not in excess of $ per share to other dealers. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, including the filing fees and reasonable fees and disbursements of counsel to the underwriters in connection with FINRA filings, but not including the underwriting discount, are estimated at $ million and are payable by us.

Overallotment Option

We have granted an option to the underwriters, exercisable for 30 days after the date of this prospectus, to purchase up to additional shares at the public offering price, less the underwriting discount. The underwriters may exercise this option solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter's initial amount reflected in the above table.

Reserved Shares

At our request, the underwriters have reserved for sale, at the initial public offering price, up to shares of common stock offered by this prospectus for sale to our directors, officers, employees, friends and family. The number of shares of our common stock available for sale to the general public will be reduced to the extent these persons purchase such reserved shares. Any reserved shares of our common stock that are not so purchased will be offered by the underwriters to the general public on the same terms as the other shares of our common stock offered by this prospectus. All purchasers of reserved shares will be subject to a -day lock-up with respect to any shares sold to them pursuant to the reserved share program. This lock-up will have similar restrictions and an identical extension provision to the lock-up agreements described below.

No Sales of Similar Securities

We, our executive officers, directors and director nominees and their affiliates, as well as each of the prior investors have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for or exercisable for common stock, for 365 days (with respect to Mr. Rady and our other directors, director nominees and executive officers and their affiliates) and 180 days (with respect to the other prior investors and us) after the date of this prospectus without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Wells Fargo Securities, LLC and Morgan Stanley & Co. Incorporated. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- lend or otherwise dispose of or transfer any common stock,
- request or demand that we file a registration statement related to the common stock, or
- enter into any swap or other agreement or transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares of common stock or other securities, in cash or otherwise.

The restrictions described in the immediately preceding paragraph do not apply to: (A) with respect to the company, (1) the sale of shares to the underwriters, (2) any shares of our common stock issued or options to purchase our common stock granted pursuant to our existing employee benefit plans referred to in this prospectus, (3) any shares of our common stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan referred to in this prospectus, (4) any shares of our common stock or units issued in connection with the formation transactions, (5) shares of our common stock transferred in accordance with

Article VI of our charter, (6) shares of our common stock, in the aggregate not to exceed 10% of the number of shares of common stock outstanding, issued in connection with other acquisitions of real property or real property companies, provided, in the case of this clause (6), that each acquirer agrees to similar restrictions, and (7) the filing of a registration statement on Form S-8 relating to the offering of securities in accordance with the terms of an equity incentive plan; (B) with respect to our officers, directors, director nominees and their affiliates, as well as prior investors, (1)(i) the establishment of a written trading plan designed to comply with Rule 10b5-1(c) of the Exchange Act, provided that no sales or other dispositions may occur under such plans until the expiration of the lock-up period referred to above, (ii) *bona fide* gifts or gifts or other dispositions by will or intestacy, (iii) transfers made (a) to any trust for the direct or indirect benefit of the transferor or the immediate family of the transferor, (b) to an immediate family member, a partnership or limited liability company solely for the direct or indirect benefit of the transferor or the immediate family member of the transferor, (c) to a spouse, former spouse, child or other dependent pursuant to a domestic relations order or an order of a court of competent jurisdiction, (d) as a distribution to limited partners, limited liability company members or stockholders of the transferor, (e) to the transferor's affiliates or to any investment fund or other entity controlled or managed by the transferor, (f) to the company upon termination of the transferor's employment with the company, (g) to pay the exercise price of options to purchase common stock pursuant to the cashless exercise feature of such options, or (h) to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) or (iii)(a) through (g) above; provided that, in the case of this clause (1), (w) the representatives receive a signed lock-up agreement for the balance of the lock-up period from each donee, trustee, distributee, or transferee, as the case may be, (x) any such transfer shall not involve a disposition for value, (y) such transfers or other actions are not required to be reported with the SEC on Form 4 in accordance with Section 16 of the Exchange Act, and (z) the transferor does not otherwise voluntarily effect any public filing or report regarding such transfers, and (2) transactions relating to shares of our common stock acquired by the transferor in the open market after completion of the offering; provided, however, that (i) any subsequent sale of the shares of our common stock acquired in the open market are not required to be reported in any public report or filing with the SEC, or otherwise and (ii) the transferor does not otherwise voluntarily effect any public filing or report regarding such sales; and (C) with respect to Mr. Rady and his affiliates, including the Rady Trust, in addition to the exceptions set forth in clause (B) above, transfers made to an escrow account by Mr. Rady or any of his affiliates, or from an escrow account to the company, in connection with the operation of any pledge arrangements entered into pursuant to indemnification obligations under agreements entered into in connection with the formation transactions, in each case for the benefit of the company.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of the lock-up period referred to above, we issue an earnings release or material news or a material event relating to us occurs or (y) prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the lock-up period, the restrictions described above may, at the representatives' discretion, continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable.

New York Stock Exchange Listing

We expect the shares of common stock to be approved for listing on the NYSE under the symbol "AAT." In order to meet the requirements for listing on that exchange, the underwriters have undertaken to sell a minimum number of shares of common stock to a minimum number of beneficial owners as required by that exchange.

Before this offering, there has been no public market for our common stock. The initial public offering price will be determined through negotiations between us and the representatives. In addition to prevailing market conditions, the factors to be considered in determining the initial public offering price are:

- the valuation multiples of publicly traded companies that the representatives believe to be comparable to us,
- our financial information,
- the prospects for our company and the industry in which we compete,
- an assessment of our management, its past and present operations, and the prospects for, and timing of, our future revenues,
- the present state of our development, and
- the above factors in relation to market values and various valuation measures of other companies engaged in activities similar to ours.

An active trading market for the shares of common stock may not develop. It is also possible that after the offering the shares of common stock will not trade in the public market at or above the initial public offering price.

The underwriters do not expect to sell more than 5% of the shares in the aggregate to accounts over which they exercise discretionary authority.

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares of common stock is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. “Covered” short sales are sales made in an amount not greater than the underwriters’ overallotment option described above. The underwriters may close out any covered short position by either exercising their overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. “Naked” short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters’ purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriters may conduct these transactions on the NYSE, in the over-the-counter market or otherwise.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, certain of the underwriters may facilitate Internet distribution for this offering to certain of their Internet subscription customers. These underwriters may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus may be available on the Internet Web site maintained by certain underwriters. Other than any prospectus in electronic format, the information on an underwriter's Web site is not part of this prospectus.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering, are lenders under three outstanding loans totaling approximately $44.7 million in the aggregate, including the $13.2 million indebtedness incurred in connection with the acquisition of a building vacated by Mervyn's at Carmel Mountain Plaza, each of which will be repaid with a portion of the proceeds of this offering. Additionally, affiliates of Wells Fargo Securities, LLC, another underwriter in this offering, are lenders under three outstanding loans totaling approximately $42.7 million in the aggregate, each of which will be repaid with a portion of the proceeds of this offering. As such, these affiliates will receive the portion of the net proceeds of this offering that are used to repay such indebtedness.

Certain affiliates of the underwriters will participate as lenders under the $ million revolving credit facility that we anticipate entering into upon the completion of this offering. In their capacity as lenders, these affiliates of the underwriters will receive certain financing fees in connection with the credit facility in addition to the underwriting discounts and commissions that may result from this offering.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Notice to Prospective Investors in the EEA

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any shares of common stock which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any shares of common stock may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Managers to fewer than 100 natural or legal persons (other than “qualified investors” as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of shares shall result in a requirement for the publication by us or any Manager of a prospectus pursuant to Article 3 of the Prospectus Directive.

Any person making or intending to make any offer of shares within the EEA should only do so in circumstances in which no obligation arises for us or any of the underwriters to produce a prospectus for such offer. Neither we nor the underwriters have authorized, nor do they authorize, the making of any offer of shares through any financial intermediary, other than offers made by the underwriters which constitute the final offering of shares contemplated in this prospectus.

For the purposes of this provision the expression an “offer to the public” in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase any shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

Each person in a Relevant Member State who receives any communication in respect of, or who acquires any shares under, the offer of shares of common stock contemplated by this prospectus will be deemed to have represented, warranted and agreed to and with us and each underwriter that:

(a) it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive; and

(b) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (1) the shares acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than “qualified investors” (as defined in the Prospectus Directive), or in circumstances in which the prior consent of the representatives has been given to the offer or resale; or (2) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Directive as having been made to such persons.

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (1) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (2) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”). This document must not be acted on or relied on in the United Kingdom by persons who are not relevant persons. In the United Kingdom, any investment or investment activity to which this document relates is only available to, and will be engaged in with, relevant persons.

Notice to Prospective Investors in Switzerland

This document, as well as any other material relating to the shares which are the subject of the offering contemplated by this prospectus, do not constitute an issue prospectus pursuant to Articles 652a and/or 1156 of the Swiss Code of Obligations. The shares will not be listed on the SIX Swiss Exchange and, therefore, the documents relating to the shares, including, but not limited to, this document, do not claim to comply with the disclosure standards of the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange. The shares are being offered in Switzerland by way of a private placement, *i.e.*, to a small number of selected investors only, without any public offer and only to investors who do not purchase the shares with the intention to distribute them to the public. The investors will be individually approached by the issuer from time to time. This document, as well as any other material relating to the shares, is personal and confidential and does not constitute an offer to any other person. This document may only be used by those investors to whom it has been handed out in connection with the offering described herein and may neither directly nor indirectly be distributed or made available to other persons without express consent of the issuer. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in (or from) Switzerland.

Notice to Prospective Investors in the Dubai International Financial Centre

This offering memorandum relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (“DFSA”). This offering memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this offering memorandum nor taken steps to verify the information set forth herein and has no responsibility for the offering memorandum. The securities to which this offering memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this offering memorandum you should consult an authorized financial advisor.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Latham & Watkins LLP and for the underwriters by Hogan Lovells US LLP. Venable LLP will pass upon the validity of the shares of common stock sold in this offering and certain other matters of Maryland law.

EXPERTS

The (1) balance sheet of American Assets Trust, Inc. as of August 12, 2010; (2) combined financial statements of American Assets Trust, Inc. Predecessor at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; (3) financial statements of Novato FF Venture, LLC at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; (4) statements of revenue and certain operating expenses of The Landmark at One Market for the years ended December 31, 2009, 2008 and 2007; (5) combined statements of revenues and certain operating expenses of Solana Beach Centre for the years ended December 31, 2009, 2008 and 2007, all appearing in this Prospectus and Registration Statement, have been audited by Ernst & Young LLP, an independent registered public accounting firm, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

The (1) consolidated financial statements of ABW Lewers LLC at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; and (2) combined financial statements of Waikiki Beach Walk-Hotel Ownership Entities at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009, all appearing in this Prospectus and Registration Statement, have been audited by Accuity LLP, an independent registered public accounting firm, as set forth in their reports thereon appearing elsewhere herein, and are included in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Unless otherwise indicated, the statistical and economic market data included in this prospectus, including information relating to the economic conditions within our markets contained in “Prospectus Summary” and “Industry Background and Market Opportunity” is derived from market information prepared for us by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm, and is included in this prospectus in reliance on RCG’s authority as an expert in such matters. We paid RCG a fee of $32,500 for its services.

WHERE YOU CAN FIND MORE INFORMATION

We maintain a web site at www.americanassetstrust.com. Information contained on, or accessible through our website is not incorporated by reference into and does not constitute a part of this prospectus or any other report or documents we file with or furnish to the SEC.

We have filed with the SEC a Registration Statement on Form S-11, including exhibits, schedules and amendments thereto, of which this prospectus is a part, under the Securities Act with respect to the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of our common stock to be sold in this offering, reference is made to the registration statement, including the exhibits and schedules thereto. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract or other document has been filed as an exhibit to the registration statement, each statement in this prospectus is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you, free of charge, on the SEC's website, www.sec.gov.

AS A RESULT OF THIS OFFERING, WE WILL BECOME SUBJECT TO THE INFORMATION AND PERIODIC REPORTING REQUIREMENTS OF THE EXCHANGE ACT, AND WILL FILE PERIODIC REPORTS AND OTHER INFORMATION WITH THE SEC. THESE PERIODIC REPORTS AND OTHER INFORMATION WILL BE AVAILABLE FOR INSPECTION AND COPYING AT THE SEC'S PUBLIC REFERENCE FACILITIES AND THE WEB SITE OF THE SEC REFERRED TO ABOVE.

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American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Financial Statements
(Unaudited)

American Assets Trust, Inc. (together with its combined entities, the "Company," "we," "our" or "us"), which is a Maryland corporation formed on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest Rady and/or his affiliates, including the Ernest Rady Trust U/D/T March 10, 1983 (the "Rady Trust"), will not have any operating activity until the consummation of our initial public offering and the related acquisition of our predecessor. American Assets Trust, L.P. (our "Operating Partnership") was formed as a Maryland limited partnership on July 16, 2010. Upon completion of the offering and formation transactions described below, we expect our operations to be carried on through our Operating Partnership. At such time, we, as the sole general partner of our Operating Partnership, will own % of, and will have control of, our Operating Partnership. Accordingly, we will consolidate the assets, liabilities and results of operations of our Operating Partnership.

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

Prior to June 30, 2010, the Noncontrolled Entities owned an office property located in San Francisco, California referred to as The Landmark at One Market ("Landmark"). We refer to the entities owning Landmark as the "Landmark Entities." The outside ownership interest in the Landmark Entities was acquired by our Predecessor on June 30, 2010 for a cash payment of $23.0 million and the assumption of $133.0 million of outstanding debt (of which $87.1 million was attributable to the outside owners' interest). As of June 30, 2010, Landmark is controlled by our Predecessor. All but one of the properties owned by the Controlled Entities and Noncontrolled Entities are managed by AAI. The Noncontrolled Entities managed by AAI include the entities which own Solana Beach Towne Centre and Solana Beach Corporate Centre properties (collectively "Solana Beach Centre") and the entities that own the Fireman's Fund Headquarters office property ("Fireman's Fund"). The remaining property is managed by an unrelated third party. We refer to ABW Lewers LLC and the Waikiki Beach Walk—Hotel, the entities that own this non-AAI managed property, as the "Waikiki Beach Walk Entities."

As of September 30, 2010, the properties owned by us are as follows:

Controlled Entities (Properties Consolidated by our Predecessor)

Retail

- Carmel Country Plaza
- Carmel Mountain Plaza
- South Bay Marketplace
- Rancho Carmel Plaza
- Lomas Santa Fe Plaza
- Del Monte Center
- The Shops at Kalakaua
- Waiklele Center
- Alamo Quarry

Office

- Torrey Reserve Campus
- Valencia Corporate Center
- 160 King Street
- The Landmark at One Market

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Financial Statements—(Continued)
(Unaudited)

Multifamily
Loma Palisades
Imperial Beach Gardens
Mariner's Point
Santa Fe Park RV Resort

Noncontrolled Properties (Equity Method of Accounting by our Predecessor)

Retail
Solana Beach Towne Centre
Office
Solana Beach Corporate Centre
Fireman's Fund Headquarters
Mixed-Use
Waikiki Beach Walk Retail and Hotel

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

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

We estimate that the net proceeds from this offering will be approximately $448.9 million, or approximately $ million if the underwriters' overallotment option is exercised in full (after deducting the underwriting discount and commissions and estimated expenses of this offering and formation transactions). We will contribute the net proceeds of this offering to our Operating Partnership in exchange for common units, and our Operating Partnership will use the proceeds received from us as described under "Use of Proceeds." Upon completion of this offering, we expect to enter into a $ million revolving credit facility under which we expect to have availability of $ million. In connection with this offering, we expect to use approximately $355.8 million to repay indebtedness (including $30.2 million of defeasance costs and $13.2 million of debt obtained in connection with the acquisition of a building at Carmel Mountain Plaza in November 2010.), pay up to $8.5 million to fund tenant improvements and leasing commissions at The Landmark at One Market, pay $ in cash to pay those prior investors that are unaccredited, and pay up to $2.0 million to pay costs related to the renovation of Solana Beach Towne Centre. Any remaining net proceeds will be used for general corporate purposes, including future acquisitions.

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

We have determined that the Predecessor is the acquirer for accounting purposes, and therefore the contribution of, or acquisition by merger of interests in, the Controlled Entities is considered a transaction between entities under common control since our Executive Chairman, Ernest Rady, and/or his affiliates, including the Rady Trust, own the controlling interest in each of the entities comprising the Predecessor. As a result, the acquisition of interests in each of the Controlled Entities will be recorded at our historical cost. The contribution of, or acquisition by merger of interests in, certain Noncontrolled Entities, including the Waikiki Beach Walk Entities and the Solana Beach Centre entities (including our Predecessor's ownership interest in these entities), will be accounted for as an acquisition under the acquisition method of accounting and recognized at the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The acquisition of the ownership interests of the Landmark Entities by the Predecessor was accounted for under the acquisition method of accounting on June 30, 2010 and will be recorded at the Predecessors' historical cost when acquired by us upon the consummation of the formation transactions. The fair value of these assets and liabilities has been allocated in accordance with Accounting Standards Codification ("ASC") section 805-10, *Business Combinations*. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. We estimate the fair value of acquired tangible assets (consisting of land, building and improvements), identified intangible lease assets and liabilities (consisting of acquired above-market leases, acquired in-place lease value, and acquired below-market leases) and assumed debt.

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

The following unaudited pro forma condensed consolidated financial information sets forth:

- the historical financial information as of and for the nine months ended September 30, 2010 (unaudited) and for the year ended December 31, 2009 (audited) as derived from the financial statements of (1) the Predecessor, and (2) the Waikiki Beach Walk Entities (which consists of ABW Lewers LLC and Waikiki Beach Walk—Hotel financial statements); and

- pro forma adjustments assuming the formation transactions and the initial public offering were completed as of September 30, 2010 for purposes of the unaudited pro forma condensed consolidated balance sheet and as of January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statements of operations.

The unaudited pro forma financial information has been adjusted to give effect to:

- the historical financial results of the Predecessor (the accounting acquirer) for the nine months ended September 30, 2010 and for the year ended December 31, 2009;

- the acquisition of the ownership interests (including our Predecessor's noncontrolling interest) in the Solana Beach Centre in exchange for shares of our common stock and units of limited partner

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Financial Statements—(Continued)
(Unaudited)

interest (“OP units”) in our Operating Partnership, and the assumption of related debt, as of September 30, 2010 for purposes of the unaudited condensed consolidated balance sheet and as of January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2010 and the year ended December 31, 2009;

- the annualization of the acquisition of the Landmark property by our Predecessor on June 30, 2010, to reflect the results of this property as if it were acquired on January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2010 and the year ended December 31, 2009;

- the acquisition of ownership interests (including our Predecessors’ noncontrolling interest) in the Waikiki Beach Walk Entities in exchange for shares of our common stock and OP units and the assumption of related debt, as of September 30, 2010 for purposes of the unaudited condensed consolidated balance sheet and as of January 1, 2009 for purposes of the unaudited pro forma condensed consolidated statement of operations for the nine months ended September 30, 2010 and the year ended December 31, 2009. The Waikiki Beach Walk Entities own our mixed-use property, which is comprised of Waikiki Beach Walk—Hotel located in Honolulu, Hawaii and owned through tenants-in-common interests, and Waikiki Beach Walk—Retail (owned by ABW Lewers LLC), a retail shopping center integrated with the Waikiki Beach Walk—Hotel;

- certain incremental general and administrative expenses expected to be incurred to operate as a public company; and

- the completion of the formation transactions and the initial public offering of the Company, repayment of indebtedness and other use of proceeds from the offering, including the acquisition of an approximately 80,000 square foot vacant building at Carmel Mountain Plaza.

The pro forma financial information includes adjustments relating to the acquisition or contribution of outside ownership interests only when it is probable that we will take control of the entities that own the properties. In addition, properties in our portfolio may be reassessed for property tax purposes after the consummation of this offering. Therefore, the amount of property taxes we pay in the future may increase from what we have paid in the past. Given the uncertainty of the amounts involved, we have not included any property tax increase in our pro forma financial statements.

You should read the information below along with all other financial information and analysis presented in this prospectus, including the sections captioned “Management’s Discussion and Analysis of Financial Condition and Results of Operations”; the American Assets Trust, Inc. and subsidiaries, Predecessor, ABW Lewers LLC, Waikiki Beach Walk—Hotel historical audited financial statements and related notes; and the Landmark and Solana Beach Centre audited statements of revenue and certain expenses and related notes; included elsewhere in this prospectus.

Our pro forma consolidated financial statements are presented for informational purposes only and should be read in conjunction with the historical financial statements and related notes thereto included elsewhere in this prospectus. The unaudited pro forma adjustments and eliminations to our pro forma consolidated financial statements are based on available information and assumptions that we consider reasonable. Our pro forma consolidated financial statements do not purport to (1) represent our financial position that would have actually occurred had this offering, the formation transactions and the debt repayments occurred on September 30, 2010, (2) represent the results of our operations that would have actually occurred had this offering, the formation transactions and the debt repayments occurred on January 1, 2009 or (3) project our financial position or results of operations as of any future date or for any future period, as applicable.

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American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Balance Sheet
September 30, 2010
(Unaudited and In Thousands)

	American Assets Trust, Inc. and Subsidiaries (A)	Predecessor (B)	Acquisitions and Contributions: Solana Beach Centre (C)	Acquisitions and Contributions: Waikiki Beach Walk Entities (D)	Acquisitions and Contributions: Other Acquisition (E)	Distribution of Asset (F)	Eliminations (G)	Other Pro Forma Adjustments	Pro Forma Before Offering	Proceeds from Offering (H)	Use of Proceeds (I)	Other Equity Adjustments	Company Pro Forma
Assets													
Net real estate	$ —	927,430	$134,210	$213,396	$ 13,200	$ —	$ —	$ —	$ 1,288,236	$ —	$ —	$ —	$ 1,288,236
Cash and cash equivalents	1	37,363	2,117	8,718	(13,200)	—	—	(25,391)**(J)**	9,608	449,367	(339,480)	—	119,495
Restricted cash	—	5,493	516	4,716	—	—	—	—	10,725	—	(3,087)	—	7,638
Accounts and notes receivable, net	—	43,644	2,047	1,561	—	—	(27)	(23,868)**(K)**	23,357	—	—	—	23,357
Investment in real estate joint ventures	—	43,583	—	—	—	(11,695)	(31,888)	—	—	—	—	—	—
Prepaid expenses and other assets	—	42,079	12,036	15,867	—	—	—	—	69,982	(1,967)	—	—	68,015
Debt issuance costs, net	—	2,314	—	—	—	—	—	—	2,314	1,500	(654)	—	3,160
Total assets	$ 1	1,101,906	$150,926	$244,258	$ —	$ (11,695)	$ (31,915)	$ (49,259)	$ 1,404,222	$448,900	$(343,221)	$ —	$ 1,509,901
Liabilities													
Secured notes payable	$ —	853,774	$ 88,088	$179,181	$ —	$ —	$ —	$ —	$ 1,121,043	$ —	$(261,211)	$ —	$ 859,832
Unsecured notes payable	—	31,376	—	14,874	—	—	—	—	46,250	—	(46,250)	—	—
Notes payable to affiliates	—	5,889	—	—	—	—	—	(984)**(K)**	4,905	—	(4,905)	—	—
Accounts payable and accrued expenses	—	10,244	985	2,913	—	—	(27)	—	14,115	—	—	—	14,115
Security deposits payable	—	2,639	633	859	—	—	—	—	4,131	—	—	—	4,131
Other liabilities and deferred credits	—	29,934	3,349	3,300	—	—	—	—	36,583	—	—	—	36,583
Distributions in excess of earnings in real estate joint venture	—	13,928	—	—	—	—	(13,928)	—	—	—	—	—	—
Total liabilities	—	947,784	$ 93,055	$201,127	—	—	(13,955)	(984)	$ 1,227,027	—	(312,366)	—	$ 914,661
Equity													
Total Predecessor equity	1	120,499	$ 28,936	$ 34,505		(11,695)	(17,960)	(48,275)	$ 106,011	448,900	(30,855)	—	$ 524,056
Noncontrolling interests	—	33,623	28,935	8,626	—	—	—	—	71,184	—	— **(L)**	— **(M)**	71,184
Total equity	$ 1	154,122	$ 57,871	$ 43,131	$ —	$ (11,695)	$ (17,960)	$ (48,275)	$ 177,195	$448,900	$ (30,855)	$ —	$ 595,240
Total Liabilities and Equity	$ 1	$ 1,101,906	$150,926	$244,258	$ —	$ (11,695)	$ (31,915)	$ (49,259)	$ 1,404,222	$448,900	$(343,221)	$ —	$ 1,509,901

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Statement of Operations
For the Nine Months Ended September 30, 2010
(Unaudited and In Thousands, except per share data)

	American Assets Trust, Inc. and Subsidiaries (AA)	Predecessor (BB)	Acquisitions and Contributions: Solana Beach Centre (CC)	Acquisitions and Contributions: Landmark at One Market (DD)	Acquisitions and Contributions: Waikiki Beach Walk Entities (EE)	Acquisitions and Contributions: Other Acquisition (FF)	Distribution of Asset (GG)	Eliminations (HH)	Pro Forma Before Offering	Financing Transactions (II)	Company Pro Forma
Revenue											
Rental income	$ —	$ 91,437	$ 10,122	$ 11,770	$ 29,433	(128)	$ —	$ —	$ 142,634	$ —	$ 142,634
Other property income	—	2,770	1	—	2,138	—	—	—	4,909	—	4,909
Total Revenues	—	94,207	$ 10,123	$ 11,770	$ 31,571	(128)	—	—	$ 147,543	—	$ 147,543
Expenses											
Rental expenses	—	16,114	$ 1,222	$ 2,846	$ 16,637		—	(90)	$ 36,729	—	$ 36,729
Real estate taxes	—	9,481	639	1,204	1,312		—	—	12,636	—	12,636
General and administrative	—	4,924	606	375	1,410		—	(823)	6,492	2,296**(JJ)**	8,788
Depreciation and amortization	—	27,347	4,981	2,320	5,310	225	—	—	40,183	—	40,183
Total operating expenses	—	57,866	$ 7,448	$ 6,745	$ 24,669	225	—	(913)	$ 96,040	2,296	$ 98,336
Operating income	—	36,341	$ 2,675	$ 5,025	$ 6,902	(353)	—	913	$ 51,503	(2,296)	$ 49,207
Interest income and other, net	—	62	6	1	(239)	—	—	—	(170)	—	(170)
Interest expense	—	(34,057)	(4,181)	(3,748)	(9,168)	—	—	—	(51,154)	11,032	(40,122)
Fee income from real estate joint ventures	—	2,201	—	—	—	—	(190)	(2,011)	—	—	—
Income (loss) from real estate joint ventures	—	866	—	—	—	—	(210)	(656)	—	—	—
Net income (loss)	$ —	5,413	$ (1,500)	$ 1,278	$ (2,505)	$ (353)	$ (400)	$ (1,754)	$ 179	$ 8,736	$ 8,915
Net income attributable to noncontrolling interests											$ ( )**(KK)**
Net income attributable to controlling interests											$

Pro Forma earnings per share basic	
Pro Forma earnings per share diluted	
Pro Forma weighted average shares basic	
Pro Forma weighted average shares diluted	

American Assets Trust, Inc. and Subsidiaries

Pro Forma Consolidated Statement of Operations
For the Year Ended December 31, 2009
(Unaudited and In Thousands, except per share data)

			Acquisitions and Contributions								
	American Assets Trust, Inc. and Subsidiaries (AA)	Predecessor (BB)	Solana Beach Centre (CC)	Landmark at One Market (DD)	Waikiki Beach Walk Entities (EE)	Other Acquisition (FF)	Distribution of Asset (GG)	Eliminations (HH)	Pro Forma Before Offering	Financing Transactions (II)	Company Pro Forma
Revenue											
Rental income	$ —	$ 113,080	$ 13,541	$ 23,459	$ 38,846	$ (132)	$ —	$ —	$ 188,794	$ —	$ 188,794
Other property income	—	3,963	24	1	2,780	—	—	—	6,768	—	6,768
Total Revenues	—	117,043	13,565	23,460	41,626	(132)	—	—	195,562	—	195,562
Expenses											
Rental expenses	—	$ 20,336	$ 1,591	$ 5,572	$ 22,054	—	$ —	(120)	49,433	—	$ 49,433
Real estate taxes	—	8,306	843	2,382	1,767	—	—	—	13,298	—	13,298
General and administrative	—	7,058	794	736	1,813	—	—	(1,351)	9,050	3,062**(JJ)**	12,112
Depreciation and amortization	—	29,858	6,642	4,639	7,081	300	—	—	48,520	—	48,520
Total operating expenses	—	65,558	9,870	13,329	32,715	300	—	(1,471)	120,301	3,062	123,363
Operating income	—	51,485	3,695	10,131	8,911	(432)	—	1,471	75,261	(3,062)	72,199
Interest income and other, net	—	173	23	6	(315)	—	—	—	(113)	—	(113)
Interest expense	—	(43,290)	(5,544)	(7,558)	(11,723)	—	—	—	(68,115)	14,540	(53,575)
Fee income from real estate joint ventures	—	1,736	—	—	—	—	(254)	(1,482)	—	—	—
Income (loss) from real estate joint ventures	—	(4,865)	—	—	—	—	(173)	5,038	—	—	—
Net income (loss)	$ —	$ 5,239	$ (1,826)	$ 2,579	$ (3,127)	$ (432)	$ (427)	$ 5,027	$ 7,033	$ 11,478	18,511
Net income attributable to noncontrolling interests											$ ( )**(KK)**
Net income attributable to controlling interests											$

Pro Forma earnings per share basic	
Pro Forma earnings per share diluted	
Pro Forma weighted average shares basic	
Pro Forma weighted average shares diluted	

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements
September 30, 2010 (Unaudited)

1. Adjustments to the Pro Forma Consolidated Balance Sheet

(A) Represents the balance sheet of American Assets Trust, Inc. and subsidiaries as of September 30, 2010. We have had no corporate activity since our formation on July 16, 2010, other than the issuance of shares of common stock in connection with the initial capitalization of the Company, which was paid on August 12, 2010. Our operations will be carried out through our Operating Partnership upon completion of this offering. At such time, we, as the sole general partner of our Operating Partnership, will own, directly or indirectly,   % of our Operating Partnership and will have control over major decisions, including decisions related to the sale or refinancing of owned properties. Accordingly, we will consolidate the assets, liabilities and results of operations of our Operating Partnership.

(B) Reflects a historical condensed combined balance sheet of our Predecessor, which we have determined to be the accounting acquirer and under the control of Ernest Rady and/or his affiliates, including the Rady Trust, as of September 30, 2010. Pursuant to contribution agreements and/or merger agreements entered into among the owners of, and the entities comprising, the Predecessor and the Company, the Operating Partnership and/or their subsidiaries, we will, directly or indirectly, acquire interests in the Predecessors' Controlled Entities, the Waikiki Beach Walk Entities and Solana Beach Centre in exchange for cash, shares of our common stock and/or OP units, and the assumption of related debt. These contributions and mergers will be consummated substantially concurrently with the completion of this offering. Because the accounting acquirer and the Predecessor are under common control, the Predecessor's assets and liabilities will be recorded at their historical cost basis.

(C) Reflects the acquisition by us of the ownership interests (including our Predecessor's noncontrolling interest) in Solana Beach Centre in exchange for cash, shares of our common stock and/or OP units and the assumption of related debt. Our Predecessor is responsible for the day to day management of Solana Beach Centre. Ernest Rady and/or his affiliates, including the Rady Trust, has a noncontrolling ownership interest in the entities that own Solana Beach Centre and therefore such ownership interests have been included in the Predecessor's financial statements as an equity method investment. After acquisition of the ownership interests in Solana Beach Centre (including our Predecessor's noncontrolling interest), the Solana Beach Centre will be 100% owned and consolidated by us. The acquisition of the interests in Solana Beach Centre will be accounted for as an acquisition under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations*.

The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. The amounts allocated to net real estate, which includes buildings, are depreciated over the estimated weighted average remaining useful lives ranging from 35 to 40 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average lives of the remaining lease terms. As a result of acquisition method accounting, the carrying value of debt for the Solana Beach Centre was adjusted to its fair value, resulting in a $1.1 million discount.

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American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

The allocation of purchase price shown below is based on our preliminary estimates and is subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical basis of the balance sheet of Solana Beach Centre are as follows:

	As of September 30, 2010		
	Solana Beach Centre Historical	Acquisition Method Accounting Adjustments (in thousands; unaudited)	Solana Beach Centre Pro Forma
Assets			
Net real estate	$ 55,147	$ 79,063(1)	$ 134,210
Cash and cash equivalents	2,117	—	2,117
Restricted cash	516	—	516
Accounts and notes receivable, net	3,785	(1,738)(2)	2,047
Prepaid expenses and other assets	839	11,197(3)	12,036
Debt issuance costs, net	881	(881)(4)	—
Total assets	$ 63,285	$ 87,641	150,926
Liabilities and Equity			
Liabilities			
Mortgages payable	$ 89,188	$ (1,100)(5)	$ 88,088
Accounts payable and accrued expenses	985	—	985
Security deposits payable	633	—	633
Other liabilities and deferred credits	334	3,015(6)	3,349
Total liabilities	$ 91,140	$ 1,915	93,055
Consideration paid for Solana Beach Centre			57,871(7)
Less: Predecessor's existing ownership interest at fair value			(28,936)(7)
Value of Shares of Common Stock, OP Units and cash exchanged for outside ownership interests			$ 28,935(7)

(1) Includes allocation of purchase price to tangible assets including land, buildings and improvements.

(2) Adjusts for removal of historical straight line rents and adding pro forma straight line rents.

(3) Includes allocation of purchase price to intangible assets including acquired in place leases and above market leases.

(4) Adjusts the historical debt issuance costs to estimated fair value.

(5) Adjusts the mortgage payable to estimated fair value.

(6) Includes allocation of purchase price to intangible liabilities including below market leases.

(7) Amounts are prior to working capital adjustment for Solana Beach Centre as discussed in Note (J).

(D) Reflects the acquisition by us of the ownership interest (including our Predecessor's noncontrolling interest) in the Waikiki Beach Walk Entities in exchange for cash, shares of our common stock, and/or OP units, and the assumption of related debt. Our Predecessor has an 80% noncontrolling interest in the Waikiki Beach Walk Entities through its ownership in ABW Lewers LLC, the entity that owns the Waikiki Beach Walk—Retail

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

property in Honolulu, Hawaii; and a tenant-in-common interest in the Waikiki Beach Walk—Hotel in Honolulu, Hawaii. The retail property and hotel are integrated with each other, and management views them as one mixed-use property. The outside owner in the Waikiki Beach Walk Entities is the managing member of the entities and is responsible for the day to day management of the property. After acquisition of the ownership interest in the Waikiki Beach Walk Entities the mixed-use property owned by the Waikiki Beach Walk Entities will be 100% owned and consolidated by us. The acquisition of the interests in the Waikiki Beach Walk Entities will be accounted for as an acquisition under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations*.

The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. The amounts allocated to net real estate, which includes buildings, are depreciated over the estimated average remaining useful life of 35 years. The amounts allocated to above- and below- market leases and to intangible lease assets are amortized over the weighted average lives of the remaining lease terms. As a result of acquisition method accounting, the carrying value of debt for the Waikiki Beach Walk Entities was adjusted to its fair value, resulting in a $19.5 million discount.

The allocation of purchase price shown below is based on our preliminary estimates and is subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical basis of the combined balance sheet of the Waikiki Beach Walk Entities (derived from a combination of the ABW Lewers LLC and Waikiki Beach Walk Hotel financial statements) are as follows:

	As of September 30, 2010		
	Waikiki Beach Walk Entities - Historical	Acquisition Method Accounting Adjustments (in thousands; unaudited)	Waikiki Beach Walk Entities-Pro Forma
Assets			
Net real estate	$ 174,103	$ 39,293(1)	$ 213,396
Cash and cash equivalents	8,718	—	8,718
Restricted cash	4,716	—	4,716
Accounts and notes receivable, net	3,737	(2,176)(2)	1,561
Prepaid expenses and other assets	9,257	6,610(3)	15,867
Debt issuance costs, net	3,842	(3,842)(4)	—
Total assets	$ 204,373	$ 39,885	244,258
Liabilities and Equity			
Liabilities			
Mortgages payable	198,681	(19,500)(5)	179,181
Unsecured note payable	14,874	—	14,874
Accounts payable and accrued expenses	2,913	—	2,913
Security deposits payable	859	—	859
Other liabilities and deferred credits	603	2,697(6)	3,300
Total liabilities	$ 217,930	$ (16,803)	201,127
Consideration paid for Waikiki Beach Walk Entities			43,131(7)
Less: Predecessor's existing ownership interest at fair value			(34,505)(7)
Value of Shares of Common Stock, OP Units and cash exchanged for outside ownership interests			$ 8,626(7)

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

(1) Includes allocation of purchase price to tangible assets including land, buildings and improvements.

(2) Adjusts for removal of historical straight line rents and adding pro forma straight line rents.

(3) Includes allocation of purchase price to intangible assets including acquired in place leases and above market leases.

(4) Adjusts the historical debt issuance costs to estimated fair value.

(5) Adjusts the mortgage payable to estimated fair value.

(6) Includes allocation of purchase price to intangible liabilities including below market leases.

(7) Amounts are prior to working capital adjustment for the Waikiki Beach Walk Entities as discussed in Note (J).

(E) Reflects the acquisition of an approximately 80,000 square foot vacant building at Carmel Mountain Plaza for $13.2 million. The acquisition price is 100% allocated to net real estate, which includes buildings, and is depreciated over the estimated average remaining useful life of 35 years.

(F) Prior to the completion of this offering and the formation transactions, our Predecessor's 25% investment in Fireman's Fund Headquarters will be either distributed to its current equity owners, including Mr. Rady, or transferred to a new entity owned by such owners. Our Predecessor's 25% investment in Fireman's Fund Headquarters had a carrying amount of $11.7 million at September 30, 2010.

(G) Reflects the elimination of equity method investments of $31.9 million and distributions in excess of earnings in real estate joint ventures of $13.9 million related to the Predecessor's investment in the Solana Beach Centre and Waikiki Beach Walk Entities, which are eliminated in consolidation for pro forma purposes. In addition, accounts receivable and accounts payable of $0.02 million are eliminated in consolidation.

(H) Reflects gross proceeds in this offering of $500.0 million, which will be reduced by $42.5 million to reflect underwriters' discounts and commissions, financial advisory fees and other costs and loan transfer and consent fees of $8.6 million, resulting in net proceeds of $448.9 million. These costs will be charged against the gross offering proceeds upon completion of this offering. As of September 30, 2010, $2.0 million of these fees had been paid by our Predecessor, which will be reimbursed upon completion of this offering. In connection with this offering we expect to enter into an agreement for a $ million revolving credit facility. In connection with this credit facility, we expect to incur $1.5 million in financing fees, which will be amortized over the life of the respective credit facility as an adjustment to interest expense. A summary is as follows (in thousands):

Gross proceeds	$500,000
Transaction costs	(42,500)
Loan transfer and consent fees	(8,600)
Financing fees	(1,500)
Transaction costs incurred by our Predecessor through September 30, 2010	1,967
	$449,367

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

(I) In connection with this offering, we anticipate repaying $261.2 million of secured mortgage debt, and $51.2 million of unsecured debt (of which $4.9 million is payable to prior investors). As part of the repayment of debt, we expect to pay $30.2 million in pre-payment fees (defeasance, yield maintenance, and other stated penalties), which have been reflected as a one-time charge in this pro forma adjustment. Concurrently with the repayment of the secured mortgage debt, restricted cash held in escrow for insurance and taxes will be released to us as unrestricted cash in the amount of $3.1 million. We will also write-off $0.7 million of historical deferred financing fees associated with these repaid loans which has been reflected as a one-time charge in this pro-forma adjustment. A summary is as follows (in thousands):

Debt paydowns	$(312,366)
Defeasance costs	(30,200)
Release of restricted cash	3,087
Redemption of initial capitalization of the Company	(1)
Cash paid to non-accredited investors	( )(L)
	$(339,480)

(J) Pursuant to the formation transaction documents, any positive net working capital balance as of a date chosen by us within 45 days prior to the date of our preliminary prospectus will be distributed or paid to existing owners in connection with the closing of the offering, except for $10 million of working capital at the Waikiki Beach Walk Entities, which will be retained by those entities. Therefore, $25.4 million of cash will be distributed or paid to prior investors in connection with closing. A summary is as follows (in thousands):

Pro forma working capital at September 30, 2010	$ 35,391
Target working capital for Waikiki Beach Walk Entities	$(10,000)
Cash to be distributed to prior investors in connection with closing	$ 25,391

(K) Represents the conversion of notes receivable from affiliates of $23.9 million and notes payable to affiliates related to certain investors in the Del Monte Center of $1.4 million, which are settled in the formation transactions in exchange for a reduction or increase, as the case may be, in common stock or OP units issued to these affiliates. In addition, we assumed a note payable to noncontrolling investors related to Valencia Corporate Center of $0.4 million as part of the formation transactions and repaid it with the proceeds from the offering. Therefore, these amounts are adjusted to be shown as an offset to equity.

(L) As part of the formation transactions non-accredited investors, who are not eligible to elect to receive either shares of common stock or OP units, will receive in consideration for their interests in our Predecessor's equity cash in an amount calculated to equal the value of the shares or OP units that would be issued to them under the applicable merger or contribution agreement if they were accredited investors. The Predecessor's noncontrolling interests on the pro forma balance sheet will be reduced by the historical cost basis of these acquired noncontrolling interests with the excess purchase price resulting in a reduction to our equity.

(M) Represents the allocation of our Predecessor's equity between controlling and noncontrolling interests. Investors in our Predecessor, Solana Beach Centre and the Waikiki Beach Walk Entities will receive cash, shares of our common stock, and/or OP units based on their elections prior to the filing of our registration statement with the Securities and Exchange Commission. Investors in this offering will receive shares of our common stock.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

2. Adjustments to the Pro Forma Consolidated Statement of Operations

The adjustments to the pro forma statements of operations for the nine-month period ended September 30, 2010 and for the year ended December 31, 2009 are as follows:

(AA) Represents the historical consolidated statements of operations of American Assets Trust, Inc. and its subsidiaries for the nine months ended September 30, 2010 and the year ended December 31, 2009. We have had no corporate activity since our formation on July 16, 2010, other than the issuance of 1,000 shares of common stock in connection with the initial capitalization of the Company which was paid on August 12, 2010.

(BB) Reflects the Predecessor's historical combined statements of operations for the nine months ended September 30, 2010 and for the year ended December 31, 2009. As discussed in note (B), our Predecessor's interests in the Controlled Entities will be acquired by our Operating Partnership in exchange for cash, shares of common stock and/or OP units, and the assumption of related debt, and will be recorded at the Predecessor's historical cost basis. As a result, expenses such as depreciation and amortization to be recognized by our Operating Partnership related to the acquired interests are based on the Predecessor's historical cost basis of the related assets and liabilities.

(CC) Reflects the results of operations from the acquisition of the Solana Beach Centre that will occur in connection with the formation transactions as discussed in note (C) above. The acquisition method of accounting was used to allocate the fair value to tangible and identified intangible assets and liabilities acquired. Adjustments to revenues represent the impact of the amortization of the net amount of above- and below-market rents and the net impact of straight-line rents. Adjustments to depreciation and amortization represent the additional depreciation expense and amortization of intangibles as a result of these purchase accounting adjustments.

As a result of acquisition method accounting, the carrying value of debt for the Solana Beach Centre was adjusted to its fair value, resulting in a $1.1 million discount. The discount is amortized to interest expense over the life of the underlying debt instrument. The amounts allocated to net real estate, which include buildings, are depreciated over the estimated weighted average remaining useful lives ranging from 35 to 40 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average lives of the related leases ranging from 2.3 to 4 years.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

The pro forma adjustments shown below are based on our preliminary estimates and are subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical statement of operations of the Solana Beach Centre are as follows:

	For the Nine Months Ended September 30, 2010			For the Year Ended December 31, 2009		
	Solana Beach Centre Historical	Pro Forma Adjustments	Solana Beach Centre Pro Forma	Solana Beach Centre Historical	Pro Forma Adjustments	Solana Beach Centre Pro Forma
	(in thousands; unaudited)					
Revenue						
Rental income[1]	$ 9,841	$ 281	$ 10,122	$ 12,953	$ 588	$ 13,541
Other property income	1	—	1	24	—	24
Total revenue	9,842	281	10,123	12,977	588	13,565
Expenses						
Rental expenses	1,222	—	1,222	1,591	—	1,591
Real estate taxes	639	—	639	843	—	843
General and administrative	606	—	606	794	—	794
Depreciation and amortization	2,657	2,324	4,981	3,700	2,942	6,642
Total operating expenses	5,124	2,324	7,448	6,928	2,942	9,870
Operating income	4,718	(2,043)	2,675	6,049	(2,354)	3,695
Interest income and other, net	6	—	6	23	—	23
Interest expense[2]	(4,115)	(66)	(4,181)	(5,458)	(86)	(5,544)
Net income (loss)	$ 609	$ (2,109)	$ (1,500)	$ 614	$ (2,440)	$ (1,826)

(1) Pro forma rental income includes $5 and $6 of (above) below market lease amortization for the nine months ended September 30, 2010 and for the year ended December 31, 2009, respectively. The pro forma straight line rent adjustment was $347 and $434 for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.

(2) Pro forma interest expense includes $118 and $157 of amortization related to the fair value adjustment related to the assumed debt for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.

(DD) Reflects the annualization of the acquisition of the ownership interests in the Landmark Entities on June 30, 2010 to reflect the results of operations of this property as if it were acquired on January 1, 2009. As the Landmark Entities were acquired by the Predecessor on June 30, 2010, pro forma adjustments are only shown through June 30, 2010, as actual results from acquisition through September 30, 2010 are already included in the Predecessor. The acquisition of the Landmark Entities by the Predecessor was accounted for under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations.* Adjustments to revenues represent the impact of the amortization of the net amount of above- and below-market rents and the net impact of straight-line rents. Adjustments to depreciation and amortization represent the additional depreciation expense and amortization of intangibles as a result of these purchase accounting adjustments.

The amounts allocated to net real estate, which includes buildings, are depreciated over the estimated remaining useful life of 40 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average life of the remaining terms of the related leases of 9 years.

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

The pro forma adjustments shown below are based on our preliminary estimates and are subject to change based on the final determination of the fair value of assets and liabilities acquired. The pro forma adjustments to the historical statement of operations of the Landmark Entities are as follows:

	For the Nine Months Ended September 30, 2010			For the Year Ended December 31, 2009		
	Landmark-Historical through June 30, 2010(2)	Pro Forma Adjustments	Landmark-Pro Forma through June 30, 2010(2)	Landmark-Historical	Pro Forma Adjustments	Landmark-Pro Forma
	(in thousands; unaudited)					
Revenue						
Rental income(1)	$ 10,937	$ 833	$ 11,770	$ 21,775	$ 1,684	$ 23,459
Other property income	—	—	—	1	—	1
Total revenue	10,937	833	11,770	21,776	1,684	23,460
Expenses						
Rental expenses	2,768	78	2,846	5,416	156	5,572
Real estate taxes	1,204	—	1,204	2,382	—	2,382
General and administrative	375	—	375	736	—	736
Depreciation and amortization	3,412	(1,092)	2,320	6,830	(2,191)	4,639
Total operating expenses	7,759	(1,014)	6,745	15,364	(2,035)	13,329
Operating income	3,178	1,847	5,025	6,412	3,719	10,131
Interest income and other, net	1	—	1	6	—	6
Interest expense	(3,753)	5	(3,748)	(7,569)	11	(7,558)
Net income (loss)	$ (574)	$ 1,852	$ 1,278	$ (1,151)	$ 3,730	$ 2,579

(1) Pro forma rental income includes $430 and $859 of (above) below market lease amortization for the nine months ended September 30, 2010 and for the year ended December 31, 2009, respectively. The pro forma straight-line rent adjustment was $(285) and $(124) for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.

(2) As the Landmark entities were acquired by the Predecessor on June 30, 2010 pro forma adjustments are only shown through June 30, 2010 as actual results from acquisition through September 30, 2010 are already included in the Predecessor.

(EE) Reflects adjustments relating to the proposed acquisition of the ownership interests in the Waikiki Beach Walk Entities, as discussed in note (D). The acquisition of the Waikiki Beach Walk Entities will be accounted for under the purchase method of accounting in accordance with ASC Section 805-10, *Business Combinations.* Adjustments to revenues represent the impact of the amortization of the net amount of above- and below-market rents and the net impact of straight-line rents. Adjustments to depreciation and amortization represent the additional depreciation expense and amortization of intangibles as a result of these purchase accounting adjustments.

As a result of acquisition method accounting, the carrying value of debt for the Waikiki Beach Walk Entities was adjusted to its fair value, resulting in a $19.5 million discount. The discount is amortized to interest expense over the life of the underlying debt instrument. The amounts allocated to buildings are depreciated over the estimated remaining useful life of 35 years. The amounts allocated to above- and below-market leases and to intangible lease assets are amortized over the weighted average life of the remaining terms of the related leases of 7 years.

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Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

	For the Nine Months Ended September 30, 2010			For the Year Ended December 31, 2009		
	Waikiki Beach Walk Entities - Historical	Pro Forma Adjustments	Waikiki Beach Walk Entities - Pro Forma	Waikiki Beach Walk Entities - Historical	Pro Forma Adjustments	Waikiki Beach Walk Entities - Pro Forma
	(in thousands; unaudited)					
Revenue						
Rental income[1]	$ 29,573	$ (140)	$ 29,433	$ 38,934	$ (88)	$ 38,846
Other property income	2,138	—	2,138	2,780	—	2,780
Total revenue	31,711	(140)	31,571	41,714	(88)	41,626
Expenses						
Rental expenses	16,637	—	16,637	22,054	—	22,054
Real estate taxes	1,312	—	1,312	1,767	—	1,767
General and administrative	1,410	—	1,410	1,813	—	1,813
Depreciation and amortization	9,399	(4,089)	5,310	12,548	(5,467)	7,081
Total operating expenses	28,758	(4,089)	24,669	38,182	(5,467)	32,715
Operating income	2,953	3,949	6,902	3,532	5,379	8,911
Interest income and other, net	(239)	—	(239)	(315)	—	(315)
Interest expense[2]	(7,397)	(1,771)	(9,168)	(9,401)	(2,322)	(11,723)
Net income (loss)	$ (4,683)	$ 2,178	$ (2,505)	$ (6,184)	$ 3,057	$ (3,127)

(1) Pro forma rental income include $(484) and $(646) of (above) below market lease amortization for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively. The pro forma straight line rent adjustment was $518 and $809 for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.

(2) Pro forma interest expense includes $2,089 and $2,786 of amortization related to the fair value adjustment related to the assumed debt for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.

(FF) Reflects the acquisition of an approximately 80,000 square foot vacant building at Carmel Mountain Plaza for $13.2 million, as discussed in Note (E) above. The building is depreciated over its estimated useful life of 35 years. The tenant who formerly occupied the building has been paying its share of expense reimbursements to us of approximately $0.1 million for the nine months ended September 30, 2010 and for the year ended December 31, 2009.

(GG) Reflects the distribution of our Predecessor's 25% ownership interest in Fireman's Fund Headquarters as discussed in Note (F). Our Predecessor's equity in earnings from its investment in Fireman's Fund Headquarters was $0.2 million and $0.2 million for the nine months ended September 30, 2010 and for the year ended December 31, 2009, respectively. In addition, fee income earned from Fireman's Fund Headquarters was $0.2 million and $0.3 million for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively.

(HH) Due to the acquisition of Solana Beach Centre, Landmark and Waikiki Beach Walk Entities, $0.7 million and ($5.0) million of equity in net income (loss) from equity method investments is eliminated in the

American Assets Trust, Inc. and Subsidiaries

Notes and Management's Assumptions to Pro Forma Consolidated Financial Statements—(Continued)
September 30, 2010 (Unaudited)

pro forma condensed consolidated statement of operations for the nine months ended September 30, 2010 and the year ended December 31, 2009, respectively. Fee income earned by the Predecessor of $2.0 million and $1.5 million from Solana Beach Centre and Landmark is eliminated in consolidation for pro forma purposes for the nine months ended September 30, 2010 and for the year ended December 31, 2009, respectively. In addition, fees paid to the Predecessor by Solana Beach Centre and Landmark of ($0.9) million and ($1.5) million for the nine months ended September 30, 2010 and for the year ended December 31, 2009 are eliminated in consolidation.

(II) Reflects the decrease in net interest expense as a result of the refinancing transactions described more fully in Notes (H) and (I) above. On a pro forma basis we expect interest expense to decrease $11.4 million and $15.0 million for the nine months ended September 30, 2010 and for the year ended December 31, 2009, respectively. This decrease is the result of the related paydown of secured and unsecured debt for the nine months ended September 30, 2010 and for the year ended December 31, 2009. The pro forma adjustment also includes amortization of capitalized fees in connection with our revolving credit facility of $0.4 million and $0.5 million, respectively, and estimated unused fees of $ and $, respectively, related to the proposed million revolving credit facility for the nine months ended September 30, 2010 and for the year ended December 31, 2009.

(JJ) We expect to incur additional general and administrative expense as a result of becoming a public company, including but not limited to incremental salaries and equity incentives, board of directors fees and expenses, director's and officer's insurance, Sarbanes-Oxley Act of 2002 compliance costs, and incremental audit and tax fees. We have included $ and $, respectively of non-cash stock-based compensation expense for the nine months ended September 30, 2010 and the year ended December 31, 2009, based on equity awards to be granted to certain employees and directors upon completion of this offering, and amounts corresponding to services and expenses under contract as an adjustment in the pro forma consolidated statement of operations as additional general and administrative expenses, without duplication, to the general and administrative expenses appearing in the Predecessor operating statement. In determining our non-cash stock-based compensation expenses, we applied a discount rate of 48.2% to awards based on our absolute performance and a discount rate of 48.8% to awards based on our relative performance. We estimate that additional incremental expenses of being a public company will range from $3.0 million to $5.0 million per year in excess of our historical general and administrative expenses. As we have not yet entered into employment agreements or contracts with third parties to provide these services, we have not included these expenses in the accompanying pro forma consolidated statement of operations.

(KK) Reflects the allocation of net income (loss) to the noncontrolling interests and stockholders' equity.

(LL) Pro forma earnings (loss) per share—basic and diluted are calculated by dividing pro forma consolidated net income (loss) allocable to the Company's stockholders by the number of shares of common stock issued in this offering and the formation transactions.

Basic net income (loss) per common share is calculated based on the weighted average common shares outstanding, which was shares for each of the periods reported. Diluted net income (loss) per common share is calculated based on net income (loss) before allocation to noncontrolling interests by giving effect to the expected exchange of OP units for common stock on a one-for-one basis, which resulted in diluted shares of for each of the periods reported.

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Set forth below is a reconciliation of pro forma weighted average shares outstanding:

Number of shares issued in this offering	
Number of shares issued in the formation transactions	

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder
American Assets Trust, Inc.

We have audited the accompanying balance sheet of American Assets Trust, Inc. (the “Company”) as of August 12, 2010. This balance sheet is the responsibility of the Company’s management. Our responsibility is to express an opinion on this balance sheet based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the balance sheet is free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the balance sheet, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the August 12, 2010 balance sheet provides a reasonable basis for our opinion.

In our opinion, the balance sheet referred to above presents fairly, in all material respects, the financial position of American Assets Trust, Inc. as of August 12, 2010, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

San Diego, California
September 13, 2010

American Assets Trust, Inc.

Balance Sheet
As of August 12, 2010

Assets	
Cash and cash equivalents	$1,000
	$1,000
Stockholders' Equity	
Common stock ($0.01 par value, 1,000,000 shares authorized, 1,000 issued and outstanding)	$ 10
Additional paid-in capital	990
	$1,000

See accompanying notes.

American Assets Trust, Inc.

Notes to Balance Sheet
August 12, 2010
(In thousands)

NOTE 1. ORGANIZATION

American Assets Trust, Inc. (the "Company," "we," "our" or "us") was formed as a Maryland corporation on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest Rady and his affiliates, including the Ernest Rady Trust U/D/T March 13, 1983 (the "Rady Trust"). The Company has filed a Registration Statement on Form S-11 with the Securities and Exchange Commission with respect to a proposed public offering (the "Offering") of common stock. The Company is the sole general partner of American Assets Trust, L.P., our "Operating Partnership," which was formed as a Maryland limited partnership on July 16, 2010. The Company had no operations other than the issuance of 1,000 shares of common stock to the Rady Trust in connection with our initial capitalization. As of July 16, 2010, the shares of common stock of the Company were issued to the Rady Trust in consideration for one-thousand dollars cash, which was paid on August 12, 2010. Our operations are planned to commence upon completion of the Offering and the Formation Transactions (as defined below). Upon completion of the Offering and the Formation Transactions, we expect our operations to be carried on through our Operating Partnership and its wholly owned subsidiary, American Assets Trust, LLC. At such time, we, as the general partner of our Operating Partnership, will control our Operating Partnership. We will consolidate the assets, liabilities, and results of operations of the Operating Partnership.

We have entered into a series of formation transactions (the "Formation Transactions"), pursuant to which we will acquire, substantially currently with the completion of the Offering through a series of merger and contribution transactions, the ownership interests in the entities owning the properties that will comprise our portfolio. Consummation of the Formation Transactions will enable us to (i) consolidate the ownership of our property portfolio under our Operating Partnership; (ii) succeed to the property management business of American Assets Inc., an entity controlled by Ernest Rady; (iii) facilitate the Offering; and (iv) qualify as a real estate investment trust ("REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2010.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP"). Subsequent events have been evaluated through the date the financial statements were issued.

Income Taxes

Subject to qualification as a REIT, the Company will be permitted to deduct distributions paid to its stockholders, eliminating the federal taxation of income represented by such distributions at the Company level.

REITs are subject to a number of organizational and operational requirements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate tax rates.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts in the balance sheet and accompanying notes. Actual results could differ from those estimates.

Underwriting Commissions and Costs

Underwriting commissions and costs to be incurred in connection with the Offering will be reflected as a reduction of additional paid-in capital.

NOTE 3. OFFERING COSTS

In connection with the Offering, American Assets, Inc. has advanced funds for legal, accounting, and related costs in connection with the Offering and Formation Transactions, which will be reimbursed by the Company upon the consummation of the Offering. Such costs will be deducted from the gross proceeds of the Offering.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Owners
American Assets Trust, Inc. Predecessor

We have audited the accompanying combined balance sheets of American Assets Trust, Inc. Predecessor as of December 31, 2009 and 2008, and the related combined statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2009. Our audits also included the financial statement schedule of real estate and accumulated depreciation. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 combined financial position of American Assets Trust, Inc. Predecessor at December 31, 2009 and 2008, and the combined results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule referred to above, when considered in relation to the basic combined financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

American Assets Trust, Inc. Predecessor

Combined Balance Sheets
(In Thousands)

	As of September 30, 2010 (unaudited)	As of December 31, 2009	2008
Assets			
Real estate, at cost			
Operating real estate	$ 1,132,980	$ 959,724	$ 953,116
Construction in progress	621	762	1,347
Held for development	7,971	7,846	7,639
	1,141,572	968,332	962,102
Accumulated depreciation	(214,142)	(194,124)	(168,865)
Net real estate	927,430	774,208	793,237
Cash and cash equivalents	37,363	24,189	18,978
Restricted cash	5,493	4,644	4,527
Accounts receivable, net	21,875	20,767	19,843
Notes receivable from affiliate	21,769	20,969	22,099
Investment in real estate joint ventures	43,583	57,810	69,967
Prepaid expenses and other assets	42,079	34,003	39,993
Debt issuance costs, net of accumulated amortization	2,314	2,401	2,474
Total assets	$ 1,101,906	$ 938,991	$ 971,118
Liabilities and equity			
Liabilities:			
Secured notes payable	$ 853,774	$ 723,920	$ 724,206
Unsecured notes payable	31,376	12,864	21,143
Notes payable to affiliates	5,889	7,667	9,840
Accounts payable and accrued expenses	10,244	7,193	8,998
Security deposits payable	2,639	2,362	2,402
Other liabilities and deferred credits	29,934	11,573	13,049
Distributions in excess of earnings on real estate joint ventures	13,928	2,449	2,306
Total liabilities	947,784	768,028	781,944
Commitments and contingencies			
Equity:			
Controlling interests	120,499	133,173	148,864
Noncontrolling interests	33,623	37,790	40,310
Total equity	154,122	170,963	189,174
Total liabilities and equity	$ 1,101,906	$ 938,991	$ 971,118

See accompanying notes.

American Assets Trust, Inc. Predecessor

Combined Statements of Operations
(In Thousands)

	For the nine months ended September 30, 2010	2009	Year ended December 31, 2009	2008	2007
	(unaudited)				
Revenue:					
Rental income	$ 91,437	$ 84,190	$113,080	$117,104	$113,324
Other property income	2,770	3,226	3,963	3,839	4,184
Total revenue	94,207	87,416	117,043	120,943	117,508
Expenses:					
Rental expenses	16,114	14,823	20,336	22,029	21,674
Real estate taxes	9,481	5,266	8,306	10,890	10,878
General and administrative	4,924	5,089	7,058	8,690	10,471
Depreciation and amortization	27,347	22,285	29,858	31,089	31,376
Total operating expenses	57,866	47,463	65,558	72,698	74,399
Operating income	36,341	39,953	51,485	48,245	43,109
Interest income	62	134	173	1,167	2,462
Interest expense	(34,057)	(32,395)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	2,201	1,300	1,736	1,538	2,721
Income (loss) from real estate joint ventures	866	(3,685)	(4,865)	(19,272)	(7,191)
Income from continuing operations	5,413	5,307	5,239	(12,059)	(1,801)
Discontinued operations:					
Loss from discontinued operations	—	—	—	(2,071)	(2,874)
Gain on sale of real estate property	—	—	—	2,625	—
Results from discontinued operations	—	—	—	554	(2,874)
Net income (loss)	5,413	5,307	5,239	(11,505)	(4,675)
Net loss attributable to noncontrolling interests	(1,905)	(787)	(1,205)	(4,488)	(2,140)
Net income (loss) attributable to American Assets Trust Inc. Predecessor	$ 7,318	$ 6,094	$ 6,444	$ (7,017)	$ (2,535)

See accompanying notes.

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American Assets Trust, Inc. Predecessor

Combined Statements of Equity
For the nine months ended September 30, 2010 (unaudited) and the years ended December 31, 2009, 2008 and 2007
(In Thousands)

	Controlling Interests	Noncontrolling Interests	Total
Combined equity, December 31, 2006	$ 223,193	$ 59,165	$282,358
Contributions	28,180	6,561	34,741
Distributions	(33,527)	(2,705)	(36,232)
Net loss	(2,535)	(2,140)	(4,675)
Combined equity, December 31, 2007	215,311	60,881	276,192
Contributions	4,863	570	5,433
Distributions	(64,293)	(16,653)	(80,946)
Net loss	(7,017)	(4,488)	(11,505)
Combined equity, December 31, 2008	148,864	40,310	189,174
Contributions	1,168	28	1,196
Distributions	(23,303)	(1,343)	(24,646)
Net income (loss)	6,444	(1,205)	5,239
Combined equity, December 31, 2009	133,173	37,790	170,963
Contributions	1,147	—	1,147
Distributions	(21,139)	(2,262)	(23,401)
Net income (loss)	7,318	(1,905)	5,413
Combined equity, September 30, 2010 (unaudited)	$ 120,499	$ 33,623	$154,122

See accompanying notes.

American Assets Trust, Inc. Predecessor

Combined Statements of Cash Flows
(In Thousands)

	For the nine months ended September 30, 2010 (unaudited)	For the nine months ended September 30, 2009 (unaudited)	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
OPERATING ACTIVITIES					
Net income (loss)	$ 5,413	$ 5,307	$ 5,239	$(11,505)	$ (4,675)
Net income (loss) from discontinued operations	—	—	—	554	(2,874)
Net income (loss) from continuing operations	5,413	5,307	5,239	(12,059)	(1,801)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities:					
Depreciation and amortization	27,347	22,285	29,858	31,089	31,376
Amortization of debt issuance costs	452	477	632	496	488
Net accretion of above and below market lease intangibles	1,600	1,055	1,407	170	(294)
Amortization of lease incentives	278	278	370	370	370
(Income) loss from real estate joint ventures	(866)	3,685	4,865	19,272	7,191
Distribution of earnings from real estate joint ventures	3,812	4,768	7,361	9,855	4,812
Deferred rent	(836)	(922)	(1,313)	(2,489)	(2,649)
Bad debt expense	409	314	273	488	459
Abandoned project costs	—	—	273	—	—
Changes in operating assets and liabilities					
Increase in restricted cash	(828)	(956)	(50)	(549)	(103)
(Increase) decrease in accounts receivable	(488)	(193)	117	2,755	(1,552)
(Increase) decrease in prepaid expenses and other assets	(1,609)	114	(242)	301	164
Increase (decrease) in accounts payable and accrued expenses	2,226	1,239	(1,297)	129	(6,010)
Increase (decrease) in security deposits and other liabilities	684	(1)	8	(164)	1,714
Net cash provided by operating activities of continuing operations	37,594	37,450	47,501	49,664	34,165
Net cash used in operating activities of discontinued operations	—	—	—	(2,072)	(2,986)
Net cash provided by operating activities	37,594	37,450	47,501	47,592	31,179
INVESTING ACTIVITIES					
Acquisition of real estate, net of cash acquired	(19,762)	—	—	—	—
Capital expenditures—operating properties	(3,551)	(5,286)	(6,782)	(19,442)	(19,223)
Capital expenditures—properties held for development	(125)	(151)	(226)	(480)	(888)
Decrease (increase) in restricted cash	(21)	(24)	(67)	949	(382)
Investment in real estate joint ventures	—	—	—	—	(47,727)
Distribution of capital from real estate joint ventures	10,607	—	—	11,383	27,871
Leasing commissions	(1,736)	(1,310)	(1,599)	(3,309)	(2,041)
Issuance of notes receivable to affiliates	(800)	(30)	(30)	(15,635)	(29,098)
Repayment of notes receivable from affiliates	—	480	1,160	11,530	24,638
Net cash used in investing activities of continuing operations	(15,388)	(6,321)	(7,544)	(15,004)	(46,850)
Net cash provided by investing activities of discontinued operations	—	—	—	17,115	2,409
Net cash (used in) provided by investing activities	(15,388)	(6,321)	(7,544)	2,111	(44,441)
Financing activities					
Issuance of secured notes payable	7,500	24,887	24,887	74,024	73,315
Repayment of secured notes payable	(10,647)	(22,788)	(25,172)	(53,818)	(50,604)
Issuance of unsecured notes payable	23,000	—	—	—	300
Repayment of unsecured notes payable	(4,488)	(6,174)	(8,279)	(4,032)	(875)
Issuance of notes payable to affiliates	—	—	—	12,000	—
Repayment of notes payable to affiliates	(1,778)	(1,610)	(2,173)	(2,160)	(1,552)
Debt issuance costs	(365)	(527)	(559)	(458)	(243)
Contributions from controlling interests	1,147	985	1,168	4,863	28,180
Distributions to controlling interests	(21,139)	(19,534)	(23,303)	(64,293)	(33,527)
Contributions from noncontrolling interests	—	—	28	570	6,561
Distributions to noncontrolling interests	(2,262)	(1,026)	(1,343)	(16,653)	(2,705)
Net cash (used in) provided by financing activities	(9,032)	(25,787)	(34,746)	(49,957)	18,850
Net increase (decrease) in cash and cash equivalents	13,174	5,342	5,211	(254)	5,588
Cash and cash equivalents, beginning of period	24,189	18,978	18,978	19,232	13,644
Cash and cash equivalents, end of period	$ 37,363	$ 24,320	$ 24,189	$ 18,978	$ 19,232
Supplemental cash flow information					
Cash paid for interest, net of amounts capitalized	$ 33,131	$ 32,019	$ 42,702	$ 43,957	$ 42,669
Supplemental schedule of noncash investing and financing activities					
Accounts payable and accrued expenses for property under development	$ (103)	$ 148	$ (508)	$ (4,484)	$ 2,681
Assumption of Landmark debt upon acquisition	$ 133,000	—	—	—	—
Acquisition of Landmark working capital	$ 1,278	—	—	—	—

See accompanying notes.

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

American Assets Trust, Inc. is a Maryland corporation formed on July 16, 2010 that will not have any operating activity until the consummation of our initial public offering and the related acquisition of our predecessor. Accordingly, we believe that a discussion of the results of American Assets Trust, Inc. would not be meaningful for the periods covered by these financial statements prior to that acquisition.

Our Predecessor, which is not a legal entity but rather a combination of certain real estate entities, specializes in the ownership, management, development and redevelopment of real estate properties, which include the (1) property management business of American Assets, Inc. ("AAI") and (2) controlling and noncontrolling interests in 21 retail, office, multifamily and mixed-use operating properties and certain land parcels held for future development located in the western United States (collectively referred to as the "Predecessor" or the "Company"). During all periods presented in the accompanying combined financial statements, the Company is a collection of real estate entities controlled by Ernest Rady and his affiliates, including the Ernest Rady Trust U/D/T March 13, 1983 (the "Rady Trust"), that directly or indirectly own real estate properties. The ultimate owners of the Company are Ernest Rady and his affiliates, including the Rady Trust, and certain others who have minority ownership interests and voting rights. As used in these financial statements, unless the context otherwise requires, "we," "us" and "our company" mean our Predecessor for the periods presented and American Assets Trust, Inc., a Maryland corporation and its consolidated subsidiaries upon consummation of this offering and the formation transactions.

American Assets Trust, Inc. (the "REIT") intends to file a Registration Statement on Form S-11 with the Securities and Exchange Commission with respect to a proposed initial public offering (the "Offering") of its common stock. Substantially concurrently with the consummation of the Offering, which is expected to be completed in 2010, the REIT and its newly formed majority-owned limited partnership, American Assets Trust, L.P. (the "Operating Partnership"), will engage in certain formation transactions (the "Formation Transactions") with the partnerships, limited liability companies and corporations, and their partners, members and stockholders, that hold direct or indirect ownership interests in the properties to be acquired by the REIT and the Operating Partnership. The Formation Transactions will enable us to (1) consolidate the ownership of our property portfolio under the Operating Partnership; (2) succeed to the property management business of AAI; (3) facilitate the Offering; and (4) qualify as a real estate investment trust for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2010.

The operations of the REIT will be carried on primarily through the Operating Partnership. It is the intent of the REIT to elect and qualify to be taxed as a real estate investment trust under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended, commencing with the taxable year ending December 31, 2010. Pursuant to the Formation Transactions, the REIT and the Operating Partnership will acquire indirect ownership of interests in the properties, as well as the property management, leasing, and real estate development operations of AAI, and will assume related debt and other specified liabilities in exchange for shares of common stock of the REIT and units of limited partner interest in the Operating Partnership. The REIT will be fully integrated, self-administered and self-managed. Additionally, the REIT will form a taxable subsidiary that will be owned by the Operating Partnership. The taxable REIT subsidiary, through several wholly owned limited liability companies, will conduct services businesses including property management, construction and property maintenance.

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

Our combined financial statements include investments in certain real estate joint ventures in which Ernest Rady and his affiliates have significant influence, but not control, over major decisions, including the decision to sell or refinance the properties. These investments, which represent non-controlling 25% to 80% ownership interests, are accounted for using the equity method of accounting. Our investments in certain real estate joint ventures for which we have unilateral control, evidenced by the ability to make all major decisions, such as the acquisition, sale or refinancing of the property without approval of the minority party, have been combined in these financial statements as they are under the common control of Ernest Rady and his affiliates.

As of September 30, 2010, we owned or had a controlling interest in 17 office, retail and multifamily operating properties for which we consolidate their operations, and noncontrolling interests in four office, retail and mixed-use properties, which are accounted for under the equity method of accounting.

A summary of the properties owned by us are as follows:

Controlled Entities (Properties Consolidated by our Predecessor)

Retail

Carmel Country Plaza
Carmel Mountain Plaza
South Bay Marketplace
Rancho Carmel Plaza
Lomas Santa Fe Plaza
Del Monte Center
The Shops at Kalakaua
Waiklele Center
Alamo Quarry

Office

Torrey Reserve Campus
Valencia Corporate Centre
160 King Street
The Landmark at One Market

Multifamily

Loma Palisades
Imperial Beach Gardens
Mariner's Point
Santa Fe Park RV Resort

Noncontrolled Properties (Equity Method of Accounting by our Predecessor)

Retail

Solana Beach Towne Centre

Office

Solana Beach Corporate Centre
Fireman's Fund Headquarters

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

Mixed-Use
Waikiki Beach Walk Retail and Hotel

Principles of Combination and Estimates

The combined financial statements include the accounts of the Predecessor and all entities in which the Predecessor has a controlling interest. When we are the general partner or managing member, we are presumed to control the partnership unless the limited partners or non-managing members possess either (a) the substantive ability to dissolve the partnership or otherwise remove us as the general partner or managing member without cause (commonly referred to as "kick-out rights"), or (b) the right to participate in substantive operating and financial decisions of the limited partnership or limited liability company that are expected to be made in the course of their business. The equity interests of other investors are reflected as noncontrolling interests. All significant intercompany transactions and balances are eliminated in combination. We account for our interests in joint ventures which we do not control using the equity method of accounting. Subsequent events have been evaluated through the date the financial statements were issued.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as "GAAP," requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Offering Costs

In connection with the Offering, affiliates have or will incur legal, accounting, and related costs, which will be assumed or reimbursed by the Company upon the consummation of the Offering. Such costs will be deducted from the gross proceeds of the Offering.

Revenue Recognition and Accounts Receivable

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

We make estimates of the collectability of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue. Accounts receivable is carried net of this allowance for doubtful accounts. We generally do not require collateral or other security from our tenants, other than letters of credit or security deposits. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At September 30, 2010 (unaudited), December 31, 2009, and December 31, 2008, accounts receivable include approximately $20.7 million, $19.6 million and $18.3 million, respectively, related to straight-line rents. At September 30, 2010 (unaudited), December 31, 2009 and December 31, 2008, our allowance for doubtful accounts was $1.2 million, $0.9 million and $1.1 million, respectively.

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

We receive various fee income from unconsolidated real estate joint ventures including property management fees, construction management fees, acquisition and disposition fees, leasing fees, asset management fees, and financing fees. Fee income is recorded as earned in accordance with the respective fee agreement. Profit from these fees, if any, are eliminated to the extent of our ownership interest in these entities. See Note 14.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. In 2009, 2008 and 2007, real estate depreciation expense was $25.3 million, $25.0 million and $24.2 million, respectively, including amounts from discontinued operations. Real estate depreciation expense was $23.3 million and $18.9 million for the nine months ended September 30, 2010 and 2009 (unaudited), respectively.

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles (for acquisitions made subsequent to June 30, 2001) such as in-place leases, and to current assets and liabilities acquired, if any. Such valuations include a consideration of the non-cancellable terms of the respective leases as well as any applicable renewal period(s). The fair values associated with below market renewal options are determined based on our experience and an assessment of whether the below market renewal option is a bargain renewal at the time of acquisitions. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of operations. The value of above and below market leases are amortized over the related lease term and reflected as either an increase (for below-market leases) or a decrease (for above-market leases) to rental income in the statement of operations. The value of below market rental lease renewal options is deferred until such time the renewal option is exercised and subsequently amortized over the corresponding renewal period. If a tenant vacates its space prior to contractual termination of its lease or the lease is not renewed, the unamortized balance of any in-place lease value is written off to rental income and amortization expense.

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

Impairment of Long Lived Assets

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

Financial Instruments

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

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity less than three months. Cash balances in individual banks may exceed the federally insured limit of $250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). At September 30, 2010 (unaudited) and December 31, 2009, we had $5.8 million and $1.8 million, respectively, in excess of the FDIC insured limit. At September 30, 2010 (unaudited) and December 31, 2009, we had $26.9 million and $17.3 million, respectively, in money market funds that are not FDIC insured.

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate tax expenditures, insurance expenditures, and reserves for capital improvements. Activity for accounts related to real estate tax and insurance expenditures is classified as operating activities in the statement of cash flows. Changes in reserves for capital improvements are classified as investing activities in the statement of cash flows.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, lease incentives, acquired in place leases and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions and internal salaries and personnel costs related to obtaining a lease. Capitalized lease costs are amortized over the life of the related lease and included in depreciation and amortization expense on the statement of operations. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off. We view these lease costs as part of the up-front initial investment we made in order to generate a long-term cash inflow. Therefore, we classify cash outflows for lease costs as an investing activity in our combined statements of cash flows.

Debt Issuance Costs

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

Variable Interest Entities

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

Investments in Real Estate Joint Ventures

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

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

We assess whether there has been impairment in the value of our investments in real estate joint ventures periodically. An impairment charge is recorded when events or changes in circumstances indicate that a decline in the fair value below the carrying value has occurred and such decline is other-than-temporary. The ultimate realization of the investments in unconsolidated real estate joint ventures is dependent on a number of factors, including the performance of the investments and market conditions. Based upon such periodic assessments, no impairment occurred for the years ended December 31, 2009 and 2007 or the nine months ended September 30, 2010 and 2009 (unaudited). During the year ended December 31, 2008, we recorded an impairment on one of our investments in unconsolidated real estate joint ventures. See Note 3.

Notes Receivable from Affiliate

Certain entities have made loans to affiliates in order to attain a higher return on excess cash balances, and these loans are classified as notes receivable from affiliate. The notes bear interest at LIBOR and are to be repaid upon demand.

Notes Payable Affiliates

Owners of certain entities have made loans to the entities, and these loans are classified as notes payable to affiliates. The notes bear interest at 10% and mature in 2013.

Income Taxes

We are comprised primarily of limited partnerships and limited liability companies. Under applicable federal and state income tax rules, the allocated share of net income or loss from the limited partnerships and limited liability companies is reportable in the income tax returns of the respective partners and members. We have several C-corporations and S-corporations that hold 1% general partnership interests or managing member interests. Such corporations result in an immaterial amount of income tax liability, which is included in general and administrative expense. Additionally, these corporations do not give rise to any material deferred taxes.

Segment Information

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in three business segments: (i) the acquisition, redevelopment, ownership and management of office real estate, (ii) the acquisition, redevelopment, ownership and management of retail real estate, and (iii) acquisition, redevelopment, ownership and management of multifamily real estate. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our retail segment primarily include rental of the retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services.

FASB Accounting Standards Codification

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

Recently Adopted Accounting Pronouncements

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

Effective January 1, 2009, we adopted a new accounting standard that significantly changes the accounting and reporting of minority interests in the combined financial statements and requires a noncontrolling interest, which was previously referred to as a minority interest, to be recognized as a component of equity rather than included in the mezzanine section of the balance sheet where it was previously presented. The terminology "minority interest" has been changed to "noncontrolling interest". The "minority interest" caption on the statement of operations is now reflected as "net income attributable to noncontrolling interests" and shown after combined net income. This is a presentation only change for minority interest on both the balance sheet and statement of operations and has no impact to total liabilities and shareholders' equity, or net income available to common shareholders. The statement also requires the recognition of 100% of the fair value of assets acquired and liabilities assumed in acquisitions of less than 100% controlling interest with subsequent acquisitions of the noncontrolling interest recorded as equity transactions. The new accounting standard was adopted effective January 1, 2009 and has been applied prospectively except for the presentation changes to the balance sheet and statement of operations which have been applied retrospectively in the 2008 and 2007 combined financial statements. While there was no additional impact on the combined financial statements during 2009, the impact on our future combined financial statements will vary depending on the level of transactions with entities involving noncontrolling interests. The adoption of this standard impacted our accounting for the acquisition of the outside interest in an office property referred to as The Landmark at One Market ("Landmark"). See Note 2.

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

Effective January 1, 2009, we adopted a new accounting standard which clarifies the accounting for certain transactions and impairment considerations involving equity method investments. The new accounting standard clarifies that equity method investments should initially be measured at cost, the issuance of shares by the investee would result in a gain or loss on issuance of shares reflected in the income statement of the equity investor, and that a loss in value of an equity investment which is other than a temporary decline should be recognized. The standard was effective on a prospective basis beginning on January 1, 2009, and did not have a material impact on our financial position, results of operations, or cash flows.

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

As of April 1, 2009, we adopted a new accounting standard which establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before the financial statements are issued or available to be issued and requires disclosure of the date through which subsequent events have been evaluated. We have added disclosure in this Note 1 under "Principles of Combination and Estimates" regarding the date through which we have evaluated subsequent events.

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

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

Unaudited interim information

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

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NOTE 2. REAL ESTATE

A summary of our real estate investments and related encumbrances is as follows (In thousands):

	Cost	Accumulated Depreciation and Amortization	Encumbrances
September 30, 2010 (unaudited)			
Retail	$ 697,633	$ (126,033)	$ 464,746
Office	373,343	(56,212)	285,716
Multifamily	70,596	(31,897)	103,312
	$1,141,572	$ (214,142)	$ 853,774
December 31, 2009			
Retail	$ 694,363	$ (112,404)	$ 467,728
Office	203,753	(51,208)	152,846
Multifamily	70,216	(30,512)	103,346
	$ 968,332	$ (194,124)	$ 723,920
December 31, 2008			
Retail	$ 692,723	$ (94,355)	$ 471,508
Office	201,381	(45,855)	149,310
Multifamily	67,998	(28,655)	103,388
	$ 962,102	$ (168,865)	$ 724,206

We completed no significant acquisitions in 2009, 2008, or 2007. On June 30, 2010, we acquired the controlling interests in an office building located in San Francisco, California, known as The Landmark at One Market ("Landmark"). Prior to acquisition of the controlling interests in Landmark, we owned a 35% noncontrolling interest in the entity owning Landmark, which was accounted for under the equity method of accounting. The aggregate net acquisition cost for this property approximated $23.0 million plus assumption of debt of $133.0 million (of which $87.1 million was attributable to the outside owners' interest). Upon acquisition, we remeasured the assets and liabilities at fair value and recorded a gain of $4.3 million which is included in income (loss) from real estate joint ventures. The gain was calculated based on the difference between the estimated fair value of our ownership interest of $12.1 million compared to our historical cost interest of $7.8 million. The fair value was estimated utilizing the price we paid for the outside ownership interest as an indicator of value; and we compared this value to market data. The fair values assigned to identifiable intangible assets acquired were based on estimates and assumptions determined by management. Using information available at the time the acquisition closed, we allocated the purchase price to tangible assets and liabilities and identified intangible assets and liabilities. We may adjust the preliminary purchase price allocation after obtaining more information about asset valuations and liabilities assumed. The identified intangible assets are being amortized over a weighted average life of 9.2 years.

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The allocation of the estimated fair value of this acquired Landmark asset and liabilities was as follows (In thousands):

Land	$ 33,451
Building	130,332
Tenant improvements	4,804
Total Real Estate	168,587
Cash and cash equivalents	3,249
Accounts and notes receivable, net	193
Prepaid expenses and other assets	11,885
Total assets	183,914
Secured note payable	133,000
Accounts payable and accrued expenses	928
Security deposits payable	162
Other liabilities and deferred credits	14,710
Total liabilities	$ 148,800

We allocated $4.5 million, $5.9 million, and $1.4 million to acquired in place leases, acquired above-market leases, and lease commissions and other intangible assets, respectively. We further allocated $13.6 million to acquired below-market leases liability. We have included Landmark's results of operations in our combined results of operations from the date of acquisition of June 30, 2010.

On August 13, 2008, we sold an office property located in Chicago, Illinois for approximately $16.5 million in cash and recorded a net gain on disposal of $2.6 million. The vacant property was acquired on November 30, 2005 for a purchase price of $14.0 million. It was held for investment and was not leased to tenants.

NOTE 3. INVESTMENTS IN REAL ESTATE JOINT VENTURES

As of September 30, 2010, we had four joint venture arrangements with unrelated third parties. We owned from 25% to 80% of each of these ventures. For two of these ventures, we are the general partner or managing member; however, the outside owners are either co-general partner or have substantive participating rights, and we cannot make significant decisions without the outside owners' approval. Accordingly, we account for these investments under the equity method. We act as the manager of the three properties owned by these two ventures and receive fees in accordance with service contracts (Note 14). We have the opportunity to receive performance-based earnings through our ownership interest in these entities.

For the joint venture that owns a mixed-use property in Honolulu, Hawaii, we have an effective 80% limited ownership interest in the property; however, the outside owner is the managing member and manages the day-to-day business of the property. In addition, we do not have "kick-out" rights relating to the outside owners' general partner interest. Accordingly, we account for these investments under the equity method of accounting.

The properties owned by these unconsolidated joint ventures at September 30, 2010, are as follows:

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

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As discussed in Note 2, we previously held an investment in an office property in San Francisco, known as Landmark. On June 30, 2010, we acquired the unrelated third party's interest in the property, and the entity is included in our Predecessor balances as of June 30, 2010. Prior to acquisition of the third party interests, we owned 35% of the entity and accounted for our investments under the equity method. We recorded a gain on this acquisition of $4.3 million which is included in income (loss) from real estate joint ventures for the nine months ended September 30, 2010. We were the managing member; however, the outside owners had substantive participating rights, and we could not make significant decisions without the outside owners' approval. We are the manager of the property. Landmark's results of operations for the six months ended June 30, 2010, the nine months ended September 30, 2009 and the years ended December 31, 2009, 2008, and 2007 are included in the table below. Landmark's financial position is included in the table below as of December 31, 2009, 2008, and 2007.

During the year ended December 31, 2008, we recorded an impairment loss of $15.8 million on our investment in Fireman's Fund, which is included in equity in losses. The impairment loss was the result of the credit crisis in 2008 which caused increases in capitalization rates and therefore, a decline in the fair value of our investment in Fireman's Fund which we determined was other than temporary. Based on the significance of unobservable inputs used in estimating the fair value of our investment in Fireman's Fund, we classify this fair value investment within Level 3 of the valuation hierarchy (See Note 8 for hierarchy levels).

The following tables provide summarized operating results and the financial position of the unconsolidated entities (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
OPERATING RESULTS					
Revenue	$ 68,593	$ 76,355	$101,458	$107,356	$ 85,973
Expenses					
Other operating expenses	26,465	31,416	41,293	43,877	36,437
Impairment loss(3)	38,465	—	—	—	—
Depreciation and amortization	22,785	24,793	33,066	32,704	28,540
Interest expense	23,150	24,828	33,130	35,020	31,117
Total expenses	110,865	81,037	107,489	111,601	96,094
Net loss	$ (42,272)	$ (4,682)	$ (6,031)	$ (4,245)	$(10,121)
Our share of net loss	$ (3,431)(1)	$ (3,685)	$ (4,865)	$ (3,436)(2)	$ (7,191)

(1) Excludes the gain recorded on the acquisition of Landmark of $4,297.
(2) Excludes the impairment loss on Fireman's Fund of $15,836.
(3) The tenant that occupies the Fireman's Fund Headquarters has a right of first offer to acquire the property. In anticipation of the Formation Transactions discussed in Note 1, the real estate venture that owns the Fireman's Fund Headquarters delivered an offer notice to the tenant in August 2010, which the tenant rejected. A second offer notice was delivered to the tenant in October 2010. The tenant has until November 19, 2010 to respond to the offer. The delivery of this offer notice could potentially impact the venture's ability to hold the office property for a long-term investment. This potential inability to hold the real estate property for a long term investment, combined with the decline in fair value of the real estate property below its carrying amount resulted in the venture recording an impairment loss on the real estate property on the venture's financial statements during the nine months ended September 30, 2010. During 2008, we recorded an impairment of our equity method investment in the Fireman's Fund Headquarters real

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estate venture, as we determined that during 2008 the fair value of our equity method investment in the Fireman's Fund Headquarters was below our historical cost as a result of a reduction in real estate values due to the credit crisis that occurred during 2008. As a result, for the nine months ended September 30, 2010 (unaudited) we did not record our share of the impairment losses recorded on the venture's financial statements, as we believe our investment in the Fireman's Fund Headquarters joint venture at September 30, 2010 (adjusted for previously recorded impairment losses) is not impaired.

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
	(In thousands)	(In thousands)	
BALANCE SHEETS			
Real estate, net	$ 461,572	$675,388	$701,987
Cash	13,411	18,419	12,222
Other assets	55,939	64,078	74,284
Total assets	$ 530,922	$757,885	$788,493
Mortgages payable	461,165	579,771	583,273
Notes payable to affiliate	14,874	14,874	14,888
Other liabilities	23,578	37,277	41,773
Partners' capital	31,305	125,963	148,559
Total liabilities and partners' capital	$ 530,922	$757,885	$788,493
Our share of unconsolidated debt	$ 246,863	$285,145	$286,280
Our share of partners' capital	$ (12,814)	$ 21,073	$ 29,948
Our investment in real estate joint ventures, net	$ 29,655	$ 55,361	$ 67,661

The difference between our investment in real estate ventures and our share of the underlying capital is attributable to the following items which are included in our investments in the real estate ventures: estimated impairment losses relating to our investments, the allocation of fair value in excess of historical cost recorded upon formation of our investment in the venture, capitalized interest, and intercompany profit elimination adjustments. These differences are recognized by us in our share of net income or loss and upon the sale of the real estate held by the real estate ventures.

NOTE 4. ACQUIRED IN-PLACE LEASES AND ABOVE/BELOW-MARKET LEASES

Acquired in-place leases are included in prepaid expenses and other assets and had a balance of $40.9 million (unaudited), $36.4 million and $36.4 million and accumulated amortization of $29.5 million (unaudited), $27.3 million and $25.1 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired above market leases are included in prepaid expenses and other assets and had a balance of $33.4 million (unaudited), $27.5 million and $27.5 million and accumulated amortization of $20.0 million (unaudited), $17.2 million and $14.2 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired below market leases are included in other liabilities and deferred credits and had a balance of $44.8 million (unaudited), $26.9 million and $26.9 million and accumulated amortization of $20.8 million (unaudited), $19.6 million and $18.1 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. The value allocated to in-place leases is amortized over the related lease term as depreciation and amortization expense in the statement of operations. Above and below market leases are amortized over the related lease term as additional rental income for below market leases or a reduction of rental income for above market leases in the statement of operations. Rental income (loss) included net amortization from acquired above and below market leases of $(1.4) million, $(0.2) million and $0.3 million in 2009, 2008 and 2007, respectively and $(1.6) million and $(1.1) million for the nine months ended September 30, 2010 and 2009 (unaudited), respectively. The remaining weighted-average amortization period as of December 31, 2009, is 5.1 years, 4.7 years and 8.9 years for in place leases, above market leases and below market leases, respectively.

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Increases (decreases) in net income as a result of amortization of the Company's in-place leases, above-market leases and below-market leases are as follows (In thousands):

	Nine Months Ended September 30, 2010 (Unaudited)	Nine Months Ended September 30, 2009 (Unaudited)	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
Amortization of in-place leases	$(2,240)	$(1,636)	$(2,173)	$(3,555)	$(4,833)
Amortization of above market leases	(2,838)	(2,198)	(2,931)	(3,207)	(3,441)
Amortization of below market leases	1,238	1,143	1,524	3,037	3,735
	$(3,840)	$(2,691)	$(3,580)	$(3,725)	$(4,539)

As of December 31, 2009, the amortization for acquired in-place leases during the next five years and thereafter, assuming no early lease terminations, is as follows:

	In-Place Leases	Above Market Leases (In thousands)	Below Market Leases
Year ending December 31,			
2010	$1,881	$ 2,887	$ 1,229
2011	1,705	2,875	1,060
2012	1,527	1,658	1,003
2013	1,238	1,167	799
2014	697	400	598
Thereafter	2,117	1,345	2,619
	$9,165	$ 10,332	$ 7,308

NOTE 5. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of:

	September 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
		(In thousands)	
Leasing commissions, net of accumulated amortization of $13,092, $12,525 and $11,379, respectively	$ 11,840	$ 11,013	$ 11,547
Acquired above market leases, net	13,368	10,332	13,263
Acquired in-place leases, net	11,441	9,165	11,338
Lease incentives, net of accumulated amortization of $1,387, $1,110 and $740, respectively	2,313	2,590	2,960
Other intangible assets, net of accumulated amortization of $1,204, $1,066 and $1,000, respectively	469	174	239
Prepaid expenses and deposits	2,648	729	646
Total prepaid expenses and other assets	$ 42,079	$ 34,003	$ 39,993

Lease incentives are amortized over the term of the related lease and included as a reduction of rental income in the statement of operations. Prepaid expenses and deposits include $2.0 million in costs related to the offering, which will be reimbursed by the REIT upon completion of the Offering.

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NOTE 6. OTHER LIABILITIES AND DEFERRED CREDITS

Other liabilities and deferred credits consist of the following as of:

	September 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
		(In thousands)	
Acquired below market leases, net	$ 24,001	$ 7,308	$ 8,833
Prepaid rent	5,865	4,228	4,135
Other liabilities	68	37	81
Total other liabilities and deferred credits	$ 29,934	$ 11,573	$ 13,049

NOTE 7. DEBT

The following is a summary of our total debt outstanding as of September 30, 2010, December 31, 2009 and December 31, 2008 (In thousands):

	Principal Balance as of				
	September 30, 2010	December 31,		Stated Interest Rate as of September 30,	Stated
Description of Debt	(unaudited)	2009	2008	2010	Maturity Date
Secured Notes Payable					
Alamo Quarry Market (3)(8)	$ 98,494	$ 99,886	$101,655	5.670%	January 8, 2014
Carmel Country Plaza(3)	10,210	10,395	10,628	7.365%	January 2, 2013
Carmel Mountain Plaza(3)	63,238	64,195	65,413	5.520%	June 1, 2013
Del Monte Center (5)	82,300	82,300	82,300	4.926%	July 8, 2015
Lomas Santa Fe Plaza(3)	19,728	20,097	20,562	6.934%	May 1, 2013
Rancho Carmel Plaza (3)	8,077	8,156	8,250	5.652%	January 1, 2016
The Shops at Kalakaua (5)	19,000	19,000	19,000	5.449%	May 1, 2015
South Bay Marketplace (5)	23,000	23,000	23,000	5.477%	February 10, 2017
Waikele Center (5)	140,700	140,700	140,700	5.145%	November 1, 2014
160 King Street (1)(5)(9)	8,564	8,564	9,764	LIBOR +1.55%	November 1, 2012
160 King Street(6)	33,298	34,367	35,724	5.680%	May 1, 2014
The Landmark at One Market (5)(8)	133,000	—	—	5.605%	July 5, 2015
Torrey Reserve Campus:					
ICW Plaza (5)	43,000	43,000	43,000	5.463%	February 1, 2017
North Court (3)	22,224	22,392	16,344	7.220%	June 1, 2019
South Court (3)	12,978	13,223	13,531	6.884%	May 1, 2013
VC I (3)	2,222	1,751	1,777	6.355%	June 1, 2020
VC II (3)	1,847	1,455	1,477	6.355%	June 1, 2020
VC III (3)	3,405	2,683	2,723	6.355%	June 1, 2020
Torrey Daycare (4)	1,667	1,687	848	6.500%	June 1, 2019
Valencia Corporate Center (1)(2)	7,798	7,798	7,929	LIBOR +3.00%	November 1, 2010
Valencia Corporate Center(3)	15,713	15,925	16,193	6.520%	October 1, 2012
Imperial Beach Gardens (5)	20,000	20,000	20,000	6.163%	September 1, 2016
Loma Palisades (5)	73,744	73,744	73,744	6.090%	July 1, 2018
Mariner's Point (5)	7,700	7,700	7,700	6.092%	September 1, 2016
Santa Fe Park RV Resort(3)	1,867	1,902	1,944	7.365%	January 2, 2013
	853,774	723,920	724,206		
Unsecured Notes Payable					
Waikele Center Notes (1)(5)	8,376	12,864	21,143	LIBOR +3.75%	February 15, 2011
Landmark Note (1)(5)	23,000	—	—	LIBOR +2.00%	July 1, 2013
	31,376	12,864	21,143		
Notes Payable to Affiliates					
Del Monte Center Affiliate Notes(7)	5,889	7,667	9,840	10.000%	March 1, 2013
Total Debt Outstanding	$891,039	$744,451	$755,189		

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(1) Loan is fully or partially guaranteed by owners or affiliates.
(2) Interest rate has floor of 4.50%
(3) Principal payments based on a 30-year amortization schedule.
(4) Principal payments based on a 25-year amortization schedule. The interest rate will be reset to the greater of 6.5% or LIBOR plus 4.00% on June 1, 2014.
(5) Interest only.
(6) Principal payments based on a 20-year amortization schedule.
(7) Principal payments based on a 5-year amortization schedule.
(8) Maturity Date is the earlier of the loan maturity date under the loan agreement, or the “Anticipated Repayment Date” as specifically defined in the loan agreement, which is the date after which substantial economic penalties apply if the loan has not been paid off.
(9) Secured by the owners’ equity interests in the entity.

On June 30, 2010, we obtained a $23.0 million unsecured loan related to our acquisition of the third party’s interests in Landmark. The loan bears interest at LIBOR plus 2.0% through July 1, 2011 with increases of 0.50% on July 2, 2011 and July 2, 2012. The loan matures on July 1, 2013 and requires interest only payments through maturity, except for a one time repayment of $4.0 million due on or before December 31, 2010.

On June 1, 2010, we closed on a $7.5 million ten year loan secured by a deed of trust on the property owned by Torrey Reserve—VC I, Torrey Reserve—VC II, and Torrey Reserve—VC III in San Diego, California. The loan bears interest at 6.355% and matures on June 1, 2020. The proceeds from the loan were used to repay the outstanding loans on Torrey Reserve—VC I, Torrey Reserve—VC II, and Torrey Reserve—VC III, which had outstanding balances of $5.8 million at the time of repayment.

On March 18, 2010, the Waikele Center unsecured loans were modified to extend their maturity to February 15, 2011. The previous maturity date was February 15, 2010, which had been extended during 2009 from the original maturity date of January 1, 2009.

On May 31, 2009, we refinanced the then-existing loan on the Torrey Reserve—North Court property of $16.2 million with a new $22.5 million loan that bears interest at 7.220% and matures on June 1, 2019.

On May 31, 2009, we refinanced the then existing loan on the Torrey Reserve—Daycare property of $0.9 million with a new $1.7 million loan which bears interest at 6.500%, until the interest adjustment date of June 1, 2014 at which time the interest rate will adjust to the greater of 6.500% or LIBOR plus 4%. The loan matures on June 1, 2019.

On January 20, 2009, the Valencia Corporate Center construction loan was modified, and the loan commitment of $11.7 million was reduced to $10.0 million. On November 5, 2009, the loan was further modified to reduce the loan commitment to $9.2 million and extend the maturity through November 1, 2010. At modification, a principal payment of $0.8 million was made to reduce the outstanding principal balance to $7.8 million.

On June 30, 2008, we refinanced the then existing loan on the Loma Palisades property of $35.8 million with a new $73.7 loan which bears interest at 6.090% and matures on July 1, 2018.

On January 15, 2008, we entered into unsecured loans with certain of the entities that own Del Monte Center pursuant to which they lent us $12.0 million, the proceeds of which were used to fund construction at the property. The notes bear interest at 10.000% and require monthly principal and interest payments. The notes mature on March 1, 2013.

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Certain loans require us to comply with various financial covenants, including the maintenance of minimum debt coverage ratios. As of September 30, 2010 and December 31, 2009, we were in compliance with all loan covenants.

Scheduled principal payments on notes payable as of December 31, 2009 are as follows (In thousands):

	Secured Notes	Unsecured Notes	Notes to Affiliates	Total Principal
Year Ending December 31,				
2010	$ 12,265	$ 12,864	$ 2,401	$ 27,530
2011	6,773	—	2,616	9,389
2012	38,524	—	2,093	40,617
2013	106,485	—	557	107,042
2014	261,001	—	—	261,001
Thereafter	298,872	—	—	298,872
	$ 723,920	$ 12,864	$ 7,667	$ 744,451

Subsequent to December 31, 2009, of the $12.3 million principal payments on secured notes due in 2010, $5.8 million were refinanced to be due beyond December 31, 2010. Subsequent to December 31, 2009, the $12.9 million principal payments on unsecured notes due in 2010 were extended to be due in 2011.

NOTE 8. FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability. The hierarchy for inputs used in measuring fair value is as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities

2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities

3. Level 3 Inputs—unobservable inputs

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. The fair value of our mortgages payable and notes payable is sensitive to fluctuations in interest rates. Discounted cash flow analysis (Level 2) is generally used to estimate the fair value of our mortgages and notes payable. Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the carrying amount and fair value of our notes payable is as follows (In thousands):

	September 30, 2010 (unaudited)		December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured notes payable	$ 853,774	$ 865,505	$ 723,920	$ 693,284	$ 724,206	$ 703,933
Unsecured notes payable	$ 31,376	$ 31,262	$ 12,864	$ 12,728	$ 21,143	$ 19,925

Due to related party nature, notes to affiliates cannot be measured at fair value.

NOTE 9. COMMITMENTS AND CONTINGENCIES

Legal

We are sometimes involved in lawsuits, warranty claims and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

Commitments

At the Landmark property acquired on June 30, 2010, we lease as lessee a building adjacent to the property under an operating lease effective through, June 30, 2011, which we have the option to extend until 2026 by way of three five-year extension options. On July 30, 2010, we notified the landlord of our intention to exercise a renewal option for a renewal term of July 1, 2011 through June 30, 2016. Monthly lease payments during this renewal term will be the greater of current payments or 97.5% of the prevailing rate at the start of the renewal term. Current minimum annual payments under the lease (excluding the renewal term) are as follows, as of September 30, 2010 (In thousands):

2010	$ 351
2011	701
Total	$1,052

Our Del Monte Center property has ongoing environmental remediation related to ground water contamination. The environmental issue existed at purchase and remediation is expected to conclude within the next three years. The work performed is financed through an escrow account funded by the seller upon purchase of the property. We believe the funds in the escrow account are sufficient for the remaining work to be performed. However, if further work is required costing more than the remaining escrow funds, we could be required to pay such overage, although we may have a contractual claim for such costs against the prior owner or our environmental remediation consultant.

Concentrations of Credit Risk

Our properties are located in Southern California, Northern California, Hawaii, and Texas. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory and social factors affecting the markets in which the tenants operate. Eleven of our consolidated properties are located in Southern California, which exposes us to greater economic risks than if we owned a more geographically disbursed portfolio. Further, revenues derived from tenants in the retail industry were 62% and 65% of total revenues for the nine months ended September 30, 2010 (unaudited) and the year ended December 31, 2009, respectively. This makes us susceptible to demand for retail rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the retail industry. Additionally, four of our retail properties (Alamo Quarry, Del Monte Center, Carmel Mountain Plaza and Waikele Center) accounted for 50% and 51% of total revenues for the nine months ended September 30, 2010 (unaudited) and the year ended December 31, 2009, respectively. Two retail tenants, Lowe's and K-Mart at Waikele Center, comprise 5% and 4%, respectively, of our total annualized base revenue, and one office tenant, DLA Piper at 160 King Street, accounts for 4% of our total annualized base revenue as of December 31, 2009. An additional seven tenants (Foodland Supermarket, Sports Authority, Insurance Company of the West, Ross Dress for Less, Borders, Officemax, and Brown & Toland) account for approximately 13% of our annualized base revenues as of December 31, 2009 when aggregated.

NOTE 10. OPERATING LEASES

At December 31, 2009, our office and retail properties are located in three states. At December 31, 2009, we have approximately 420 leases with office and retail tenants. Our residential properties are located in Southern California, and we have approximately 760 leases with residential tenants at December 31, 2009, excluding Santa Fe Park RV Resort.

Our leases with commercial property (office and retail) and residential tenants are classified as operating leases. Commercial property leases generally range from three to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, usually provide for cost recoveries for the tenant's share of certain operating costs and also may include percentage rents based on the tenant's level of sales achieved. Leases on apartments generally range from 7 to 15 months, with a majority having 12 month lease terms.

As of December 31, 2009, minimum future commercial property rentals from noncancelable operating leases, before any reserve for uncollectible amounts and assuming no early lease terminations, at our office and retail properties are as follows (In thousands):

2010	$ 95,186
2011	92,274
2012	84,262
2013	66,881
2014	43,604
Thereafter	139,897
Total	$ 522,104

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NOTE 11. COMPONENTS OF RENTAL INCOME AND EXPENSE

The principal components of rental income are as follows (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Minimum rents					
Retail	$43,032	$42,825	$ 57,332	$ 58,401	$ 56,818
Office	22,077	17,422	23,066	22,549	20,469
Residential	9,899	9,976	13,361	13,364	13,005
Cost reimbursement	15,000	12,498	17,206	20,286	20,379
Percentage rent	700	674	1,184	1,476	1,565
Other	729	795	931	1,028	1,088
Total rental income	$91,437	$84,190	$113,080	$117,104	$113,324

Minimum rents include $1.3 million, $2.5 million and $2.6 million for 2009, 2008 and 2007, respectively, and $0.8 million and $0.9 million for the nine months ended September 30, 2010 and 2009 (unaudited), respectively, to recognize minimum rents on a straight-line basis. In addition, minimum rents include $(1.4) million, $(0.2) million and $0.3 million for 2009, 2008 and 2007, respectively, and $(1.6) million and $(1.1) million for the nine months ended September 30, 2010 and 2009 (unaudited), respectively, to recognize income from the amortization of above and below market leases.

The principal components of rental expenses are as follows (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Repairs and maintenance	$ 4,394	$ 4,094	$ 6,271	$ 7,157	$ 7,594
Facilities services	3,832	3,576	4,586	4,416	4,354
Utilities	2,743	2,561	3,184	2,967	2,860
Payroll	1,691	1,690	2,381	2,730	2,200
Hawaii excise tax	812	799	1,044	1,004	969
Bad debt expense	409	314	273	488	459
Insurance	852	864	1,162	1,481	1,528
Marketing	467	538	780	1,078	1,068
Rent	566	—	—	—	—
Management fees	65	139	194	258	303
Other operating	283	248	461	450	339
Total rental expenses	$ 16,114	$ 14,823	$20,336	$22,029	$21,674

NOTE 12. DISCONTINUED OPERATIONS

Results of properties sold which meet certain requirements, constitute discontinued operations and as such, the operations of these properties are classified as discontinued operations for all periods presented.

On August 13, 2008, we sold an office property located in Chicago, Illinois for approximately $16.5 million in cash and recorded a net gain on disposal of $2.6 million. The vacant property was acquired on November 30, 2005 for a purchase price of $14.0 million. It was held for investment and was not leased to tenants and had no revenue for the periods held.

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Net expenses and net loss from the property's discontinued operations were as shown in the following table (In thousands).

	Year Ended December 31,		
	2009	2008	2007
Expenses of discontinued operations	$—	$ 2,074	$ 2,974
Results from discontinued operations			
Net loss from discontinued operations	$—	$(2,071)	$(2,874)
Gain on sale of real estate from discontinued operations	—	2,625	—
Total net income (loss) from discontinued operations	$—	$ 554	$(2,874)

NOTE 13. RELATED PARTY TRANSACTIONS

We act as the manager for certain unconsolidated real estate joint ventures and earn fees for these services (excluding the Waikiki Beach Walk Property). Each unconsolidated joint venture (excluding the Waikiki Beach Walk Property) has a master management agreement with additional agreements covering property management, construction management, acquisition, disposition and leasing and asset management. These agreements provide for the following fees to be paid to us by these unconsolidated joint ventures:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the properties. Fees range from 1.25% to 5.5% of gross monthly cash collections each month, with minimum monthly fees ranging from $2,500 to $5,000.

- *Construction Management Fees*—Construction management fees are incurred for the management and supervision of construction projects owned by the unconsolidated joint ventures. Fees range from 3.0% to 5.0% of construction and development costs on buildings and improvements for most properties although certain agreements provide for a flat fee. For tenant improvements, fees are 10% of costs for projects where we directly supervise construction subcontractors or 3% for projects where we manage a general contractor, plus hourly fees for employees directly working on the tenant improvements.

- *Acquisition and Disposition Fees*—Acquisition and disposition fees are incurred for services provided in conjunction with acquisition and disposition of the properties owned by the unconsolidated real estate joint venture. Fees are either 0.5% or 1% of the total value of all the acquisition or disposition.

- *Leasing Fees*—Leasing fees are incurred for services provided to procure tenants for the properties owned by the unconsolidated joint venture. Fees are 1% of the total value of all leases executed for the properties, including new leases, renewals, extensions or other modifications.

- *Asset Management Fees/Financing Fees*—Asset management fees are incurred for evaluating property value, performance, and/or condition, appealing property assessments or tax valuations, recommending ways to enhance value, and procuring financing. The fees are charged at hourly rates ranging from $40 – $125 for asset management services. In addition, financing fees are paid for any permanent financing placed on the properties, with fees of either of 25 – 50 basis points times the financed amount or a flat fee of $50,000.

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In addition to the fees noted above, certain unconsolidated joint ventures also reimburse us for monthly maintenance and facilities management services provided to the properties owned by the unconsolidated joint ventures.

Fees earned by us from the unconsolidated joint ventures are as follows (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Property management fees	$ 1,013	$ 1,202	$1,604	$1,407	$ 943
Construction management fees	11	8	12	24	192
Acquisition and disposition fees	—	—	—	—	1,295
Leasing fees	957	—	—	—	—
Asset management fees/financing fees	130	—	—	—	187
Maintenance reimbursements	90	90	120	107	104
	$ 2,201	$ 1,300	$1,736	$1,538	$2,721

Fees receivable from the unconsolidated joint ventures of $0.05 million, $0.09 million, and $0.11 million as of September 30, 2010 (unaudited), December 31, 2009 and December 31, 2008, respectively, are included in accounts receivable.

Certain affiliated entities have made loans to affiliates in order to attain a higher return on excess cash balances, and these loans are classified as notes receivable from affiliates. The notes bear interest at LIBOR and are to be repaid upon demand. A summary of the outstanding notes receivable balances and interest income are as follows (In thousands):

	As of and for the nine months ended September 30,		As of and for the year ended December		
	2010	2009	2009	2008	2007
	(unaudited)				
Notes receivable	$ 21,769	$ 21,649	$20,969	$22,099	$17,994
Interest income	$ 43	$ 63	$ 76	$ 641	$ 1,675

We received unsecured loans on January 15, 2008 from certain of the entities that own Del Monte Center for $12.0 million, the proceeds of which were used to fund construction at the property. The notes bear interest at 10.000% and require monthly principal and interest payments until maturity on March 1, 2013. These notes have been classified as notes payable to affiliates. Interest expense related to these notes was $0.5 million and $0.7 million for the nine months ended September 30, 2010 and 2009 (unaudited), respectively, and $0.9 million and $1.0 million for the years ended December 31, 2009 and 2008, respectively.

At Valencia Corporate Center and ICW Plaza we lease space to Insurance Company of the West, which is under the indirect control of Ernest Rady. At Torrey Reserve—South Court we also leased space to Insurance Company of the West for 2007 through 2009. Rental revenue recognized on the leases of $3.3 million and $3.7 million for the nine months ended September 30, 2010 and 2009 (unaudited), respectively, and $4.7 million, $5.4 million, and $5.1 million for the years ended December 31, 2009, 2008 and 2007, respectively, is included in rental income. Prepaid rent from Insurance Company of the West of $0.3 million, $0.3 million, and $0.3 million are included in other liabilities and deferred credits as of September 30, 2010 (unaudited), December 31, 2009, and December 31, 2008, respectively.

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14. SEGMENT REPORTING

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in three business segments: (i) the acquisition, development, redevelopment, ownership and management of office real estate, (ii) the acquisition, development, redevelopment, ownership and management of retail real estate, and (iii) the acquisition, development, redevelopment, ownership and management of multifamily real estate. The products for our office segment primarily include rental of office space and other tenant services, including parking and storage space rental. The products for our retail segment primarily include rental of the retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services.

Asset information by segment is not reported because we do not use this measure to assess performance and make decisions to allocate resources. Therefore, depreciation and amortization expense is not allocated among segments. Interest and other income, general and administrative expenses, interest expense, and depreciation and amortization expense are not included in segment profit as our internal reporting addresses these items on a corporate level.

Segment profit is not a measure of operating income or cash flows from operating activities as measured by GAAP, and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate segment profit in the same manner. We consider segment profit to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of our properties.

The following table represents operating activity within our reportable segments. Results for our office segment have been adjusted for all periods presented to exclude results from our Chicago office property sold during 2008 and classified as discontinued operations (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Total Office*					
Rental revenue	$ 24,891	$ 20,259	$ 26,635	$ 26,556	$ 25,283
Rental expense	(7,285)	(5,312)	(6,764)	(6,743)	(7,017)
Segment profit	17,606	14,947	19,871	19,813	18,266
Total Retail					
Rental revenue	58,624	56,291	75,895	79,763	77,856
Rental expense	(14,855)	(11,461)	(17,191)	(21,178)	(20,138)
Segment profit	43,769	44,830	58,704	58,585	57,718
Total Multifamily					
Rental revenue	10,692	10,866	14,513	14,624	14,369
Rental expense	(3,455)	(3,316)	(4,687)	(4,998)	(5,397)
Segment profit	7,237	7,550	9,826	9,626	8,972
Total segments' profit	$ 68,612	$ 67,327	$ 88,401	$ 88,024	$ 84,956

* Includes operations of Landmark, beginning June 30, 2010, upon acquisition of controlling interest of the property.

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

The following table is a reconciliation of segment profit to net loss attributable to Predecessor (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Total segments' profit	$ 68,612	$ 67,327	$ 88,401	$ 88,024	$ 84,956
General and administrative	(4,924)	(5,089)	(7,058)	(8,690)	(10,471)
Depreciation and amortization	(27,347)	(22,285)	(29,858)	(31,089)	(31,376)
Interest income	62	134	173	1,167	2,462
Interest expense	(34,057)	(32,395)	(43,290)	(43,737)	(42,902)
Fee income from real estate joint ventures	2,201	1,300	1,736	1,538	2,721
Income (loss) from real estate joint ventures	866	(3,685)	(4,865)	(19,272)	(7,191)
Results from discontinued operations	—	—	—	554	(2,874)
Net income (loss)	5,413	5,307	5,239	(11,505)	(4,675)
Net income attributable to noncontrolling interests	(1,905)	(787)	(1,205)	(4,488)	(2,140)
Net income (loss) attributable to predecessor	$ 7,318	$ 6,094	$ 6,444	$ (7,017)	$ (2,535)

American Assets Trust, Inc. Predecessor

Notes to Combined Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008, and 2007

SCHEDULE III—Combined Real Estate and Accumulated Depreciation
(In thousands)

Description	Encumbrance as of December 31, 2009	Initial Cost		Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2009		Accumulated Depreciation and Amortization	Year Built/ Renovated	Date Acquired	Life on which depreciation in latest income statements is computed
		Land	Building and Improvements		Land	Building and Improvements				
Alamo Quarry Market	$ 99,886	$ 26,396	$ 109,294	4,382	$ 26,396	$ 113,676	$ (22,844)	1997/1999	12/9/2003	35 years
Carmel Country Plaza	10,395	4,200	—	12,285	4,200	12,285	(6,547)	1991	1/10/1989	35 years
Carmel Mountain Plaza	64,195	22,477	65,217	1,091	22,566	66,219	(15,765)	1994	3/28/2003	35 years
Del Monte Center	82,300	27,412	87,570	19,936	27,412	107,506	(22,432)	1967/1984/2006	4/8/2004	35 years
Lomas Santa Fe Plaza	20,097	8,600	11,282	9,416	8,620	20,678	(10,178)	1972/1997	6/12/1995	35 years
Rancho Carmel Plaza	8,156	3,450	—	3,635	3,487	3,598	(2,039)	1993	4/30/1990	35 years
The Shops at Kalakaua	19,000	13,993	10,919	—	13,993	10,919	(1,697)	1971/2006	3/31/2005	35 years
South Bay Marketplace	23,000	4,401	—	11,113	4,401	11,113	(5,980)	1997	9/16/1995	35 years
Waikele Center	140,700	55,593	126,858	54,842	70,210	167,083	(24,923)	1993/2008	9/16/2004	35 years
160 King Street	42,931	15,104	42,578	694	15,104	43,272	(7,307)	2002	5/2/2005	40 years
Torrey Reserve Campus:										
ICW Plaza	43,000	4,095	—	24,155	4,377	23,873	(8,359)	1996-1997	6/6/1989	40 years
North Court	22,392	3,263	—	26,987	6,092	24,158	(9,419)	1997-1998	6/6/1989	40 years
South Court	13,223	3,285	—	25,490	6,275	22,500	(10,604)	1996-1997	6/6/1989	40 years
VC I	1,751	567	—	2,485	997	2,055	(761)	1998	6/6/1989	40 years
VC II	1,455	457	—	2,229	803	1,883	(634)	1998	6/6/1989	40 years
VC III	2,683	389	—	3,713	706	3,396	(1,316)	2000	6/6/1989	40 years
Torrey Daycare	1,687	715	—	2,001	1,247	1,469	(551)	1996-1997	6/6/1989	40 years
Torrey Reserve	—	229	—	2,388	393	2,224	(297)	N/A	6/6/1989	N/A
Valencia Corporate Center	23,723	7,657	—	30,044	7,812	29,889	(11,238)	1999-2007	7/28/1998	40 years
Imperial Beach Gardens	20,000	1,281	4,820	4,309	1,281	9,129	(6,623)	1959/2008-present	7/31/1985	30 years
Loma Palisades	73,744	14,000	16,570	19,311	14,052	35,829	(20,990)	1958/2001-2008	7/20/1990	30 years
Mariner's Point	7,700	2,744	4,540	587	2,744	5,127	(1,618)	1986	5/9/2001	30 years
Santa Fe Park RV Resort	1,902	401	928	727	401	1,655	(1,281)	1971/ 2007-2008	6/1/1979	30 years
Sorrento Valley Holdings	—	2,073	741	2,413	2,073	3,154	(721)	N/A	5/9/1997	N/A
	$ 723,920	$222,782	$ 481,317	$264,233	$245,642	$ 722,690	$ (194,124)			

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Owners
Novato FF Venture, LLC

We have audited the accompanying balance sheets of Novato FF Venture, LLC (the "Venture") as of December 31, 2009 and 2008, and the related statements of operations, equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Venture's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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. We were not engaged to perform an audit of the Venture's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Venture's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial position of Novato FF Venture, LLC at December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

Novato FF Venture, LLC

Balance Sheets
(In Thousands)

	As of September 30, 2010 (unaudited)	As of December 31, 2009	As of December 31, 2008
Assets			
Real estate, at cost			
Operating real estate	$ 233,821	$291,719	$291,719
Construction in progress	60	1,980	1,267
	233,881	293,699	292,986
Accumulated depreciation	(1,558)	(18,227)	(11,297)
Net real estate	232,323	275,472	281,689
Cash and cash equivalents	2,576	1,121	1,047
Accounts receivable, net	1,852	12	416
Prepaid expenses and other assets	25,936	28,338	31,536
Debt issuance costs, net of accumulated amortization	578	665	781
Total assets	$ 263,265	$305,608	$315,469
Liabilities and equity			
Liabilities:			
Secured note payable	$ 173,296	$175,199	$177,944
Accounts payable and accrued expenses	2,673	76	614
Other liabilities and deferred credits	14,578	15,791	17,410
Total liabilities	190,547	191,066	195,968
Commitments and contingencies			
Equity	72,718	114,542	119,501
Total liabilities and equity	$ 263,265	$305,608	$315,469

See accompanying notes.

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Novato FF Venture, LLC

Statements of Operations
(In Thousands)

	For the nine months ended September 30,		Year ended December 31,		
	2010	2009	2009	2008	2007
	(unaudited)				
Revenue:					
Rental income	$ 16,089	$18,691	$ 24,942	$ 24,855	$14,635
Expenses:					
Rental expenses	24	52	63	148	53
Real estate taxes	(194)	2,408	3,231	3,144	1,625
General and administrative	217	208	271	286	183
Depreciation and amortization	7,316	7,491	9,987	9,987	6,293
Impairment loss	38,465	—	—	—	—
Total operating expenses	45,828	10,159	13,552	13,565	8,154
Operating (loss) income	(29,739)	8,532	11,390	11,290	6,481
Interest income	—	4	4	22	182
Interest expense	(7,885)	(8,023)	(10,703)	(10,907)	(6,973)
Net income (loss)	$(37,624)	$ 513	$ 691	$ 405	$ (310)

See accompanying notes.

Novato FF Venture, LLC

Statements of Equity
(In Thousands)

For the nine months ended September 30, 2010 (unaudited) and the years ended December 31, 2009, 2008 and 2007

Equity, December 31, 2006	$ —
Contributions	127,856
Distributions	(2,900)
Net income (loss)	(310)
Equity, December 31, 2007	124,646
Distributions	(5,550)
Net income	405
Equity, December 31, 2008	119,501
Distributions	(5,650)
Net income	691
Equity, December 31, 2009	114,542
Distributions	(4,200)
Net loss	(37,624)
Equity, September 30, 2010 (unaudited)	$ 72,718

See accompanying notes.

Novato FF Venture, LLC

Statements of Cash Flows (In Thousands)

	For the nine months ended September 30, 2010	For the nine months ended September 30, 2009	Year ended December 31, 2009	Year ended December 31, 2008	Year ended December 31, 2007
	(unaudited)	(unaudited)			
OPERATING ACTIVITIES					
Net (loss) income	$(37,624)	$ 513	$ 691	$ 405	$ (310)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Impairment loss	38,465	—	—	—	—
Depreciation and amortization	7,316	7,491	9,987	9,987	6,293
Amortization of debt issuance costs	87	87	116	116	77
Net accretion of above and below market lease intangibles	(1,112)	(1,112)	(1,483)	(1,483)	(934)
Amortization of debt fair market value adjustments	359	359	479	479	302
Changes in operating assets and liabilities					
(Increase) decrease in accounts receivable	(1,840)	(419)	404	(114)	(302)
Decrease (increase) in prepaid expenses and other assets	6	22	5	(14)	(8)
Increase (decrease) in accounts payable and accrued expenses	2,649	1,223	(424)	333	116
Increase in other liabilities	—	—	—	100	1,336
Net cash provided by operating activities	8,306	8,164	9,775	9,809	6,570
INVESTING ACTIVITIES					
Acquisition of real estate	—	—	—	—	(127,735)
Capital expenditures	(389)	(663)	(827)	(1,102)	(15)
Net cash used in investing activities	(389)	(663)	(827)	(1,102)	(127,750)
FINANCING ACTIVITIES					
Repayment of secured note payable	(2,262)	(2,139)	(3,224)	(3,020)	(1,892)
Debt issuance costs	—	—	—	—	(974)
Contributions from members	—	—	—	—	127,856
Distributions to members	(4,200)	(4,200)	(5,650)	(5,550)	(2,900)
Net cash (used in) provided by financing activities	(6,462)	(6,339)	(8,874)	(8,570)	122,090
Net increase in cash and cash equivalents	1,455	1,162	74	137	910
Cash and cash equivalents, beginning of period	1,121	1,047	1,047	910	—
Cash and cash equivalents, end of period	$ 2,576	$ 2,209	$ 1,121	$ 1,047	$ 910
Supplemental cash flow information					
Cash paid for interest	$ 6,627	6,749	$10,108	$10,312	$ 6,594
Supplemental schedule of noncash investing and financing activities					
Accounts payable and accrued expenses for property under development	$ (51)	$ (109)	$ (114)	$ 165	$ —
Assumption of debt upon acquisition	—	—	—	—	$ 182,076

See accompanying notes.

Novato FF Venture, LLC

Notes to Financial Statements
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

Novato FF Venture, LLC ("we," "our" or "us") is a joint venture between an entity controlled by Ernest Rady with a 25% managing member interest and General Electric Pension Trust ("GEPT") with a 75% member interest. We were formed in May 15, 2007 to acquire the Fireman's Fund Headquarters office building (the "Property") in Novato, California. The entire Property is triple-net leased to Fireman's Fund Insurance Company. Under the lease agreement, Fireman's Fund Insurance Company, as the tenant, is directly responsible for the property operating expenses, except for insurance and interest. Property taxes are our responsibility and billed to the tenant.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as "GAAP," requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Subsequent events have been evaluated through the date the financial statements were issued.

Revenue Recognition and Accounts Receivable

Our lease with the tenant is classified as an operating lease. The lease contains contingent increases based on the consumer price index. Base rents are recognized when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Real estate taxes and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred.

We make estimates of the collectability of our accounts receivable related to rents, expense reimbursements and other revenue. Accounts receivable is carried net of this allowance for doubtful accounts. We generally do not require collateral or other security from our tenants, other than letters of credit or security deposits. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. At September 30, 2010 (unaudited), December 31, 2009 and December 31, 2008, we determined no allowance for doubtful accounts was necessary.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. The estimated useful life is 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

value. In 2009, 2008 and 2007, real estate depreciation expense was $6.9 million, $6.9 million and $4.4 million, respectively. Real estate depreciation expense was $5.0 million and $5.2 million for the nine months ended September 30, 2010 and 2009 (unaudited), respectively.

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

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

Impairment of Long Lived Assets

Impairment is recognized on our Property held for use when the expected undiscounted cash flows are less than its carrying amount at which time the Property is written-down to fair value. If the Property becomes held for sale it would be recorded at the lower of the carrying amount or the expected sales price less costs to sell.

As discussed in Note 8, the tenant has a right of first offer to acquire the Property. In anticipation of the potential REIT formation transactions, we, together with GEPT, delivered an offer notice to the tenant in August 2010, which the tenant rejected. A second offer notice was delivered to the tenant in October 2010. The tenant has until November 19, 2010 to respond to the offer. This delivery of the offer notice to the tenant potentially impacts our ability to hold the Property for long term investment. As a result of this potential inability to hold the Property for long term investment, combined with the decline in real estate values since the Property's acquisition, we recorded an impairment loss of $38.5 million during the nine months ended September 30, 2010 (unaudited). Based on the significance of unobservable inputs used in estimating the fair value of our Property, we classify this fair value measurement within Level 3 of the valuation hierarchy. (See Note 7 for hierarchy levels).

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity less than three months. Cash balances in individual banks may exceed the federally insured limit of $250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). At September 30, 2010 (unaudited) and December 31, 2009, we had $1.6 million and $0.4 million, respectively, in excess of the FDIC insured limit. At September 30, 2010 (unaudited) and December 31, 2009, we had $0.5 million and $0.5 million, respectively, in money market funds that are not FDIC insured.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of lease costs, acquired in place leases and acquired above market leases. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions and fees paid to American Assets, Inc. ("AAI"), an affiliate. Capitalized lease costs are amortized over the life of the related lease and included in depreciation and amortization expense on the statement of operations. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off.

Debt Issuance Costs

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

Income Taxes

We are a limited liability company. Under applicable federal and state income tax rules, the allocated share of net income or loss from a limited liability company is reportable in the income tax returns of the respective members.

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

FASB Accounting Standards Codification

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

Recently Adopted Accounting Pronouncements

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

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

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

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

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

Unaudited interim information

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

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 2. REAL ESTATE PROPERTY

A summary of our real estate property and related encumbrance is as follows (In thousands):

	September 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
Land	$ 34,628	$ 43,203	$ 43,203
Building and improvements	199,253	250,496	249,783
	233,881	293,699	292,986
Accumulated depreciation	(1,558)	(18,227)	(11,297)
	$ 232,323	$ 275,472	$ 281,689
Encumbrance	$ 175,708[1]	$ 177,970[1]	$ 181,193[1]

(1) Balances do not agree to the balance sheet due to an unamortized fair value adjustment.

On May 15, 2007, we acquired our Property located in Novato, California, known as Fireman's Fund Headquarters. The aggregate net acquisition cost for the Property approximated $313.8 million, including assumption of $186.1 million in debt. We estimated the fair values with the assistance of a third party appraisal firm. The fair values assigned to identifiable intangible assets acquired were based on estimates and assumptions determined by management. Using information available at the time the acquisition closed, we allocated the purchase price to tangible assets and liabilities and identified intangible assets and liabilities. The identified intangible assets and liabilities are being amortized over a weighted average life of 11.5 years.

The allocation of the estimated fair value of this acquired asset and liabilities was as follows:

Land	$ 43,203
Building	234,933
Land improvements	6,089
Tenant improvements	7,478
Total Real Estate	291,703
Prepaid expenses and other assets	36,719
Total assets	$ 328,422
Secured note payable	182,076
Other liabilities and deferred credits	18,612
Total liabilities	$ 200,688

We allocated $31.9 million, $1.6 million, and $3.2 million to acquired in-place leases, acquired above market leases, and lease commissions and other intangible assets, respectively, which are included in prepaid expenses and other assets above. We allocated $18.6 million to acquired below market leases liability, which is included in other liabilities and deferred credits above. We further recorded a $4.0 million adjustment to record the assumed debt at fair value, which is included in secured note payable above. The adjustment is being amortized to interest expense over the life of the related debt.

There were no dispositions in 2009, 2008 and 2007 or 2010 to date.

As discussed in Note 8, the tenant has a right of first offer to acquire the Property. In anticipation of the potential REIT formation transactions, we, together with GEPT, delivered an offer notice to the tenant in

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

August 2010, which the tenant rejected. A second offer notice was delivered to the tenant in October 2010. The tenant has until November 19, 2010 to respond to the offer. This delivery of the offer notice to the tenant potentially impacts our ability to hold the Property for long term investment. As a result of this potential inability to hold the Property for long term investment, combined with the decline in real estate values since the Property's acquisition, we recorded an impairment loss of $38.5 million during the nine months ended September 30, 2010 (unaudited). Based on the significance of unobservable inputs used in estimating the fair value of our Property, we classify this fair value measurement within Level 3 of the valuation hierarchy. (See Note 7 for hierarchy levels).

NOTE 3. ACQUIRED IN-PLACE LEASES AND ABOVE/BELOW-MARKET LEASES

Acquired in-place leases are included in prepaid expenses and other assets and had a balance of $31.9 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively and accumulated amortization of $9.4 million (unaudited), $7.3 million and $4.5 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired above market leases are included in prepaid expenses and other assets and had a balance of $1.6 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively and accumulated amortization of $0.5 million (unaudited), $0.4 million and $0.2 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. Acquired below market leases are included in other liabilities and deferred credits and had a balance of $18.6 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively and accumulated amortization of $5.5 million (unaudited), $4.3 million and $2.6 million at September 30, 2010 (unaudited), December 31, 2009 and 2008, respectively. The value allocated to in-place leases is amortized over the related lease term as depreciation and amortization expense in the statement of operations. Above and below market leases are amortized over the related lease term as additional rental income for below market leases or a reduction of rental income for above market leases in the statement of operations. Rental income included net amortization from acquired above and below market leases of $1.5 million, $1.5 million and $0.9 million in 2009, 2008 and 2007, respectively and $1.1 million for the nine months ended September 30, 2010 and 2009 (unaudited). The remaining weighted-average amortization period as of December 31, 2009, is 8.9 years for in-place leases, above-market leases and below-market leases.

Increases (decreases) in net income as a result of amortization of the in-place leases, above-market leases and below-market leases are as follows (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Amortization of in-place leases	$(2,077)	$(2,077)	$(2,770)	$(2,770)	$(1,745)
Amortization of above market leases	(102)	(102)	(135)	(135)	(85)
Amortization of below market leases	1,214	1,214	1,618	1,618	1,019
	$ (965)	$ (965)	$(1,287)	$(1,287)	$ (811)

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

As of December 31, 2009, the amortization for acquired in-place leases during the next five years and thereafter, assuming no early lease terminations, is as follows (In thousands):

	In Place Leases	Above Market Leases	Below Market Leases
Year ending December 31,			
2010	$ 2,770	$ 135	$ 1,618
2011	2,770	135	1,618
2012	2,770	135	1,618
2013	2,770	135	1,618
2014	2,770	135	1,618
Thereafter	10,718	526	6,265
	$24,568	$1,201	$14,355

NOTE 4. PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following as of (In thousands):

	September 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
Leasing commissions, net of accumulated amortization of $970, $755 and $468, respectively	$ 2,330	$ 2,545	$ 2,833
Acquired above market leases, net	1,100	1,201	1,337
Acquired in place leases, net	22,490	24,568	27,337
Other intangible assets, net of accumulated amortization of $2, $2 and $1, respectively	6	6	7
Prepaid expenses and deposits	10	18	22
Total prepaid expenses and other assets	$ 25,936	$ 28,338	$ 31,536

NOTE 5. OTHER LIABILITIES AND DEFERRED CREDITS

Other liabilities and deferred credits consist of the following as of (In thousands):

	September 30, 2010 (unaudited)	December 31, 2009	December 31, 2008
Acquired below market leases, net	$ 13,142	$ 14,355	$ 15,974
Prepaid rent	1,436	1,436	1,436
Total other liabilities and deferred credits	$ 14,578	$ 15,791	$ 17,410

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 6. SECURED NOTE PAYABLE

The following is a summary of our secured note payable outstanding as of September 30, 2010 (unaudited), December 31, 2009 and December 31, 2008 (In thousands):

	Balance as of				
	September 30, 2010 (unaudited)	December 31, 2009	December 31, 2008	Stated Interest Rate as of September 30, 2010	Stated Maturity Date
Secured Note	$ 175,708	$177,970	$181,193	5.548%	October 1, 2015[1]
Unamortized fair value adjustment	(2,412)	(2,771)	(3,249)		
	$ 173,296	$175,199	$177,944		

(1) Anticipated maturity date is October 1, 2015, which is the date that if the loan is not paid the interest rate increases to 10.548%. Extended maturity date is October 15, 2018.

Scheduled principal payments as of December 31, 2009 are as follows (In thousands):

	Total Principal
Year Ending December 31,	
2010	$ 3,134
2011	3,590
2012	3,770
2013	4,015
2014	4,246
Thereafter	159,215
	177,970
Unamortized fair value adjustment	(2,771)
	$ 175,199

NOTE 7. FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability. The hierarchies for inputs used in measuring fair value are as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities

2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities

3. Level 3 Inputs—unobservable inputs

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. The fair value of our note payable is sensitive to fluctuations in interest rates. Discounted cash flow

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

analysis (Level 2) is generally used to estimate the fair value of our note payable. Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. A summary of the carrying amount and fair value of our note payable is as follows (In thousands):

	September 30, 2010		December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value	Carrying Value	Fair Value
Note payable	$ 173,296	$ 175,708	$ 175,199	$ 174,445	$ 177,944	$ 177,809

NOTE 8. COMMITMENTS AND CONTINGENCIES

Legal

We are sometimes involved in lawsuits, warranty claims and environmental matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of any legal matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also under our lease, the tenant is obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us as owner of the property due to certain matters relating to the operation of the property by the tenant.

Concentrations of Credit Risk

Fireman’s Fund Insurance Company is the only tenant in the Fireman’s Fund Headquarters building. The audited financial statements of Fireman’s Fund Insurance Company, presented on a statutory basis, are available to the public on the company’s website. Our lease with Fireman’s Fund Insurance Company expires in November 2018.

Tenant Right of First Offer

Pursuant to the terms of our lease agreement, the tenant, Fireman’s Fund Insurance Company, has a right of first offer to purchase the Property if we propose to sell all or a portion of the Property. In the event that we choose to dispose of this Property, we would be required to notify Fireman’s Fund Insurance Company, prior to offering this Property to any other potential buyer, of the price at which we would be willing to sell the Property and Fireman’s Fund Insurance Company would have the right, within 30 days of receiving such notice, to agree to purchase the Property at that price. The existence of this right of first offer could adversely impact our ability to obtain the highest possible price for this Property during the term of the lease as we would not be able to offer this Property to potential purchasers through a competitive bid process or in a similar manner designed to maximize the value obtained for the Property without first offering to sell this Property to Fireman’s Fund Insurance Company. As part of an anticipated REIT formation transaction we delivered an offer notice to the tenant on August 27, 2010, which the tenant rejected. A second offer notice was delivered to the tenant in October 2010. The tenant has until November 19, 2010 to respond to the offer. If the tenant accepts the offer, it would be binding, and we could be forced to sell the Property to the tenant.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 9. OPERATING LEASES

Our lease with Fireman's Fund Insurance Company is classified as an operating lease.

As of December 31, 2009, minimum future rents from Fireman's Fund Insurance Company's noncancelable operating lease, before any reserve for uncollectible amounts and assuming no early lease termination, is as follows (In thousands):

2010	$ 20,228
2011	20,228
2012	20,228
2013	20,228
2014	20,228
Thereafter	77,877
Total	$ 179,017

NOTE 10. COMPONENTS OF RENTAL INCOME

The principal components of rental income are as follows (In thousands):

	Nine Months Ended September 30,		Year Ended December 31,		
	2010	2009	2009	2008	2007
	(Unaudited)				
Minimum rents	$ 16,283	$ 16,283	$21,711	$21,711	$13,010
Cost reimbursement	(194)	2,408	3,231	3,144	1,625
Total rental income	$ 16,089	$ 18,691	$24,942	$24,855	$14,635

Minimum rents include $1.5 million, $1.5 million and $0.9 million for 2009, 2008 and 2007, respectively, and $1.1 million for the nine months ended September 30, 2010 and 2009 (unaudited) to recognize income from the amortization of above and below market leases. Cost reimbursements include a $2.6 million refund of real estate tax reimbursements to the tenant for tax years 2007 through 2010 related to a real estate tax refund which will be received from the county of Marin for those tax years.

NOTE 11. RELATED PARTY TRANSACTIONS

Our property is managed by the property management business of AAI, an affiliate. The on-site property management of the Property is performed by the tenant. These agreements provide for the following fees to be paid to AAI:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the property. Fees are 1.25% of gross monthly cash collections each month. Property management fees are included general and administrative expenses on the statement of operations.

- *Acquisition Fees*—Acquisition fees are incurred for services provided in conjunction with the acquisition of the property. Fees were $1.56 million at acquisition and were capitalized to the related real estate asset.

Novato FF Venture, LLC

Notes to Financial Statements—(Continued)
September 30, 2010 and 2009 (unaudited) and December 31, 2009, 2008 and 2007

The AAI fees incurred are as follows (In thousands):

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Year Ended December 31, 2009	Year Ended December 31, 2008	Year Ended December 31, 2007
	(Unaudited)				
Property management fees	$ 190	$ 190	$253	$256	$ 148
Acquisition fees	—	—	—	—	1,560
	$ 190	$ 190	$253	$256	$1,708

Fees payable to AAI of $0.02 million, $0.02 million, and $0.02 million are included in accounts payable and accrued expenses as of September 30, 2010 (unaudited), December 31, 2009, and December 31, 2008, respectively.

ABW Lewers LLC

Consolidated Financial Statements

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ABW Lewers LLC

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Report of Independent Auditors

To the Members of
ABW Lewers LLC

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and members' deficiency, and cash flows present fairly, in all material respects, the financial position of ABW Lewers LLC and its subsidiaries (the "Company") at December 31, 2009 and 2008 and the results of their operations and their cash flows in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The interim financial information for the nine-month periods ended September 30, 2010 and 2009 has not been subjected to auditing procedures and accordingly, we express no opinion on it.

/s/ ACCUITY LLP

Honolulu, Hawaii
March 31, 2010

ABW Lewers LLC

Consolidated Balance Sheets
September 30, 2010 (Unaudited) and December 31, 2009 and 2008
(All Dollars in Thousands)

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Assets			
Current assets			
Cash	$ 4,675	$ 3,961	$ 2,408
Restricted cash	491	655	416
Investment securities available-for-sale	1,001	900	1,400
Receivables, net	360	461	743
Receivables from affiliates, net	50	—	—
Prepaid expenses	228	1	188
Total current assets	6,805	5,978	5,155
Property and equipment, net	89,491	94,131	100,236
Deferred loan and lease costs, net of accumulated amortization of $2,234 at September 30, 2010, $1,756 at December 31, 2009 and $1,162 at December 31, 2008	3,532	4,009	4,712
Investment in equity method investee	2,965	3,044	3,030
Restricted cash and certificate of deposit	365	357	530
Noncurrent receivables, net	18	101	110
Deferred rent receivable	2,176	2,001	1,751
Total assets	$ 105,352	$ 109,621	$ 115,524
Liabilities and Members’ Deficiency			
Current liabilities			
Accounts payable and accrued expenses	$ 354	$ 412	$ 493
Deferred revenue	342	341	329
Payable to affiliates, net	—	156	467
Current portion of notes payable	255	245	232
Total current liabilities	951	1,154	1,521
Deferred rent payable	237	210	153
Security deposits	859	878	957
Notes payable	145,426	145,619	145,864
Total liabilities	147,473	147,861	148,495
Members’ deficiency	(42,121)	(38,240)	(32,971)
Total liabilities and members’ deficiency	$ 105,352	$ 109,621	$ 115,524

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

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ABW Lewers LLC

Consolidated Statements of Operations and Members' Deficiency
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Nine-Month Periods Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Revenue					
Rental	$ 7,171	$ 7,251	$ 9,667	$ 10,887	$ 8,907
Common area recoveries	1,711	1,818	2,409	2,334	1,567
Other tenant recoveries	809	753	1,018	1,277	960
Parking	1,627	1,629	2,166	1,936	1,544
Other	60	37	52	116	82
Total revenues	11,378	11,488	15,312	16,550	13,060
Operating expenses					
Common area expenses	1,829	1,874	2,495	2,472	1,978
Other tenant expenses	888	820	1,111	1,358	1,033
Parking expense	64	59	1,146	990	803
Landlord expense	915	852	89	111	145
Depreciation expense	4,641	4,653	6,208	6,153	5,683
Other	635	897	1,111	1,367	663
Total operating expenses	8,972	9,155	12,160	12,451	10,305
Operating income	2,406	2,333	3,152	4,099	2,755
Other income (expense)					
Interest income	5	13	15	11	17
Interest expense	(6,213)	(6,223)	(8,315)	(8,262)	(7,908)
Equity in net loss of uncombined affiliate	(79)	(79)	(106)	(110)	(107)
Net other expense	(6,287)	(6,289)	(8,406)	(8,361)	(7,998)
Net loss	(3,881)	(3,956)	(5,254)	(4,262)	(5,243)
Members' deficiency					
Beginning of period/year	(38,240)	(32,971)	(32,971)	(12,388)	66,077
Member contributions	—	—	—	—	49,692
Member distributions	—	—	(15)	(16,321)	(122,914)
End of period/year	$ (42,121)	$ (36,927)	$(38,240)	$(32,971)	$ (12,388)

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

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ABW Lewers LLC

Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Nine-Month Periods Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Cash flows from operating activities					
Net loss	$(3,881)	$(3,956)	$(5,254)	$(4,262)	$ (5,243)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Depreciation	4,641	4,653	6,208	6,153	5,683
Amortization of deferred loan and leasing fees	478	474	661	631	512
Write-off of deferred loan fees	—	—	—	—	271
Write-off of deferred leasing fees	—	25	70	86	—
Equity in net loss of uncombined affiliate	79	79	106	110	107
Straight-line effect on rent expense	27	42	57	76	77
Straight-line effect on rental income	(175)	(193)	(250)	(531)	(1,085)
Bad debt expense	120	385	425	673	93
Changes in					
Receivables	64	(73)	(134)	(693)	(541)
Prepaid expenses	(227)	(42)	187	6	(194)
Accrued leasing fees	(1)	(5)	(28)	(115)	(989)
Accounts payable and accrued expenses	42	231	46	(176)	(68)
Deferred revenue	1	(64)	12	109	170
Payable to affiliates, net	(206)	(77)	(48)	(196)	580
Security deposits	(19)	(66)	(79)	10	136
Net cash provided by (used in) operating activities	943	1,413	1,979	1,881	(491)
Cash flows from investing activities					
Capital expenditures	(101)	(239)	(230)	(1,132)	(29,841)
Proceeds from sales of investment securities	200	900	1,000	—	—
Purchase of investment securities and certificate of deposit	(301)	(200)	(500)	(1,400)	—
Change in restricted cash	156	158	(66)	34	560
Construction costs recovered from affiliates	—	—	—	—	48,663
Investment in affiliate	—	—	—	—	(194)
Net cash provided by (used in) investing activities	(46)	619	204	(2,498)	19,188

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

ABW Lewers LLC

Consolidated Statements of Cash Flows
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Nine-Month Periods Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Cash flows from financing activities					
Member contributions	—	—	—	—	49,692
Member distributions	—	—	(398)	(16,622)	(122,190)
Loan costs paid	—	—	—	(89)	(3,390)
Repayments of note payable	(183)	(173)	(232)	(214)	(90,937)
Proceeds from note payable	—	—	—	16,000	150,000
Net cash used in financing activities	(183)	(173)	(630)	(925)	(16,825)
Net increase (decrease) in cash	714	1,859	1,553	(1,542)	1,872
Cash					
Beginning of period/year	3,961	2,408	2,408	3,950	2,078
End of period/year	$ 4,675	$ 4,267	$3,961	$ 2,408	$ 3,950
Supplemental cash flow information					
Interest paid	$ 5,947	$ 5,957	$7,960	$ 7,909	$ 7,355
Noncash investing and financing activities					
Capital contributions payable to equity method investee	$ —	$ —	$ 110	$ —	$ —
Accrued member distribution	31	423	31	423	724

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

ABW Lewers LLC

Notes to Consolidated Financial Statements
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

1. Operations and Ownership

ABW Lewers LLC, a Hawaii limited liability company (the "Company"), was formed on October 11, 2005 pursuant to an operating agreement (the "Agreement") between Beachwalk Holdings, LP, which holds an 80% member interest, and WBW Retail LLC ("WBW"), which holds a 20% member interest. Under the terms of the operating agreement, WBW agreed to develop and guarantee lien free completion of a retail and entertainment center known as Waikiki Beach Walk (the "Center"). Construction of the Center was completed and operations commenced in December of 2006. As a limited liability company, the owners' liability is limited to the amount of their investment in the Company.

The Center, consisting of 96,569 leasable square feet of retail, restaurant and storage space and 377 parking stalls for public and valet parking is owned by two subsidiaries, ABW Holdings LLC and ABW 2181 Holdings LLC. At September 30, 2010, the Center was 97% leased and occupied.

The Center is managed and operated by Retail Resort Properties LLC ("RRP"), a limited liability company wholly-owned by Outrigger Hotels Hawaii ("OHH"), pursuant to the provisions of a management agreement. OHH is indirectly affiliated with WBW.

The Company incurred a net loss of $3,881 with net cash provided by operating activities of $943 for the nine-month period ended September 30, 2010. As of September 30, 2010, the Company had a members' deficiency of $42,121, which resulted from approximately $139,000 in member distributions made in connection with the long-term mortgage financing in 2008 and 2007. Although the Company had liabilities in excess of assets at September 30, 2010, management believes that the Company will be able to meet current obligations and debt service requirements with future cash flows from operations and cash balances on hand.

2. Summary of Significant Accounting Policies

Basis of Presentation

In the opinion of management, the accompanying consolidated financial statements of the Company include all adjustments necessary to present fairly its financial position as of September 30, 2010 and December 31, 2009 and 2008 and the results of operations and members' deficiency and cash flows for the nine-month periods ended September 30, 2010 and 2009 and the years ended December 31, 2009, 2008, and 2007. The results of operations for the period ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year or for any future period.

Principles of Consolidation

The consolidated financial statements of the Company include two wholly-owned single-purpose subsidiaries, ABW Holdings LLC ("ABWH") and ABW 2181 Holdings LLC ("ABW 2181"). These two entities own the Center and all other operating assets of the Company. The consolidated financial statements include the accounts and transactions of these subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions for the reporting period and as of the financial

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Cash Equivalents

The Company considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash and Certificate of Deposit

At September 30, 2010 and December 31, 2009 and 2008, restricted cash consisted of reserves held by the ABWH mortgage lender for current real estate and property taxes and insurance of $491, $655 and $416, respectively. At September 30, 2010 and December 31, 2009 and 2008, the lender held noncurrent reserves for tenant improvement allowances that amounted to $55, $47 and $220. The balances at September 30, 2010 and December 31, 2009 represents the Company's funding of a tenant improvement allowance reserve as required by the terms of the loan agreement. The balance at December 31, 2008 represented tenant allowances that were subsequently paid to tenants during 2009 after required reimbursement documentation was submitted to the Company. The lender also held $10 in noncurrent reserves for the replacement of property and equipment.

As of February 2008, the Company was also required to maintain a $300 certificate of deposit with the ABW 2181 mortgage loan lender, which is reflected in noncurrent restricted cash at September 30, 2010 and December 31, 2009 and 2008.

The Company received funding from one of the Parent's members for the completion of certain construction in connection with the retail portion on the Waikiki Beach Walk project. The Company used the funds provided to pay the remaining construction costs and distributed substantially all of the remaining amounts to the contributing member during 2009. At September 30, 2010, the Company estimates that approximately $31 is due to one of the Parent's members.

Receivables and Allowance for Doubtful Accounts

Receivables are initially recorded at the amount invoiced or otherwise due and normally do not bear interest. The Company maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of individual customer accounts as well as the overall aging of accounts, historical collection experience and current economic and business conditions. Generally, accounts past due by more than 30 days are considered delinquent. However, delinquent accounts are not written off until, in the judgment of management, they are deemed uncollectible based on an evaluation of the specific circumstances of each customer.

The allowance for doubtful accounts represents management's best estimate of potential uncollectible receivables. However, because of the uncertainties inherent in assessing the collectibility of receivables, it is at least reasonably possible that there will be near-term changes in management's estimate due to actual losses and other factors.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Deferred Loan and Lease Costs

Loan fees and origination costs associated with the Company's debt are deferred and amortized using the straight-line method over the term of the debt agreement, which approximates the effective interest method. These amounts are recorded as interest expense in the consolidated financial statements. The initial direct costs of leases, such as legal fees and leasing commissions are deferred and amortized using the straight-line method over the term of the lease agreements. These amounts are recorded as a reduction of rental income in the consolidated financial statements. Amortization expense for the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007 approximated $478, $474, $661, $631 and $512, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense and betterments and replacements are capitalized. Property retired or otherwise disposed of is removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on sales of assets are reflected in current operations.

Depreciation is calculated using the straight-line method based upon the shorter of the asset life or lease term using the following useful lives:

Building and improvements	15 – 39 years
Tenant improvements	Lease term
Furniture, fixtures and equipment	5 years

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of impairment is based on the estimated future net cash flows from operating activities compared with the carrying value of the asset. If the future net cash flows of an asset are less than the carrying value, a write-down is recorded and measured by the amount of the difference between the carrying value of the asset and the fair value of the asset. No impairment losses were recognized in 2010, 2009, 2008 or 2007.

Changes in estimates, based on market conditions and various other factors, may impact the future recoverability of the carrying value.

Investments

Investments in marketable debt securities are classified as available-for-sale and are reported at fair value based on quoted market prices. Realized gains and losses from the sale of investments available-for-sale are determined using the specific identification method.

Investments in minority-owned entities where the Company has the ability to significantly influence the operations of the investee are accounted for using the equity method of accounting. Equity method accounting is discontinued when an investee's accumulated losses equals or exceeds the Company's investment and the Company has no obligation to provide further financial support to the investee.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Revenue Recognition

The Company's operating revenue is derived principally from operating leases with retail and restaurant tenants including base minimum rents, percentage rents based on tenants' sales volume, recoveries of substantially all recoverable expenditures, and rents collected from transient patrons of the Center's parking stalls.

Substantially all tenants in the Center are required to pay percentage rents based on sales in excess of agreed levels during the lease year. The Company recognizes percentage rent only when each tenant's sales exceed a negotiated sales threshold.

The Company structures its leases in such a manner as to enable the Company to recover a significant portion of the property's operating, real estate, repairs and maintenance, and advertising and promotion expenses from the tenants. Property operation expenses typically include utilities, insurance, security, janitorial, landscaping, and administrative expenses. Revenues from tenants for recoverable portions of these expenses are recognized in the period the applicable expenditures are incurred.

The Company recognizes rental revenue from leases with scheduled rent escalations on a straight-line basis over the lease term. The difference between rental revenue recognized for financial statement purposes and the actual rent received approximated $2,176, $2,001 and $1,751 at September 30, 2010 and December 31, 2009 and 2008, respectively.

The Company reports revenues net of general excise taxes collected from or passed on to tenants.

Rental Expense

The Company recognizes its long-term land sublease, which contains scheduled rent escalations on a straight-line basis over the sublease term. The difference between rental expense recognized for financial statement purposes and the actual rent paid or currently due is reported as noncurrent deferred rent payable and approximated $237, $210 and $153 at September 30, 2010 and December 31, 2009 and 2008, respectively.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007 approximated $340, $332, $348, $374 and $280, respectively. Substantially all advertising costs were funded through tenant contributions as required by the provisions of the lease agreements.

Income Taxes

The Company is considered to be a flow through entity for federal and state income tax purposes. Income or loss for tax purposes accrues to the members and accordingly, no provision or credit for income taxes is reflected in the consolidated financial statements.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Concentrations of Credit Risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash, the restricted certificate of deposit, and receivables.

All of the Company's cash, with the exception of the restricted cash held by the ABWH lender's servicer, and the certificate of deposit are held with financial institutions in the State of Hawaii. At times, balances are in excess of depository insurance limits, however, the Company does not believe that this concentration of credit risk represents a material risk of loss with respect to its financial position.

The Company extends credit to customers in the normal course of business. To control credit risk, the Company performs ongoing credit evaluations and normally requires security in the form of cash deposits.

The Company's operations are primarily dependent on Hawaii's tourism industry. A significant portion of the Center's business is derived from tourists from the mainland United States and Japan.

Fair Value Measurements

For financial and nonfinancial assets and liabilities reported at fair value, the Company defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. The Company measures fair value using observable and unobservable inputs based on the following hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

- **Level 2:** Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

- **Level 3:** Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Segment Information

The Company has two reportable segments, the rental segment and parking segment, which are organized on the basis of revenues and assets. The rental segment primarily derives its revenues from operating leases with retail and restaurant tenants. The parking segment derives its revenues from rents collected from transient users of the Center's parking spaces. The performance of each segment is evaluated on the basis of operating income. The following is a summary of each reportable segment's operating income and the segment's assets as of and for the years ended December 31, 2009, 2008, and 2007:

	Year Ended December 31, 2009		
	Rental	Parking	Total
Revenues	$ 13,146	$2,166	$ 15,312
Operating income	2,442	710	3,152
Depreciation expense	5,898	310	6,208
Segment assets	104,914	4,707	109,621
Expenditures for property and equipment	103	—	103

	Year Ended December 31, 2008		
	Rental	Parking	Total
Revenues	$ 14,614	$1,936	$ 16,550
Operating income	3,461	638	4,099
Depreciation expense	5,845	308	6,153
Segment assets	110,512	5,012	115,524
Expenditures for property and equipment	850	—	850

	Year Ended December 31, 2007		
	Rental	Parking	Total
Revenues	$ 11,516	$1,544	$ 13,060
Operating income	2,298	457	2,755
Depreciation expense	5,399	284	5,683
Segment assets	115,804	5,277	121,081
Expenditures for property and equipment	29,841	—	29,841

3. Receivables

Current receivables consisted of the following:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Trade receivables	$ 766	$720	$1,086
Notes receivable	175	182	—
Other receivables	72	60	83
	1,013	962	1,169
Less: Allowance for doubtful accounts	653	501	426
	$ 360	$461	$ 743

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

At September 30, 2010 and December 31, 2009 and 2008, noncurrent notes receivable amounted to $18, $101 and $110, net of an allowance for doubtful accounts of $235, $267 and $75, respectively.

4. Property and Equipment

Property and equipment consisted of the following:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Land	$ 22,447	$ 22,447	$ 22,447
Building and improvements	75,123	75,123	75,098
Furniture, fixtures and equipment	14,773	14,773	14,767
	112,343	112,343	112,312
Less: Accumulated depreciation	(22,852)	(18,212)	(12,076)
	$ 89,491	$ 94,131	$100,236

5. Investments

At September 30, 2010 and December 31, 2009 and 2008, the cost and fair values of investment securities available-for-sale (municipal obligations) were $1,001, $900 and $1,400, respectively. These securities are classified as Level 2 (significant other observable inputs) under the fair value hierarchy as the fair value of the securities are estimated by extrapolated data and proprietary pricing models that use observable inputs, such as prices in active markets. There were no realized gains (losses) or unrealized holding gains (losses) associated with the securities during 2010, 2009 or 2008.

The Company has an 18.55% interest in WBW CHP LLC (“WBW CHP”), an entity that was formed to construct a chill water plant to provide air conditioning to the Center and other adjacent facilities. As of September 30, 2010 and December 31, 2009 and 2008, the Company’s investment in the uncombined affiliate approximated $2,965, $3,044 and $3,030, respectively. The operating expenses of WBW CHP, other than depreciation, are recovered through reimbursements from its members.

Condensed financial information of the investment is as follows:

	Nine-Month Period Ended September 30, 2010 (Unaudited)	Years Ended December 31, 2009	Years Ended December 31, 2008
Assets	$ 16,245	$16,507	$16,837
Liabilities	260	95	502
	$ 15,985	$16,412	$16,335
Revenue	$ —	$ —	$ —
Expenses	426	569	590
	$ (426)	$ (569)	$ (590)

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

6. Notes Payable

Long-term debt consisted of the following:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Mortgage note payable in monthly interest-only payments at 5.387%. Outstanding principal and interest is due in July 2017. The loan is collateralized by all assets of ABWH and its operations.	$ 130,310	$130,310	$130,310
Mortgage note payable in monthly installments of principal and interest of $90 with an interest rate of 5.375%, based on a 30-year amortization. Outstanding principal and interest is due in February 2013. The loan is collateralized by all assets of ABW 2181 and its operations.	15,371	15,554	15,786
Total long-term debt	145,681	145,864	146,096
Current portion	255	245	232
Noncurrent portion	$ 145,426	$145,619	$145,864

In February 2007, the Company entered into a 10-year $150,000 mortgage loan agreement with a financial institution. The mortgage loan, which matures in July 2017, requires monthly interest-only payments at 5.387%. The mortgage is collateralized by all of the assets and operations of the Company. In October 2007, the principal balance of the mortgage loan was reduced to $130,310 through a prepayment without penalty. The mortgage loan proceeds were used to repay a construction loan and pay $123,000 in distributions to the Parent's members.

The mortgage loan agreement requires that ABWH maintain a minimum quarterly debt coverage ratio of 1.10:1, as defined. Should ABWH not meet the minimum debt coverage ratio, ABWH must deposit all cash receipts from operations into a restricted trust account controlled by the lender and the funds will be used to fund debt service payments and pay operating expenses pursuant to the approved annual operating budget. Any residual funds remaining in the account after the foregoing disbursements are then distributed to ABWH. The restriction can be removed when the debt service coverage exceeds 1.15:1 for three consecutive calendar months on a trailing 12-month basis. ABWH was in compliance with all debt covenants as of September 30, 2010 and December 31, 2009 and 2008.

In February 2008, the Company, through ABW 2181, entered into a $16,000 mortgage loan agreement with a financial institution. The mortgage loan agreement has a five-year term, with two one-year extension options. The Company is required to comply with various annual debt covenants, including maintenance of a minimum annual debt coverage ratio of 1.20:1, as defined. The Company was in compliance with all debt covenants as of December 31, 2009 and 2008. Management distributed substantially all of the loan proceeds to the members during 2008.

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

Maturities of notes payable subsequent to September 30, 2010 are as follows:

Years ending December 31,	
2010 (remainder of year)	$ 62
2011	259
2012	273
2013	14,777
2014	—
Thereafter	130,310
	$ 145,681

7. Lease Arrangements

As Lessor

The Company leases retail and restaurant space under noncancelable agreements that expire at various dates through 2022. Total rental income recognized was as follows:

	(Unaudited) Nine-Month Periods Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Base rent	$ 6,762	$ 6,946	$9,049	$ 9,915	$7,710
Straight-line effect	175	193	250	531	1,085
Percentage and other	234	112	368	441	112
	$ 7,171	$ 7,251	$9,667	$10,887	$8,907

Future minimum lease rental income subsequent to September 30, 2010 is summarized below:

Years ending December 31, (Unaudited)	
2010 (remainder of year)	$ 2,362
2011	9,383
2012	8,994
2013	8,052
2014	7,249
Thereafter	20,963
	$57,003

As Lessee

The Company has an agreement to sublease the land underlying a portion of the Center under a noncancelable lease agreement expiring in December 2021. The sublease agreement provides for the Company to pay monthly base rent of $47 through February 2009. Thereafter, the base rent increases annually by approximately 3.4% for the next eight successive one-year periods. For the remaining period through

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
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December 2021, base rent shall equal Fair Rental Value, as defined in the sublease agreement. The sublease agreement also provides for additional rent charges for landscaping and property taxes. Additionally, the Company has the option to extend the term of the sublease should the Lessor and Sublessor agree to extend the term of the master lease beyond December 31, 2021 such that the termination dates of the master lease and sublease shall be the same.

Total rent expense was as follows:

	(Unaudited) Nine-Month Periods Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	2007
Base rent	$ 455	$ 437	$ 584	$ 565	$ 458
Common area and other charges	29	32	42	42	36
Straight-line effect	27	42	57	76	77
	$ 511	$ 511	$ 683	$ 683	$ 571

Future minimum lease payments subsequent to September 30, 2010 are summarized below:

Years ending December 31,	
2010 (remainder of year)	$ 151
2011	624
2012	645
2013	667
2014	689
Thereafter	1,572
	$4,348

8. Related Party Transactions

Amounts receivable (payable) to affiliates consisted of the following:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Receivable from Embassy Suites Hotel, an affiliate of OHH, for reimbursable common operating costs	$ 176	$ 116	$ 76
Receivable from OHH for construction costs	—	—	316
Payable to Member for construction and reimbursable costs	(40)	(40)	(438)
Payable to OHH for reimbursable costs	(17)	(36)	(156)
Payable to WBW CHP for reimbursable costs and capital contributions	(38)	(162)	(237)
Payable to RRP for management fees	(31)	(34)	(28)
	$ 50	$(156)	$(467)

ABW Lewers LLC

Notes to Consolidated Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

The Company entered into an amended management agreement (the “Management Agreement”) with RRP to provide management services to the Center. The Management Agreement entitled RRP to management fees of 3% of net revenues, as defined. Management fees paid to RRP for the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007 approximated $279, $281, $377, $401 and $307, respectively.

9. Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments:

- **Cash, restricted cash and certificate of deposit, receivables and payables, receivables and payables to affiliates:** At September 30, 2010 and December 31, 2009 and 2008, the Company believes that the carrying amounts of cash, restricted cash and certificate of deposit, trade receivables and payables, and receivables and payables to affiliates approximate fair value due to the short-term nature of these financial instruments.

- **Investment securities:** The fair value of investment securities is based upon market prices with observable inputs.

- **Notes payable:** At September 30, 2010 and December 31, 2009 and 2008, the Company believes that it is not practicable to estimate the fair value of the ABWH note payable as a loan with similar terms is no longer available in the current credit market. The fair value of the ABW 2181 note payable outstanding at September 30, 2010 and December 31, 2009 and 2008 was estimated using a discounted cash flow analysis, which utilizes interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

	Carrying Amount	Fair Value
September 30, 2010 (Unaudited)		
ABWH note payable	$ 130,310	N/A
ABW 2181 note payable	15,371	$ 15,682
December 31, 2009		
ABWH note payable	$ 130,310	N/A
ABW 2181 note payable	15,554	$ 15,622
December 31, 2008		
ABWH note payable	$ 130,310	N/A
ABW 2181 note payable	15,786	$ 15,733

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Financial Statements

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Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

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Report of Independent Auditors

To the Tenants-In-Common of
Waikiki Beach Walk—Hotel

We have audited the accompanying combined statements of assets, liabilities and equity of the Waikiki Beach Walk—Hotel (the "Hotel") at December 31, 2009 and 2008 and the related combined statements of revenues, expenses and changes in equity, and cash flows for the three-year period ended December 31, 2009. These combined financial statements are the responsibility of the Hotel's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

The accompanying combined financial statements were prepared for the purpose of presenting the Hotel's ownership and operations to the tenant-in-common owners as discussed in Note 1.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the assets, liabilities and equity of the Waikiki Beach Walk—Hotel at December 31, 2009 and 2008 and its revenues, expenses and changes in equity, and its cash flows in the three-year period ended December 31, 2009 in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, the Hotel revised its 2007 financial statements to retroactively apply a change in its interpretation of the tenant-in-common agreement, which resulted in a reclassification between equity and liabilities.

The interim financial information for the nine-month periods ended September 30, 2010 and 2009 has not been subjected to auditing procedures and accordingly, we express no opinion on it.

/s/ ACCUITY LLP

Honolulu, Hawaii
April 21, 2010, except for Note 3 and Note 6 which is as of September 13, 2010

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Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Statements of Assets, Liabilities and Equity
September 30, 2010 (Unaudited) and December 31, 2009 and 2008
(All Dollars in Thousands)

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Assets			
Current assets			
Cash	$ 4,043	$ 3,050	$ 2,787
Trade receivables, net of allowance for doubtful accounts of $138 at September 30, 2010, $97 at December 31, 2009, and $100 at December 31, 2008	1,133	1,377	1,511
Prepaid expenses and other	334	6	438
Total current assets	5,510	4,433	4,736
Property and equipment, net	84,612	89,367	95,701
Deferred loan costs, net of accumulated amortization of $22 at September 30, 2010, $947 at December 31, 2009, and $841 at December 31, 2008	310	28	67
Investment in equity method investee	4,661	4,786	4,763
Restricted cash	3,860	3,036	1,940
Other assets	68	71	76
Total assets	$ 99,021	$101,721	$107,283
Liabilities and Equity			
Current liabilities			
Accounts payable	$ 432	$ 523	$ 645
Accrued expenses	1,534	1,423	1,341
Advance deposits	251	168	175
Payable to affiliates, net	366	367	438
Total current liabilities	2,583	2,481	2,599
Noncurrent payable to affiliate	14,874	14,874	14,888
Note payable	53,000	53,000	53,000
Total liabilities	70,457	70,355	70,487
Equity	28,564	31,366	36,796
Total liabilities and equity	$ 99,021	$101,721	$107,283

The accompanying notes are an integral part of the combined financial statements.

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Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Statements of Revenues, Expenses and Changes in Equity
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Nine-Month Periods Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	Revised 2007
Revenue					
Rooms	$ 19,882	$ 19,659	$25,840	$30,028	$24,132
Food and beverage	263	258	354	492	483
Other	188	162	208	308	215
Total revenues	20,333	20,079	26,402	30,828	24,830
Operating expenses					
Operating costs and expenses	9,132	9,208	12,025	13,196	11,070
Depreciation expense	4,758	4,759	6,340	6,209	6,110
Selling, general and administrative	4,685	4,542	6,018	7,071	5,685
Rental, real property taxes and property insurance	1,211	1,225	1,639	1,569	1,095
Total operating expenses	19,786	19,734	26,022	28,045	23,960
Operating income	547	345	380	2,783	870
Other expenses					
Interest expense	(1,184)	(834)	(1,086)	(2,747)	(3,671)
Other	(165)	(163)	(224)	(217)	(177)
Net other expenses	(1,349)	(997)	(1,310)	(2,964)	(3,848)
Net loss	(802)	(652)	(930)	(181)	(2,978)
Equity					
Beginning of period/year	31,366	36,796	36,796	42,977	46,955
Owner distributions	(2,000)	(2,500)	(4,500)	(6,000)	(1,000)
End of period/year	$ 28,564	$ 33,644	$31,366	$36,796	$42,977

The accompanying notes are an integral part of the combined financial statements.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Combined Statements of Cash Flows
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

	(Unaudited) Nine-Month Periods Ended September 30,		Years Ended December 31,		
	2010	2009	2009	2008	Revised 2007
Cash flows from operating activities					
Net loss	$ (802)	$ (652)	$ (930)	$ (181)	$ (2,978)
Adjustments to reconcile net loss to net cash provided by operating activities					
Depreciation	4,758	4,759	6,340	6,209	6,110
Amortization of deferred loan costs	50	89	106	414	413
Bad debt expense	40	41	3	4	101
Equity in net loss of equity method investee	125	124	166	172	168
Changes in					
Receivables	204	475	131	347	(1,757)
Prepaid expenses and other	(328)	71	432	53	(202)
Other assets	3	4	5	6	5
Accounts payable	(91)	(270)	(122)	(197)	352
Accrued expenses	111	67	82	(36)	867
Advance deposits	83	30	(7)	105	68
Payable to affiliates, net	(1)	(186)	(85)	233	1,629
Net cash provided by operating activities	4,152	4,552	6,121	7,129	4,776
Cash flows used in investing activities					
Capital expenditures	(3)	(21)	(6)	(206)	(47,756)
Change in restricted cash	(824)	(863)	(1,096)	(1,064)	(876)
Investment in affiliate	—	—	(189)	—	(5,103)
Net cash used in investing activities	(827)	(884)	(1,291)	(1,270)	(53,735)
Cash flows from financing activities					
Owner distributions	(2,000)	(2,500)	(4,500)	(6,000)	(1,000)
Proceeds from notes payable	—	—	—	—	51,958
Loan costs paid	(332)	(67)	(67)	—	—
Net cash provided by (used in) financing activities	(2,332)	(2,567)	(4,567)	(6,000)	50,958
Net increase (decrease) in cash	993	1,101	263	(141)	1,999
Cash					
Beginning of period/year	3,050	2,787	2,787	2,928	929
End of period/year	$ 4,043	$ 3,888	$ 3,050	$ 2,787	$ 2,928
Supplemental cash flow information					
Interest paid	$ 1,134	$ 745	$ 980	$ 2,333	$ 3,258
Noncash investing and financing activities					
Construction costs funded by accounts payable and payable to affiliates	$ —	$ —	$ —	$ —	$ 227

The accompanying notes are an integral part of the combined financial statements.

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Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited)
and Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

1. Operations and Ownership

On January 10, 2006, EBW Hotels LLC, Waikele Venture Holdings LLC, Broadway 225 Sorrento Holdings LLC and Broadway 225 Stonecrest Holdings LLC entered into a tenant-in-common ("TIC") ownership agreement (the "TIC Agreement") to construct a 421 all suite hotel in Waikiki, Honolulu, Hawaii. In January 2008, the hotel received permission to market the property as a 369 suite hotel. This was accomplished by creating additional two bedroom suites within the existing physical configuration. The hotel is operated pursuant to a franchise agreement (the "Franchise Agreement") as the Waikiki Beach Walk – Hotel (the "Hotel"). The Hotel is managed by Outrigger Hotels Hawaii ("OHH") pursuant to a Hotel Management Agreement. The Hotel personnel are employees of OHH.

TIC interests in the assets, liabilities and earnings of the Hotel are in the following proportions:

Tenants in common	Ownership	Type of Entity
EBW Hotels LLC	41.00%	Hawaii Limited Liability Company
Waikele Venture Holdings LLC	34.27%	Delaware Limited Liability Company
Broadway 225 Sorrento Holdings LLC	15.33%	Delaware Limited Liability Company
Broadway 225 Stonecrest Holdings LLC	9.40%	Delaware Limited Liability Company

EBW Hotels LLC is owned by BWH Holdings LLC and ESW LLC, the latter a wholly-owned subsidiary of OHH, with ownership percentages of 51% and 49%, respectively.

Profits and losses are allocated among the TIC members on a priority basis, with certain TIC members being entitled to an 8% priority return based on their respective capital account balances.

2. Summary of Significant Accounting Policies

Basis of Presentation

In the opinion of management, the accompanying combined financial statements of the Hotel include all adjustments necessary to present fairly its financial position as of September 30, 2010 and December 31, 2009 and 2008 and the results of operations, changes in equity and cash flows for the nine-month periods ended September 30, 2010 and 2009 and the years ended December 31, 2009, 2008, and 2007. The results of operations for the period ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year or for any future period.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions for the reporting period and as of the financial statement date. These estimates and assumptions affect the reported amounts of assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
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Cash Equivalents

The Hotel considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Restricted Cash

At September 30, 2010 and December 31, 2009 and 2008, restricted cash consisted of reserves for furniture, equipment and capital improvements pursuant to the Hotel's management agreement. The reserve balance is not to exceed $500, unless approved by the TIC members. At September 30, 2010 and December 31, 2009 and 2008, the reserve balance in excess of $500 was approved by all TIC members.

Accounts Receivable and Allowance for Doubtful Accounts

Receivables are initially recorded at the amount invoiced or otherwise due and normally do not bear interest. The Hotel maintains an allowance for doubtful accounts to reduce receivables to their estimated collectible amount. Management estimates the allowance for doubtful accounts based on a specific review of individual customer accounts as well as the overall aging of accounts, historical collection experience and current economic and business conditions. Generally, accounts past due by more than 30 days are considered delinquent. However, delinquent accounts are not written off until, in the judgment of management, they are deemed uncollectible based on an evaluation of the specific circumstances of each customer.

The allowance for doubtful accounts represents management's best estimate of potential uncollectible receivables. However, because of the uncertainties inherent in assessing the collectibility of receivables, it is at least reasonably possible that there will be near-term changes in management's estimate due to actual losses and other factors.

Equity Method Investment

Investments in minority-owned entities where the Hotel has the ability to significantly influence the operations of the investee are accounted for using the equity method of accounting. Equity method accounting is discontinued when an investee's accumulated losses equals or exceeds the Hotel's investment and the Hotel has no obligation to provide further financial support to the investee.

Deferred Loan Costs

Loan fees and origination costs associated with the Hotel's debt are deferred and amortized using the straight-line method over the term of the debt agreement, which approximates the effective interest method. These amounts are recorded as interest expense in the combined financial statements. Amortization expense for the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $50, $89, $106, $414 and $413, respectively.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Maintenance and repairs are charged to expense and betterments and replacements are capitalized. Property retired or otherwise disposed of is removed from the appropriate asset and related accumulated depreciation accounts. Gains and losses on sales of assets are reflected in current operations.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
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Depreciation is calculated using the straight-line method based upon the shorter of the asset life or lease term using the following useful lives:

Building and land improvements	15 – 39 years
Furniture, fixtures and equipment	3 – 10 years

The Hotel reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The assessment of impairment is based on the estimated future net cash flows from operating activities compared with the carrying value of the asset. If the future net cash flows of an asset are less than the carrying value, a write-down is recorded and measured by the amount of the difference between the carrying value of the asset and the fair value of the asset. No impairment losses were recognized in 2010, 2009, 2008 or 2007.

Changes in estimates, based on market conditions and various other factors, may impact the future recoverability of the carrying value.

Revenue Recognition

The Hotel recognizes revenues from the rental of hotel rooms and guest services when the rooms are occupied and services have been provided. Food and beverage sales are recognized when the customer has been served or at the time the transaction occurs. The Hotel reports revenues net of sales, rooms and general excise taxes collected from or passed on to customers.

Advertising

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Advertising expense for the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $321, $407, $644, $937 and $908, respectively.

Income Taxes

The Hotel is not a taxable entity and the results of its operations are included in the tax returns of the TIC members. Accordingly, income taxes are not reflected in the accompanying combined financial statements. The TIC members file federal and state tax returns based upon their proportionate share of income and expenses, which are subject to examination by taxing authorities.

Concentrations of Credit Risk

Financial instruments that potentially expose the Hotel to concentrations of credit risk consist principally of cash and accounts receivable.

All of the Hotel’s cash is held with financial institutions in the State of Hawaii. At times, cash balances are in excess of depository insurance limits, however, the Hotel does not believe that this concentration of credit risk represents a material risk of loss with respect to its financial position.

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
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The Hotel extends credit to customers in the normal course of business. To control credit risk, the Hotel performs ongoing credit evaluations of major customers and as a result may require security from certain customers, in the form of letters of credit, guarantees or cash deposits.

The Hotel's operations are primarily dependent on Hawaii's tourism industry. A significant portion of the Hotel's business is derived from tourists from the mainland United States and Japan.

Fair Value Measurements

For financial and nonfinancial assets and liabilities reported at fair value, the Hotel defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. The Hotel measures fair value using observable and unobservable inputs based on the following hierarchy:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- **Level 2:** Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.
- **Level 3:** Unobservable inputs for an asset or liability reflecting the reporting entity's own assumptions. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

3. Revision

In 2009, the Hotel revised its interpretation of the tenant-in-common agreement, noting that certain balances previously classified as capital contributions were more appropriately classified as a noncurrent payable to one of the tenant-in-common owners, which will be settled when permanent financing is obtained. Accordingly, the Hotel revised its 2007 combined financial statements from amounts previously reported, as follows:

	As Previously Reported	Adjustments	As Revised
Noncurrent payable to affiliate	$ —	$ 14,795	$ 14,795
Total liabilities	55,498	14,795	70,293
Equity			
Beginning of year	60,125	(13,170)	46,955
Contributions	1,625	(1,625)	—
End of year	57,772	(14,795)	42,977
Total liabilities and equity	113,270	—	113,270

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
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4. Equity Method Investment

The Hotel has a 29.16% interest in WBW CHP LLC, an entity that was formed to construct a chilled water plant to provide air conditioning to the Hotel and other adjacent facilities. As of September 30, 2010 and December 31, 2009 and 2008, the Company's investment in the uncombined affiliate approximated $4,661, $4,786, and $4,763, respectively. The operating expenses of WBW CHP, other than depreciation, are recovered through reimbursements from its members.

Condensed financial information of the investment is as follows:

	Nine-Month Period Ended September 30, 2010 (Unaudited)	Years Ended December 31, 2009	Years Ended December 31, 2008
Assets	$ 16,245	$16,507	$16,837
Liabilities	260	95	502
	$ 15,985	$16,412	$16,335
Revenue	$ —	$ —	$ —
Expenses	426	569	590
	$ (426)	$ (569)	$ (590)

5. Property and Equipment

Property and equipment consisted of the following:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Land	$ 16,373	$ 16,373	$ 16,373
Building and improvements	69,319	69,319	69,319
Furniture, fixtures and equipment	22,536	22,535	22,528
	108,228	108,227	108,220
Less: Accumulated depreciation	(23,618)	(18,860)	(12,519)
	84,610	89,367	95,701
Construction in progress	2	—	—
	$ 84,612	$ 89,367	$ 95,701

6. Note Payable

On May 9, 2006, the TIC members entered into a $53,000 interest-only construction loan agreement with a bank group (severally and collectively, the "Lenders") for the development and construction of the Hotel. The loan, collateralized by a first mortgage on the property, was scheduled to mature during May 2010. The loan

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
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agreement required monthly interest-only payments at LIBOR plus 1.50%. The effective interest rates at December 31, 2009 and 2008 were 1.73%, and 1.97%, respectively. Beginning in March 2008, the Hotel was required to maintain a minimum monthly debt service coverage ratio of 1:1. The Hotel was in compliance with this covenant since its effective date through May 31, 2010.

The loan agreement was amended and restated on June 1, 2010 and the maturity date was extended to June 1, 2015. The amended loan agreement requires monthly interest-only payments at LIBOR plus 3.75%. The effective interest rate at September 30, 2010 was 4.01%. The Hotel is required to maintain a minimum monthly debt service coverage ratio of 1.1 to 1 until December 31, 2010 and 1.35 to 1 thereafter. The Hotel was in compliance with this covenant since its effective date through September 30, 2010.

The amended loan agreement also required certain TIC members to jointly and severally guarantee the repayment of $10,000 of the loan amount. The guarantee shall be released when the Hotel achieves a monthly debt service coverage ratio of 1.5 to 1.

7. Franchise Agreement

The Hotel operates subject to a Franchise Agreement under the Embassy Suites brand which expires in December 2021. The Franchise Agreement further provides that the Company may access the Hilton Hotels Corporation's reservation services, advertising and other marketing programs, training programs and materials, and operating standards.

The Franchise Agreement provides for a program fee equal to 3% of the Hotel's gross room revenue, as defined, during 2007 and 4% of gross room revenue thereafter. During 2009, Hilton Hotels Corporation implemented a fee relief program which reduced the program fee to 3.5%. This fee relief program was extended through 2010, provided the Hotel meets all brand standard requirements. The Franchise Agreement also provides for a royalty fee equal to 2% of gross room revenue during 2007, 3% of gross room revenue during 2008 and 2009, and 4% of gross room revenue thereafter. Program and royalty fees for the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $1,565, $1,339, $1,761, $2,202 and $1,260, respectively.

8. Related Party Transactions

Amounts currently receivable (payable) to affiliates consisted of the following:

	September 30, 2010 (Unaudited)	December 31, 2009	December 31, 2008
Receivable (payable) from WBW CHP LLC for reimbursable costs	$ 50	$ (4)	$ 51
Receivable from IRL LLC, a wholly-owned subsidiary of OHH, for reimbursable costs	—	3	14
Payable to ABW Holdings LLC, a wholly-owned subsidiary of ABW Lewers LLC, for reimbursable costs	(176)	(116)	(76)
Payable to OHH for construction costs and reimbursable costs	(240)	(250)	(427)
	$ (366)	$(367)	$(438)

Waikiki Beach Walk—Hotel
(A Combination of Tenant-in-Common Interests)

Notes to the Combined Financial Statements—(Continued)
Nine-Month Periods Ended September 30, 2010 and 2009 (Unaudited) and
Years Ended December 31, 2009, 2008 and 2007
(All Dollars in Thousands)

At September 30, 2010 and December 31, 2009, and December 31, 2008, the Hotel had a noncurrent payable of $14,874 and $14,888, respectively, to ESW LLC for the contribution of certain operating assets. The intention of the TIC members is to settle the payable when permanent financing is obtained.

In accordance with the Hotel Management Agreement, OHH is entitled to a management fee equal to 3% of gross revenues and 6% of gross operating profit, as defined, not to exceed 3.5% of gross revenues in the aggregate. The management fee for the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, approximated $712, $703, $924, $1,077 and $860, respectively. Under the terms of the Hotel Management Agreement, OHH may make available to the Hotel certain specialized services including services for marketing, reservations, information technology, accounting, human resources and purchasing. During the nine-month periods ended September 30, 2010 and 2009 and years ended December 31, 2009, 2008 and 2007, the Hotel paid OHH $342, $364, $473, $564 and $463, respectively, for such services.

9. Fair Value of Financial Instruments

The following methods and assumptions were used by the Hotel in estimating the fair value of financial instruments:

- **Cash, restricted cash, trade receivables and payables, current receivables and payables to affiliates**: At September 30, 2010 and December 31, 2009 and 2008, the Hotel believes that the carrying amounts of cash, restricted cash, trade receivables and payables, and current receivables and payables to affiliates approximate fair value due to the short-term nature of these financial instruments.

- **Noncurrent payable to affiliate**: At September 30, 2010 and December 31, 2009 and 2008, the Hotel believes it is not practicable to determine the fair value of the noncurrent payable to affiliate due to the relationship between the Hotel and its affiliate.

- **Note payable**: The fair value of the loan outstanding at December 31, 2009 and 2008 was estimated using a discounted cash flow analysis, which utilizes interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. At September 30, 2010, the Hotel believes that the carrying amount of note payable approximates fair value as the terms of the note were modified in close proximity to the reporting period end.

	Carrying Amount	Fair Value
December 31, 2009		
Note payable	$53,000	$50,260
December 31, 2008		
Note payable	$53,000	$51,525

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder
American Assets Trust, Inc.

We have audited the accompanying statements of revenues and certain operating expenses (as defined in Note 2) of The Landmark at One Market (the "Company") for the years ending December 31, 2009, 2008 and 2007. These statements of revenues and certain operating expenses are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements 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 statements of revenues and certain operating expenses are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements of revenues and certain operating expenses of the Company were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of American Assets Trust, Inc. as described in Note 2, and are not intended to be a complete presentation of the revenues and certain operating expenses of the Company.

In our opinion, the statements of revenues and certain operating expenses referred to above presents fairly, in all material respects, the revenues and certain operating expenses, as defined above of The Landmark at One Market for the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

The Landmark at One Market

Statements of Revenues and Certain Operating Expenses
(In Thousands)

	For the nine months ended September 30, 2010 (unaudited)	Year ended December 31, 2009	2008	2007
Revenue:				
Rental income	$ 15,534	$20,896	$20,893	$20,791
Tenant reimbursements	1,143	1,292	1,207	1,372
Total revenue	16,677	22,188	22,100	22,163
Certain operating expenses:				
Rental operating	986	1,340	1,385	1,345
Utilities	651	836	749	754
Repairs and maintenance	437	597	632	637
Payroll	96	144	125	133
Rent expense	1,804	2,409	2,438	2,418
Insurance	68	90	113	129
Real estate taxes	1,818	2,382	2,298	2,257
Management fees	517	685	681	650
General and administrative	62	51	92	56
Total expenses	6,439	8,534	8,513	8,379
Revenues in excess of certain operating expenses	$ 10,238	$13,654	$13,587	$13,784

See accompanying notes.

The Landmark at One Market

Notes to Statement of Revenues and Certain Operating Expenses
September 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

The accompanying statements of revenues and certain operating expenses include the operations of The Landmark at One Market (the "Property"), which was acquired by the Predecessor on June 30, 2010. The Predecessor previously had a 34.51% noncontrolling interest in the Property through a tenant-in-common interest. The outside tenant-in-common ownership interest of 65.49% was owned by an unrelated third party. On June 30, 2010, the Predecessor acquired the third party's ownership interest in the Property for $23.0 million in cash and the assumption of debt of $133.0 million (of which $87.1 million was attributable to the outside owners interest). Subsequent to the acquisition, the Predecessor owns 100% of the entities that own the Property. The Property includes two buildings (one of which is leased from a third-party landlord) located in San Francisco, California that have approximately 421,934 (unaudited) of leasable square feet.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying statements of revenue and certain operating expenses have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual results of operations of the Property for the years ended December 31, 2009, 2008 and 2007 and the nine months ended September 30, 2010 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Property:

- Depreciation and amortization
- Interest expense
- Interest income
- Amortization of above and below market leases

Revenue Recognition

Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Real estate taxes and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date and it is determined that such fees are earned. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized on a straight line basis over the remaining term of the modified lease agreement.

Accounting estimates

The preparation of the financial statements requires management to use estimates and assumptions that affect the reported amounts of revenue and certain operating expenses during the reporting period. Actual results could materially differ from these estimates in the near term.

The Landmark at One Market

Notes to Statement of Revenues and Certain Operating Expenses—(Continued)
September 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

Unaudited interim statement

The statement of revenues and certain operating expenses for the nine months ended September 30, 2010 is unaudited. In the opinion of management, the statement reflects all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

NOTE 3. MINIMUM FUTURE LEASE RENTALS

Office space at the Property is leased to tenants under various lease agreements. All leases are accounted for as operating leases. The leases include provisions under which the entities owning the Property are reimbursed for common area, real estate, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates.

At December 31, 2009, the following future minimum rentals on the non-cancelable tenant leases are as follows (In thousands):

2010	$21,362
2011	10,187
2012	9,337
2013	4,631
2014	1,194
Thereafter	7,764
Total	$54,475

NOTE 4. CERTAIN OPERATING EXPENSES

Certain operating expenses include only those costs expected to be comparable to the proposed future operations of the Property. Repairs and maintenance expense are charged to operations as incurred. Costs such as depreciation, amortization and interest expense are excluded from the statements of revenues and certain operating expenses.

NOTE 5. RELATED PARTY TRANSACTIONS

The Property is managed by the property management business of American Assets Inc. (“AAI”), which is controlled by the Predecessor. There is a master management agreement with AAI with respect to the Property, with additional agreements covering property management, construction management, acquisition, disposition and leasing, and asset management. The fees incurred for the periods presented include:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the property. Fees are 3.0% of gross monthly cash collections each month, with minimum monthly fees of $5,000.

- *Leasing Fees*—Leasing fees are incurred for services provided to procure tenants for the property. Fees are 1% of the total value of all leases executed for the property, including new leases, renewals, extensions or other modifications. Leasing fees are capitalized to leasing commissions and amortized over the life of the leases, and are, therefore, not included in the operating expenses in this statement.

The Landmark at One Market

Notes to Statement of Revenues and Certain Operating Expenses—(Continued)
September 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

The AAI fees incurred are as follows (In thousands):

	Nine Months Ended September 30, 2010 (Unaudited)	Year Ended December 31, 2009	2008	2007
Property management fees	$ 517	$ 685	$ 495	$ 217
Leasing fees	1,229	—	—	—
	$ 1,746	$ 685	$ 495	$ 217

NOTE 6. CONCENTRATION OF CREDIT RISK

The Property had four tenants that accounted for more than approximately 80% of the revenues in 2009, 2008, and 2007 and the nine months ended September 30, 2010 (unaudited). These tenants were salesforce.com, Del Monte Corporation, Autodesk, and Microsoft. The tenants represented approximately 83%, 85%, and 86% of total revenue for the years ended 2009, 2008, and 2007 and 81% of total revenue for the nine months ended September 30, 2010 (unaudited).

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Property is not subject to any material litigation nor to management's knowledge is any material litigation currently threatened against the Property other than routine litigation, claims and administrative proceedings arising in the ordinary course of business. Management believes that such routine litigation, claims and administrative proceedings will not have a material adverse impact on the Property's financial position or results of operations.

One of the buildings at the Property is leased from a landlord under an operating lease and is adjacent to the building owned. The lease expires June 30, 2011, and we have the option to extend until 2026 by way of three five-year extension options. On July 30, 2010, we notified the landlord of our intention to exercise a renewal option for a renewal term of July 1, 2011 through June 30, 2016. Monthly lease payments during this renewal term will be the greater of current payments or 97.5% of the prevailing rate at the start of the renewal term. Minimum annual payments under the lease (excluding the renewal term) are as follows, as of December 31, 2009 (In thousands):

	(In thousands)
2010	$ 1,403
2011	701
Total	$ 2,104

NOTE 8. SUBSEQUENT EVENTS

The entities owning the Property evaluate subsequent events until the date the financial statements are issued.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholder
American Assets Trust, Inc.

We have audited the accompanying combined statements of revenues and certain operating expenses (as defined in Note 2) of Solana Beach Centre (the “Properties”) for the years ending December 31, 2009, 2008 and 2007. This combined statements of revenues and certain operating expenses are the responsibility of the management of the Properties. Our responsibility is to express an opinion on these statements 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 statements of revenues and certain operating expenses are free of material misstatement. We were not engaged to perform an audit of the Properties’ internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties’ internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements of revenues and certain operating expenses of the Properties were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of American Assets Trust, Inc. as described in Note 2, and are not intended to be a complete presentation of the revenues and certain operating expenses of the Properties.

In our opinion, the combined statements of revenues and certain operating expenses referred to above presents fairly, in all material respects, the combined revenues and certain operating expenses, as defined above, of Solana Beach Centre for the years ended December 31, 2009, 2008 and 2007, in conformity with U.S. generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Diego, California
September 13, 2010

Solana Beach Centre

Combined Statements of Revenues and Certain Expenses
(In Thousands)

	For the nine months ended September 30, 2010 (unaudited)	Year ended December 31, 2009	2008	2007
Revenue:				
Rental income	$ 9,841	$12,953	$13,154	$11,876
Other property income	1	24	5	12
Total revenue	9,842	12,977	13,159	11,888
Certain expenses:				
Rental operating	440	543	637	639
Utilities	201	264	197	283
Repairs and maintenance	525	708	778	866
Insurance	56	76	81	103
Real estate taxes	639	843	840	828
Management fees	527	733	721	636
General and administrative	79	61	73	88
Total expenses	2,467	3,228	3,327	3,443
Revenues in excess of certain expenses	$ 7,375	$ 9,749	$ 9,832	$ 8,445

See accompanying notes.

Solana Beach Centre

Notes to Combined Statements of Revenues and Certain Operating Expenses
September 30, 2010 (unaudited) and December 31, 2009, 2008 and 2007

NOTE 1. ORGANIZATION AND DESCRIPTION OF BUSINESS

The accompanying combined statements of revenues and certain operating expenses include the operations of Solana Beach Towne Centre and Solana Beach Corporate Centre, a retail and an office property, respectively, and one parcel of land held for development (collectively "Solana Beach Centre" or the "Properties"), each located in San Diego, California. The Predecessor has a noncontrolling 50% co-general partner interest, and the Properties are managed by the property management business of American Assets, Inc. ("AAI").

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying statements of revenues and certain operating expenses have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual results of operations for the years ended December 31, 2009, 2008 and 2007 and the nine months ended September 30, 2010 due to the exclusion of the following expenses, which may not be comparable to the proposed future operations of the Properties:

- Depreciation and amortization
- Interest expense
- Interest income

Revenue Recognition

Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risk. Real estate taxes and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date and it is determined that such fees are earned. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized on a straight line basis over the remaining term of the modified lease agreement.

Accounting estimates

The preparation of the financial statements requires management to use estimates and assumptions that affect the reported amounts of revenues and certain operating expenses during the reporting period. Actual results could materially differ from these estimates in the near term.

Unaudited interim statement

The statement of revenues and certain operating expenses for the nine months ended September 30, 2010 is unaudited. In the opinion of management, the statement reflects all adjustments necessary for a fair presentation of the results of the interim period. All such adjustments are of a normal recurring nature.

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NOTE 3. MINIMUM FUTURE LEASE RENTALS

Retail and office space is leased to tenants under various lease agreements. All leases are accounted for as operating leases. The leases include provisions under which the entities owning the property are reimbursed for common area, real estate, and insurance costs. Revenue related to these reimbursed costs is recognized in the period the applicable costs are incurred and billed to tenants pursuant to the lease agreements. Certain leases contain renewal options at various periods at various rental rates.

At December 31, 2009, the following future minimum rentals on the non-cancelable tenant leases are as follows (In thousands):

2010	$10,714
2011	9,105
2012	7,004
2013	5,153
2014	3,645
Thereafter	7,180
Total	$42,801

NOTE 4. CERTAIN OPERATING EXPENSES

Certain operating expenses include only those costs expected to be comparable to the proposed future operations of the Properties. Repairs and maintenance expense are charged to operations as incurred. Costs such as depreciation, amortization and interest expense are excluded from the statements of revenues and certain operating expenses.

NOTE 5. RELATED PARTY TRANSACTIONS

The Properties are managed by the property management business of AAI, which is controlled by the Predecessor. There is a master management agreement with AAI with respect to the properties, with additional agreements covering property management, construction management, acquisition, disposition and leasing, and asset management. The fees incurred for the periods presented include:

- *Property Management Fees*—Property management fees are incurred for the operation and management of the properties. Fees are 5.5% of gross monthly cash collections each month, including minimum monthly fees of $5,000.

- *Construction Management Fees*—Construction management fees are incurred for the management and supervision of construction projects. Fees range from 3.0% to 5.0% of construction and development costs on buildings and improvements properties or a flat fee may be defined in the agreement. For tenant improvements, fees are 10% of costs for projects where AAI directly supervises construction subcontractors or 3% for projects where AAI manages a general contractor, plus hourly fees for employees of AAI directly working on the tenant improvements. Construction management fees are capitalized to the related real estate asset.

- *Asset Management Fees/Financing Fees*—Asset management fees are incurred for evaluating property value, performance, and/or condition, appealing property assessments or tax valuations, recommending ways to enhance value, and procuring financing. The fees are charged at hourly

Solana Beach Centre

Notes to Statement of Revenues and Certain Operating Expenses—(Continued)
September 30, 2010 (unaudited) and December 31, 2009, 2008, and 2007

rates ranging from $65 to $125 for asset management services. In addition, financing fees are paid for any permanent financing placed on the properties, with fees of 25 - 50 basis points of the financed amount. Asset management fees are expensed as incurred. Financing fees are capitalized to debt issuance costs and amortized over the life of the related loan.

In addition to the fees noted above, the Properties also reimburse AAI for monthly maintenance and facilities management services provided to the properties by AAI employees.

The AAI fees incurred are as follows (In thousands):

	Nine Months Ended September 30, 2010 (Unaudited)	Year Ended December 31,		
		2009	2008	2007
Property management fees	$ 479	$ 666	$ 656	$ 578
Construction management fees	11	9	24	192
Asset management/Financing fees	130	—	—	—
Maintenance reimbursements	90	120	107	104
	$ 710	$ 795	$ 787	$ 874

The Properties also pay management fees of 0.50% of gross monthly cash collections each month to the Lomas Group, an affiliate of owners of the Properties. Management fees incurred were $48,000 for the nine months ended September 30, 2010 (unaudited) and $67,000, $65,000 and $58,000 for the years ended December 31, 2009, 2008, and 2007, respectively.

NOTE 6. CONCENTRATION OF CREDIT RISK

No individual tenant represented more than 10% of revenue for the years ended 2009, 2008, and 2007 and the nine months ended September 30, 2010 (unaudited).

NOTE 7. COMMITMENTS AND CONTINGENCIES

The Properties are not subject to any material litigation nor to management’s knowledge is any material litigation currently threatened against the Properties other than routine litigation, claims and administrative proceedings arising in the ordinary course of business. Management believes that such routine litigation, claims and administrative proceedings will not have a material adverse impact on the Properties’ financial position or results of operations.

NOTE 8. SUBSEQUENT EVENTS

The entities owning the Properties evaluate subsequent events until the date the statements are issued.

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Until , 2010 (25 days after the date of this prospectus), all dealers that effect transactions in our common shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Shares

American Assets Trust, Inc.

Common Stock

PROSPECTUS

BofA Merrill Lynch

Wells Fargo Securities

Morgan Stanley

, 2010

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. ***Other Expenses of Issuance and Distribution.***

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except for the Securities and Exchange Commission registration fee.

SEC Registration Fee	$35,650
NYSE Listing Fee	*
FINRA Filing Fee	50,500
Printing and Engraving Expenses	*
Legal Fees and Expenses (other than Blue Sky)	*
Accounting and Fees and Expenses	*
Transfer Agent and Registrar Fees	*
Total	*

* To be completed by amendment.

Item 32. ***Sales to Special Parties.***

None.

Item 33. ***Recent Sales of Unregistered Securities.***

On July 16, 2010 we issued 1,000 shares of our common stock to the Ernest Rady Trust U/D/T March 10, 1983 in connection with the initial capitalization of our company for an aggregate purchase price of $1,000. The issuance of such shares was effected in reliance upon an exemption from registration provided by Section 4(2) of the Securities Act.

In connection with the formation transactions, an aggregate of shares of common stock and common units with an aggregate value of $ million, based on the mid-point of the range of prices on the cover of the prospectus, will be issued to certain persons owning interests in the entities that own the properties comprising our portfolio as consideration in the formation transactions. All such persons had a substantive, pre-existing relationship with us and made elections to receive such securities in the formation transactions prior to the filing of this registration statement with the SEC. Prior to the filing of this registration statement, each such person consented to the contribution or merger of the entity or entities in which he or she holds an investment either to or with and into us or our operating partnership or with and into a wholly owned subsidiary of our operating partnership (or, in the case of reverse mergers, certain subsidiaries of our operating partnership will merge with and into such entities). All of such persons are “accredited investors” as defined under Regulation D of the Securities Act. The issuance of such shares and units will be effected in reliance upon exemptions from registration provided by Section 4(2) of the Securities Act and Regulation D of the Securities Act.

Item 34. ***Indemnification of Directors and Officers.***

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision which eliminates our directors' and officers' liability to the maximum extent permitted by Maryland law.

Maryland law requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that: (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty; (b) the director or officer actually received an improper personal benefit in money, property or services; or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the standard of conduct was not met.

Our charter authorizes us, to the maximum extent permitted by Maryland law, to obligate ourselves and our bylaws obligate us, to indemnify any present or former director or officer or any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in any of the foregoing capacities and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served a predecessor of our company in any of the capacities described above and any employees or agents of our company or a predecessor of our company. Furthermore, our officers and directors are indemnified against specified liabilities by the underwriters, and the underwriters are indemnified against certain liabilities by us, under the underwriting agreement relating to this offering. See "Underwriting."

We intend to enter into indemnification agreements with each of our executive officers and directors whereby we indemnify such executive officers and directors to the fullest extent permitted by Maryland law against all expenses and liabilities, subject to limited exceptions. These indemnification agreements also provide that upon an application for indemnity by an executive officer or director to a court of appropriate jurisdiction, such court may order us to indemnify such executive officer or director.

In addition, our directors and officers are indemnified for specified liabilities and expenses pursuant to the partnership agreement of American Assets Trust, L.P., the partnership of which we serve as sole general partner.

Item 35. ***Treatment of Proceeds from Stock Being Registered.***

None.

Item 36. ***Financial Statements and Exhibits.***

(A) *Financial Statements.* See Index to Consolidated Financial Statements and the related notes thereto.

(B) *Exhibits*. The attached Exhibit Index is incorporated herein by reference.

Item 37. ***Undertakings.***

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

The undersigned registrant hereby further undertakes to provide to the underwriters at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit, or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that the registrant meets all of the requirements for filing on Form S-11 and has duly caused this Amendment No. 2 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of San Diego, State of California, on this 12th day of November, 2010.

AMERICAN ASSETS TRUST, INC.

By: /s/ John W. Chamberlain
John W. Chamberlain
Chief Executive Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 2 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Ernest S. Rady **Ernest S. Rady**	Executive Chairman of the Board of Directors (Principal Executive Officer)	November 12th, 2010
/s/ John W. Chamberlain **John W. Chamberlain**	Chief Executive Officer	November 12th, 2010
/s/ Robert F. Barton **Robert F. Barton**	Chief Financial Officer (Principal Financial and Accounting Officer)	November 12th, 2010

EXHIBIT INDEX

Exhibit	
1.1*	Form of Underwriting Agreement
3.1*	Articles of Amendment and Restatement of American Assets Trust, Inc.
3.2*	Amended and Restated Bylaws of American Assets Trust, Inc.
4.1*	Form of Certificate of Common Stock of American Assets Trust, Inc.
5.1*	Opinion of Venable LLP
8.1*	Opinion of Latham & Watkins LLP with respect to tax matters
10.1****	Form of Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P.
10.2**	Form of Registration Rights Agreement among American Assets Trust, Inc. and the persons named therein
10.3	American Assets Trust, Inc. and American Assets Trust, L.P. 2010 Equity Incentive Award Plan
10.4	Form of American Assets Trust, Inc. Restricted Stock Award Agreement (Time Vesting)
10.5**	Form of Indemnification Agreement between American Assets Trust, Inc. and its directors and officers
10.6**	Representation, Warranty and Indemnity Agreement by and among American Assets Trust, Inc., American Assets Trust, L.P. and Ernest Rady Trust U/D/T March 10, 1983, dated as of September 13, 2010
10.7**	Indemnity Escrow Agreement by and among American Assets Trust, Inc., American Assets Trust, L.P. and the Ernest Rady Trust U/D/T March 10, 1983, dated as of September 13, 2010
10.8**	Form of Tax Protection Agreement by and among American Assets Trust, Inc., American Assets Trust, L.P., and each partner set forth in Schedule I, Schedule II and Schedule III thereto
10.9***	Agreement and Plan of Merger by and among American Assets Trust, L.P. and the entities set forth on Schedule I thereto, dated as of September 13, 2010
10.10***	Agreement and Plan of Merger by and among American Assets Trust, Inc. and the entities set forth on Schedule I thereto, dated as of September 13, 2010
10.11***	Form of Agreement and Plan of Merger by and among American Assets Trust, L.P. and the OP sub forward merger entities named therein
10.12***	Form of Agreement and Plan of Merger by and among American Assets Trust, L.P. and the OP sub reverse merger entities named therein
10.13***	Form of Agreement and Plan of Merger by and among American Assets Trust, Inc. and the REIT sub forward merger entities named therein
10.14***	OP Contribution Agreement by and among American Assets Trust, L.P., American Assets Trust, Inc., and the contributors set forth on Schedule I thereto, dated as of September 13, 2010
10.15***	Form of OP Sub Contribution Agreement by and among American Assets Trust, L.P., the subsidiary entity named therein, American Assets Trust, Inc. and the contributors set forth on Schedule I thereto
10.16***	Management Business Contribution Agreement by and between American Assets, Inc. and American Assets Trust Management, LLC, dated as of September 13, 2010

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Exhibit	
10.17**	Deed of Trust and Security Agreement by Alamo Stonecrest Holdings, LLC and Alamo Vista Holdings, LLC, as trustor, in favor of Heritage Title Company of Austin, Inc., as trustee, for the benefit of Morgan Stanley Mortgage Capital Inc., as beneficiary, dated as of December 31, 2003
10.18**	Form of Promissory Note by the borrower named therein to Morgan Stanley Mortgage Capital Inc.
10.19***	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing by Waikele Reserve West Holdings, LLC and Waikele Venture Holdings, LLC, as mortgagor, to Bear Stearns Commercial Mortgage, Inc., as mortgagee, dated as of October 28, 2004
10.20**	First Amendment to Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing by and among Waikele Reserve West Holdings, LLC, Waikele Venture Holdings, LLC and Bear Stearns Commercial Mortgage, Inc., dated as of January 5, 2005
10.21**	Note Severance and Loan Document Modification Agreement by and between Bear Stearns Commercial Mortgage, Inc., Waikele Reserve West Holdings, LLC and Waikele Venture Holdings, LLC, dated as of November 3, 2004
10.22**	Form of Substitute Note by the borrower named therein to Bear Stearns Commercial Mortgage, Inc.
10.23**	Deed of Trust and Security Agreement by Landmark Venture Holdings, LLC and Landmark Firehill Holdings, LLC, as trustor, in favor of Chicago Title Company, as trustee, for the benefit of Morgan Stanley Mortgage Capital Inc., as beneficiary, dated as of June 13, 2005
10.24**	Form of Promissory Note by the borrower named therein to Morgan Stanley Mortgage Capital Inc.
10.25**	Deed of Trust and Security Agreement by Del Monte—POH, LLC, Del Monte—DMSJH, LLC, Del Monte—KMBC, LLC and Del Monte—DMCH, LLC, as trustor, in favor of First American Title Insurance Company, as trustee, for the benefit of Column Financial, Inc., as beneficiary, dated as of June 30, 2005
10.26**	Form of Promissory Note by the borrower named therein to Column Financial, Inc.
10.27	Reserved
10.28	Reserved
10.29	Reserved
10.30	Reserved
10.31	Reserved
10.32**	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing by ABW Holdings LLC, as mortgagor, to Column Financial, Inc., as mortgagee, dated as of February 15, 2007
10.33**	First Amendment to Mortgage and Other Loan Documents by and among ABW Holdings LLC, American Assets, Inc. Outrigger Enterprises, Inc. and Column Financial, Inc., dated as of October 31, 2007
10.34**	Promissory Note by ABW Holdings LLC, as maker, to Column Financial, Inc., dated as of February 15, 2007
10.35**	Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing by Loma Palisades, a California general partnership, as trustor, to First American Title Insurance Company, as trustee, for the benefit of Wells Fargo Bank, National Association, as beneficiary, dated as of June 30, 2008
10.36**	Multifamily Note by Loma Palisades, a California general partnership, to Wells Fargo Bank, National Association, dated as of June 30, 2008

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Exhibit	
10.37	Reserved
10.38	Form of Transition Services Agreement between American Assets, Inc. and American Assets Trust, L.P.
10.39	Reserved
10.40***	Management Agreement for Waikiki Beach Walk®—Retail between ABW Holdings LLC and Retail Resort Properties LLC, dated as of November 1, 2007
10.41***	Outrigger Hotels Hawaii—Hotel Management Agreement—Embassy Suites™—Waikiki Beach Walk™ Hotel by and among EBW Hotel LLC, Waikele Venture Holdings, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC and Outrigger Hotels Hawaii, dated as of January 10, 2006
10.42***	Franchise License Agreement—Embassy Suites—Waikiki Beach Walk—Honolulu, Hawaii between Outrigger Hotels Hawaii and Promus Hotels, Inc., dated as of January 25, 2005
10.43	Form of Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and each of John W. Chamberlain, Robert F. Barton, Adam Wyll and Patrick Kinney
10.44	Form of Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Ernest S. Rady
10.45	Independent Director Compensation Policy
10.46	Form of American Assets Trust, Inc. Restricted Stock Award Agreement (Performance Vesting)
21.1*	List of Subsidiaries of the Registrant
23.1*	Consent of Venable LLP (included in Exhibit 5.1)
23.2*	Consent of Latham & Watkins LLP (included in Exhibit 8.1)
23.3	Consent of Ernst & Young LLP
23.4	Consent of Accuity LLP
23.5**	Consent of Rosen Consulting Group
24.1**	Power of Attorney (included on the Signature Page)
99.1*	Rosen Consulting Group Market Study
99.2	Consent of Larry E. Finger
99.3	Consent of Edward F. Lange, Jr.
99.4	Consent of Duane A. Nelles
99.5	Consent of Thomas S. Olinger
99.6	Consent of Robert S. Sullivan

* To be filed by amendment.
** Previously filed with the Registration Statement on Form S-11 filed by the Registrant on September 13, 2010.
*** Previously filed with Amendment No. 1 to the Registration Statement on Form S-11/A filed by the Registrant on October 20, 2010.
**** Previously filed, but amended version filed herewith.

Exhibit 10.1

AMENDED AND RESTATED

AGREEMENT OF LIMITED PARTNERSHIP

OF

AMERICAN ASSETS TRUST, L.P.

a Maryland limited partnership

THE SECURITIES EVIDENCED HEREBY HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "*SECURITIES ACT*"), OR THE SECURITIES LAWS OF ANY STATE AND MAY NOT BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF SUCH REGISTRATION, UNLESS IN THE OPINION OF COUNSEL SATISFACTORY TO THE PARTNERSHIP THE PROPOSED SALE, TRANSFER OR OTHER DISPOSITION MAY BE EFFECTED WITHOUT REGISTRATION UNDER THE SECURITIES ACT AND UNDER APPLICABLE STATE SECURITIES OR "BLUE SKY" LAWS.

dated as of [______], 2010

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Exhibits List

AMENDED AND RESTATED
AGREEMENT OF LIMITED PARTNERSHIP
OF AMERICAN ASSETS TRUST, L.P.

THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP OF AMERICAN ASSETS TRUST, L.P., dated as of [______], 2010, is made and entered into by and among AMERICAN ASSETS TRUST, INC., a Maryland corporation, as the General Partner and the Persons whose names are set forth on Exhibit A attached hereto, as limited partners, and any Additional Limited Partner that is admitted from time to time to the Partnership and listed on Exhibit A attached hereto.

WHEREAS, a Certificate of Limited Partnership of the Partnership was filed with the State Department of Assessments and Taxation of Maryland on [______], 2010 (the "*Formation Date*"), and the initial general partner and limited partners of the Partnership entered into an original agreement of limited partnership of the Partnership effective as of the Formation Date (the "*Original Partnership Agreement*"); and

WHEREAS, the Partners (as hereinafter defined) now desire to amend and restate the Original Partnership Agreement and admit the Persons whose names are set forth on Exhibit A attached hereto as limited partners of the Partnership by entering into this Agreement (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1
DEFINED TERMS

The following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in this Agreement:

"*Act*" means the Maryland Revised Uniform Limited Partnership Act, Title 10 of the Corporations and Associations Article of the Annotated Code of Maryland, as it may be amended from time to time, and any successor to such statute.

"*Actions*" has the meaning set forth in Section 7.7 hereof.

"*Additional Funds*" has the meaning set forth in Section 4.3.A hereof.

"*Additional Limited Partner*" means a Person who is admitted to the Partnership as a limited partner pursuant to the Act and Section 4.2 and Section 12.2 hereof and who is shown as such on the books and records of the Partnership.

"*Adjusted Capital Account*" means, with respect to any Partner, the balance in such Partner's Capital Account as of the end of the relevant Partnership Year or other applicable period, after giving effect to the following adjustments:

(i) increase such Capital Account by any amounts that such Partner is obligated to restore pursuant to this Agreement upon liquidation of such Partner's Partnership Interest or that such Person is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentence of each of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5); and

(ii) decrease such Capital Account by the items described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6).

The foregoing definition of "Adjusted Capital Account" is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"*Adjusted Capital Account Deficit*" means, with respect to any Partner, the deficit balance, if any, in such Partner's Adjusted Capital Account as of the end of the relevant Partnership Year or other applicable period.

"*Adjustment Event*" has the meaning set forth in Section 16.3 hereof.

"*Adjustment Factor*" means 1.0; *provided*, *however*, that in the event that:

(i) the General Partner (a) declares or pays a dividend on its outstanding REIT Shares wholly or partly in REIT Shares or makes a distribution to all holders of its outstanding REIT Shares wholly or partly in REIT Shares, (b) splits or subdivides its outstanding REIT Shares or (c) effects a reverse stock split or otherwise combines its outstanding REIT Shares into a smaller number of REIT Shares, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction, (i) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination (assuming for such purposes that such dividend, distribution, split, subdivision, reverse split or combination has occurred as of such time) and (ii) the denominator of which shall be the actual number of REIT Shares (determined without the above assumption) issued and outstanding on the record date for such dividend, distribution, split, subdivision, reverse split or combination;

(ii) the General Partner distributes any rights, options or warrants to all holders of its REIT Shares to subscribe for or to purchase or to otherwise acquire REIT Shares, or other securities or rights convertible into, exchangeable for or exercisable for REIT Shares (other than REIT Shares issuable pursuant to a Qualified DRIP/COPP), at a price per share less than the Value of a REIT Share on the record date for such distribution (each a "*Distributed Right*"), then, as of the distribution date of such Distributed Rights or, if later, the time such Distributed Rights become exercisable, the Adjustment Factor shall be adjusted by multiplying the Adjustment Factor previously in effect by a fraction (a) the numerator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus the maximum number of REIT Shares purchasable under such Distributed Rights and (b) the denominator of which shall be the number of REIT Shares issued and outstanding on the record date (or, if later, the date such Distributed Rights become exercisable) plus a fraction (1) the numerator of which is the maximum number of REIT Shares purchasable under such Distributed Rights times the minimum purchase price per REIT Share under such Distributed Rights and (2) the denominator of which is the Value of a REIT Share as of the record date (or, if later, the date such Distributed Rights become exercisable); *provided*, *however*, that, if any such Distributed Rights expire or become no longer exercisable, then the Adjustment Factor shall be adjusted, effective retroactive to the date of distribution of the Distributed Rights, to reflect a reduced maximum number of REIT Shares or any change in the minimum purchase price for the purposes of the above fraction; and

(iii) the General Partner shall, by dividend or otherwise, distribute to all holders of its REIT Shares evidences of its indebtedness or assets (including securities, but excluding any dividend or distribution referred to in subsection (i) or (ii) above), which evidences of indebtedness or assets relate to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership, then the Adjustment Factor shall be adjusted to equal the amount determined by multiplying the Adjustment Factor in effect immediately prior to the close of business as of the record date by a fraction (a) the numerator of which shall be such Value of a REIT Share as of the record date and (b) the denominator of which shall be the Value of a REIT Share as of the record date less the then fair market value (as determined by the General Partner, whose determination shall be conclusive) of the portion of the evidences of indebtedness or assets so distributed applicable to one REIT Share.

Notwithstanding the foregoing, no adjustments to the Adjustment Factor will be made for any class or series of Partnership Interests to the extent that the Partnership makes or effects any correlative distribution or payment to all of the Partners holding Partnership Interests of such class or series, or effects any correlative split or reverse split in respect of the Partnership Interests of such class or series. Any adjustments to the Adjustment Factor shall become effective immediately after such event, retroactive to the record date, if any, for such event. For illustrative purposes, examples of adjustments to the Adjustment Factor are set forth on Exhibit B attached hereto.

"*Affiliate*" means, with respect to any Person, any Person directly or indirectly controlling or controlled by or under common control with such Person. For the purposes of this definition, "control" when used with respect to any Person means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"*Agreement*" means this Amended and Restated Limited Partnership Agreement of American Assets Trust, L.P., as now or hereafter amended, restated, modified, supplemented or replaced.

"*Applicable Percentage*" has the meaning set forth in Section 15.1.B hereof.

"*Appraisal*" means, with respect to any assets, the written opinion of an independent third party experienced in the valuation of similar assets, selected by the General Partner. Such opinion may be in the form of an opinion by such independent third party that the value for such property or asset as set by the General Partner is fair, from a financial point of view, to the Partnership.

"*Assignee*" means a Person to whom a Partnership Interest has been Transferred in a manner permitted under this Agreement, but who has not become a Substituted Limited Partner, and who has the rights set forth in Section 11.5 hereof.

"*Available Cash*" means, with respect to any period for which such calculation is being made,

(i) the sum, without duplication, of:

(1) the Partnership's Net Income or Net Loss (as the case may be) for such period,

(2) Depreciation and all other noncash charges to the extent deducted in determining Net Income or Net Loss for such period,

(3) the amount of any reduction in reserves of the Partnership referred to in clause (ii)(6) below (including, without limitation, reductions resulting because the General Partner determines such amounts are no longer necessary),

(4) the excess, if any, of the net cash proceeds from the sale, exchange, disposition, financing or refinancing of Partnership property for such period over the gain (or loss, as the case may be) recognized from such sale, exchange, disposition, financing or refinancing during such period (excluding Terminating Capital Transactions), and

(5) all other cash received (including amounts previously accrued as Net Income and amounts of deferred income) or any net amounts borrowed by the Partnership for such period that was not included in determining Net Income or Net Loss for such period;

(ii) less the sum, without duplication, of:

(1) all principal debt payments made during such period by the Partnership,

(2) capital expenditures made by the Partnership during such period,

(3) investments in any entity (including loans made thereto) to the extent that such investments are not otherwise described in clause (ii)(1) or clause (ii)(2) above,

(4) all other expenditures and payments not deducted in determining Net Income or Net Loss for such period (including amounts paid in respect of expenses previously accrued),

(5) any amount included in determining Net Income or Net Loss for such period that was not received by the Partnership during such period,

(6) the amount of any increase in reserves (including, without limitation, working capital reserves) established during such period that the General Partner determines are necessary or appropriate in its sole and absolute discretion,

(7) any amount distributed or paid in redemption of any Limited Partner Interest or Partnership Units, including, without limitation, any Cash Amount paid, and

(8) the amount of any working capital accounts and other cash or similar balances which the General Partner determines to be necessary or appropriate in its sole and absolute discretion.

Notwithstanding the foregoing, Available Cash shall not include (a) any cash received or reductions in reserves, or take into account any disbursements made, or reserves established, after dissolution and the commencement of the liquidation and winding up of the Partnership or (b) any Capital Contributions, whenever received or any payments, expenditures or investments made with such Capital Contributions.

"*Business Day*" means any day except a Saturday, Sunday or other day on which commercial banks in San Diego, California are authorized by law to close.

"*Capital Account*" means, with respect to any Partner, the capital account maintained by the General Partner for such Partner on the Partnership's books and records in accordance with the following provisions:

(i) To each Partner's Capital Account, there shall be added such Partner's Capital Contributions, such Partner's distributive share of Net Income and any items in the nature of income or gain that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any Partnership liabilities assumed by such Partner or that are secured by any property distributed to such Partner.

(ii) From each Partner's Capital Account, there shall be subtracted the amount of cash and the Gross Asset Value of any Partnership property distributed to such Partner pursuant to any provision of this Agreement, such Partner's distributive share of Net Losses and any items in the nature of expenses or losses that are specially allocated pursuant to Section 6.3 or 6.4 hereof, and the amount of any liabilities of such Partner assumed by the Partnership or that are secured by any property contributed by such Partner to the Partnership (except to the extent already reflected in the amount of such Partner's Capital Contribution).

(iii) In the event any interest in the Partnership is Transferred in accordance with the terms of this Agreement (which Transfer does not result in the termination of the Partnership for U.S. federal income tax purposes), the transferee shall succeed to the Capital Account of the transferor to the extent that it relates to the Transferred interest.

(iv) In determining the amount of any liability for purposes of subsections (i) and (ii) hereof, there shall be taken into account Code Section 752(c) and any other applicable provisions of the Code and Regulations.

(v) The provisions of this Agreement relating to the maintenance of Capital Accounts are intended to comply with Regulations promulgated under Section 704 of the Code, and shall be interpreted and applied in a manner consistent with such Regulations. If the General Partner shall determine that it is necessary or prudent to modify the manner in which the Capital Accounts are maintained in order to comply with such Regulations, the General Partner may make such modification, provided that such modification is not likely to have any material effect on the amounts distributable to any Partner pursuant to Article 13 hereof upon the dissolution of the Partnership. The General Partner may, in its sole discretion, (a) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Partners and the amount of Partnership capital reflected on the Partnership's balance sheet, as computed for book purposes, in accordance with Regulations Section 1.704-1(b)(2)(iv)(q) and (b) make any appropriate modifications in the event that unanticipated events might otherwise cause this Agreement not to comply with Regulations Section 1.704-1(b) or Section 1.704-2.

"*Capital Account Limitation*" has the meaning set forth in Section 16.9.B hereof.

"*Capital Contribution*" means, with respect to any Partner, the amount of money and the initial Gross Asset Value of any Contributed Property that such Partner contributes or is deemed to contribute to the Partnership pursuant to Article 4 hereof.

"*Capital Share*" means a share of any class or series of stock of the General Partner now or hereafter authorized other than a REIT Share.

"*Cash Amount*" means an amount of cash equal to the product of (i) the Value of a REIT Share and (ii) the REIT Shares Amount determined as of the applicable Valuation Date.

"*Certificate*" means the Certificate of Limited Partnership of the Partnership filed with the SDAT, as amended from time to time in accordance with the terms hereof and the Act.

"*Charity*" means an entity described in Section 501(c)(3) of the Code or any trust all the beneficiaries of which are such entities.

"*Charter*" means the charter of the General Partner, within the meaning of Section 1-101(e) of the Maryland General Corporation Law.

"*Closing Price*" has the meaning set forth in the definition of "*Value*."

“*Code*” means the Internal Revenue Code of 1986, as amended and in effect from time to time or any successor statute thereto, as interpreted by the applicable Regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

“*Common Unit Economic Balance*” means (i) the Capital Account balance of the General Partner, plus the amount of the General Partner’s share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to the General Partner’s ownership of Partnership Common Units and computed on a hypothetical basis after taking into account all allocations through the date on which any allocation is made under Section 6.2.D hereof, divided by (ii) the number of the General Partner’s Partnership Common Units.

“*Consent*” means the consent to, approval of, or vote in favor of a proposed action by a Partner given in accordance with Article 14 hereof. The terms “*Consented*” and “*Consenting*” have correlative meanings.

“*Consent of the General Partner*” means the Consent of the sole General Partner, which Consent, except as otherwise specifically required by this Agreement, may be obtained prior to or after the taking of any action for which it is required by this Agreement and may be given or withheld by the General Partner in its sole and absolute discretion.

“*Consent of the Limited Partners*” means the Consent of a Majority in Interest of the Limited Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by each Limited Partner in its sole and absolute discretion.

“*Consent of the Partners*” means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners, which Consent shall be obtained prior to the taking of any action for which it is required by this Agreement and, except as otherwise provided in this Agreement, may be given or withheld by the General Partner or the Limited Partners in their sole and absolute discretion; *provided, however*, that, if any such action affects only certain classes or series of Partnership Interests, “Consent of the Partners” means the Consent of the General Partner and the Consent of a Majority in Interest of the Partners of the affected classes or series of Partnership Interests.

“*Constituent Person*” has the meaning set forth in Section 16.9.F hereof.

“*Contributed Property*” means each Property or other asset, in such form as may be permitted by the Act, but excluding cash, contributed or deemed contributed to the Partnership (or deemed contributed by the Partnership to a “new” partnership pursuant to Code Section 708).

“*Controlled Entity*” means, as to any Partner, (a) any corporation more than fifty percent (50%) of the outstanding voting stock of which is owned by such Partner or such Partner’s Family Members or Affiliates, (b) any trust, whether or not revocable, of which such Partner or such Partner’s Family Members or Affiliates are the sole beneficiaries, (c) any partnership of which such Partner or its Affiliates are the managing partners and in which such Partner, such Partner’s Family Members or Affiliates hold partnership interests representing at least twenty-five percent (25%) of such partnership’s capital and profits and (d) any limited liability company of which such Partner or its Affiliates are the managers and in which such Partner, such Partner's Family Members or Affiliates hold membership interests representing at least twenty-five percent (25%) of such limited liability company's capital and profits.

"*Conversion Date*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Notice*" has the meaning set forth in Section 16.9.B hereof.

"*Conversion Right*" has the meaning set forth in Section 16.9.A hereof.

"*Cut-Off Date*" means the fifth (5th) Business Day after the General Partner's receipt of a Notice of Redemption.

"*Debt*" means, as to any Person, as of any date of determination: (i) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services; (ii) all amounts owed by such Person to banks or other Persons in respect of reimbursement obligations under letters of credit, surety bonds and other similar instruments guaranteeing payment or other performance of obligations by such Person; (iii) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by any lien on any property owned by such Person, to the extent attributable to such Person's interest in such property, even though such Person has not assumed or become liable for the payment thereof; and (iv) lease obligations of such Person that, in accordance with generally accepted accounting principles, should be capitalized.

"*Depreciation*" means, for each Partnership Year or other applicable period, an amount equal to the federal income tax depreciation, amortization or other cost recovery deduction allowable with respect to an asset for such year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount that bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period bears to such beginning adjusted tax basis; *provided*, *however*, that if the federal income tax depreciation, amortization or other cost recovery deduction for such year or other period is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method selected by the General Partner.

"*Disregarded Entity*" means, with respect to any Person, (i) any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)) of such Person, (ii) any entity treated as a disregarded entity for Federal income tax purposes with respect to such Person, or (iii) any grantor trust if the sole owner of the assets of such trust for Federal income tax purposes is such Person.

"*Distributed Right*" has the meaning set forth in the definition of "*Adjustment Factor*."

"*Economic Capital Account Balance*" means, with respect to a Holder of LTIP Units, its (a) Capital Account balance plus (b) the amount of its share of any Partner Minimum Gain or Partnership Minimum Gain, in either case to the extent attributable to its ownership of LTIP Units.

“*Equity Plan*” means any stock or equity purchase plan, restricted stock or equity plan or other similar equity compensation plan now or hereafter adopted by the Partnership or the General Partner, including the Plan.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended.

“*Exchange Act*” means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

“*Family Members*” means, as to a Person that is an individual, such Person’s spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters, nieces and nephews and *inter vivos* or testamentary trusts (whether revocable or irrevocable) of which only such Person and his or her spouse, ancestors, descendants (whether by blood or by adoption or step-descendants by marriage), brothers and sisters and nieces and nephews are beneficiaries.

“*Final Adjustment*” has the meaning set forth in Section 10.3.B(2) hereof.

“*Flow-Through Partners*” has the meaning set forth in Section 3.4.C hereof.

“*Flow-Through Entity*” has the meaning set forth in Section 3.4.C hereof.

“*Forced Conversion*” has the meaning set forth in Section 16.9.C hereof.

“*Forced Conversion Notice*” has the meaning set forth in Section 16.9.C hereof.

“*Fourteen-Month Period*” means (a) as to an Original Limited Partner or any Assignee of an Original Limited Partner that is a Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of the date of this Agreement and (b) as to any other Qualifying Party, a fourteen-month period ending on the day before the first fourteen-month anniversary of such Qualifying Party’s first becoming: (i) a Holder of Partnership Common Units, or (ii) in the case of Partnership Common Units received upon conversion of Vested LTIP Units pursuant to Section 16.9.B hereof, a Holder of the LTIP Units so converted; *provided*, *however*, that the General Partner may, in its sole and absolute discretion, by written agreement with a Qualifying Party, shorten or lengthen the first Fourteen-Month Period to a period of shorter or longer than fourteen (14) months with respect to a Qualifying Party other than an Original Limited Partner or an Assignee of an Original Limited Partner.

“*Funding Debt*” means any Debt incurred by or on behalf of the General Partner for the purpose of providing funds to the Partnership.

“*General Partner*” means American Assets Trust, Inc. and its successors and assigns as a general partner of the Partnership, in each case, that is admitted from time to time to the Partnership as a general partner pursuant to the Act and this Agreement and is listed as a general partner on <u>Exhibit A</u>, as such <u>Exhibit A</u> may be amended from time to time, in such Person’s capacity as a general partner of the Partnership.

"*General Partner Interest*" means the entire Partnership Interest held by a General Partner hereof, which Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or any other Partnership Units.

"*General Partner Interest Transfer*" has the meaning set forth in Section 11.2.D hereof.

"*Gross Asset Value*" means, with respect to any asset, the asset's adjusted basis for federal income tax purposes, except as follows:

(a) The initial Gross Asset Value of any asset contributed by a Partner to the Partnership shall be the gross fair market value of such asset on the date of contribution, as determined by the General Partner and agreed to by the contributing Person.

(b) The Gross Asset Values of all Partnership assets immediately prior to the occurrence of any event described in clauses (i) through (v) below shall be adjusted to equal their respective gross fair market values, as determined by the General Partner using such reasonable method of valuation as it may adopt, as of the following times:

(i) the acquisition of an additional interest in the Partnership (other than in connection with the execution of this Agreement but including, without limitation, acquisitions pursuant to Section 4.2 hereof or contributions or deemed contributions by the General Partner pursuant to Section 4.2 hereof) by a new or existing Partner in exchange for more than a *de minimis* Capital Contribution, if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(ii) the distribution by the Partnership to a Partner of more than a *de minimis* amount of Partnership property as consideration for an interest in the Partnership if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(iii) the liquidation of the Partnership within the meaning of Regulations Section 1.704-1(b)(2)(ii)(g);

(iv) the grant of an interest in the Partnership (other than a *de minimis* interest) as consideration for the provision of services to or for the benefit of the Partnership by an existing Partner acting in a partner capacity, or by a new Partner acting in a partner capacity or in anticipation of becoming a Partner of the Partnership (including the grant of an LTIP Unit), if the General Partner reasonably determines that such adjustment is necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership; and

(v) at such other times as the General Partner shall reasonably determine necessary or advisable in order to comply with Regulations Sections 1.704-1(b) and 1.704-2.

(c) The Gross Asset Value of any Partnership asset distributed to a Partner shall be the gross fair market value of such asset on the date of distribution, as determined by the distributee and the General Partner; *provided*, *however*, that if the distributee is the General Partner or if the distributee and the General Partner cannot agree on such a determination, such gross fair market value shall be determined by Appraisal.

(d) The Gross Asset Values of Partnership assets shall be increased (or decreased) to reflect any adjustments to the adjusted basis of such assets pursuant to Code Section 734(b) or Code Section 743(b), but only to the extent that such adjustments are taken into account in determining Capital Accounts pursuant to Regulations Section 1.704-1(b)(2)(iv)(m); *provided*, *however*, that Gross Asset Values shall not be adjusted pursuant to this subsection (d) to the extent that the General Partner reasonably determines that an adjustment pursuant to subsection (b) above is necessary or appropriate in connection with a transaction that would otherwise result in an adjustment pursuant to this subsection (d).

(e) If the Gross Asset Value of a Partnership asset has been determined or adjusted pursuant to subsection (a), subsection (b) or subsection (d) above, such Gross Asset Value shall thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Net Income and Net Losses.

(f) If any unvested LTIP Units are forfeited, as described in Section 16.2.B, upon such forfeiture, the Gross Asset Value of the Partnership's assets shall be reduced by the amount of any reduction of such Partner's Capital Account attributable to the forfeiture of such LTIP Units.

"*Hart-Scott-Rodino Act*" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

"*Holder*" means either (a) a Partner or (b) an Assignee owning a Partnership Interest.

"*Incapacity*" or "*Incapacitated*" means: (i) as to any Partner who is an individual, death, total physical disability or entry by a court of competent jurisdiction adjudicating such Partner incompetent to manage his or her person or his or her estate; (ii) as to any Partner that is a corporation or limited liability company, the filing of a certificate of dissolution, or its equivalent, for the corporation or the revocation of its charter; (iii) as to any Partner that is a partnership, the dissolution and commencement of winding up of the partnership; (iv) as to any Partner that is an estate, the distribution by the fiduciary of the estate's entire interest in the Partnership; (v) as to any trustee of a trust that is a Partner, the termination of the trust (but not the substitution of a new trustee); or (vi) as to any Partner, the bankruptcy of such Partner. For purposes of this definition, bankruptcy of a Partner shall be deemed to have occurred when (a) the Partner commences a voluntary proceeding seeking liquidation, reorganization or other relief of or against such Partner under any bankruptcy, insolvency or other similar law now or hereafter in effect, (b) the Partner is adjudged as bankrupt or insolvent, or a final and non-appealable order for relief under any bankruptcy, insolvency or similar law now or hereafter in effect has been entered against the Partner, (c) the Partner executes and delivers a general assignment for the benefit of the Partner's creditors, (d) the Partner files an answer or other pleading admitting or failing to contest the material allegations of a petition filed against the Partner in any proceeding of the nature described in clause (b) above, (e) the Partner seeks, consents to or acquiesces in the appointment of a trustee, receiver or Liquidator for the Partner or for all or any substantial part of the Partner's properties, (f) any proceeding seeking liquidation, reorganization or other relief under any bankruptcy, insolvency or other similar law now or hereafter in effect has not been dismissed within one hundred twenty (120) days after the commencement thereof, (g) the appointment without the Partner's consent or acquiescence of a trustee, receiver or Liquidator has not been vacated or stayed within ninety (90) days of such appointment, or (h) an appointment referred to in clause (g) above is not vacated within ninety (90) days after the expiration of any such stay.

"*Indemnitee*" means (i) any Person made, or threatened to be made, a party to a proceeding by reason of its status as (a) the General Partner or (b) a director of the General Partner or an officer of the Partnership or the General Partner and (ii) such other Persons (including Affiliates or employees of the General Partner or the Partnership) as the General Partner may designate from time to time (whether before or after the event giving rise to potential liability), in its sole and absolute discretion.

"*IRS*" means the United States Internal Revenue Service.

"*Limited Partner*" means any Person that is admitted from time to time to the Partnership as a limited partner pursuant to the Act and this Agreement and is listed as a limited partner on Exhibit A attached hereto, as such Exhibit A may be amended from time to time, including any Substituted Limited Partner or Additional Limited Partner, in such Person's capacity as a limited partner of the Partnership.

"*Limited Partner Interest*" means a Partnership Interest of a Limited Partner in the Partnership representing a fractional part of the Partnership Interests of all Limited Partners and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. A Limited Partner Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Liquidating Event*" has the meaning set forth in Section 13.1 hereof.

"*Liquidating Gains*" means any net gain realized in connection with the actual or hypothetical sale of all or substantially all of the assets of the Partnership (including upon the occurrence of any Liquidating Event or Terminating Capital Transaction), including but not limited to net gain realized in connection with an adjustment to the Gross Asset Value of Partnership assets under the definition of Gross Asset Value in Section 1 of this Agreement.

"*Liquidator*" has the meaning set forth in Section 13.2.A hereof.

"*LTIP Unit Distribution Participation Date*" has the meaning set forth in Section 16.4.C hereof.

"*LTIP Unit Limited Partner*" means any Partner holding LTIP Units.

“*LTIP Units*” means the Partnership Units designated as such having the rights, powers, privileges, restrictions, qualifications and limitations set forth herein and in the Plan. LTIP Units can be issued in one or more classes, or one or more series of any such classes bearing such relationship to one another as to allocations, distributions, and other rights as the General Partner shall determine in its sole and absolute discretion subject to Maryland law.

“*Majority in Interest of the Limited Partners*” means Limited Partners (other than any Limited Partner fifty percent (50%) or more of whose equity is owned, directly or indirectly, by the General Partner) holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all such Limited Partners entitled to Consent to or withhold Consent from a proposed action.

“*Majority in Interest of the Partners*” means Partners holding in the aggregate Percentage Interests that are greater than fifty percent (50%) of the aggregate Percentage Interests of all Partners entitled to Consent to or withhold Consent from a proposed action.

“*Market Price*” has the meaning set forth in the definition of “*Value*.”

“*Maryland Courts*” has the meaning set forth in Section 15.9.B hereof.

“*Net Income*” or “*Net Loss*” means, for each Partnership Year or other applicable period, an amount equal to the Partnership’s taxable income or loss for such year or other applicable period, determined in accordance with Code Section 703(a) (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Code Section 703(a)(1) shall be included in taxable income or loss), with the following adjustments:

(a) Any income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of “Net Income” or “Net Loss” shall be added to (or subtracted from, as the case may be) such taxable income (or loss);

(b) Any expenditure of the Partnership described in Code Section 705(a)(2)(B) or treated as a Code Section 705(a)(2)(B) expenditure pursuant to Regulations Section 1.704-1(b)(2)(iv)(i), and not otherwise taken into account in computing Net Income (or Net Loss) pursuant to this definition of “Net Income” or “Net Loss,” shall be subtracted from (or added to, as the case may be) such taxable income (or loss);

(c) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) or subsection (c) of the definition of “Gross Asset Value,” the amount of such adjustment shall be taken into account as gain or loss from the disposition of such asset for purposes of computing Net Income or Net Loss;

(d) Gain or loss resulting from any disposition of property with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value;

(e) In lieu of the depreciation, amortization and other cost recovery deductions that would otherwise be taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such Partnership Year or other applicable period;

(f) To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(4) to be taken into account in determining Capital Accounts as a result of a distribution other than in liquidation of a Partner's interest in the Partnership, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases the basis of the asset) from the disposition of the asset and shall be taken into account for purposes of computing Net Income or Net Loss; and

(g) Notwithstanding any other provision of this definition of "Net Income" or "Net Loss," any item that is specially allocated pursuant to Article 6 hereof shall not be taken into account in computing Net Income or Net Loss. The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 6.3 or 6.4 hereof shall be determined by applying rules analogous to those set forth in this definition of "Net Income" or "Net Loss."

"*New Securities*" means (i) any rights, options, warrants or convertible or exchangeable securities having the right to subscribe for or purchase REIT Shares or Preferred Shares, excluding grants under the Stock Option Plans, or (ii) any Debt issued by the General Partner that provides any of the rights described in clause (i).

"*Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"*Nonrecourse Liability*" has the meaning set forth in Regulations Sections 1.704-2(b)(3) and 1.752-1(a)(2).

"*Notice of Redemption*" means the Notice of Redemption substantially in the form of Exhibit C attached to this Agreement.

"*Optionee*" means a Person to whom a stock option is granted under any Stock Option Plan.

"*Original Limited Partner*" means any Person that is a Limited Partner as of the close of business on the date of the closing of the issuance of REIT Shares pursuant to the initial public offering of REIT Shares, and does not include any Assignee or other transferee, including, without limitation, any Substituted Limited Partner succeeding to all or any part of the Partnership Interest of any such Person.

"*Ownership Limit*" means the restriction or restrictions on the ownership and transfer of stock of the General Partner imposed under the Charter.

"*Partner*" means the General Partner or a Limited Partner, and "*Partners*" means the General Partner and the Limited Partners.

"*Partner Minimum Gain*" means an amount, with respect to each Partner Nonrecourse Debt, equal to the Partnership Minimum Gain that would result if such Partner Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"*Partner Nonrecourse Debt*" has the meaning set forth in Regulations Section 1.704-2(b)(4).

"*Partner Nonrecourse Deductions*" has the meaning set forth in Regulations Section 1.704-2(i)(1), and the amount of Partner Nonrecourse Deductions with respect to a Partner Nonrecourse Debt for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"*Partnership*" means the limited partnership formed and continued under the Act and pursuant to this Agreement, and any successor thereto.

"*Partnership Common Unit*" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1 and 4.2 hereof, but does not include any Partnership Preferred Unit, LTIP Unit or any other Partnership Unit specified in a Partnership Unit Designation as being other than a Partnership Common Unit.

"*Partnership Approval*" exists, with respect to any General Partner Interest Transfer, when the sum of (i) the Percentage Interest of Limited Partners holding Partnership Common Units and LTIP Units Consenting to the General Partner Interest Transfer, plus (ii) the product of (a) the Percentage Interest of Partnership Common Units held by the General Partner multiplied by (b) the percentage of the votes that were cast in favor of the event constituting such General Partner Interest Transfer by the General Partner's common stockholders out of the total votes entitled to be cast by the General Partner's common stockholders, equals or exceeds the percentage required for the common stockholders of the General Partner to approve the event constituting such General Partner Interest Transfer. In the event that Partnership Approval has not been established by the date that is five (5) Business Days after the date upon which the vote of the stockholders of the General Partner was certified, or the consent of the stockholders of the General Partner was obtained, with respect to the event constituting such General Partner Interest Transfer, then Partnership Approval shall be deemed not to exist with respect to such event.

"*Partnership Employee*" means an employee or other service provider of the Partnership or of a Subsidiary of the Partnership, if any, acting in such capacity.

"*Partnership Equivalent Units*" has the meaning set forth in Section 4.7.A hereof.

"*Partnership Interest*" means an ownership interest in the Partnership held by either a Limited Partner or a General Partner and includes any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in this Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement. There may be one or more classes or series of Partnership Interests. A Partnership Interest may be expressed as a number of Partnership Common Units, Partnership Preferred Units or other Partnership Units.

"*Partnership Minimum Gain*" has the meaning set forth in Regulations Section 1.704-2(b)(2), and the amount of Partnership Minimum Gain, as well as any net increase or decrease in Partnership Minimum Gain, for a Partnership Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"*Partnership Preferred Unit*" means a fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.2 hereof that has distribution rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the Partnership Common Units.

"*Partnership Record Date*" means the record date established by the General Partner for a distribution pursuant to Section 5.1 hereof, which record date shall generally be the same as the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such distribution.

"*Partnership Unit*" means a Partnership Common Unit, a Partnership Preferred Unit, an LTIP Unit or any other unit of the fractional, undivided share of the Partnership Interests that the General Partner has authorized pursuant to Section 4.1, Section 4.2 or Section 4.3 hereof; *provided*, *however*, that Partnership Units comprising a General Partner Interest or a Limited Partner Interest shall have the differences in rights and privileges as specified in this Agreement.

"*Partnership Unit Designation*" shall have the meaning set forth in Section 4.2.A hereof.

"*Partnership Year*" means the fiscal year of the Partnership, which shall be the calendar year.

"*Percentage Interest*" means, with respect to each Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of all classes and series held by such Partner and the denominator of which is the total number of Partnership Units of all classes and series held by all Partners; *provided, however*, that, to the extent applicable in context, the term "Percentage Interest" means, with respect to a Partner, the fraction, expressed as a percentage, the numerator of which is the aggregate number of Partnership Units of a specified class or series (or specified group of classes and/or series) held by such Partner and the denominator of which is the total number of Partnership Units of such specified class or series (or specified group of classes and/or series) held by all Partners.

"*Permitted Transfer*" has the meaning set forth in Section 11.3.A hereof.

"*Person*" means an individual or a corporation, partnership, trust, unincorporated organization, association, limited liability company or other entity.

"*Plan*" means the American Assets Trust, Inc. 2010 Incentive Award Plan.

"*Pledge*" has the meaning set forth in Section 11.3.A hereof.

"*Preferred Share*" means a share of stock of the General Partner of any class or series now or hereafter authorized or reclassified that has dividend rights, or rights upon liquidation, winding up and dissolution, that are superior or prior to the REIT Shares.

"*Properties*" means any assets and property of the Partnership such as, but not limited to, interests in real property and personal property, including, without limitation, fee interests, interests in ground leases, easements and rights of way, interests in limited liability companies, joint ventures or partnerships, interests in mortgages, and Debt instruments as the Partnership may hold from time to time and "Property" means any one such asset or property.

"*Proposed Section 83 Safe Harbor Regulation*" has the meaning set forth in Section 16.11.

"*Qualified DRIP/COPP*" means a dividend reinvestment plan or a cash option purchase plan of the General Partner that permits participants to acquire REIT Shares using the proceeds of dividends paid by the General Partner or cash of the participant, respectively; *provided*, *however*, that if such shares are offered at a discount, such discount must (i) be designed to pass along to the stockholders of the General Partner the savings enjoyed by the General Partner in connection with the avoidance of stock issuance costs, and (ii) not exceed 5% of the value of a REIT Share as computed under the terms of such plan.

"*Qualified Transferee*" means an "accredited investor" as defined in Rule 501 promulgated under the Securities Act.

"*Qualifying Party*" means (a) a Limited Partner, (b) an Assignee or (c) a Person, including a lending institution as the pledgee of a Pledge, who is the transferee of a Limited Partner Interest in a Permitted Transfer; *provided*, *however*, that a Qualifying Party shall not include the General Partner.

"*Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Regulations*" means the income tax regulations under the Code, whether such regulations are in proposed, temporary or final form, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"*Regulatory Allocations*" has the meaning set forth in Section 6.4.A(viii) hereof.

"*REIT*" means a real estate investment trust qualifying under Code Section 856.

"*REIT Partner*" means (a) the General Partner or any Affiliate of the General Partner to the extent such person has in place an election to qualify as a REIT and, (b) any Disregarded Entity with respect to any such Person.

"*REIT Payment*" has the meaning set forth in Section 15.12 hereof.

"*REIT Requirements*" has the meaning set forth in Section 5.1 hereof.

"*REIT Share*" means a share of common stock of the General Partner, $0.01 par value per share, but shall not include any class or series of the General Partner's common stock classified after the date of this Agreement.

"*REIT Shares Amount*" means a number of REIT Shares equal to the product of (a) the number of Tendered Units and (b) the Adjustment Factor; *provided*, *however*, that, in the event that the General Partner issues to all holders of REIT Shares as of a certain record date rights, options, warrants or convertible or exchangeable securities entitling the General Partner's stockholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "*Rights*"), with the record date for such Rights issuance falling within the period starting on the date of the Notice of Redemption and ending on the day immediately preceding the Specified Redemption Date, which Rights will not be distributed before the relevant Specified Redemption Date, then the REIT Shares Amount shall also include such Rights that a holder of that number of REIT Shares would be entitled to receive, expressed, where relevant hereunder, in a number of REIT Shares determined by the General Partner.

"*Related Party*" means, with respect to any Person, any other Person to whom ownership of shares of the General Partner's stock by the first such Person would be attributed under Code Section 544 (as modified by Code Section 856(h)(1)(B)) or Code Section 318(a) (as modified by Code Section 856(d)(5)).

"*Rights*" has the meaning set forth in the definition of "*REIT Shares Amount*."

"*Safe Harbors*" has the meaning set forth in Section 11.3.C hereof.

"SDAT" means the State Department of Assessments and Taxation of Maryland.

"*SEC*" means the Securities and Exchange Commission.

"*Section 83 Safe Harbor*" has the meaning set forth in Section 16.11.

"*Securities Act*" means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

"*Special Redemption*" has the meaning set forth in Section 15.1.A hereof.

"*Specified Redemption Date*" means the tenth (10th) Business Day after the receipt by the General Partner of a Notice of Redemption; *provided*, *however*, that no Specified Redemption Date shall occur during the first Fourteen-Month Period (except pursuant to a Special Redemption).

"*Stock Option Plans*" means any stock option plan now or hereafter adopted by the Partnership or the General Partner.

"*Subsidiary*" means, with respect to any Person, any corporation or other entity of which a majority of (i) the voting power of the voting equity securities or (ii) the outstanding equity interests is owned, directly or indirectly, by such Person; *provided*, *however*, that, with respect to the Partnership, "Subsidiary" means solely a partnership or limited liability company (taxed, for federal income tax purposes, as a partnership or as a Disregarded Entity and not as an association or publicly traded partnership taxable as a corporation) of which the Partnership is a member or any "taxable REIT subsidiary" of the General Partner in which the Partnership owns shares of stock, unless the ownership of shares of stock of a corporation or other entity (other than a "taxable REIT subsidiary") will not jeopardize the General Partner's status as a REIT or any General Partner Affiliate's status as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), in which event the term "Subsidiary" shall include such corporation or other entity.

"*Substituted Limited Partner*" means a Person who is admitted as a Limited Partner to the Partnership pursuant to the Act and (i) Section 11.4 hereof or (ii) pursuant to any Partnership Unit Designation.

"*Surviving Partnership*" has the meaning set forth in Section 11.2.B(ii) hereof.

"*Tax Items*" has the meaning set forth in Section 6.5.A hereof.

"*Tendered Units*" has the meaning set forth in Section 15.1.A hereof.

"*Tendering Party*" has the meaning set forth in Section 15.1.A hereof.

"*Termination Transaction*" has the meaning set forth in Section 11.2.B hereof.

"*Terminating Capital Transaction*" means any sale or other disposition of all or substantially all of the assets of the Partnership or a related series of transactions that, taken together, result in the sale or other disposition of all or substantially all of the assets of the Partnership, in any case, not in the ordinary course of the Partnership's business.

"*Transaction*" has the meaning set forth in Section 16.9.F hereof.

"*Transfer*" means any sale, assignment, bequest, conveyance, devise, gift (outright or in trust), Pledge, encumbrance, hypothecation, mortgage, exchange, transfer or other disposition or act of alienation, whether voluntary, involuntary or by operation of law; *provided*, *however*, that when the term is used in Article 11 hereof, except as otherwise expressly provided, "Transfer" does not include (a) any Redemption of Partnership Common Units by the Partnership, or acquisition of Tendered Units by the General Partner, pursuant to Section 15.1 hereof, (b) any conversion of LTIP Units into Common Units pursuant to Section 16.9 hereof, or (c) any redemption of Partnership Units pursuant to any Partnership Unit Designation. The terms "Transferred" and "Transferring" have correlative meanings.

"*Unvested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Valuation Date*" means the date of receipt by the General Partner of a Notice of Redemption pursuant to Section 15.1 herein, or such other date as specified herein, or, if such date is not a Business Day, the immediately preceding Business Day.

"*Value*" means, on any Valuation Date with respect to a REIT Share, the average of the daily Market Prices for ten (10) consecutive trading days immediately preceding the Valuation

Date (except that the Market Price for the trading day immediately preceding the date of exercise of a stock option under any Stock Option Plans shall be substituted for such average of daily market prices for purposes of Section 4.4 hereof). The term "*Market Price*" on any date means, with respect to any class or series of outstanding REIT Shares, the Closing Price for such REIT Shares on such date. The "*Closing Price*" on any date means the last sale price for such REIT Shares, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, for such REIT Shares, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if such REIT Shares are not listed or admitted to trading on the New York Stock Exchange, as reported on the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which such REIT Shares are listed or admitted to trading or, if such REIT Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the principal automated quotation system on which REIT Shares are quoted or, if such REIT Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such REIT Shares selected by the board of directors of the General Partner or, in the event that no trading price is available for such REIT Shares, the fair market value of the REIT Shares, as determined by the board of directors of the General Partner.

In the event that the REIT Shares Amount includes Rights that a holder of REIT Shares would be entitled to receive, then the Value of such Rights shall be determined by the General Partner on the basis of such quotations and other information as it considers appropriate.

"*Vested LTIP Units*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Agreement*" has the meaning set forth in Section 16.2.A hereof.

"*Vesting Date*" has the meaning set forth in Section 4.4.C.2 hereof.

ARTICLE 2
ORGANIZATIONAL MATTERS

Section 2.1 *Formation*. The Partnership is a limited partnership heretofore formed and continued pursuant to the provisions of the Act and upon the terms and subject to the conditions set forth in this Agreement. Except as expressly provided herein to the contrary, the rights and obligations of the Partners and the administration and termination of the Partnership shall be governed by the Act. The Partnership Interest of each Partner shall be personal property for all purposes.

Section 2.2 *Name*. The name of the Partnership is "American Assets Trust, L.P." The Partnership's business may be conducted under any other name or names deemed advisable by the General Partner, including the name of the General Partner or any Affiliate thereof. The words "Limited Partnership," "L.P.," "Ltd." or similar words or letters shall be included in the Partnership's name where necessary for the purposes of complying with the laws of any jurisdiction that so requires. The General Partner in its sole and absolute discretion may change the name of the Partnership at any time and from time to time and shall notify the Partners of such change in the next regular communication to the Partners.

Section 2.3 *Principal Office and Resident Agent; Principal Executive Office.* The address of the principal office of the Partnership in the State of Maryland is located at c/o The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other place within the State of Maryland as the General Partner may from time to time designate, and the resident agent of the Partnership in the State of Maryland is The Corporation Trust Incorporated, 351 West Camden Street, Baltimore, Maryland 21201, or such other resident of the State of Maryland as the General Partner may from time to time designate. The principal office of the Partnership is located at 11455 El Camino Real, Suite 200 San Diego, California 92130, or such other place as the General Partner may from time to time designate by notice to the Limited Partners. The Partnership may maintain offices at such other place or places within or outside the State of Maryland as the General Partner deems advisable.

Section 2.4 *Power of Attorney*.

A. Each Limited Partner and Assignee hereby irrevocably constitutes and appoints the General Partner, any Liquidator, and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead to:

(1) execute, swear to, seal, acknowledge, deliver, file and record in the appropriate public offices: (a) all certificates, documents and other instruments (including, without limitation, this Agreement and the Certificate and all amendments, supplements or restatements thereof) that the General Partner or the Liquidator deems appropriate or necessary to form, qualify or continue the existence or qualification of the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and in all other jurisdictions in which the Partnership may conduct business or own property; (b) all instruments that the General Partner or any Liquidator deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (c) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the dissolution and liquidation of the Partnership pursuant to the terms of this Agreement, including, without limitation, a certificate of cancellation; (d) all conveyances and other instruments or documents that the General Partner or the Liquidator deems appropriate or necessary to reflect the distribution or exchange of assets of the Partnership pursuant to the terms of this Agreement; (e) all instruments relating to the admission, acceptance, withdrawal, removal or substitution of any Partner pursuant to the terms of this Agreement or the Capital Contribution of any Partner; and (f) all certificates, documents and other instruments relating to the determination of the rights, preferences and privileges relating to Partnership Interests; and

(2) execute, swear to, acknowledge and file all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the sole and absolute discretion of the General Partner or any Liquidator, to make, evidence, give, confirm or ratify any vote, consent, approval, agreement or other action that is made or given by the Partners hereunder or is consistent with the terms of this Agreement.

(3) Nothing contained herein shall be construed as authorizing the General Partner or any Liquidator to amend this Agreement except in accordance with Section 14.2 hereof or as may be otherwise expressly provided for in this Agreement.

B. The foregoing power of attorney is hereby declared to be irrevocable and a special power coupled with an interest, in recognition of the fact that each of the Limited Partners and Assignees will be relying upon the power of the General Partner or the Liquidator to act as contemplated by this Agreement in any filing or other action by it on behalf of the Partnership, and it shall survive and not be affected by the subsequent Incapacity of any Limited Partner or Assignee and the Transfer of all or any portion of such Person's Partnership Interest and shall extend to such Person's heirs, successors, assigns and personal representatives. Each such Limited Partner and Assignee hereby agrees to be bound by any representation made by the General Partner or the Liquidator, acting in good faith pursuant to such power of attorney; and each such Limited Partner and Assignee hereby waives any and all defenses that may be available to contest, negate or disaffirm the action of the General Partner or the Liquidator, taken in good faith under such power of attorney. Each Limited Partner and Assignee shall execute and deliver to the General Partner or the Liquidator, within fifteen (15) days after receipt of the General Partner's or the Liquidator's request therefor, such further designation, powers of attorney and other instruments as the General Partner or the Liquidator (as the case may be) deems necessary to effectuate this Agreement and the purposes of the Partnership. Notwithstanding anything else set forth in this Section 2.4.B, no Limited Partner shall incur any personal liability for any action of the General Partner or the Liquidator taken under such power of attorney.

Section 2.5 *Term*. The term of the Partnership commenced on [____], the date that the original Certificate was filed with the SDAT in accordance with the Act, and shall continue indefinitely unless the Partnership is dissolved sooner pursuant to the provisions of Article 13 hereof or as otherwise provided by law.

Section 2.6 *Partnership Interests Are Securities*. All Partnership Interests shall be securities within the meaning of, and governed by, (i) Article 8 of the Maryland Uniform Commercial Code and (ii) Article 8 of the Uniform Commercial Code of any other applicable jurisdiction.

ARTICLE 3
PURPOSE

Section 3.1 *Purpose and Business*. The purpose and nature of the Partnership is to conduct any business, enterprise or activity permitted by or under the Act, including, without limitation, (i) to conduct the business of ownership, construction, reconstruction, development, redevelopment, alteration, improvement, maintenance, operation, sale, leasing, transfer, encumbrance, conveyance and exchange of the Properties, (ii) to acquire and invest in any securities and/or loans relating to the Properties, (iii) to enter into any partnership, joint venture, business trust arrangement, limited liability company or other similar arrangement to engage in any business permitted by or under the Act, or to own interests in any entity engaged in any business permitted by or under the Act, (iv) to conduct the business of providing property and asset management and brokerage services, whether directly or through one or more partnerships, joint ventures, Subsidiaries, business trusts, limited liability companies or similar arrangements, and (v) to do anything necessary or incidental to the foregoing.

Section 3.2 *Powers*.

A. The Partnership shall be empowered to do any and all acts and things necessary, appropriate, proper, advisable, incidental to or convenient for the furtherance and accomplishment of the purposes and business described herein and for the protection and benefit of the Partnership including, without limitation, full power and authority, directly or through its ownership interest in other entities, to enter into, perform and carry out contracts of any kind, to borrow and lend money and to issue evidence of indebtedness, whether or not secured by mortgage, deed of trust, pledge or other lien, to acquire, own, manage, improve and develop real property and lease, sell, transfer and dispose of real property.

B. Notwithstanding any other provision in this Agreement, the Partnership shall not take, or refrain from taking, any action that, in the judgment of the General Partner, in its sole and absolute discretion, (i) could adversely affect the ability of the General Partner to continue to qualify as a REIT, (ii) could subject the General Partner to any taxes under Code Section 857 or Code Section 4981 or any other related or successor provision under the Code, or (iii) could violate any law or regulation of any governmental body or agency having jurisdiction over the General Partner, its securities or the Partnership, unless, in any such case, such action (or inaction) under clause (i), clause (ii), or clause (iii) above shall have been specifically Consented to by the General Partner.

Section 3.3 *Partnership Only for Purposes Specified*. The Partnership is a limited partnership formed pursuant to the Act, and this Agreement shall not be deemed to create a company, venture or partnership between or among the Partners or any other Persons with respect to any activities whatsoever other than the activities within the purposes of the Partnership as specified in Section 3.1 hereof; however, to the extent applicable, the Partnership is a “partnership at will” (and is not a partnership formed for a definite term or particular undertaking) within the meaning of the Act. Except as otherwise provided in this Agreement, no Partner shall have any authority to act for, bind, commit or assume any obligation or responsibility on behalf of the Partnership, its properties or any other Partner. No Partner, in its capacity as a Partner under this Agreement, shall be responsible or liable for any indebtedness or obligation of another Partner, nor shall the Partnership be responsible or liable for any indebtedness or obligation of any Partner, incurred either before or after the execution and delivery of this Agreement by such Partner, except as to those responsibilities, liabilities, indebtedness or obligations incurred pursuant to and as limited by the terms of this Agreement and the Act.

Section 3.4 *Representations and Warranties by the Partners*.

A. Each Partner that is an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited

Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) the consummation of the transactions contemplated by this Agreement to be performed by such Partner will not result in a breach or violation of, or a default under, any material agreement by which such Partner or any of such Partner's property is bound, or any statute, regulation, order or other law to which such Partner is subject, (ii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture, or limited liability company of which the General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, (iii) such Partner has the legal capacity to enter into this Agreement and perform such Partner's obligations hereunder, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is an individual shall not be subject to the ownership restrictions set forth in clause (ii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

B. Each Partner that is not an individual (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or a Substituted Limited Partner) represents and warrants to, and covenants with, each other Partner that (i) all transactions contemplated by this Agreement to be performed by it have been duly authorized by all necessary action, including, without limitation, that of its general partner(s), manager(s), committee(s), trustee(s), beneficiaries, directors and/or stockholder(s) (as the case may be) as required, (ii) the consummation of such transactions shall not result in a breach or violation of, or a default under, its partnership or operating agreement, trust agreement, charter or bylaws (as the case may be) any material agreement by which such Partner or any of such Partner's properties or any of its partners, members, beneficiaries, trustees or stockholders (as the case may be) is or are bound, or any statute, regulation, order or other law to which such Partner or any of its partners, members, trustees, beneficiaries or stockholders (as the case may be) is or are subject, (iii) if five percent (5%) or more (by value) of the Partnership's interests are or will be owned by such Partner within the meaning of Code Section 7704(d)(3), such Partner does not, and for so long as it is a Partner will not, own, directly or indirectly, (a) stock of any corporation that is a tenant of (I) the General Partner or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company of which the General Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member or (b) an interest in the assets or net profits of any non-corporate tenant of (I) the General Partner, or any Disregarded Entity with respect to the General Partner, (II) the Partnership or (III) any partnership, venture or limited liability company for which the General

Partner, any General Partner, any Disregarded Entity with respect to the General Partner, or the Partnership is a direct or indirect member, and (iv) this Agreement is binding upon, and enforceable against, such Partner in accordance with its terms. Notwithstanding the foregoing, a Partner that is not an individual shall not be subject to the ownership restrictions set forth in clause (iii) of the immediately preceding sentence to the extent such Partner obtains the written Consent of the General Partner prior to violating any such restrictions. Each Partner that is not an individual shall also represent and warrant to the Partnership that such Partner is neither a "foreign person" within the meaning of Code Section 1445(f) nor a foreign partner within the meaning of Code Section 1446(e).

C. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) represents, warrants and agrees that (i) it has acquired and continues to hold its interest in the Partnership for its own account for investment purposes only and not for the purpose of, or with a view toward, the resale or distribution of all or any part thereof in violation of applicable laws, and not with a view toward selling or otherwise distributing such interest or any part thereof at any particular time or under any predetermined circumstances in violation of applicable laws; (ii) it is a sophisticated investor, able and accustomed to handling sophisticated financial matters for itself, particularly real estate investments, and that it has a sufficiently high net worth that it does not anticipate a need for the funds that it has invested in the Partnership in what it understands to be a highly speculative and illiquid investment; and (iii) without the Consent of the General Partner, it shall not take any action that would cause (a) the Partnership at any time to have more than 100 partners, including as partners those persons ("*Flow-Through Partners*") indirectly owning an interest in the Partnership through an entity treated as a partnership, Disregarded Entity, S corporation or grantor trust (each such entity, a "*Flow-Through Entity*"), but only if substantially all of the value of such person's interest in the Flow-Through Entity is attributable to the Flow-Through Entity's interest (direct or indirect) in the Partnership; or (b) the Partnership Interest initially issued to such Partner or its predecessors to be held by more than [__] partners, including as partners any Flow-Through Partners.

D. The representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C hereof shall survive the execution and delivery of this Agreement by each Partner (and, in the case of an Additional Limited Partner or a Substituted Limited Partner, the admission of such Additional Limited Partner or Substituted Limited Partner as a Limited Partner in the Partnership) and the dissolution, liquidation and termination of the Partnership.

E. Each Partner (including, without limitation, each Additional Limited Partner or Substituted Limited Partner as a condition to becoming an Additional Limited Partner or Substituted Limited Partner) hereby acknowledges that no representations as to potential profit, cash flows, funds from operations or yield, if any, in respect of the Partnership or the General Partner have been made by any Partner or any employee or representative or Affiliate of any Partner, and that projections and any other information, including, without limitation, financial and descriptive information and documentation, that may have been in any manner submitted to such Partner shall not constitute any representation or warranty of any kind or nature, express or implied.

F. Notwithstanding the foregoing, the General Partner may, in its sole and absolute discretion, permit the modification of any of the representations and warranties contained in Sections 3.4.A, 3.4.B and 3.4.C above as applicable to any Partner (including, without limitation any Additional Limited Partner or Substituted Limited Partner or any transferee of either), provided that such representations and warranties, as modified, shall be set forth in either (i) a Partnership Unit Designation applicable to the Partnership Units held by such Partner or (ii) a separate writing addressed to the Partnership and the General Partner.

ARTICLE 4
CAPITAL CONTRIBUTIONS

Section 4.1 *Capital Contributions of the Partners*. The Partners have heretofore made Capital Contributions to the Partnership. Each Partner owns Partnership Units in the amount set forth for such Partner on Exhibit A, as the same may be amended from time to time by the General Partner to the extent necessary to reflect accurately sales, exchanges or other Transfers, redemptions, Capital Contributions, the issuance of additional Partnership Units, or similar events having an effect on a Partner's ownership of Partnership Units. Except as provided by law or in Section 4.2, 4.3, or 10.4 hereof, the Partners shall have no obligation or, except with the prior Consent of the General Partner, right to make any additional Capital Contributions or loans to the Partnership.

Section 4.2 *Issuances of Additional Partnership Interests*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation:

A. *General*. The General Partner is hereby authorized to cause the Partnership to issue additional Partnership Interests, in the form of Partnership Units, for any Partnership purpose, at any time or from time to time, to the Partners (including the General Partner) or to other Persons, and to admit such Persons as Additional Limited Partners, for such consideration and on such terms and conditions as shall be established by the General Partner in its sole and absolute discretion, all without the approval of any Limited Partner or any other Person. Without limiting the foregoing, the General Partner is expressly authorized to cause the Partnership to issue Partnership Units (i) upon the conversion, redemption or exchange of any Debt, Partnership Units, or other securities issued by the Partnership, (ii) for less than fair market value and (iii) in connection with any merger of any other Person into the Partnership. Any additional Partnership Interests may be issued in one or more classes, or one or more series of any of such classes, with such designations, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption (including, without limitation, terms that may be senior or otherwise entitled to preference over existing Partnership Units) as shall be determined by the General Partner, in its sole and absolute discretion without the approval of any Limited Partner or any other Person, and set forth in a written document thereafter attached to and made an exhibit to this Agreement, which exhibit shall be an amendment to this Agreement and shall be incorporated herein by this reference (each, a "*Partnership Unit Designation*"). Without limiting the generality of the foregoing, the General Partner shall have authority to specify: (a) the allocations of items of Partnership income, gain, loss, deduction and credit to each such class or series of Partnership Interests; (b) the right of each such class or series of Partnership Interests to share (on a *pari passu*, junior or preferred basis) in Partnership distributions; (c) the rights of each such class or series of Partnership

Interests upon dissolution and liquidation of the Partnership; (d) the voting rights, if any, of each such class or series of Partnership Interests; and (e) the conversion, redemption or exchange rights applicable to each such class or series of Partnership Interests. Upon the issuance of any additional Partnership Interest, the General Partner shall amend Exhibit A and the books and records of the Partnership as appropriate to reflect such issuance.

B. *Issuances of LTIP Units*. Without limiting the generality of the foregoing, from time to time, the General Partner is hereby authorized to issue LTIP Units to Persons providing services to or for the benefit of the Partnership for such consideration or for no consideration as the General Partner may determine to be appropriate and on such terms and conditions as shall be established by the General Partner, and admit such Persons as Limited Partners. Except to the extent a Capital Contribution is made with respect to an LTIP Unit, each LTIP Unit is intended to qualify as a profits interests in the Partnership within the meaning of the Code, the Regulations, and any published guidance by the IRS with respect thereto. Except as may be provided from time to time by the General Partner with respect to one or more series of LTIP Units, LTIP Units shall be have the terms set forth in Article 16.

C. *Issuances to the General Partner*. No additional Partnership Units shall be issued to the General Partner unless (i) the additional Partnership Units are issued to all Partners in proportion to their respective Percentage Interests, (ii) (a) the additional Partnership Units are (x) Partnership Common Units issued in connection with an issuance of REIT Shares, or (y) Partnership Equivalent Units (other than Partnership Common Units) issued in connection with an issuance of Preferred Shares, New Securities or other interests in the General Partner (other than REIT Shares), and (b) the General Partner contributes to the Partnership the cash proceeds or other consideration received in connection with the issuance of such REIT Shares, Preferred Shares, New Securities or other interests in the General Partner, (iii) the additional Partnership Units are issued upon the conversion, redemption or exchange of Debt, Partnership Units or other securities issued by the Partnership or (iv) the additional Partnership Units are issued pursuant to Section 4.3.B, Section 4.3.E, Section 4.4 or Section 4.5.

D. *No Preemptive Rights*. Except as specified in Section 4.2.C(i) hereof, no Person, including, without limitation, any Partner or Assignee, shall have any preemptive, preferential, participation or similar right or rights to subscribe for or acquire any Partnership Interest.

Section 4.3 *Additional Funds and Capital Contributions*.

A. *General*. The General Partner may, at any time and from time to time, determine that the Partnership requires additional funds ("*Additional Funds*") for the acquisition or development of additional Properties, for the redemption of Partnership Units or for such other purposes as the General Partner may determine, in its sole and absolute discretion. Additional Funds may be obtained by the Partnership, at the election of the General Partner, in any manner provided in, and in accordance with, the terms of this Section 4.3 without the approval of any Limited Partner or any other Person.

B. *Additional Capital Contributions*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by accepting Capital Contributions from any Partners or other Persons. In connection with any such Capital Contribution (of cash or property), the General Partner is hereby authorized to cause the Partnership from time to time to issue additional Partnership Units (as set forth in Section 4.2 above) in consideration therefor and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect the issuance of such additional Partnership Units.

C. *Loans by Third Parties*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to any Person (other than the General Partner (but, for this purpose, disregarding any Debt that may be deemed incurred to the General Partner by virtue of clause (iii) of the definition of Debt)) upon such terms as the General Partner determines appropriate, including making such Debt convertible, redeemable or exchangeable for Partnership Units or REIT Shares; *provided*, *however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

D. *General Partner Loans*. The General Partner, on behalf of the Partnership, may obtain any Additional Funds by causing the Partnership to incur Debt to the General Partner if (i) such Debt is, to the extent permitted by law, on substantially the same terms and conditions (including interest rate, repayment schedule, and conversion, redemption, repurchase and exchange rights) as Funding Debt incurred by the General Partner, the net proceeds of which are loaned to the Partnership to provide such Additional Funds, or (ii) such Debt is on terms and conditions no less favorable to the Partnership than would be available to the Partnership from any third party; *provided*, *however*, that the Partnership shall not incur any such Debt if any Partner would be personally liable for the repayment of such Debt (unless such Partner otherwise agrees).

E. *Issuance of Securities by the General Partner*. The General Partner shall not issue any additional REIT Shares, Capital Shares or New Securities unless the General Partner contributes the cash proceeds or other consideration received from the issuance of such additional REIT Shares, Capital Shares or New Securities (as the case may be) and from the exercise of the rights contained in any such additional Capital Shares or New Securities to the Partnership in exchange for (x) in the case of an issuance of REIT Shares, Partnership Common Units, or (y) in the case of an issuance of Capital Shares or New Securities, Partnership Equivalent Units; *provided, however*, that notwithstanding the foregoing, the General Partner may issue REIT Shares, Capital Shares or New Securities (a) pursuant to Section 4.4 or Section 15.1.B hereof, (b) pursuant to a dividend or distribution (including any stock split) of REIT Shares, Capital Shares or New Securities to all of the holders of REIT Shares, Capital Shares or New Securities (as the case may be), (c) upon a conversion, redemption or exchange of Capital Shares, (d) upon a conversion, redemption, exchange or exercise of New Securities, or (e) in connection with an acquisition of Partnership Units or a property or other asset to be owned, directly or indirectly, by the General Partner. In the event of any issuance of additional REIT Shares, Capital Shares or New Securities by the General Partner, and the contribution to the Partnership, by the General Partner, of the cash proceeds or other consideration received from such issuance (or property acquired with such proceeds), if any, if the cash proceeds actually received by the General Partner are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance, then the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount equal to the sum of the cash proceeds of such issuance plus the amount of such underwriter's discount and other expenses paid by the General Partner (which discount and expense shall be treated as an expense for the benefit of the Partnership for purposes of Section 7.4). In the event that the General Partner issues any additional REIT Shares, Capital Shares or New Securities and contributes the cash proceeds or other consideration received from the issuance thereof to the Partnership, the Partnership is expressly authorized to issue a number of Partnership Common Units or Partnership Equivalent Units to the General Partner equal to the number of REIT Shares, Capital Shares or New Securities so issued, divided by the Adjustment Factor then in effect, in accordance with this Section 4.3.E without any further act, approval or vote of any Partner or any other Persons.

Section 4.4 *Stock Option Plans and Equity Plans*.

A. *Options Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Person other than a Partnership Employee is duly exercised:

(1) The General Partner, shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership in an amount equal to the exercise price paid to the General Partner by such exercising party in connection with the exercise of such stock option.

(2) Notwithstanding the amount of the Capital Contribution actually made pursuant to Section 4.4.A(1) hereof, the General Partner shall be deemed to have contributed to the Partnership as a Capital Contribution, in lieu of the Capital Contribution actually made and in consideration of an additional Limited Partner Interest (expressed in and as additional Partnership Common Units), an amount equal to the Value of a REIT Share as of the date of exercise multiplied by the number of REIT Shares then being issued in connection with the exercise of such stock option.

(3) An equitable Percentage Interest adjustment shall be made in which the General Partner shall be treated as having made a cash contribution equal to the amount described in Section 4.4.A(2) hereof.

B. *Options Granted to Partnership Employees*. If at any time or from time to time, in connection with any Stock Option Plan, a stock option granted for REIT Shares to a Partnership Employee is duly exercised:

(1) The General Partner shall sell to the Optionee, and the Optionee shall purchase from the General Partner, for a cash price per share equal to the Value of a REIT Share at the time of the exercise, the number of REIT Shares equal to (a) the exercise price payable by the Optionee in connection with the exercise of such stock option divided by (b) the Value of a REIT Share at the time of such exercise.

(2) The General Partner shall sell to the Partnership (or if the Optionee is an employee or other service provider of a Subsidiary of the Partnership, the General Partner shall sell to such Subsidiary of the Partnership), and the Partnership (or such subsidiary, as applicable) shall purchase from the General Partner, a number of REIT Shares equal to (a) the number of REIT Shares as to which such stock option is being exercised less (b) the number of REIT Shares sold pursuant to Section 4.4.B(1) hereof. The purchase price per REIT Share for such sale of REIT Shares to the Partnership (or such subsidiary) shall be the Value of a REIT Share as of the date of exercise of such stock option.

(3) The Partnership shall transfer to the Optionee (or if the Optionee is an employee or other service provider of a Subsidiary of the Partnership, such Subsidiary shall transfer to the Optionee) at no additional cost, as additional compensation, the number of REIT Shares described in Section 4.4.B(2) hereof.

(4) The General Partner shall, as soon as practicable after such exercise, make a Capital Contribution to the Partnership of an amount equal to all proceeds received (from whatever source, but excluding any payment in respect of payroll taxes or other withholdings) by the General Partner in connection with the exercise of such stock option. An equitable Percentage Interest adjustment shall be made as a result of such contribution.

C. *Restricted Stock Granted to Persons other than Partnership Employees*. If at any time or from time to time, in connection with any Equity Plan (other than a Stock Option Plan), any REIT Shares are issued to a Person other than a Partnership Employee in consideration for services performed for the General Partner:

(1) The General Partner shall issue such number of REIT Shares as are to be issued to such Person in accordance with the Equity Plan; and

(2) On the date (such date, the "*Vesting Date*") that the Value of such shares is includible in taxable income of such Person, the following events will be deemed to have occurred: (a) the General Partner shall be deemed to have contributed the Value of such REIT Shares to the Partnership as a Capital Contribution, and (b) the Partnership shall issue to the General Partner on the Vesting Date a number of Common Units equal to the number of newly issued REIT Shares divided by the Adjustment Factor then in effect.

D. *Restricted Stock Granted to Partnership Employees*. If at any time or from time to time, in connection with any Equity Plan (other than a Stock Option Plan), any REIT Shares are issued to a Partnership Employee (including any REIT Shares that are subject to forfeiture in the event such Partnership Employee terminates his employment by the Partnership or the Partnership Subsidiaries) in consideration for services performed for the Partnership or the Partnership Subsidiaries:

(1) The General Partner shall issue such number of REIT Shares as are to be issued to the Partnership Employee in accordance with the Equity Plan;

(2) On the Vesting Date, the following events will be deemed to have occurred: (a) the General Partner shall be deemed to have sold such shares to the Partnership (or if the Partnership Employee is an employee or other service provider of a Subsidiary of the Partnership, to such Subsidiary) for a purchase price equal to the Value of such shares, (b) the Partnership (or such Subsidiary) shall be deemed to have delivered the shares to the Partnership Employee, (c) the General Partner shall be deemed to have

contributed the purchase price to the Partnership as a Capital Contribution, and (d) in the case where the Partnership Employee is an employee of a Subsidiary of the Partnership, the Partnership shall be deemed to have contributed such amount to the capital of such Subsidiary; and

(3) The Partnership shall issue to the General Partner on the Vesting Date a number of Common Units equal to the number of newly issued REIT Shares divided by the Adjustment Factor then in effect in consideration for the Capital Contribution described in Section 4.4.D(2)(c) above.

E. *Future Stock Incentive Plans*. Nothing in this Agreement shall be construed or applied to preclude or restrain the General Partner from adopting, modifying or terminating stock incentive plans for the benefit of employees, directors or other business associates of the General Partner, the Partnership or any of their Affiliates. The Partners acknowledge and agree that, in the event that any such plan is adopted, modified or terminated by the General Partner, amendments to this Section 4.4 may become necessary or advisable and that any approval or Consent to any such amendments requested by the General Partner shall be deemed granted by the Limited Partners.

F. *Issuance of Partnership Common Units*. The Partnership is expressly authorized to issue Partnership Common Units in accordance with any Stock Option Plan or Equity Plan pursuant to this Section 4.4 without any further act, approval or vote of any Partner or any other Persons.

Section 4.5 *Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan*. Except as may otherwise be provided in this Article 4, all amounts received or deemed received by the General Partner in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the General Partner to effect open market purchases of REIT Shares, or (b) if the General Partner elects instead to issue new REIT Shares with respect to such amounts, shall be contributed by the General Partner to the Partnership in exchange for additional Partnership Common Units. Upon such contribution, the Partnership will issue to the General Partner a number of Partnership Common Units equal to the quotient of (i) the new REIT Shares so issued, divided by (ii) the Adjustment Factor then in effect.

Section 4.6 *No Interest; No Return*. No Partner shall be entitled to interest on its Capital Contribution or on such Partner's Capital Account. Except as provided herein or by law, no Partner shall have any right to demand or receive the return of its Capital Contribution from the Partnership.

Section 4.7 *Conversion or Redemption of Capital Shares*.

A. *Conversion of Capital Shares*. If, at any time, any of the Capital Shares are converted into REIT Shares, in whole or in part, then a number of Partnership Units with preferences, conversion and other rights, restrictions (other than restrictions on transfer), rights and limitations as to distributions and qualifications that are substantially the same as those of such Capital Shares ("*Partnership Equivalent Units*") (for the avoidance of doubt, Partnership

Equivalent Units need not have voting rights, redemption rights or restrictions on transfer that are substantially similar to such Capital Shares) equal to the number of Capital Shares so converted shall automatically be converted into a number of Partnership Common Units equal to the quotient of (i) the number of REIT Shares issued upon such conversion divided by (ii) the Adjustment Factor then in effect, and the Percentage Interests of the General Partner and the Limited Partners shall be adjusted to reflect such conversion.

B. *Redemption of Capital Shares or REIT Shares*. Except as otherwise provided in Section 7.4.C., if, at any time, any Capital Shares are redeemed or otherwise repurchased (whether by exercise of a put or call, automatically or by means of another arrangement) by the General Partner for cash, the Partnership shall, immediately prior to such redemption or repurchase of Capital Shares, redeem or repurchase an equal number of Partnership Equivalent Units held by the General Partner upon the same terms and for the same price per Partnership Equivalent Unit as such Capital Shares are redeemed. If, at any time, any REIT Shares are redeemed or otherwise repurchased by the General Partner, the Partnership shall, immediately prior to such redemption or repurchase of REIT Shares, redeem or repurchase a number of Partnership Common Units held by the General Partner equal to the quotient of (i) the REIT Shares so redeemed or repurchased, divided by (ii) the Adjustment Factor then in effect, such redemption or repurchase to be upon the same terms and for the same price per Partnership Common Unit (after giving effect to application of the Adjustment Factor) as such REIT Shares are redeemed or repurchased.

Section 4.8 *Other Contribution Provisions*. In the event that any Partner is admitted to the Partnership and is given a Capital Account in exchange for services rendered to the Partnership, such transaction shall be treated by the Partnership and the affected Partner as if the Partnership had compensated such partner in cash and such Partner had contributed the cash that the Partner would have received to the capital of the Partnership. In addition, with the Consent of the General Partner, one or more Partners may enter into contribution agreements with the Partnership which have the effect of providing a guarantee of certain obligations of the Partnership (and/or a wholly-owned Subsidiary of the Partnership).

ARTICLE 5
DISTRIBUTIONS

Section 5.1 *Requirement and Characterization of Distributions*. Subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may cause the Partnership to distribute such amounts, at such times, as the General Partner may, in its sole and absolute discretion, determine, to the Holders as of any Partnership Record Date: (i) first, with respect to any Partnership Units that are entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date); and (ii) second, with respect to any Partnership Units that are not entitled to any preference in distribution, in accordance with the rights of Holders of such class(es) of Partnership Units, as applicable (and, within each such class, among the Holders of each such class, pro rata in proportion to their respective Percentage Interests of such class on such Partnership Record Date). Distributions payable with respect to any Partnership Units, other than any Partnership Units issued to the

General Partner in connection with the issuance of REIT Shares by the General Partner, that were not outstanding during the entire quarterly period in respect of which any distribution is made shall be prorated based on the portion of the period that such Partnership Units were outstanding. The General Partner shall make such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the General Partner's qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner, for so long as the General Partner has determined to qualify as a REIT, to pay stockholder dividends that will (a) satisfy the requirements for qualifying as a REIT under the Code and Regulations (the "*REIT Requirements*") and (b) except to the extent otherwise determined by the General Partner, eliminate any U.S. federal income or excise tax liability of the General Partner. Notwithstanding anything in the forgoing to the contrary, a Holder of LTIP Units will only be entitled to distributions with respect to an LTIP Unit as set forth in Article 16 hereof and in making distributions pursuant to this Section 5.1, the General Partner of the Partnership shall take into account the provisions of Section 16.4 hereof.

Section 5.2 *Distributions in Kind*. Except as expressly provided herein, no right is given to any Holder to demand and receive property other than cash as provided in this Agreement. The General Partner may determine, in its sole and absolute discretion, to make a distribution in kind of Partnership assets to the Holders, and such assets shall be distributed in such a fashion as to ensure that the fair market value is distributed and allocated in accordance with Articles 5, 6 and 13 hereof; *provided*, *however*, that the General Partner shall not make a distribution in kind to any Holder unless the Holder has been given 90 days prior written notice of such distribution.

Section 5.3 *Amounts Withheld*. All amounts withheld pursuant to the Code or any provisions of any state, local or non-United States tax law and Section 10.4 hereof with respect to any allocation, payment or distribution to any Holder shall be treated as amounts paid or distributed to such Holder pursuant to Section 5.1 hereof for all purposes under this Agreement.

Section 5.4 *Distributions upon Liquidation*. Notwithstanding the other provisions of this Article 5, net proceeds from a Terminating Capital Transaction, and any other amounts distributed after the occurrence of a Liquidating Event, shall be distributed to the Holders in accordance with Section 13.2 hereof.

Section 5.5 *Distributions to Reflect Additional Partnership Units*. In the event that the Partnership issues additional Partnership Units pursuant to the provisions of Article 4 hereof, subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is hereby authorized to make such revisions to this Article 5 and to Articles 6, 11 and 12 hereof as it determines are necessary or desirable to reflect the issuance of such additional Partnership Units, including, without limitation, making preferential distributions to Holders of certain classes of Partnership Units.

Section 5.6 *Restricted Distributions*. Notwithstanding any provision to the contrary contained in this Agreement, neither the Partnership nor the General Partner, on behalf of the Partnership, shall make a distribution to any Holder if such distribution would violate the Act or other applicable law.

ARTICLE 6
ALLOCATIONS

Section 6.1 *Timing and Amount of Allocations of Net Income and Net Loss*. Net Income and Net Loss of the Partnership shall be determined and allocated with respect to each Partnership Year as of the end of each such year, provided that the General Partner may in its discretion allocate Net Income and Net Loss for a shorter period as of the end of such period (and, for purposes of this Article 6, references to the term “Partnership Year” may include such shorter periods). Except as otherwise provided in this Article 6, and subject to Section 11.6.C hereof, an allocation to a Holder of a share of Net Income or Net Loss shall be treated as an allocation of the same share of each item of income, gain, loss or deduction that is taken into account in computing Net Income or Net Loss.

Section 6.2 *General Allocations*. Except as otherwise provided in this Article 6, Section 11.6.C and Section 16.5 hereof, Net Income and Net Loss for any Partnership Year shall be allocated to each of the Holders as follows:

A. *Net Income*.

(i) First, 100% to the General Partner in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to the General Partner pursuant to clause (iii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to the General Partner pursuant to this clause (i) for all prior Partnership Years;

(ii) Second, 100% to each Holder in an amount equal to the remainder, if any, of the cumulative Net Losses allocated to each such Holder pursuant to clause (ii) in Section 6.2.B for all prior Partnership Years minus the cumulative Net Income allocated to such Holder pursuant to this clause (ii) for all prior Partnership Years; and

(iii) Third, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units.

To the extent the allocations of Net Income set forth above in any paragraph of this Section 6.2.A are not sufficient to entirely satisfy the allocation set forth in such paragraph, such allocation shall be made in proportion to the total amount that would have been allocated pursuant to such paragraph without regard to such shortfall.

B. *Net Losses*.

(i) First, 100% to the Holders of Partnership Common Units in accordance with their respective Percentage Interests in the Partnership Common Units (to the extent consistent with this clause (i)) until the Adjusted Capital Account (ignoring for this purpose any amounts a Holder is obligated to contribute to the capital of the Partnership or is deemed obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c)(2)) of all such Holders is zero;

(ii) Second, 100% to the Holders (other than the General Partner) to the extent of, and in proportion to, the positive balance (if any) in their Adjusted Capital Accounts; and

(iii) Third, 100% to the General Partner.

C. *Allocations to Reflect Issuance of Additional Partnership Interests*. In the event that the Partnership issues additional Partnership Interests to the General Partner or any Additional Limited Partner pursuant to Section 4.2 or 4.3, the General Partner shall make such revisions to this Section 6.2 or to Section 12.2.C or 13.2.A as it determines are necessary to reflect the terms of the issuance of such additional Partnership Interests, including making preferential allocations to certain classes of Partnership Interests, subject to the terms of any Partnership Unit Designation with respect to Partnership Interests then outstanding.

D. *Special Allocations with Respect to LTIP Units*. After giving effect to the special allocations set forth in Section 6.4.A hereof, and notwithstanding the provisions of Sections 6.2.A and 6.2.B above, any Liquidating Gains shall first be allocated to Holders of LTIP Units until the Economic Capital Account Balances of such Holders, to the extent attributable to their ownership of LTIP Units, are equal to (i) the Common Unit Economic Balance, multiplied by (ii) the number of their LTIP Units. Any such allocations shall be made among the Holders of LTIP Units in proportion to the amounts required to be allocated to each under this Section 6.2.D. The parties agree that the intent of this Section 6.2.D is to make the Capital Account balances of the Holders of LTIP Units with respect to their LTIP Units economically equivalent to the Capital Account balance of the General Partner with respect to its Partnership Common Units. In the event that Liquidating Gains are allocated under this Section 6.2.D, Net Income allocable under Section 6.2.A and any Net Losses allocable under Section 6.2.B shall be recomputed without regard to the Liquidating Gains so allocated.

Section 6.3 *Additional Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Special Allocations Upon Liquidation*. Notwithstanding any provision in this Article 6 to the contrary, in the event that the Partnership disposes of all or substantially all of its assets in a transaction that will lead to a liquidation of the Partnership pursuant to Article 13 hereof, then any Net Income or Net Loss realized in connection with such transaction and thereafter (and, if necessary, constituent items of income, gain, loss and deduction) shall be specially allocated for such Partnership Year (and to the extent permitted by Section 761(c) of the Code, for the immediately preceding Partnership Year) among the Holders as required so as to cause liquidating distributions pursuant to Section 13.2.A(4) hereof to be made in the same amounts and proportions as would have resulted had such distributions instead been made pursuant to Article 5 hereof. In addition, if there is an adjustment to the Gross Asset Value of the assets of the Partnership pursuant to paragraph (b) of the definition of Gross Asset Value, allocations of Net Income or Net Loss arising from such adjustment shall be allocated in the same manner as described in the prior sentence.

B. *Offsetting Allocations*. Notwithstanding the provisions of Sections 6.1, 6.2.A and 6.2.B, but subject to Sections 6.3 and 6.4, in the event Net Income or items thereof are being allocated to a Partner to offset prior Net Loss or items thereof which have been allocated to such Partner, the General Partner shall attempt to allocate such offsetting Net Income or items thereof which are of the same or similar character (including without limitation Section 704(b) book items versus tax items) to the original allocations with respect to such Partner.

C. *CODI Allocations*. Notwithstanding anything to the contrary contained herein, if any indebtedness of the Partnership encumbering the Properties contributed to the Partnership in connection with the General Partner's initial public offering is settled or paid off at a discount, any resulting COD Income of the Partnership shall be specially allocated proportionately (as determined by the General Partner) to those Holders that were partners in entities that contributed, or were deemed to contribute, the applicable Property to the Partnership in connection with such initial public offering to the extent the number of Partnership Units received by such Holders in exchange for their interests in such entities was determined, in part, by taking into account the anticipated discounted settlement or pay-off of such indebtedness. For purposes of the foregoing, "COD Income" shall mean income recognized by the Partnership pursuant to Code Section 61(a)(12).

Section 6.4 *Regulatory Allocation Provisions*. Notwithstanding the foregoing provisions of this Article 6:

A. *Regulatory Allocations*.

(i) *Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(f), notwithstanding the provisions of Section 6.2 hereof, or any other provision of this Article 6, if there is a net decrease in Partnership Minimum Gain during any Partnership Year, each Holder shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partnership Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be allocated shall be determined in accordance with Regulations Sections 1.704-2(f)(6) and 1.704-2(j)(2). This Section 6.4.A(i) is intended to qualify as a "minimum gain chargeback" within the meaning of Regulations Section 1.704-2(f) and shall be interpreted consistently therewith.

(ii) *Partner Minimum Gain Chargeback*. Except as otherwise provided in Regulations Section 1.704-2(i)(4) or in Section 6.4.A(i) hereof, if there is a net decrease in Partner Minimum Gain attributable to a Partner Nonrecourse Debt during any Partnership Year, each Holder who has a share of the Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Partnership income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Holder's share of the net decrease in Partner Minimum Gain attributable to such Partner Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(4). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Holder pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Sections 1.704-2(i)(4) and 1.704-2(j)(2). This Section 6.4.A(ii) is intended to qualify as a "chargeback of partner nonrecourse debt minimum gain" within the meaning of Regulations Section 1.704-2(i) and shall be interpreted consistently therewith.

(iii) *Nonrecourse Deductions and Partner Nonrecourse Deductions*. Any Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holders in accordance with their respective Percentage Interests. Any Partner Nonrecourse Deductions for any Partnership Year shall be specially allocated to the Holder(s) who bears the economic risk of loss with respect to the Partner Nonrecourse Debt to which such Partner Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

(iv) *Qualified Income Offset*. If any Holder unexpectedly receives an adjustment, allocation or distribution described in Regulations Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of Partnership income and gain shall be specially allocated, in accordance with Regulations Section 1.704-1(b)(2)(ii)(d), to such Holder in an amount and manner sufficient to eliminate, to the extent required by such Regulations, the Adjusted Capital Account Deficit of such Holder as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(iv) shall be made if and only to the extent that such Holder would have an Adjusted Capital Account Deficit after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(iv) were not in the Agreement. It is intended that this Section 6.4.A(iv) qualify and be construed as a "qualified income offset" within the meaning of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

(v) *Gross Income Allocation*. In the event that any Holder has a deficit Capital Account at the end of any Partnership Year that is in excess of the sum of (1) the amount (if any) that such Holder is obligated to restore to the Partnership upon complete liquidation of such Holder's Partnership Interest (including, the Holder's interest in outstanding Partnership Preferred Units and other Partnership Units) and (2) the amount that such Holder is deemed to be obligated to restore pursuant to Regulations Section 1.704-1(b)(2)(ii)(c) or the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5), each such Holder shall be specially allocated items of Partnership income and gain in the amount of such excess to eliminate such deficit as quickly as possible, provided that an allocation pursuant to this Section 6.4.A(v) shall be made if and only to the extent that such Holder would have a deficit Capital Account in excess of such sum after all other allocations provided in this Article 6 have been tentatively made as if this Section 6.4.A(v) and Section 6.4.A(iv) hereof were not in the Agreement.

(vi) *Limitation on Allocation of Net Loss*. To the extent that any allocation of Net Loss would cause or increase an Adjusted Capital Account Deficit as to any Holder, such allocation of Net Loss shall be reallocated (x) first, among the other Holders of Partnership Common Units in accordance with their respective Percentage Interests with respect to Partnership Common Units and (y) thereafter, among the Holders of other classes of Partnership Units as determined by the General Partner, subject to the limitations of this Section 6.4.A(vi).

(vii) *Section 754 Adjustment*. To the extent that an adjustment to the adjusted tax basis of any Partnership asset pursuant to Code Section 734(b) or Code Section 743(b) is required, pursuant to Regulations Section 1.704-1(b)(2)(iv)(m)(2) or Regulations Section 1.704-1(b)(2)(iv)(m)(4), to be taken into account in determining Capital Accounts as the result of a distribution to a Holder in complete liquidation of its interest in the Partnership, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such gain or loss shall be specially allocated to the Holders in accordance with their respective Percentage Interests in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(2) applies, or to the Holder(s) to whom such distribution was made in the event that Regulations Section 1.704-1(b)(2)(iv)(m)(4) applies.

(viii) *Curative Allocations*. The allocations set forth in Sections 6.4.A(i), (ii), (iii), (iv), (v), (vi) and (vii) hereof (the "*Regulatory Allocations*") are intended to comply with certain regulatory requirements, including the requirements of Regulations Sections 1.704-1(b) and 1.704-2. Notwithstanding the provisions of Sections 6.1 and 6.2 hereof, the Regulatory Allocations shall be taken into account in allocating other items of income, gain, loss and deduction among the Holders so that to the extent possible without violating the requirements giving rise to the Regulatory Allocations, the net amount of such allocations of other items and the Regulatory Allocations to each Holder shall be equal to the net amount that would have been allocated to each such Holder if the Regulatory Allocations had not occurred.

(ix) *Forfeiture Allocations*. Upon a forfeiture of any Unvested LTIP Units by any Partner, gross items of income, gain, loss or deduction shall be allocated to such Partner if and to the extent required by final Regulations promulgated after the Effective Date to ensure that allocations made with respect to all unvested Partnership Interests are recognized under Code Section 704(b).

(x) *LTIP Units*. For purposes of the allocations set forth in this Section 6.4, including, without limitation, Sections 6.4.A(iii) and (vi), each issued and outstanding LTIP Unit will be treated as one outstanding Partnership Common Unit.

B. *Allocation of Excess Nonrecourse Liabilities*. For purposes of determining a Holder's proportional share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752-3(a)(3), each Holder's respective interest in Partnership profits shall be equal to such Holder's Percentage Interest with respect to Partnership Common Units, except as otherwise determined by the General Partner.

Section 6.5 *Tax Allocations*.

A. *In General*. Except as otherwise provided in this Section 6.5, for income tax purposes under the Code and the Regulations, each Partnership item of income, gain, loss and deduction (collectively, "*Tax Items*") shall be allocated among the Holders in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Sections 6.2 and 6.3 hereof.

B. *Section 704(c) Allocations*. Notwithstanding Section 6.5.A hereof, Tax Items with respect to Property that is contributed to the Partnership with an initial Gross Asset Value that varies from its basis in the hands of the contributing Partner immediately preceding the date of contribution shall be allocated among the Holders for income tax purposes pursuant to Regulations promulgated under Code Section 704(c) so as to take into account such variation. With respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering, such variation between basis and initial Gross Asset Value shall be taken into account under the "traditional method" as described in Regulations Section 1.704-3(b). With respect to other Properties, the Partnership shall account for such variation under any method approved under Code Section 704(c) and the applicable Regulations as chosen by the General Partner. In the event that the Gross Asset Value of any Partnership asset is adjusted pursuant to subsection (b) of the definition of "Gross Asset Value" (provided in Article 1 hereof), subsequent allocations of Tax Items with respect to such asset shall take account of the variation, if any, between the adjusted basis of such asset and its Gross Asset Value in the same manner as under Code Section 704(c) and the applicable Regulations and using the method chosen by the General Partner; *provided*, *however*, that the "traditional method" as described in Regulations Section 1.704-3(b) shall be used with respect to Partnership Property that is contributed to the Partnership in connection with the General Partner's initial public offering. Allocations pursuant to this Section 6.5.B are solely for purposes of Federal, state and local income taxes and shall not affect, or in any way be taken into account in computing, any Partner's Capital Account or share of Net Income, Net Loss, or any other items or distributions pursuant to any provision of this Agreement.

ARTICLE 7
MANAGEMENT AND OPERATIONS OF BUSINESS

Section 7.1 *Management*.

A. Except as otherwise expressly provided in this Agreement, including any Partnership Unit Designation, all management powers over the business and affairs of the Partnership are and shall be exclusively vested in the General Partner, and no Limited Partner shall have any right to participate in or exercise control or management power over the business and affairs of the Partnership. No General Partner may be removed by the Partners, with or without cause, except with the Consent of the General Partner. In addition to the powers now or hereafter granted a general partner of a limited partnership under applicable law or that are granted to the General Partner under any other provision of this Agreement, the General Partner, subject to the other provisions hereof including, without limitation, Section 3.2 and Section 7.3, and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, shall have full and exclusive power and authority, without the consent or approval of any Limited Partner, to do or authorize all things deemed necessary or desirable by it to conduct the business and affairs of the Partnership, to exercise or direct the exercise of all of the powers of the Partnership and the General Partner under the Act and this Agreement and to effectuate the purposes of the Partnership including, without limitation:

(1) the making of any expenditures, the lending or borrowing of money or selling of assets (including, without limitation, making prepayments on loans and borrowing money to permit the Partnership to make distributions to the Holders in such amounts as will permit

the General Partner to prevent the imposition of any federal income tax on the General Partner (including, for this purpose, any excise tax pursuant to Code Section 4981), to make distributions to its stockholders and payments to any taxing authority sufficient to permit the General Partner to maintain REIT status or otherwise to satisfy the REIT Requirements), the assumption or guarantee of, or other contracting for, indebtedness and other liabilities, the issuance of evidences of indebtedness (including the securing of same by deed to secure debt, mortgage, deed of trust or other lien or encumbrance on the Partnership's assets) and the incurring of any obligations that the General Partner deems necessary for the conduct of the activities of the Partnership;

(2) the making of tax, regulatory and other filings, or rendering of periodic or other reports to governmental or other agencies having jurisdiction over the business or assets of the Partnership;

(3) the taking of any and all acts necessary or prudent to ensure that the Partnership will not be classified as a "publicly traded partnership" under Code Section 7704;

(4) subject to Section 11.2 hereof, the acquisition, sale, transfer, exchange or other disposition of any, all or substantially all of the assets (including the goodwill) of the Partnership (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Partnership) or the merger, consolidation, reorganization or other combination of the Partnership with or into another entity;

(5) the mortgage, pledge, encumbrance or hypothecation of any assets of the Partnership, the assignment of any assets of the Partnership in trust for creditors or on the promise of the assignee to pay the debts of the Partnership, the use of the assets of the Partnership (including, without limitation, cash on hand) for any purpose consistent with the terms of this Agreement and on any terms that the General Partner sees fit, including, without limitation, the financing of the operations and activities of the General Partner, the Partnership or any of the Partnership's Subsidiaries, the lending of funds to other Persons (including, without limitation, the General Partner and/or the Partnership's Subsidiaries) and the repayment of obligations of the Partnership, its Subsidiaries and any other Person in which the Partnership has an equity investment, and the making of capital contributions to and equity investments in the Partnership's Subsidiaries;

(6) the management, operation, leasing, landscaping, repair, alteration, demolition, replacement or improvement of any Property;

(7) the negotiation, execution and performance of any contracts, including leases (including ground leases), easements, management agreements, rights of way and other property-related agreements, conveyances or other instruments that the General Partner considers useful or necessary to the conduct of the Partnership's operations or the implementation of the General Partner's powers under this Agreement, including contracting with contractors, developers, consultants, governmental authorities, accountants, legal counsel, other professional advisors and other agents and the payment of their expenses and compensation, as applicable, out of the Partnership's assets;

(8) the distribution of Partnership cash or other Partnership assets in accordance with this Agreement, the holding, management, investment and reinvestment of cash and other assets of the Partnership, and the collection and receipt of revenues, rents and income of the Partnership;

(9) the selection and dismissal of employees of the Partnership (if any) or the General Partner (including, without limitation, employees having titles or offices such as "president," "vice president," "secretary" and "treasurer"), and agents, outside attorneys, accountants, consultants and contractors of the Partnership or the General Partner and the determination of their compensation and other terms of employment or hiring;

(10) the maintenance of such insurance (including, without limitation, directors and officers insurance) for the benefit of the Partnership and the Partners (including, without limitation, the General Partner) as the General Partner deems necessary or appropriate;

(11) the formation of, or acquisition of an interest in, and the contribution of property to, any further limited or general partnerships, limited liability companies, joint ventures or other relationships that it deems desirable (including, without limitation, the acquisition of interests in, and the contributions of property to, any Subsidiary and any other Person in which the General Partner has an equity investment from time to time); *provided*, *however*, that, as long as the General Partner has determined to continue to qualify as a REIT, the Partnership will not engage in any such formation, acquisition or contribution that would cause the General Partner to fail to qualify as a REIT;

(12) the control of any matters affecting the rights and obligations of the Partnership, including the settlement, compromise, submission to arbitration or any other form of dispute resolution, or abandonment, of any claim, cause of action, liability, debt or damages, due or owing to or from the Partnership, the commencement or defense of suits, legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, and the representation of the Partnership in all suits or legal proceedings, administrative proceedings, arbitrations or other forms of dispute resolution, the incurring of legal expense, and the indemnification of any Person against liabilities and contingencies to the extent permitted by law;

(13) the undertaking of any action in connection with the Partnership's direct or indirect investment in any Subsidiary or any other Person (including, without limitation, the contribution or loan of funds by the Partnership to such Persons);

(14) the determination of the fair market value of any Partnership property distributed in kind using such reasonable method of valuation as the General Partner may adopt; *provided*, *however*, that such methods are otherwise consistent with the requirements of this Agreement;

(15) the enforcement of any rights against any Partner pursuant to representations, warranties, covenants and indemnities relating to such Partner's contribution of property or assets to the Partnership;

(16) the exercise, directly or indirectly, through any attorney-in-fact acting under a general or limited power of attorney, of any right, including the right to vote, appurtenant to any asset or investment held by the Partnership;

(17) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of or in connection with any Subsidiary of the Partnership or any other Person in which the Partnership has a direct or indirect interest, or jointly with any such Subsidiary or other Person;

(18) the exercise of any of the powers of the General Partner enumerated in this Agreement on behalf of any Person in which the Partnership does not have an interest, pursuant to contractual or other arrangements with such Person;

(19) the making, execution and delivery of any and all deeds, leases, notes, deeds to secure debt, mortgages, deeds of trust, security agreements, conveyances, contracts, guarantees, warranties, indemnities, waivers, releases, confessions of judgment or any other legal instruments or agreements in writing necessary or appropriate in the judgment of the General Partner for the accomplishment of any of the powers of the General Partner enumerated in this Agreement;

(20) the issuance of additional Partnership Units in connection with Capital Contributions by Additional Limited Partners and additional Capital Contributions by Partners pursuant to Article 4 hereof;

(21) an election to dissolve the Partnership pursuant to Section 13.1.B hereof;

(22) the distribution of cash to acquire Partnership Common Units held by a Limited Partner in connection with a Redemption under Section 15.1 hereof;

(23) an election to acquire Tendered Units in exchange for REIT Shares;

(24) the amendment and restatement of Exhibit A hereto to reflect accurately at all times the Capital Contributions and Percentage Interests of the Partners as the same are adjusted from time to time to the extent necessary to reflect redemptions, Capital Contributions, the issuance of Partnership Units, the admission of any Additional Limited Partner or any Substituted Limited Partner or otherwise, which amendment and restatement, notwithstanding anything in this Agreement to the contrary, shall not be deemed an amendment to this Agreement, as long as the matter or event being reflected in Exhibit A hereto otherwise is authorized by this Agreement; and

(25) the registration of any class of securities of the Partnership under the Securities Act or the Exchange Act, and the listing of any debt securities of the Partnership on any exchange.

B. Each of the Limited Partners agrees that, except as provided in Section 7.3 hereof and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner is authorized to execute and deliver any affidavit, agreement, certificate, consent, instrument, notice, power of attorney, waiver or other writing or document in the name and on behalf of the Partnership and to otherwise exercise any power of the General

Partner under this Agreement and the Act on behalf of the Partnership without any further act, approval or vote of the Partners or any other Persons, notwithstanding any other provision of the Act or any applicable law, rule or regulation and, in the absence of any specific corporate action on the part of the General Partner to the contrary, the taking of any action or the execution of any such document or writing by an officer of the General Partner, in the name and on behalf of the General Partner, in its capacity as the general partner of the Partnership, shall conclusively evidence (1) the approval thereof by the General Partner, in its capacity as the general partner of the Partnership, (2) the General Partner's determination that such action, document or writing is necessary or desirable to conduct the business and affairs of the Partnership, exercise the powers of the Partnership under this Agreement and the Act or effectuate the purposes of the Partnership, or any other determination by the General Partner required by this Agreement in connection with the taking of such action or execution of such document or writing, and (3) the authority of such officer with respect thereto.

C. At all times from and after the date hereof, the General Partner may cause the Partnership to obtain and maintain (i) casualty, liability and other insurance on the Properties and (ii) liability insurance for the Indemnitees hereunder.

D. At all times from and after the date hereof, the General Partner may cause the Partnership to establish and maintain working capital and other reserves in such amounts as the General Partner, in its sole and absolute discretion, deems appropriate and reasonable from time to time.

E. In exercising its authority under this Agreement, the General Partner may, but shall be under no obligation to, take into account the tax consequences to any Partner of any action taken (or not taken) by it. The General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any income tax liability incurred by such Limited Partner as a result of an action (or inaction) by the General Partner pursuant to its authority under this Agreement.

F. The determination as to any of the following matters, made by or at the direction of the General Partner consistent with the this Agreement and the Act, shall be final and conclusive and shall be binding upon the Partnership and every Limited Partner: the amount of assets at any time available for distribution or the redemption of Partnership Common Units; the amount and timing of any distribution; any determination to redeem Tendered Units; the amount, purpose, time of creation, increase or decrease, alteration or cancellation of any reserves or charges and the propriety thereof (whether or not any obligation or liability for which such reserves or charges shall have been created shall have been paid or discharged); the amount of any Partner's Capital Account, Adjusted Capital Account or Adjusted Capital Account Deficit; the amount of Net Income, Net Loss or Depreciation for any period; the Gross Asset Value of any Partnership asset; the Value of any REIT Share; any interpretation of the terms, preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or distributions, qualifications or terms or conditions of redemption of any class or series of Partnership Interest; the fair value, or any sale, bid or asked price to be applied in determining the fair value, of any asset owned or held by the Partnership or of any Partnership Interest; the number of authorized or outstanding Units of any class or series; any matter relating to the acquisition, holding and disposition of any assets by the Partnership; or any other matter relating to the business and affairs of the Partnership or required or permitted by applicable law, this Agreement or otherwise to be determined by the General Partner.

Section 7.2 *Certificate of Limited Partnership*. To the extent that such action is determined by the General Partner to be reasonable and necessary or appropriate, the General Partner shall file amendments to and restatements of the Certificate and do all the things to maintain the Partnership as a limited partnership (or a partnership in which the limited partners have limited liability) under the laws of the State of Maryland and each other state, the District of Columbia or any other jurisdiction, in which the Partnership may elect to do business or own property. Subject to the terms of Section 8.5.A hereof, the General Partner shall not be required, before or after filing, to deliver or mail a copy of the Certificate or any amendment thereto to any Limited Partner. The General Partner shall use all reasonable efforts to cause to be filed such other certificates or documents as may be reasonable and necessary or appropriate for the formation, continuation, qualification and operation of a limited partnership (or a partnership in which the limited partners have limited liability to the extent provided by applicable law) in the State of Maryland and any other state, or the District of Columbia or other jurisdiction, in which the Partnership may elect to do business or own property.

Section 7.3 *Restrictions on General Partner's Authority*.

A. The General Partner may not take any action in contravention of an express prohibition or limitation of this Agreement without the Consent of the Limited Partners, and may not, without limitation:

(1) take any action that would make it impossible to carry on the ordinary business of the Partnership, except as otherwise provided in this Agreement;

(2) perform any act that would subject a Limited Partner to liability as a general partner in any jurisdiction or any other liability except as provided herein or under the Act; or

(3) enter into any contract, mortgage, loan or other agreement that expressly prohibits or restricts (a) the General Partner or the Partnership from performing its specific obligations under Section 15.1 hereof in full or (b) a Limited Partner from exercising its rights under Section 15.1 hereof to effect a Redemption in full, except, in either case, with the Consent of each Limited Partner affected by the prohibition or restriction.

B. Except as provided in Section 7.3.C hereof, the General Partner shall not, without the prior Consent of the Partners, amend, modify or terminate this Agreement. Further, no amendment may alter the restrictions on the General Partner's authority set forth elsewhere in this Agreement (including, without limitation, this Section 7.3) without the Consent specified therein and no amendment may alter Section 11.2 hereof without the Consent of the Limited Partners.

C. Notwithstanding Section 7.3.B and 14.2 hereof but subject to Section 16.10 and the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner shall have the power, without the Consent of the Partners, to amend this Agreement as may be required to facilitate or implement any of the following purposes:

(1) to add to the obligations of the General Partner or surrender any right or power granted to the General Partner or any Affiliate of the General Partner for the benefit of the Limited Partners;

(2) to reflect the admission, substitution or withdrawal of Partners, the Transfer of any Partnership Interest, the termination of the Partnership in accordance with this Agreement, or the adjustment of outstanding LTIP Units as contemplated by Section 16.3, and to amend Exhibit A in connection with such admission, substitution, withdrawal, Transfer or adjustment;

(3) to reflect a change that is of an inconsequential nature or does not adversely affect the Limited Partners in any material respect, or to cure any ambiguity, correct or supplement any provision in this Agreement not inconsistent with law or with other provisions, or make other changes with respect to matters arising under this Agreement that will not be inconsistent with law or with the provisions of this Agreement;

(4) to set forth or amend the designations, preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications or terms or conditions of redemption of the Holders of any additional Partnership Interests issued pursuant to Article 4;

(5) to satisfy any requirements, conditions or guidelines contained in any order, directive, opinion, ruling or regulation of a Federal or state agency or contained in Federal or state law;

(6) (a) to reflect such changes as are reasonably necessary for the General Partner to maintain its status as a REIT or to satisfy the REIT Requirements, or (b) to reflect the Transfer of all or any part of a Partnership Interest among the General Partner and any Disregarded Entity with respect to the General Partner;

(7) to modify either or both of the manner in which items of Net Income or Net Loss are allocated pursuant to Article 6 or the manner in which Capital Accounts are adjusted, computed, or maintained (but in each case only to the extent otherwise provided in this Agreement and as may be permitted under applicable law);

(8) to reflect the issuance of additional Partnership Interests in accordance with Section 4.2; or

(9) to reflect any other modification to this Agreement as is reasonably necessary for the business or operations of the Partnership or the General Partner and which does not violate Section 7.3.D.

D. Notwithstanding Sections 7.3.B, 7.3.C and 14.2 hereof, this Agreement shall not be amended, and no action may be taken by the General Partner, without the Consent of each Partner adversely affected thereby, if such amendment or action would (i) convert a Limited Partner Interest in the Partnership into a General Partner Interest (except as a result of the General Partner acquiring such Partnership Interest), (ii) modify the limited liability of a Limited Partner, (iii) alter the rights of any Partner to receive the distributions to which such Partner is entitled pursuant to Article 5 or Section 13.2.A(4) hereof, or alter the allocations specified in Article 6 hereof (except, in any case, as permitted pursuant to Sections 4.2, 5.5, 7.3.C and Article 6 hereof), (iv) alter or modify the Redemption rights, Cash Amount or REIT Shares Amount as set forth in Section 15.1 hereof, or amend or modify any related definitions, (v) subject to Section 7.9.D, remove, alter or amend the powers and restrictions related to REIT Requirements or permitting the General Partner to avoid paying tax under Code Sections 857 or 4981 contained in Sections 7.1 and 7.3, or (vi) amend this Section 7.3.D. Any such amendment or action consented to by any Partner shall be effective as to that Partner, notwithstanding the absence of such consent by any other Partner.

Section 7.4 *Reimbursement of the General Partner*.

A. The General Partner shall not be compensated for its services as General Partner of the Partnership except as provided in this Agreement (including the provisions of Articles 5 and 6 hereof regarding distributions, payments and allocations to which the General Partner may be entitled in its capacity as the General Partner).

B. Subject to Sections 7.4.D and 15.12 hereof, the Partnership shall be responsible for and shall pay all expenses relating to the Partnership's and the General Partner's organization and the ownership of each of their assets and operations. The General Partner is hereby authorized to pay compensation for accounting, administrative, legal, technical, management and other services rendered to the Partnership. The Partnership shall be liable for, and shall reimburse the General Partner, on a monthly basis, or such other basis as the General Partner may determine in its sole and absolute discretion, for all sums expended in connection with the Partnership's business, including, without limitation, (i) expenses relating to the ownership of interests in and management and operation of the Partnership, (ii) compensation of officers and employees, including, without limitation, payments under future compensation plans, of the General Partner, or the Partnership that may provide for stock units, or phantom stock, pursuant to which employees of the General Partner, or the Partnership will receive payments based upon dividends on or the value of REIT Shares, (iii) director fees and expenses of the General Partner or its Affiliates, (iv) any expenses (other than the purchase price) incurred by the General Partner in connection with the redemption or other repurchase of REIT Shares or Capital Shares, and (v) all costs and expenses of the General Partner being a public company, including, without limitation, costs of filings with the SEC, reports and other distributions to its stockholders; *provided*, *however*, that the amount of any reimbursement shall be reduced by any interest earned by the General Partner with respect to bank accounts or other instruments or accounts held by it on behalf of the Partnership as permitted pursuant to Section 7.5 hereof. The Partners acknowledge that all such expenses of the General Partner are deemed to be for the benefit of the Partnership. Such reimbursements shall be in addition to any reimbursement of the General Partner as a result of indemnification pursuant to Section 7.7 hereof.

C. If the General Partner shall elect to purchase from its stockholders REIT Shares for the purpose of delivering such REIT Shares to satisfy an obligation under any dividend reinvestment program adopted by the General Partner, any employee stock purchase plan adopted by the General Partner or any similar obligation or arrangement undertaken by the General Partner in the future, in lieu of the treatment specified in Section 4.7.B., the purchase price paid by the General Partner for such REIT Shares shall be considered expenses of the

Partnership and shall be advanced to the General Partner or reimbursed to the General Partner, subject to the condition that: (1) if such REIT Shares subsequently are sold by the General Partner, the General Partner shall pay or cause to be paid to the Partnership any proceeds received by the General Partner for such REIT Shares (which sales proceeds shall include the amount of dividends reinvested under any dividend reinvestment or similar program; *provided*, that a transfer of REIT Shares for Partnership Common Units pursuant to Section 15.1 would not be considered a sale for such purposes); and (2) if such REIT Shares are not retransferred by the General Partner within 30 days after the purchase thereof, or the General Partner otherwise determines not to retransfer such REIT Shares, the Partnership shall redeem a number of Partnership Common Units determined in accordance with Section 4.7.B, as adjusted, to the extent the General Partner determines is necessary or advisable in its sole and absolute discretion, (x) pursuant to Section 7.5 (in the event the General Partner acquires material assets, other than on behalf of the Partnership) and (y) for stock dividends and distributions, stock splits and subdivisions, reverse stock splits and combinations, distributions of rights, warrants or options, and distributions of evidences of indebtedness or assets relating to assets not received by the General Partner pursuant to a pro rata distribution by the Partnership (in which case such advancement or reimbursement of expenses shall be treated as having been made as a distribution in redemption of such number of Partnership Units held by the General Partner).

D. To the extent practicable, Partnership expenses shall be billed directly to and paid by the Partnership and, subject to Section 15.12 hereof, if and to the extent any reimbursements to the General Partner or any of its Affiliates by the Partnership pursuant to this Section 7.4 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Partnership), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.5 *Outside Activities of the General Partner*. The General Partner shall not directly or indirectly enter into or conduct any business, other than in connection with, (a) the ownership, acquisition and disposition of Partnership Interests, (b) the management of the business and affairs of the Partnership, (c) the operation of the General Partner as a reporting company with a class (or classes) of securities registered under the Exchange Act, (d) its operations as a REIT, (e) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (f) financing or refinancing of any type related to the Partnership or its assets or activities, and (g) such activities as are incidental thereto; *provided*, *however*, that, except as otherwise provided herein, any funds raised by the General Partner pursuant to the preceding clauses (e) and (f) shall be made available to the Partnership, whether as Capital Contributions, loans or otherwise, as appropriate, and, *provided*, *further* that the General Partner may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Partnership so long as the General Partner takes commercially reasonable measures to ensure that the economic benefits and burdens of such Property are otherwise vested in the Partnership, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Partnership, the Partners shall negotiate in good faith to amend this Agreement, including, without limitation, the definition of "Adjustment Factor," to reflect such activities and the direct ownership of assets by the General Partner. Nothing contained herein shall be deemed to prohibit the General Partner from executing guarantees of Partnership debt. The General Partner and all

Disregarded Entities with respect to the General Partner, taken as a group, shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Partnership) other than (i) interests in Disregarded Entities with respect to the General Partner, (ii) Partnership Interests as the General Partner, (iii) an interest (not to exceed 1% of capital and profits) in any Subsidiary of the Partnership that the General Partner holds to maintain such Subsidiary's status as a partnership for Federal income tax purposes or otherwise, and (iv) such cash and cash equivalents, bank accounts or similar instruments or accounts as such group deems reasonably necessary, taking into account Section 7.1.D hereof and the requirements necessary for the General Partner to qualify as a REIT and for the General Partner to carry out its responsibilities contemplated under this Agreement and the Charter. Any Limited Partner Interests acquired by the General Partner, whether pursuant to the exercise by a Limited Partner of its right to Redemption, or otherwise, shall be automatically converted into a General Partner Interest comprised of an identical number of Partnership Units with the same terms as the class or series so acquired. Any Affiliates of the General Partner may acquire Limited Partner Interests and shall, except as expressly provided in this Agreement, be entitled to exercise all rights of a Limited Partner relating to such Limited Partner Interests.

Section 7.6 *Transactions with Affiliates*.

A. The Partnership may lend or contribute funds to, and borrow funds from, Persons in which the Partnership has an equity investment, and such Persons may borrow funds from, and lend or contribute funds to, the Partnership, on terms and conditions established in the sole and absolute discretion of the General Partner. The foregoing authority shall not create any right or benefit in favor of any Person.

B. Except as provided in Section 7.5 hereof, the Partnership may transfer assets to joint ventures, limited liability companies, partnerships, corporations, business trusts or other business entities in which it is or thereby becomes a participant upon such terms and subject to such conditions consistent with this Agreement and applicable law.

C. The General Partner and its Affiliates may sell, transfer or convey any property to, or purchase any property from, the Partnership, directly or indirectly, on terms and conditions established by the General Partner in its sole and absolute discretion.

D. The General Partner, in its sole and absolute discretion and without the approval of the Partners or any of them or any other Persons, may propose and adopt (on behalf of the Partnership) employee benefit plans (including without limitation plans that contemplate the issuance of LTIP Units) funded by the Partnership for the benefit of employees of the General Partner, the Partnership, Subsidiaries of the Partnership or any Affiliate of any of them in respect of services performed, directly or indirectly, for the benefit of the General Partner, the Partnership or any of the Partnership's Subsidiaries.

Section 7.7 *Indemnification*.

A. To the fullest extent permitted by applicable law, the Partnership shall indemnify each Indemnitee from and against any and all losses, claims, damages, liabilities, joint or several, expenses (including, without limitation, attorney's fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the Partnership ("*Actions*") as set forth in this Agreement in which such Indemnitee may be involved, or is threatened to be involved, as a party or otherwise; *provided*, *however*, that the Partnership shall not indemnify an Indemnitee (i) if the act or omission of the Indemnitee was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, if the Indemnitee had reasonable cause to believe that the act or omission was unlawful; or (iii) for any transaction for which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement; and *provided*, *further*, that no payments pursuant to this Agreement shall be made by the Partnership to indemnify or advance funds to any Indemnitee (x) with respect to any Action initiated or brought voluntarily by such Indemnitee (and not by way of defense) unless (I) approved or authorized by the General Partner or (II) incurred to establish or enforce such Indemnitee's right to indemnification under this Agreement, and (y) in connection with one or more Actions or claims brought by the Partnership or involving such Indemnitee if such Indemnitee is found liable to the Partnership on any portion of any claim in any such Action.

Without limitation, the foregoing indemnity shall extend to any liability of any Indemnitee, pursuant to a loan guaranty or otherwise, for any indebtedness of the Partnership or any Subsidiary of the Partnership (including, without limitation, any indebtedness which the Partnership or any Subsidiary of the Partnership has assumed or taken subject to), and the General Partner is hereby authorized and empowered, on behalf of the Partnership, to enter into one or more indemnity agreements consistent with the provisions of this Section 7.7 in favor of any Indemnitee having or potentially having liability for any such indebtedness. It is the intention of this Section 7.7.A that the Partnership indemnify each Indemnitee to the fullest extent permitted by law and this Agreement. The termination of any proceeding by judgment, order or settlement does not create a presumption that the Indemnitee did not meet the requisite standard of conduct set forth in this Section 7.7.A. The termination of any proceeding by conviction of an Indemnitee or upon a plea of *nolo contendere* or its equivalent by an Indemnitee, or an entry of an order of probation against an Indemnitee prior to judgment, does not create a presumption that such Indemnitee acted in a manner contrary to that specified in this Section 7.7.A with respect to the subject matter of such proceeding. Any indemnification pursuant to this Section 7.7 shall be made only out of the assets of the Partnership, and neither the General Partner nor any other Holder shall have any obligation to contribute to the capital of the Partnership or otherwise provide funds to enable the Partnership to fund its obligations under this Section 7.7.

B. To the fullest extent permitted by law, expenses incurred by an Indemnitee who is a party to a proceeding or otherwise subject to or the focus of or is involved in any Action shall be paid or reimbursed by the Partnership as incurred by the Indemnitee in advance of the final disposition of the Action upon receipt by the Partnership of (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Partnership as authorized in Section 7.7.A has been met, and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amount if it shall ultimately be determined that the standard of conduct has not been met.

C. The indemnification provided by this Section 7.7 shall be in addition to any other rights to which an Indemnitee or any other Person may be entitled under any agreement, pursuant to any vote of the Partners, as a matter of law or otherwise, and shall continue as to an Indemnitee who has ceased to serve in such capacity and shall inure to the benefit of the heirs, successors, assigns and administrators of the Indemnitee unless otherwise provided in a written agreement with such Indemnitee or in the writing pursuant to which such Indemnitee is indemnified.

D. The Partnership may, but shall not be obligated to, purchase and maintain insurance, on behalf of any of the Indemnitees and such other Persons as the General Partner shall determine, against any liability that may be asserted against or expenses that may be incurred by such Person in connection with the Partnership's activities, regardless of whether the Partnership would have the power to indemnify such Person against such liability under the provisions of this Agreement.

E. Any liabilities which an Indemnitee incurs as a result of acting on behalf of the Partnership or the General Partner (whether as a fiduciary or otherwise) in connection with the operation, administration or maintenance of an employee benefit plan or any related trust or funding mechanism (whether such liabilities are in the form of excise taxes assessed by the IRS, penalties assessed by the U.S. Department of Labor, restitutions to such a plan or trust or other funding mechanism or to a participant or beneficiary of such plan, trust or other funding mechanism, or otherwise) shall be treated as liabilities or judgments or fines under this Section 7.7, unless such liabilities arise as a result of (i) an act or omission of such Indemnitee that was material to the matter giving rise to the Action and either was committed in bad faith or was the result of active and deliberate dishonesty; (ii) in the case of any criminal proceeding, an act or omission that such Indemnitee had reasonable cause to believe was unlawful, or (iii) any transaction in which such Indemnitee actually received an improper personal benefit in violation or breach of any provision of this Agreement.

F. In no event may an Indemnitee subject any of the Holders to personal liability by reason of the indemnification provisions set forth in this Agreement.

G. An Indemnitee shall not be denied indemnification in whole or in part under this Section 7.7 because the Indemnitee had an interest in the transaction with respect to which the indemnification applies if the transaction was otherwise permitted by the terms of this Agreement.

H. The provisions of this Section 7.7 are for the benefit of the Indemnitees, their heirs, successors, assigns and administrators and shall not be deemed to create any rights for the benefit of any other Persons. Any amendment, modification or repeal of this Section 7.7 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the Partnership's liability to any Indemnitee under this Section 7.7 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

I. It is the intent of the parties that any amounts paid by the Partnership to the General Partner pursuant to this Section 7.7 shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Partners' Capital Accounts.

Section 7.8 *Liability of the General Partner*.

A. The Limited Partners agree that: (i) the General Partner is acting for the benefit of the Partnership, the Limited Partners and the General Partner's stockholders collectively; (ii) in the event of a conflict between the interests of the Partnership or any Partner, on the one hand, and the separate interests of the General Partner or its stockholders, on the other hand, the General Partner is under no obligation not to give priority to the separate interests of the General Partner or the stockholders of the General Partner, and any action or failure to act on the part of the General Partner or its directors that gives priority to the separate interests of the General Partner or its stockholders that does not result in a violation of the contract rights of the Limited Partners under this Agreement does not violate the duty of loyalty owed by the General Partner to the Partnership and/or the Partners; and (iii) the General Partner shall not be liable to the Partnership or to any Partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Partnership or any Limited Partner in connection with such decisions, except for liability for the General Partner's intentional harm or gross negligence.

B. Subject to its obligations and duties as General Partner set forth in this Agreement and applicable law, the General Partner may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its employees or agents. The General Partner shall not be responsible to the Partnership or any Partner for any misconduct or negligence on the part of any such employee or agent appointed by it in good faith.

C. Any obligation or liability whatsoever of the General Partner which may arise at any time under this Agreement or any other instrument, transaction, or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the General Partner or the Partnership only. No such obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, any of the General Partner's directors, stockholders, officers, employees, or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Notwithstanding anything to the contrary set forth in this Agreement, none of the directors or officers of the General Partner shall be liable or accountable in damages or otherwise to the Partnership, any Partners, or any Assignees for losses sustained, liabilities incurred or benefits not derived as a result of errors in judgment or mistakes of fact or law or of any act or omission.

D. Any amendment, modification or repeal of this Section 7.8 or any provision hereof shall be prospective only and shall not in any way affect the limitations on the General Partner's and its officers' and directors' liability to the Partnership and the Limited Partners under this Section 7.8 as in effect immediately prior to such amendment, modification or repeal with respect to claims arising from or relating to matters occurring, in whole or in part, prior to such amendment, modification or repeal, regardless of when such claims may arise or be asserted.

E. Notwithstanding anything herein to the contrary, except for liability for intentional harm or gross negligence on the part of such Partner or pursuant to any express indemnities given to the Partnership by any Partner pursuant to any other written instrument, no Partner shall have any personal liability whatsoever, to the Partnership or to the other Partners, or for the debts or liabilities of the Partnership or the Partnership's obligations hereunder, and the full recourse of the other Partner(s) shall be limited to the interest of that Partner in the Partnership. Without limitation of the foregoing, and except for liability for intentional harm or gross negligence on the part of any Partner, or pursuant to any such express indemnity, no property or assets of such Partner, other than its interest in the Partnership, shall be subject to levy, execution or other enforcement procedures for the satisfaction of any judgment (or other judicial process) in favor of any other Partner(s) and arising out of, or in connection with, this Agreement. This Agreement is executed by the officers of the General Partner solely as officers of the same and not in their own individual capacities.

F. To the extent that, at law or in equity, the General Partner has duties (including fiduciary duties) and liabilities relating thereto to the Partnership or the Limited Partners, the General Partner shall not be liable to the Partnership or to any other Partner for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict or modify the duties and liabilities of the General Partner under the Act or otherwise existing at law or in equity, are agreed by the Partners to replace such other duties and liabilities of such General Partner.

G. Whenever in this Agreement the General Partner is permitted or required to make a decision (i) in its "sole and absolute discretion," "sole discretion" or "discretion" or under a grant of similar authority or latitude, the General Partner shall be entitled to consider only such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest or factors affecting the Partnership or the Partners or any of them, or (ii) in its "good faith" or under another expressed standard, the General Partner shall act under such express standard and shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein or by relevant provisions of law or in equity or otherwise. If any question should arise with respect to the operation of the Partnership, which is not otherwise specifically provided for in this Agreement or the Act, or with respect to the interpretation of this Agreement, the General Partner is hereby authorized to make a final determination with respect to any such question and to interpret this Agreement in such a manner as it shall deem, in its sole discretion, to be fair and equitable, and its determination and interpretations so made shall be final and binding on all parties. The General Partner's "sole and absolute discretion," "sole discretion" and "discretion" under this Agreement shall be exercised consistently with the General Partner's fiduciary duties and obligation of good faith and fair dealing under the Act.

Section 7.9 *Other Matters Concerning the General Partner*.

A. The General Partner may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond, debenture or other paper or document believed by it in good faith to be genuine and to have been signed or presented by the proper party or parties.

B. The General Partner may consult with legal counsel, accountants, appraisers, management consultants, investment bankers, architects, engineers, environmental consultants and other consultants and advisers selected by it, and any act taken or omitted to be taken in reliance upon the opinion of such Persons as to matters that the General Partner reasonably believes to be within such Person's professional or expert competence shall be conclusively presumed to have been done or omitted in good faith and in accordance with such opinion.

C. The General Partner shall have the right, in respect of any of its powers or obligations hereunder, to act through any of its duly authorized officers or agents or a duly appointed attorney or attorneys-in-fact. Each such officer, agent or attorney shall, to the extent authorized by the General Partner, have full power and authority to do and perform all and every act and duty that is permitted or required to be done by the General Partner hereunder.

D. Notwithstanding any other provision of this Agreement or the Act, any action of the General Partner on behalf of the Partnership or any decision of the General Partner to refrain from acting on behalf of the Partnership, undertaken in the good faith belief that such action or omission is necessary or advisable in order (i) to protect the ability of the General Partner to continue to qualify as a REIT, (ii) for the General Partner otherwise to satisfy the REIT Requirements, (iii) for the General Partner to avoid incurring any taxes under Code Section 857 or Code Section 4981, or (iv) for any General Partner Affiliate to continue to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners.

Section 7.10 *Title to Partnership Assets*. Title to Partnership assets, whether real, personal or mixed and whether tangible or intangible, shall be deemed to be owned by the Partnership as an entity, and no Partner, individually or collectively with other Partners or Persons, shall have any ownership interest in such Partnership assets or any portion thereof. Title to any or all of the Partnership assets may be held in the name of the Partnership, the General Partner or one or more nominees, as the General Partner may determine, including Affiliates of the General Partner. The General Partner hereby declares and warrants that any Partnership assets for which legal title is held in the name of the General Partner or any nominee or Affiliate of the General Partner shall be held by the General Partner or such nominee or Affiliate for the use and benefit of the Partnership in accordance with the provisions of this Agreement. All Partnership assets shall be recorded as the property of the Partnership in its books and records, irrespective of the name in which legal title to such Partnership assets is held.

Section 7.11 *Reliance by Third Parties*. Notwithstanding anything to the contrary in this Agreement, any Person dealing with the Partnership shall be entitled to assume that the General Partner has full power and authority, without the consent or approval of any other Partner, or Person, to encumber, sell or otherwise use in any manner any and all assets of the Partnership and to enter into any contracts on behalf of the Partnership, and take any and all actions on behalf of the Partnership, and such Person shall be entitled to deal with the General Partner as if it were the Partnership's sole party in interest, both legally and beneficially. Each Limited Partner hereby waives any and all defenses or other remedies that may be available against such Person to contest, negate or disaffirm any action of the General Partner in connection with any such dealing. In no event shall any Person dealing with the General Partner or its representatives be obligated to ascertain that the terms of this Agreement have been complied with or to inquire into the necessity or expediency of any act or action of the General Partner or its representatives. Each and every certificate, document or other instrument executed on behalf of the Partnership by the General Partner or its representatives shall be conclusive evidence in favor of any and every Person relying thereon or claiming thereunder that (i) at the time of the execution and delivery of such certificate, document or instrument, this Agreement was in full force and effect, (ii) the Person executing and delivering such certificate, document or instrument was duly authorized and empowered to do so for and on behalf of the Partnership and (iii) such certificate, document or instrument was duly executed and delivered in accordance with the terms and provisions of this Agreement and is binding upon the Partnership.

ARTICLE 8
RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

Section 8.1 *Limitation of Liability*. No Limited Partner shall have any liability under this Agreement except for intentional harm or gross negligence on the part of such Limited Partner or as expressly provided in this Agreement (including, without limitation, Section 10.4 hereof) or under the Act.

Section 8.2 *Management of Business*. Subject to the rights and powers of the General Partner hereunder, no Limited Partner or Assignee (other than the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such) shall take part in the operations, management or control (within the meaning of the Act) of the Partnership's business, transact any business in the Partnership's name or have the power to sign documents for or otherwise bind the Partnership. The transaction of any such business by the General Partner, any of its Affiliates or any officer, director, member, employee, partner, agent, representative, or trustee of the General Partner, the Partnership or any of their Affiliates, in their capacity as such, shall not affect, impair or eliminate the limitations on the liability of the Limited Partners or Assignees under this Agreement.

Section 8.3 *Outside Activities of Limited Partners*. Subject to any agreements entered into pursuant to Section 7.6 hereof and any other agreements entered into by a Limited Partner or any of its Affiliates with the General Partner, the Partnership or a Subsidiary (including, without limitation, any employment agreement), any Limited Partner and any Assignee, officer, director, employee, agent, trustee, Affiliate, member or stockholder of any Limited Partner shall be entitled to and may have business interests and engage in business activities in addition to those relating to the Partnership, including business interests and activities that are in direct or indirect competition with the Partnership or that are enhanced by the activities of the Partnership. Neither the Partnership nor any Partner shall have any rights by virtue of this Agreement in any business ventures of any Limited Partner or Assignee. Subject to such agreements, none of the Limited Partners nor any other Person shall have any rights by virtue of this Agreement or the partnership relationship established hereby in any business ventures of any other Person (other than the General Partner), and such Person shall have no obligation pursuant to this Agreement, subject to Section 7.6 hereof and any other agreements entered into by a Limited Partner or its Affiliates with the General Partner, the Partnership or a Subsidiary, to offer any interest in any such business ventures to the Partnership, any Limited Partner, or any such other Person, even if such opportunity is of a character that, if presented to the Partnership, any Limited Partner or such other Person, could be taken by such Person.

Section 8.4 *Return of Capital*. Except pursuant to the rights of Redemption set forth in Section 15.1 hereof or in any Partnership Unit Designation, no Limited Partner shall be entitled to the withdrawal or return of its Capital Contribution, except to the extent of distributions made pursuant to this Agreement or upon termination of the Partnership as provided herein. Except to the extent provided in Article 5 and Article 6 hereof or otherwise expressly provided in this Agreement or in any Partnership Unit Designation, no Limited Partner or Assignee shall have priority over any other Limited Partner or Assignee either as to the return of Capital Contributions or as to profits, losses or distributions.

Section 8.5 *Rights of Limited Partners Relating to the Partnership*.

A. In addition to other rights provided by this Agreement or by the Act, and except as limited by Section 8.5.C hereof, the General Partner shall deliver to each Limited Partner a copy of any information mailed or electronically delivered to all of the common stockholders of the General Partner as soon as practicable after such mailing.

B. The Partnership shall notify any Limited Partner that is a Qualifying Party, on request, of the then current Adjustment Factor and any change made to the Adjustment Factor shall be set forth in the quarterly report required by Section 9.3.B hereof immediately following the date such change becomes effective.

C. Notwithstanding any other provision of this Section 8.5, the General Partner may keep confidential from the Limited Partners (or any of them), for such period of time as the General Partner determines in its sole and absolute discretion to be reasonable, any information that (i) the General Partner believes to be in the nature of trade secrets or other information the disclosure of which the General Partner in good faith believes is not in the best interests of the Partnership or the General Partner or (ii) the Partnership or the General Partner is required by law or by agreement to keep confidential.

Section 8.6 *Partnership Right to Call Limited Partner Interests*. Notwithstanding any other provision of this Agreement, on and after the date on which the aggregate Percentage Interests of the Limited Partners are less than one percent (1%), the Partnership shall have the right, but not the obligation, from time to time and at any time to redeem any and all outstanding Limited Partner Interests by treating any Limited Partner as a Tendering Party who has delivered a Notice of Redemption pursuant to Section 15.1 hereof for the amount of Partnership Common Units to be specified by the General Partner, in its sole and absolute discretion, by notice to such Limited Partner that the Partnership has elected to exercise its rights under this Section 8.6. Such notice given by the General Partner to a Limited Partner pursuant to this Section 8.6 shall be treated as if it were a Notice of Redemption delivered to the General Partner by such Limited Partner. For purposes of this Section 8.6, (a) any Limited Partner (whether or not otherwise a Qualifying Party) may, in the General Partner's sole and absolute discretion, be treated as a Qualifying Party that is a Tendering Party and (b) the provisions of Sections 15.1.F(2) and 15.1.F(3) hereof shall not apply, but the remainder of Section 15.1 hereof shall apply, mutatis mutandis.

Section 8.7 *Rights as Objecting Partner*. No Limited Partner and no Holder of a Partnership Interest shall be entitled to exercise any of the rights of an objecting stockholder provided for under Title 3, Subtitle 2 of the Maryland General Corporation Law or any successor statute in connection with a merger of the Partnership.

ARTICLE 9
BOOKS, RECORDS, ACCOUNTING AND REPORTS

Section 9.1 *Records and Accounting*.

A. The General Partner shall keep or cause to be kept at the principal place of business of the Partnership those records and documents, if any, required to be maintained by the Act and any other books and records deemed by the General Partner to be appropriate with respect to the Partnership's business, including, without limitation, all books and records necessary to provide to the Limited Partners any information, lists and copies of documents required to be provided pursuant to Section 8.5.A, Section 9.3 or Article 13 hereof. Any records maintained by or on behalf of the Partnership in the regular course of its business may be kept on any information storage device, provided that the records so maintained are convertible into clearly legible written form within a reasonable period of time.

B. The books of the Partnership shall be maintained, for financial and tax reporting purposes, on an accrual basis in accordance with generally accepted accounting principles, or on such other basis as the General Partner determines to be necessary or appropriate. To the extent permitted by sound accounting practices and principles, the Partnership and the General Partner may operate with integrated or consolidated accounting records, operations and principles.

Section 9.2 *Partnership Year*. For purposes of this Agreement, "Partnership Year" means the fiscal year of the Partnership, which shall be the same as the tax year of the Partnership. The tax year shall be the calendar year unless otherwise required by the Code.

Section 9.3 *Reports*.

A. As soon as practicable, but in no event later than one hundred five (105) days after the close of each Partnership Year, the General Partner shall cause to be mailed to each Limited Partner of record as of the close of the Partnership Year, financial statements of the Partnership, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, for such Partnership Year, presented in accordance with generally accepted accounting principles, such statements to be audited by a nationally recognized firm of independent public accountants selected by the General Partner.

B. As soon as practicable, but in no event later than sixty (60) days after the close of each calendar quarter (except the last calendar quarter of each year), the General Partner shall cause to be mailed to each Limited Partner of record as of the last day of the calendar quarter, a report containing unaudited financial statements of the Partnership for such calendar quarter, or of the General Partner if such statements are prepared solely on a consolidated basis with the General Partner, and such other information as may be required by applicable law or regulation or as the General Partner determines to be appropriate.

C. The General Partner shall have satisfied its obligations under Section 9.3.A and Section 9.3.B by posting or making available the reports required by this Section 9.3 on the website maintained from time to time by the Partnership or the General Partner, provided that such reports are able to be printed or downloaded from such website.

D. At the request of any Limited Partner, the General Partner shall provide access to the books, records and workpapers upon which the reports required by this Section 9.3 are based, to the extent required by the Act.

ARTICLE 10
TAX MATTERS

Section 10.1 *Preparation of Tax Returns*. The General Partner shall arrange for the preparation and timely filing of all returns with respect to Partnership income, gains, deductions, losses and other items required of the Partnership for Federal and state income tax purposes and shall use all reasonable efforts to furnish, within ninety (90) days of the close of each taxable year, the tax information reasonably required by Limited Partners for Federal and state income tax and any other tax reporting purposes. The Limited Partners shall promptly provide the General Partner with such information relating to the Contributed Properties as is readily available to the Limited Partners, including tax basis and other relevant information, as may be reasonably requested by the General Partner from time to time.

Section 10.2 *Tax Elections*. Except as otherwise provided herein, the General Partner shall, in its sole and absolute discretion, determine whether to make any available election pursuant to the Code, including, but not limited to, the election under Code Section 754. The General Partner shall have the right to seek to revoke any such election (including, without limitation, any election under Code Section 754) upon the General Partner’s determination in its sole and absolute discretion that such revocation is in the best interests of the Partners.

Section 10.3 *Tax Matters Partner*.

A. The General Partner shall be the “tax matters partner” of the Partnership for federal income tax purposes. The tax matters partner shall receive no compensation for its services. All third-party costs and expenses incurred by the tax matters partner in performing its duties as such (including legal and accounting fees and expenses) shall be borne by the Partnership in addition to any reimbursement pursuant to Section 7.4 hereof. Nothing herein shall be construed to restrict the Partnership from engaging an accounting firm to assist the tax matters partner in discharging its duties hereunder.

B. The tax matters partner is authorized, but not required:

(1) to enter into any settlement with the IRS with respect to any administrative or judicial proceedings for the adjustment of Partnership items required to be taken into account by a Partner for income tax purposes (such administrative proceedings being referred to as a “tax audit” and such judicial proceedings being referred to as “judicial review”), and in the settlement agreement the tax matters partner may expressly state that such agreement shall bind all Partners, except that such settlement agreement shall not bind any Partner (i) who (within the time prescribed pursuant to the Code and Regulations) files a

statement with the IRS providing that the tax matters partner shall not have the authority to enter into a settlement agreement on behalf of such Partner (as the case may be) or (ii) who is a “notice partner” (as defined in Code Section 6231) or a member of a “notice group” (as defined in Code Section 6223(b)(2));

(2) in the event that a notice of a final administrative adjustment at the Partnership level of any item required to be taken into account by a Partner for tax purposes (a “*Final Adjustment*”) is mailed to the tax matters partner, to seek judicial review of such Final Adjustment, including the filing of a petition for readjustment with the United States Tax Court or the United States Claims Court, or the filing of a complaint for refund with the District Court of the United States for the district in which the Partnership’s principal place of business is located;

(3) to intervene in any action brought by any other Partner for judicial review of a final adjustment;

(4) to file a request for an administrative adjustment with the IRS at any time and, if any part of such request is not allowed by the IRS, to file an appropriate pleading (petition or complaint) for judicial review with respect to such request;

(5) to enter into an agreement with the IRS to extend the period for assessing any tax that is attributable to any item required to be taken into account by a Partner for tax purposes, or an item affected by such item; and

(6) to take any other action on behalf of the Partners or any of them in connection with any tax audit or judicial review proceeding to the extent permitted by applicable law or regulations.

The taking of any action and the incurring of any expense by the tax matters partner in connection with any such proceeding, except to the extent required by law, is a matter in the sole and absolute discretion of the tax matters partner and the provisions relating to indemnification of the General Partner set forth in Section 7.7 hereof shall be fully applicable to the tax matters partner in its capacity as such.

Section 10.4 *Withholding*. Each Limited Partner hereby authorizes the Partnership to withhold from or pay on behalf of or with respect to such Limited Partner any amount of Federal, state, local or foreign taxes that the General Partner determines the Partnership is required to withhold or pay with respect to any amount distributable or allocable to such Limited Partner pursuant to this Agreement, including, without limitation, any taxes required to be withheld or paid by the Partnership pursuant to Code Section 1441, Code Section 1442, Code Section 1445 or Code Section 1446. Any amount withheld with respect to a Limited Partner pursuant to this Section 10.4 shall be treated as paid or distributed, as applicable, to such Limited Partner for all purposes under this Agreement. Any amount paid on behalf of or with respect to a Limited Partner, in excess of any such withheld amount, shall constitute a loan by the Partnership to such Limited Partner, which loan shall be repaid by such Limited Partner within thirty (30) days after the affected Limited Partner receives written notice from the General Partner that such payment must be made, provided that the Limited Partner shall not be required to repay such deemed loan if either (i) the Partnership withholds such payment from a distribution that would otherwise be made to the Limited Partner or (ii) the General Partner determines, in its sole and absolute discretion, that such payment may be satisfied out of the Available Cash of the Partnership that would, but for such payment, be distributed to the Limited Partner. Any amounts payable by a Limited Partner hereunder shall bear interest at the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate) from the date such amount is due (i.e., thirty (30) days after the Limited Partner receives written notice of such amount) until such amount is paid in full.

Section 10.5 *Organizational Expenses*. The General Partner may cause the Partnership to elect to deduct expenses, if any, incurred by it in organizing the Partnership ratably over a 180-month period as provided in Section 709 of the Code.

ARTICLE 11
PARTNER TRANSFERS AND WITHDRAWALS

Section 11.1 *Transfer*.

A. No part of the interest of a Partner shall be subject to the claims of any creditor, to any spouse for alimony or support, or to legal process, and may not be voluntarily or involuntarily alienated or encumbered except as may be specifically provided for in this Agreement.

B. No Partnership Interest shall be Transferred, in whole or in part, except in accordance with the terms and conditions set forth in this Article 11. Any Transfer or purported Transfer of a Partnership Interest not made in accordance with this Article 11 shall be null and void *ab initio*.

C. No Transfer of any Partnership Interest may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership whose loan constitutes a Nonrecourse Liability, without the Consent of the General Partner; *provided*, *however*, that, as a condition to such Consent, the lender may be required to enter into an arrangement with the Partnership and the General Partner to redeem or exchange for the REIT Shares Amount any Partnership Units in which a security interest is held by such lender simultaneously with the time at which such lender would be deemed to be a partner in the Partnership for purposes of allocating liabilities to such lender under Section 752 of the Code (provided that, for purpose of calculating the REIT Shares Amount in this Section 11.1.C, "*Tendered Units*" shall mean all such Partnership Units in which a security interest is held by such lender).

Section 11.2 *Transfer of General Partner's Partnership Interest*.

A. Except as provided in Section 11.2.B or Section 11.2.C, and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may not Transfer all or any portion of its Partnership Interest (whether by sale, disposition, statutory merger or consolidation, liquidation or otherwise) without the Consent of the Limited Partners. It is a condition to any Transfer of a Partnership Interest of a General

Partner otherwise permitted hereunder (including any Transfer permitted pursuant to Section 11.2.B or Section 11.2.C) that: (i) coincident with such Transfer, the transferee is admitted as a General Partner pursuant to Section 12.1 hereof; (ii) the transferee assumes, by operation of law or express agreement, all of the obligations of the transferor General Partner under this Agreement with respect to such Transferred Partnership Interest; and (iii) the transferee has executed such instruments as may be necessary to effectuate such admission and to confirm the agreement of such transferee to be bound by all the terms and provisions of this Agreement with respect to the Partnership Interest so acquired and the admission of such transferee as a General Partner.

B. *Certain Transactions of the General Partner*. Except as provided in Section 11.2.D and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, the General Partner may, without the Consent of the Limited Partners, Transfer all of its Partnership Interest in connection with (a) a merger, consolidation or other combination of its assets with another entity, (b) a sale of all or substantially all of its assets not in the ordinary course of the Partnership's business or (c) a reclassification, recapitalization or change of any outstanding shares of the General Partner's stock or other outstanding equity interests (each, a "*Termination Transaction*") if:

(i) in connection with such Termination Transaction, all of the Limited Partners will receive, or will have the right to elect to receive, for each Partnership Common Unit an amount of cash, securities or other property equal to the product of the Adjustment Factor and the greatest amount of cash, securities or other property paid to a holder of one REIT Share in consideration of one REIT Share pursuant to the terms of such Termination Transaction; *provided*, that if, in connection with such Termination Transaction, a purchase, tender or exchange offer shall have been made to and accepted by the holders of the outstanding REIT Shares, each holder of Partnership Common Units shall receive, or shall have the right to elect to receive, the greatest amount of cash, securities or other property which such holder of Partnership Common Units would have received had it exercised its right to Redemption pursuant to Article 15 hereof and received REIT Shares in exchange for its Partnership Common Units immediately prior to the expiration of such purchase, tender or exchange offer and had thereupon accepted such purchase, tender or exchange offer and then such Termination Transaction shall have been consummated; or

(ii) all of the following conditions are met: (w) substantially all of the assets directly or indirectly owned by the surviving entity are owned directly or indirectly by the Partnership or another limited partnership or limited liability company which is the survivor of a merger, consolidation or combination of assets with the Partnership (in each case, the "*Surviving Partnership*"); (x) the Limited Partners that held Partnership Common Units immediately prior to the consummation of such Termination Transaction own a percentage interest of the Surviving Partnership based on the relative fair market value of the net assets of the Partnership and the other net assets of the Surviving Partnership immediately prior to the consummation of such transaction; (y) the rights, preferences and privileges in the Surviving Partnership of such Limited Partners are at least as favorable as those in effect with respect to Partnership Common Units immediately prior to the consummation of such transaction and as those applicable to any other limited partners or non-managing members of the Surviving Partnership; and (z) the rights of such Limited Partners include at least one of the following: (a) the right to redeem their interests in the Surviving Partnership for the consideration available to such persons pursuant to Section 11.2.B(i) or (b) the right to redeem their interests in the Surviving Partnership for cash on terms substantially equivalent to those in effect with respect to their Partnership Common Units immediately prior to the consummation of such transaction, or, if the ultimate controlling person of the Surviving Partnership has publicly traded common equity securities, such common equity securities, with an exchange ratio based on the determination of relative fair market value of such securities and the REIT Shares.

C. Notwithstanding the other provisions of this Article 11 (other than Section 11.6.D hereof), the General Partner may Transfer all of its Partnership Interests at any time to any Person that is, at the time of such Transfer, an Affiliate of the General Partner that is controlled by the General Partner, including any "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)), without the Consent of any Limited Partners. The provisions of Section 11.2.B, 11.3, 11.4.A and 11.5 hereof shall not apply to any Transfer permitted by this Section 11.2.C.

D. Until the later to occur of (i) the death of Ernest S. Rady and (ii) the death of Evelyn S. Rady, the General Partner shall not, without prior Partnership Approval, consummate any transaction that would result in a direct or indirect transfer of all or any portion of the General Partner's Partnership Interest if such direct or indirect transfer would be effected through (a) a Termination Transaction or (b) the issuance of REIT Shares, in each case in connection with which the General Partner seeks to obtain or would be required to obtain approval of its common stockholders (each, a "*General Partner Interest Transfer*").

E. Except in connection with Transfers permitted in this Article 11 and as otherwise provided in Section 12.1 in connection with the Transfer of the General Partner's entire Partnership Interest, the General Partner may not voluntarily withdraw as a general partner of the Partnership without the Consent of the Limited Partners.

Section 11.3 *Limited Partners' Rights to Transfer*.

A. *General*. Prior to the end of the first Fourteen-Month Period and except as provided in Section 11.1.C hereof, no Limited Partner shall Transfer all or any portion of its Partnership Interest to any transferee without the Consent of the General Partner; *provided*, *however*, that any Limited Partner may, at any time, without the consent or approval of the General Partner, (i) Transfer all or part of its Partnership Interest to any Family Member (including a Transfer by a Family Member that is an inter vivos or testamentary trust (whether revocable or irrevocable) to a Family Member that is a beneficiary of such trust), any Charity, any Controlled Entity or any Affiliate, or (ii) pledge (a "*Pledge*") all or any portion of its Partnership Interest to a lending institution as collateral or security for a bona fide loan or other extension of credit, and Transfer such pledged Partnership Interest to such lending institution in connection with the exercise of remedies under such loan or extension of credit (any Transfer or Pledge permitted by this proviso is hereinafter referred to as a "*Permitted Transfer*"). After such first Fourteen-Month Period, each Limited Partner, and each transferee of Partnership Units or

Assignee pursuant to a Permitted Transfer, shall have the right to Transfer all or any portion of its Partnership Interest to any Person, without the Consent of the General Partner but subject to the provisions of Section 11.4 hereof and to satisfaction of each of the following conditions:

(1) *General Partner Right of First Refusal*. The transferor Limited Partner (or the Partner's estate in the event of the Partner's death) shall give written notice of the proposed Transfer to the General Partner, which notice shall state (i) the identity and address of the proposed transferee and (ii) the amount and type of consideration proposed to be received for the Transferred Partnership Units. The General Partner shall have ten (10) Business Days upon which to give the transferor Limited Partner notice of its election to acquire the Partnership Units on the terms set forth in such notice. If it so elects, it shall purchase the Partnership Units on such terms within ten (10) Business Days after giving notice of such election; *provided*, *however*, that in the event that the proposed terms involve a purchase for cash, the General Partner may at its election deliver in lieu of all or any portion of such cash a note from the General Partner payable to the transferor Limited Partner at a date as soon as reasonably practicable, but in no event later than one hundred eighty (180) days after such purchase, and bearing interest at an annual rate equal to the total dividends declared with respect to one (1) REIT Share for the four (4) preceding fiscal quarters of the General Partner, divided by the Value as of the closing of such purchase; and *provided*, *further*, that such closing may be deferred to the extent necessary to effect compliance with the Hart-Scott-Rodino Act, if applicable, and any other applicable requirements of law. If it does not so elect, the transferor Limited Partner may Transfer such Partnership Units to a third party, on terms no more favorable to the transferee than the proposed terms, subject to the other conditions of this Section 11.3.

(2) *Qualified Transferee*. Any Transfer of a Partnership Interest shall be made only to a single Qualified Transferee; *provided*, *however*, that, for such purposes, all Qualified Transferees that are Affiliates, or that comprise investment accounts or funds managed by a single Qualified Transferee and its Affiliates, shall be considered together to be a single Qualified Transferee; and *provided*, *further*, that each Transfer meeting the minimum Transfer restriction of Section 11.3.A(4) hereof may be to a separate Qualified Transferee.

(3) *Opinion of Counsel*. The transferor Limited Partner shall deliver or cause to be delivered to the General Partner an opinion of counsel reasonably satisfactory to it to the effect that the proposed Transfer may be effected without registration under the Securities Act and will not otherwise violate the registration provisions of the Securities Act and the regulations promulgated thereunder or violate any state securities laws or regulations applicable to the Partnership or the Partnership Interests Transferred; *provided*, *however*, that the General Partner may, in its sole discretion, waive this condition upon the request of the transferor Limited Partner. If, in the opinion of such counsel, such Transfer would require the filing of a registration statement under the Securities Act or would otherwise violate any Federal or state securities laws or regulations applicable to the Partnership or the Partnership Units, the General Partner may prohibit any Transfer otherwise permitted under this Section 11.3 by a Limited Partner of Partnership Interests.

(4) *Minimum Transfer Restriction*. Any Transferring Partner must Transfer not less than the lesser of (i) five hundred (500) Partnership Units or (ii) all of the remaining Partnership

Units owned by such Transferring Partner, unless, in each case, otherwise agreed to by the General Partner; *provided*, *however*, that, for purposes of determining compliance with the foregoing restriction, all Partnership Units owned by Affiliates of a Limited Partner shall be considered to be owned by such Limited Partner.

(5) *Exception for Permitted Transfers*. The conditions of Sections 11.3.A(1) through 11.3.A(4) hereof shall not apply in the case of a Permitted Transfer.

It is a condition to any Transfer otherwise permitted hereunder (whether or not such Transfer is effected during or after the first Fourteen-Month Period) that the transferee assumes by operation of law or express agreement all of the obligations of the transferor Limited Partner under this Agreement with respect to such Transferred Partnership Interest, and no such Transfer (other than pursuant to a statutory merger or consolidation wherein all obligations and liabilities of the transferor Partner are assumed by a successor corporation by operation of law) shall relieve the transferor Partner of its obligations under this Agreement without the Consent of the General Partner. Notwithstanding the foregoing, any transferee of any Transferred Partnership Interest shall be subject to any restrictions on ownership and transfer of stock of the General Partner contained in the Charter that may limit or restrict such transferee's ability to exercise its Redemption rights, including, without limitation, the Ownership Limit. Any transferee, whether or not admitted as a Substituted Limited Partner, shall take subject to the obligations of the transferor hereunder. Unless admitted as a Substituted Limited Partner, no transferee, whether by a voluntary Transfer, by operation of law or otherwise, shall have any rights hereunder, other than the rights of an Assignee as provided in Section 11.5 hereof.

B. *Incapacity*. If a Limited Partner is subject to Incapacity, the executor, administrator, trustee, committee, guardian, conservator or receiver of such Limited Partner's estate shall have all the rights of a Limited Partner, but not more rights than those enjoyed by other Limited Partners, for the purpose of settling or managing the estate, and such power as the Incapacitated Limited Partner possessed to Transfer all or any part of its interest in the Partnership. The Incapacity of a Limited Partner, in and of itself, shall not dissolve or terminate the Partnership.

C. *Adverse Tax Consequences*. Notwithstanding anything to the contrary in this Agreement, the General Partner shall have the authority (but shall not be required) to take any steps it determines are necessary or appropriate in its sole and absolute discretion to prevent the Partnership from being taxable as a corporation for Federal income tax purposes. In addition, except with the Consent of the General Partner, no Transfer by a Limited Partner of its Partnership Interests (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any other acquisition of Partnership Units by the General Partner or any acquisition of Partnership Units by the Partnership) may be made to or by any Person if such Transfer could (i) result in the Partnership being treated as an association taxable as a corporation; (ii) result in a termination of the Partnership under Code Section 708; (iii) be treated as effectuated through an "established securities market" or a "secondary market (or the substantial equivalent thereof)" within the meaning of Code Section 7704 and the Regulations promulgated thereunder, (iv) result in the Partnership being unable to qualify for one or more of the "safe harbors" set forth in Regulations Section 1.7704-1 (or such other guidance subsequently published by the IRS setting forth safe harbors under which interests will not be treated as "readily tradable on a secondary market (or the substantial equivalent thereof)" within the meaning of Section 7704 of the Code) (the "*Safe Harbors*") or (v) based on the advice of counsel to the Partnership or the General Partner, adversely affect the ability of the General Partner to continue to qualify as a REIT or subject the General Partner to any additional taxes under Code Section 857 or Code Section 4981.

Section 11.4 *Admission of Substituted Limited Partners*.

A. No Limited Partner shall have the right to substitute a transferee (including any transferees pursuant to Transfers permitted by Section 11.3 hereof) as a Limited Partner in its place. A transferee of a Limited Partner Interest may be admitted as a Substituted Limited Partner only with the Consent of the General Partner. The failure or refusal by the General Partner to permit a transferee of any such interests to become a Substituted Limited Partner shall not give rise to any cause of action against the Partnership or the General Partner. Subject to the foregoing, an Assignee shall not be admitted as a Substituted Limited Partner until and unless it furnishes to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all the terms, conditions and applicable obligations of this Agreement, (ii) a counterpart signature page to this Agreement executed by such Assignee and (iii) such other documents and instruments as may be required or advisable, in the sole and absolute discretion of the General Partner, to effect such Assignee's admission as a Substituted Limited Partner.

B. Concurrently with, and as evidence of, the admission of a Substituted Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and class and/or series of Partnership Units of such Substituted Limited Partner and to eliminate or adjust, if necessary, the name, address and number of Partnership Units of the predecessor of such Substituted Limited Partner.

C. A transferee who has been admitted as a Substituted Limited Partner in accordance with this Article 11 shall have all the rights and powers and be subject to all the restrictions and liabilities of a Limited Partner under this Agreement.

Section 11.5 *Assignees*. If the General Partner does not Consent to the admission of any permitted transferee under Section 11.3 hereof as a Substituted Limited Partner, as described in Section 11.4 hereof, or in the event that any Partnership Interest is deemed to have been Transferred notwithstanding the restrictions set forth in this Article 11, such transferee shall be considered an Assignee for purposes of this Agreement. An Assignee shall be entitled to all the rights of an assignee of a limited partnership interest under the Act, including the right to receive distributions from the Partnership and the share of Net Income, Net Losses and other items of income, gain, loss, deduction and credit of the Partnership attributable to the Partnership Interest assigned to such transferee and the rights to Transfer the Partnership Interest provided in this Article 11, but shall not be deemed to be a holder of a Partnership Interest for any other purpose under this Agreement (other than as expressly provided in Section 15.1 hereof with respect to a Qualifying Party that becomes a Tendering Party), and shall not be entitled to effect a Consent or vote with respect to such Partnership Interest on any matter presented to the Partners for approval (such right to Consent or vote, to the extent provided in this Agreement or under the Act, fully remaining with the transferor Limited Partner). In the event that any such transferee desires to make a further Transfer of any such Partnership Interest, such transferee shall be subject to all the provisions of this Article 11 to the same extent and in the same manner as any Limited Partner desiring to make a Transfer of a Limited Partner Interest.

Section 11.6 *General Provisions*.

A. No Limited Partner may withdraw from the Partnership other than as a result of: (i) a permitted Transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11 with respect to which the transferee becomes a Substituted Limited Partner; (ii) pursuant to a redemption (or acquisition by the General Partner) of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) the acquisition by the General Partner of all of such Limited Partner's Partnership Interest, whether or not pursuant to Section 15.1.B hereof.

B. Any Limited Partner who shall Transfer all of its Partnership Units in a Transfer (i) permitted pursuant to this Article 11 where such transferee was admitted as a Substituted Limited Partner, (ii) pursuant to the exercise of its rights to effect a redemption of all of its Partnership Units pursuant to a Redemption under Section 15.1 hereof and/or pursuant to any Partnership Unit Designation or (iii) to the General Partner, whether or not pursuant to Section 15.1.B hereof, shall cease to be a Limited Partner.

C. If any Partnership Unit is Transferred in compliance with the provisions of this Article 11, or is redeemed by the Partnership, or acquired by the General Partner pursuant to Section 15.1 hereof, on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit attributable to such Partnership Unit for such Partnership Year shall be allocated to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, to the transferee Partner, by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner in its sole and absolute discretion. Solely for purposes of making such allocations, unless the General Partner decides in its sole and absolute discretion to use another method permitted under the Code, each of such items for the calendar month in which a Transfer occurs shall be allocated to the transferee Partner and none of such items for the calendar month in which a Transfer or a Redemption occurs shall be allocated to the transferor Partner, or the Tendering Party (as the case may be) if such Transfer occurs on or before the fifteenth (15th) day of the month, otherwise such items shall be allocated to the transferor. All distributions of Available Cash attributable to such Partnership Unit with respect to which the Partnership Record Date is before the date of such Transfer, assignment or Redemption shall be made to the transferor Partner or the Tendering Party (as the case may be) and, in the case of a Transfer other than a Redemption, all distributions of Available Cash thereafter attributable to such Partnership Unit shall be made to the transferee Partner.

D. In addition to any other restrictions on Transfer herein contained, in no event may any Transfer of a Partnership Interest by any Partner (including any Redemption, any conversion of LTIP Units into Partnership Common Units, any acquisition of Partnership Units by the General Partner or any other acquisition of Partnership Units by the Partnership) be made: (i) to any person or entity who lacks the legal right, power or capacity to own a Partnership Interest; (ii) in violation of applicable law; (iii) except with the Consent of the General Partner, of any component portion of a Partnership Interest, such as the Capital Account, or rights to distributions, separate and apart from all other components of a Partnership Interest; (iv) in the event that such Transfer could cause either the General Partner or any General Partner Affiliate to cease to comply with the REIT Requirements or to cease to qualify as a "qualified REIT subsidiary" (within the meaning of Code Section 856(i)(2)); (v) except with the Consent of the General Partner, if such Transfer could, based on the advice of counsel to the Partnership or the General Partner, cause a termination of the Partnership for Federal or state income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vi) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause the Partnership to cease to be classified as a partnership for federal income tax purposes (except as a result of the Redemption (or acquisition by the General Partner) of all Partnership Common Units held by all Limited Partners); (vii) if such Transfer would cause the Partnership to become, with respect to any employee benefit plan subject to Title I of ERISA, a "party-in-interest" (as defined in ERISA Section 3(14)) or a "disqualified person" (as defined in Code Section 4975(c)); (viii) if such Transfer could, based on the advice of legal counsel to the Partnership or the General Partner, cause any portion of the assets of the Partnership to constitute assets of any employee benefit plan pursuant to Department of Labor Regulations Section 2510.3-101; (ix) if such Transfer requires the registration of such Partnership Interest pursuant to any applicable Federal or state securities laws; (x) except with the Consent of the General Partner, if such Transfer (1) could be treated as effectuated through an "established securities market" or a "secondary market" (or the substantial equivalent thereof) within the meaning of Section 7704 of the Code and the Regulations promulgated thereunder, (2) could cause the Partnership to become a "publicly traded partnership," as such term is defined in Sections 469(k)(2) or 7704(b) of the Code, (3) could be in violation of Section 3.4.C(iii), or (4) could cause the Partnership to fail one or more of the Safe Harbors; (xi) if such Transfer causes the Partnership (as opposed to the General Partner) to become a reporting company under the Exchange Act; or (xii) if such Transfer subjects the Partnership to regulation under the Investment Company Act of 1940, the Investment Advisors Act of 1940 or ERISA, each as amended. The General Partner shall, in its sole discretion, be permitted to take all action necessary to prevent the Partnership from being classified as a "publicly traded partnership" under Code Section 7704.

E. Transfers pursuant to this Article 11 may only be made on the first day of a fiscal quarter of the Partnership, unless the General Partner otherwise Consents.

ARTICLE 12
ADMISSION OF PARTNERS

Section 12.1 *Admission of Successor General Partner*. A successor to all of the General Partner's General Partner Interest pursuant to a Transfer permitted by Section 11.2 hereof who is proposed to be admitted as a successor General Partner shall be admitted to the Partnership as the General Partner, effective immediately upon such Transfer. Upon any such Transfer and the admission of any such transferee as a successor General Partner in accordance with this Section 12.1, the transferor General Partner shall be relieved of its obligations under this Agreement and shall cease to be a general partner of the Partnership without any separate

Consent of the Limited Partners or the consent or approval of any other Partners. Any such successor General Partner shall carry on the business and affairs of the Partnership without dissolution. In each case, the admission shall be subject to the successor General Partner executing and delivering to the Partnership an acceptance of all of the terms and conditions of this Agreement and such other documents or instruments as may be required to effect the admission of such Person as a General Partner. Upon any such Transfer, the transferee shall become the successor General Partner for all purposes herein, and shall be vested with the powers and rights of the transferor General Partner, and shall be liable for all obligations and responsible for all duties of the General Partner. Concurrently with, and as evidence of, the admission of a successor General Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such successor General Partner.

Section 12.2 *Admission of Additional Limited Partners*.

A. After the admission to the Partnership of the Original Limited Partners, a Person (other than an existing Partner) who makes a Capital Contribution to the Partnership in exchange for Partnership Units and in accordance with this Agreement or is issued LTIP Units in exchange for no consideration in accordance with Section 4.2.B hereof shall be admitted to the Partnership as an Additional Limited Partner only upon furnishing to the General Partner (i) evidence of acceptance, in form and substance satisfactory to the General Partner, of all of the terms and conditions of this Agreement, including, without limitation, the power of attorney granted in Section 2.4 hereof, (ii) a counterpart signature page to this Agreement executed by such Person and (iii) such other documents or instruments as may be required in the sole and absolute discretion of the General Partner in order to effect such Person's admission as an Additional Limited Partner. Concurrently with, and as evidence of, the admission of an Additional Limited Partner, the General Partner shall amend Exhibit A and the books and records of the Partnership to reflect the name, address and number and classes and/or series of Partnership Units of such Additional Limited Partner.

B. Notwithstanding anything to the contrary in this Section 12.2, no Person shall be admitted as an Additional Limited Partner without the Consent of the General Partner. The admission of any Person as an Additional Limited Partner shall become effective on the date upon which the name of such Person is recorded on the books and records of the Partnership, following the Consent of the General Partner to such admission and the satisfaction of all the conditions set forth in Section 12.2.A.

C. If any Additional Limited Partner is admitted to the Partnership on any day other than the first day of a Partnership Year, then Net Income, Net Losses, each item thereof and all other items of income, gain, loss, deduction and credit allocable among Holders for such Partnership Year shall be allocated among such Additional Limited Partner and all other Holders by taking into account their varying interests during the Partnership Year in accordance with Code Section 706(d), using the "interim closing of the books" method or another permissible method selected by the General Partner. Solely for purposes of making such allocations, each of such items for the calendar month in which an admission of any Additional Limited Partner occurs shall be allocated among all the Holders including such Additional Limited Partner, in accordance with the principles described in Section 11.6.C hereof. All distributions of Available

Cash with respect to which the Partnership Record Date is before the date of such admission shall be made solely to Partners and Assignees other than the Additional Limited Partner, and all distributions of Available Cash thereafter shall be made to all the Partners and Assignees including such Additional Limited Partner.

D. Any Additional Limited Partner admitted to the Partnership that is an Affiliate of the General Partner shall be deemed to be a "General Partner Affiliate" hereunder and shall be reflected as such on Exhibit A and the books and records of the Partnership.

Section 12.3 *Amendment of Agreement and Certificate of Limited Partnership*. For the admission to the Partnership of any Partner, the General Partner shall take all steps necessary and appropriate under the Act to amend the records of the Partnership and, if necessary, to prepare as soon as practical an amendment of this Agreement (including an amendment of Exhibit A) and, if required by law, shall prepare and file an amendment to the Certificate and may for this purpose exercise the power of attorney granted pursuant to Section 2.4 hereof.

Section 12.4 *Limit on Number of Partners*. Unless otherwise permitted by the General Partner in its sole and absolute discretion, no Person shall be admitted to the Partnership as an Additional Limited Partner if the effect of such admission would be to cause the Partnership to have a number of Partners that would cause the Partnership to become a reporting company under the Exchange Act.

Section 12.5 *Admission*. A Person shall be admitted to the Partnership as a limited partner of the Partnership or a general partner of the Partnership only upon strict compliance, and not upon substantial compliance, with the requirements set forth in this Agreement for admission to the Partnership as a Limited Partner or a General Partner.

ARTICLE 13
DISSOLUTION, LIQUIDATION AND TERMINATION

Section 13.1 *Dissolution*. The Partnership shall not be dissolved by the admission of Substituted Limited Partners or Additional Limited Partners or by the admission of a successor General Partner in accordance with the terms of this Agreement. Upon the withdrawal of the General Partner, any successor General Partner shall continue the business and affairs of the Partnership without dissolution. However, the Partnership shall dissolve, and its affairs shall be wound up, upon the first to occur of any of the following (each a "*Liquidating Event*"):

A. an event of withdrawal, as defined in Section 10-402(2) – (9) of the Act (including, without limitation, bankruptcy), or the withdrawal in violation of this Agreement, of the last remaining General Partner unless, within ninety (90) days after the withdrawal, a Majority in Interest of the Partners remaining agree in writing, in their sole and absolute discretion, to continue the Partnership and to the appointment, effective as of the date of such withdrawal, of a successor General Partner;

B. an election to dissolve the Partnership made by the General Partner in its sole and absolute discretion, with or without the Consent of the Partners;

C. entry of a decree of judicial dissolution of the Partnership pursuant to the provisions of the Act;

D. any sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business or a related series of transactions that, taken together, result in the sale or other disposition of (other than the attachment of a lien or security interest in) all or substantially all of the assets of the Partnership outside the ordinary course of the Partnership's business; or

E. the Redemption or other acquisition by the Partnership or the General Partner of all Partnership Units other than Partnership Units held by the General Partner.

Section 13.2 *Winding Up*.

A. Upon the occurrence of a Liquidating Event, the Partnership shall continue solely for the purposes of winding up its affairs in an orderly manner, liquidating its assets and satisfying the claims of its creditors and the Holders. After the occurrence of a Liquidating Event, no Holder shall take any action that is inconsistent with, or not necessary to or appropriate for, the winding up of the Partnership's business and affairs. The General Partner (or, in the event that there is no remaining General Partner or the General Partner has dissolved, become bankrupt within the meaning of the Act or ceased to operate, any Person elected by a Majority in Interest of the Partners (the General Partner or such other Person being referred to herein as the "*Liquidator*")) shall be responsible for overseeing the winding up and dissolution of the Partnership and shall take full account of the Partnership's liabilities and property, and the Partnership property shall be liquidated as promptly as is consistent with obtaining the fair value thereof, and the proceeds therefrom (which may, to the extent determined by the General Partner, include shares of stock in the General Partner) shall be applied and distributed in the following order:

(1) First, to the satisfaction of all of the Partnership's debts and liabilities to creditors other than the Holders (whether by payment or the making of reasonable provision for payment thereof);

(2) Second, to the satisfaction of all of the Partnership's debts and liabilities to the General Partner (whether by payment or the making of reasonable provision for payment thereof), including, but not limited to, amounts due as reimbursements under Section 7.4 hereof;

(3) Third, to the satisfaction of all of the Partnership's debts and liabilities to the other Holders (whether by payment or the making of reasonable provision for payment thereof); and

(4) Fourth, to the Partners in accordance with their positive Capital Account balances, determined after taking into account all Capital Account adjustments for all prior periods and the Partnership taxable year during which the liquidation occurs (other than those made as a result of the liquidating distribution set forth in this Section 13.2.A(4)).

The General Partner shall not receive any additional compensation for any services performed pursuant to this Article 13 other than reimbursement of its expenses as set forth in Section 7.4.

B. Notwithstanding the provisions of Section 13.2.A hereof that require liquidation of the assets of the Partnership, but subject to the order of priorities set forth therein, if prior to or upon dissolution of the Partnership, the Liquidator determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Holders, the Liquidator may, in its sole and absolute discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy liabilities of the Partnership (including to those Holders as creditors) and/or distribute to the Holders, in lieu of cash, as tenants in common and in accordance with the provisions of Section 13.2.A hereof, undivided interests in such Partnership assets as the Liquidator deems not suitable for liquidation. Any such distributions in kind shall be made only if, in the good faith judgment of the Liquidator, such distributions in kind are in the best interest of the Holders, and shall be subject to such conditions relating to the disposition and management of such properties as the Liquidator deems reasonable and equitable and to any agreements governing the operation of such properties at such time. The Liquidator shall determine the fair market value of any property distributed in kind using such reasonable method of valuation as it may adopt.

C. If any Holder has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), except as otherwise agreed to by such Holder, such Holder shall have no obligation to make any contribution to the capital of the Partnership with respect to such deficit, and such deficit shall not be considered a debt owed to the Partnership or to any other Person for any purpose whatsoever.

D. In the sole and absolute discretion of the General Partner or the Liquidator, a pro rata portion of the distributions that would otherwise be made to the Holders pursuant to this Article 13 may be:

(1) distributed to a trust established for the benefit of the General Partner and the Holders for the purpose of liquidating Partnership assets, collecting amounts owed to the Partnership, and paying any contingent or unforeseen liabilities or obligations of the Partnership or of the General Partner arising out of or in connection with the Partnership and/or Partnership activities. The assets of any such trust shall be distributed to the Holders, from time to time, in the reasonable discretion of the General Partner, in the same proportions and amounts as would otherwise have been distributed to the Holders pursuant to this Agreement; or

(2) withheld or escrowed to provide a reasonable reserve for Partnership liabilities (contingent or otherwise) and to reflect the unrealized portion of any installment obligations owed to the Partnership, provided that such withheld or escrowed amounts shall be distributed to the Holders in the manner and order of priority set forth in Section 13.2.A hereof as soon as practicable.

Section 13.3 *Deemed Contribution and Distribution*. Notwithstanding any other provision of this Article 13, in the event that the Partnership is liquidated within the meaning of

Regulations Section 1.704-1(b)(2)(ii)(g), but no Liquidating Event has occurred, the Partnership's Property shall not be liquidated, the Partnership's liabilities shall not be paid or discharged and the Partnership's affairs shall not be wound up. Instead, for federal income tax purposes the Partnership shall be deemed to have contributed all of its assets and liabilities to a new partnership in exchange for an interest in the new partnership; and immediately thereafter, distributed Partnership Units to the Partners in the new partnership in accordance with their respective Capital Accounts in liquidation of the Partnership, and the new partnership is deemed to continue the business of the Partnership. Nothing in this Section 13.3 shall be deemed to have constituted a Transfer to an Assignee as a Substituted Limited Partner without compliance with the provisions of Section 11.4 or Section 13.3 hereof.

Section 13.4 *Rights of Holders*. Except as otherwise provided in this Agreement and subject to the rights of any Holder of any Partnership Interest set forth in a Partnership Unit Designation, (a) each Holder shall look solely to the assets of the Partnership for the return of its Capital Contribution, (b) no Holder shall have the right or power to demand or receive property other than cash from the Partnership and (c) no Holder shall have priority over any other Holder as to the return of its Capital Contributions, distributions or allocations.

Section 13.5 *Notice of Dissolution*. In the event that a Liquidating Event occurs or an event occurs that would, but for an election or objection by one or more Partners pursuant to Section 13.1 hereof, result in a dissolution of the Partnership, the General Partner shall, within thirty (30) days thereafter, provide written notice thereof to each Holder and, in the General Partner's sole and absolute discretion or as required by the Act, to all other parties with whom the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner), and the General Partner may, or, if required by the Act, shall, publish notice thereof in a newspaper of general circulation in each place in which the Partnership regularly conducts business (as determined in the sole and absolute discretion of the General Partner).

Section 13.6 *Cancellation of Certificate of Limited Partnership*. Upon the completion of the liquidation of the Partnership cash and property as provided in Section 13.2 hereof, the Partnership shall be terminated, a certificate of cancellation shall be filed with the SDAT, all qualifications of the Partnership as a foreign limited partnership or association in jurisdictions other than the State of Maryland shall be cancelled, and such other actions as may be necessary to terminate the Partnership shall be taken.

Section 13.7 *Reasonable Time for Winding-Up*. A reasonable time shall be allowed for the orderly winding-up of the business and affairs of the Partnership and the liquidation of its assets pursuant to Section 13.2 hereof, in order to minimize any losses otherwise attendant upon such winding-up, and the provisions of this Agreement shall remain in effect between and among the Partners during the period of liquidation; *provided*, *however*, reasonable efforts shall be made to complete such winding-up within twenty-four (24) months after the adoption of a plan of liquidation of the General Partner, as provided in Section 562(b)(2)(B) of the Code, if necessary, in the sole and absolute discretion of the General Partner.

ARTICLE 14
PROCEDURES FOR ACTIONS AND CONSENTS OF PARTNERS; AMENDMENTS; MEETINGS

Section 14.1 *Procedures for Actions and Consents of Partners*. The actions requiring Consent of any Partner or Partners pursuant to this Agreement, including Section 7.3 hereof, or otherwise pursuant to applicable law, are subject to the procedures set forth in this Article 14.

Section 14.2 *Amendments*. Amendments to this Agreement may be proposed by the General Partner or by Limited Partners holding twenty-five percent (25%) or more of the Partnership Interests held by Limited Partners and, except as set forth in Section 7.3.B and Section 7.3.C and subject to Section 7.3.D, Section 16.10 and the rights of any Holder of Partnership Interest set forth in a Partnership Unit Designation, shall be approved by the Consent of the Partners. Following such proposal, the General Partner shall submit to the Partners entitled to vote thereon any proposed amendment that, pursuant to the terms of this Agreement, requires the consent, approval or vote of such Partners. The General Partner shall seek the consent, approval or vote of the Partners entitled to vote thereon on any such proposed amendment in accordance with Section 14.3 hereof.

Section 14.3 *Actions and Consents of the Partners*.

A. Meetings of the Partners may be called only by the General Partner to transact any business that the General Partner determines. The call shall state the nature of the business to be transacted. Notice of any such meeting shall be given to all Partners entitled to act at the meeting not less than seven (7) days nor more than sixty (60) days prior to the date of such meeting. Partners may vote in person or by proxy at such meeting. Unless approval by a different number or proportion of the Partners is required by this Agreement (including without limitation Section 11.2.D), the affirmative vote of Partners holding a majority of the Percentage Interests held by the Partners entitled to act on any proposal shall be sufficient to approve such proposal at a meeting of the Partners. Whenever the vote, consent or approval of Partners is permitted or required under this Agreement, such vote, consent or approval may be given at a meeting of Partners or may be given at a meeting of Partners or in accordance with the procedure prescribed in Section 14.3.B hereof.

B. Any action requiring the Consent of any Partner or group of Partners pursuant to this Agreement or that is required or permitted to be taken at a meeting of the Partners may be taken without a meeting if a consent in writing or by electronic transmission setting forth the action so taken or consented to is given by Partners whose affirmative vote would be sufficient to approve such action or provide such Consent at a meeting of the Partners. Such consent may be in one instrument or in several instruments, and shall have the same force and effect as the affirmative vote of such Partners at a meeting of the Partners. Such consent shall be filed with the General Partner. An action so taken shall be deemed to have been taken at a meeting held on the effective date so certified. For purposes of obtaining a Consent in writing or by electronic transmission to any matter other than Partnership Approval of a General Partner Interest Transfer, the General Partner may require a response within a reasonable specified time, but not less than fifteen (15) days, and failure to respond in such time period shall constitute a Consent that is consistent with the General Partner’s recommendation with respect to the proposal; *provided*, *however*, that an action shall become effective at such time as requisite Consents are received even if prior to such specified time.

C. Each Partner entitled to act at a meeting of the Partners may authorize any Person or Persons to act for it by proxy on all matters in which a Partner is entitled to participate, including waiving notice of any meeting, or voting or participating at a meeting. Each proxy must be signed by the Partner or its attorney-in-fact. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy (or there is receipt of a proxy authorizing a later date). Every proxy shall be revocable at the pleasure of the Partner executing it, such revocation to be effective upon the Partnership's receipt of written notice of such revocation from the Partner executing such proxy, unless such proxy states that it is irrevocable and is coupled with an interest.

D. The General Partner may set, in advance, a record date for the purpose of determining the Partners (i) entitled to Consent to any action (other than any General Partner Interest Transfer), (ii) entitled to receive notice of or vote at any meeting of the Partners or (iii) in order to make a determination of Partners for any other proper purpose. Such date, in any case, (x) shall not be prior to the close of business on the day the record date is fixed and shall be not more than ninety (90) days and, in the case of a meeting of the Partners, not less than five (5) days, before the date on which the meeting is to be held or Consent is to be given and (y) shall be, with respect to the determination of the existence of Partnership Approval, the record date established by the General Partner for the approval of its stockholders for the event constituting a General Partner Interest Transfer. If no record date is fixed, the record date for the determination of Partners entitled to notice of or to vote at a meeting of the Partners shall be at the close of business on the day on which the notice of the meeting is sent, and the record date for any other determination of Partners shall be the effective date of such Partner action, distribution or other event. When a determination of the Partners entitled to vote at any meeting of the Partners has been made as provided in this section, such determination shall apply to any adjournment thereof.

E. Each meeting of Partners shall be conducted by the General Partner or such other Person as the General Partner may appoint pursuant to such rules for the conduct of the meeting as the General Partner or such other Person deems appropriate in its sole and absolute discretion. Without limitation, meetings of Partners may be conducted in the same manner as meetings of the General Partner's stockholders and may be held at the same time as, and as part of, the meetings of the General Partner's stockholders.

ARTICLE 15
GENERAL PROVISIONS

Section 15.1 *Redemption Rights of Qualifying Parties*.

A. After the applicable Fourteen-Month Period, a Qualifying Party shall have the right (subject to the terms and conditions set forth herein) to require the Partnership to redeem all or a portion of the Partnership Common Units held by such Tendering Party (Partnership Common Units that have in fact been tendered for redemption being hereafter referred to as "*Tendered Units")* in exchange (a "*Redemption*") for the Cash Amount payable on the Specified Redemption Date. The Partnership may, in the General Partner's sole and absolute discretion, redeem Tendered Units at the request of the Holder thereof prior to the end of the applicable Fourteen-Month Period (subject to the terms and conditions set forth herein) (a "*Special Redemption*"); *provided*, *however*, that the General Partner first receives a legal opinion to the same effect as the legal opinion described in Section 15.1.G of this Agreement. Any Redemption shall be exercised pursuant to a Notice of Redemption delivered to the General Partner by the Qualifying Party when exercising the Redemption right (the "*Tendering Party*"). The Partnership's obligation to effect a Redemption, however, shall not arise or be binding against the Partnership until the earlier of (i) the date the General Partner notifies the Tendering Party that the General Partner declines to acquire some or all of the Tendered Units under Section 15.1.B hereof following receipt of a Notice of Redemption and (ii) the Business Day following the Cut-Off Date. In the event of a Redemption, the Cash Amount shall be delivered as a certified or bank check payable to the Tendering Party or, in the General Partner's sole and absolute discretion, in immediately available funds, in each case, on or before the tenth (10th) Business Day following the date on which the General Partner receives a Notice of Redemption from the Tendering Party.

B. Notwithstanding the provisions of Section 15.1.A hereof, on or before the close of business on the Cut-Off Date, the General Partner may, in the General Partner's sole and absolute discretion but subject to the Ownership Limit, elect to acquire some or all of the Tendered Units from the Tendering Party in exchange for REIT Shares (the percentage of such Tendered Units to be acquired by the General Partner in exchange for REIT Shares being referred to as the "*Applicable Percentage*"). If the General Partner elects to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the General Partner shall give written notice thereof to the Tendering Party on or before the close of business on the Cut-Off Date. If the General Partner elects to acquire any of the Tendered Units for REIT Shares, the General Partner shall issue and deliver such REIT Shares to the Tendering Party pursuant to the terms of this Section 15.1.B, in which case (1) the General Partner shall assume directly the obligation with respect thereto and shall satisfy the Tendering Party's exercise of its Redemption right with respect to such Tendered Units and (2) such transaction shall be treated, for federal income tax purposes, as a transfer by the Tendering Party of such Tendered Units to the General Partner in exchange for the REIT Shares Amount. If the General Partner so elects, on the Specified Redemption Date, the Tendering Party shall sell such number of the Tendered Units to the General Partner in exchange for a number of REIT Shares equal to the product of the REIT Shares Amount and the Applicable Percentage. The Tendering Party shall submit (i) such information, certification or affidavit as the General Partner may reasonably require in connection with the application of the Ownership Limit to any such acquisition and (ii) such written representations, investment letters, legal opinions or other instruments necessary, in the General Partner's view, to effect compliance with the Securities Act. In the event of a purchase of the Tendered Units by the General Partner pursuant to this Section 15.1.B, the Tendering Party shall no longer have the right to cause the Partnership to effect a Redemption of such Tendered Units and, upon notice to the Tendering Party by the General Partner given on or before the close of business on the Cut-Off Date that the General Partner has elected to acquire some or all of the Tendered Units pursuant to this Section 15.1.B, the obligation of the Partnership to effect a Redemption of the Tendered Units as to which the General Partner's notice relates shall not accrue or arise. A number of REIT Shares equal to the product of the Applicable Percentage and the REIT Shares Amount, if applicable, shall be delivered by the General Partner as duly authorized, validly issued, fully paid and non-assessable REIT Shares and, if applicable, Rights, free of any pledge, lien, encumbrance or restriction, other than the Ownership Limit, the Securities Act and relevant state securities or "blue sky" laws. Neither any Tendering Party whose Tendered Units are acquired by the General Partner pursuant to this Section 15.1.B, any Partner, any Assignee nor any other interested Person shall have any right to require or cause the General Partner to register, qualify or list any REIT Shares owned or held by such Person, whether or not such REIT Shares are issued pursuant to this Section 15.1.B, with the SEC, with any state securities commissioner, department or agency, under the Securities Act or the Exchange Act or with any stock exchange; *provided*, *however*, that this limitation shall not be in derogation of any registration or similar rights granted pursuant to any other written agreement between the General Partner and any such Person. Notwithstanding any delay in such delivery, the Tendering Party shall be deemed the owner of such REIT Shares and Rights for all purposes, including, without limitation, rights to vote or consent, receive dividends, and exercise rights, as of the Specified Redemption Date. REIT Shares issued upon an acquisition of the Tendered Units by the General Partner pursuant to this Section 15.1.B may contain such legends regarding restrictions under the Securities Act and applicable state securities laws as the General Partner determines to be necessary or advisable in order to ensure compliance with such laws.

C. Notwithstanding the provisions of Section 15.1.A and 15.1.B hereof, the Tendering Parties shall have no rights under this Agreement that would otherwise be prohibited by the Charter. To the extent that any attempted Redemption or acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof would be in violation of this Section 15.1.C, it shall be null and void *ab initio*, and the Tendering Party shall not acquire any rights or economic interests in REIT Shares otherwise issuable by the General Partner under Section 15.1.B hereof or cash otherwise payable under Section 15.1.A hereof.

D. If the General Partner does not elect to acquire the Tendered Units pursuant to Section 15.1.B hereof:

(1) The Partnership may elect to raise funds for the payment of the Cash Amount either (a) by requiring that the General Partner contribute to the Partnership funds from the proceeds of a registered public offering by the General Partner of REIT Shares sufficient to purchase the Tendered Units or (b) from any other sources (including, but not limited to, the sale of any Property and the incurrence of additional Debt) available to the Partnership. The General Partner shall make a Capital Contribution of any such amounts to the Partnership for an additional General Partner Interest. Any such contribution shall entitle the General Partner to an equitable Percentage Interest adjustment.

(2) If the Cash Amount is not paid on or before the Specified Redemption Date, interest shall accrue with respect to the Cash Amount from the day after the Specified Redemption Date to and including the date on which the Cash Amount is paid at a rate equal to the base rate on corporate loans at large United States money center commercial banks, as published from time to time in the Wall Street Journal (but not higher than the maximum lawful rate).

E. Notwithstanding the provisions of Section 15.1.B hereof, the General Partner shall not, under any circumstances, elect to acquire any Tendered Units in exchange for REIT Shares if such exchange would be prohibited under the Charter.

F. Notwithstanding anything herein to the contrary (but subject to Section 15.1.C hereof), with respect to any Redemption (or any tender of Partnership Common Units for Redemption if the Tendered Units are acquired by the General Partner pursuant to Section 15.1.B hereof) pursuant to this Section 15.1:

(1) All Partnership Common Units acquired by the General Partner pursuant to Section 15.1.B hereof shall automatically, and without further action required, be converted into and deemed to be a General Partner Interest comprised of the same number of Partnership Common Units.

(2) Subject to the Ownership Limit, no Tendering Party may effect a Redemption for less than one thousand (1,000) Partnership Common Units or, if such Tendering Party holds (as a Limited Partner or, economically, as an Assignee) less than one thousand (1,000) Partnership Common Units, all of the Partnership Common Units held by such Tendering Party, without, in each case, the Consent of the General Partner.

(3) If (i) a Tendering Party surrenders its Tendered Units during the period after the Partnership Record Date with respect to a distribution and before the record date established by the General Partner for a distribution to its stockholders of some or all of its portion of such Partnership distribution, and (ii) the General Partner elects to acquire any of such Tendered Units in exchange for REIT Shares pursuant to Section 15.1.B, such Tendering Party shall pay to the General Partner on the Specified Redemption Date an amount in cash equal to the portion of the Partnership distribution in respect of the Tendered Units exchanged for REIT Shares, insofar as such distribution relates to the same period for which such Tendering Party would receive a distribution in respect of such REIT Shares.

(4) The consummation of such Redemption (or an acquisition of Tendered Units by the General Partner pursuant to Section 15.1.B hereof, as the case may be) shall be subject to the expiration or termination of the applicable waiting period, if any, under the Hart-Scott-Rodino Act.

(5) The Tendering Party shall continue to own (subject, in the case of an Assignee, to the provisions of Section 11.5 hereof) all Partnership Common Units subject to any Redemption, and be treated as a Limited Partner or an Assignee, as applicable, with respect to such Partnership Common Units for all purposes of this Agreement, until such Partnership Common Units are either paid for by the Partnership pursuant to Section 15.1.A hereof or transferred to the General Partner and paid for, by the issuance of the REIT Shares, pursuant to Section 15.1.B hereof on the Specified Redemption Date. Until a Specified Redemption Date and an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, the Tendering Party shall have no rights as a stockholder of the General Partner with respect to the REIT Shares issuable in connection with such acquisition.

G. In connection with an exercise of Redemption rights pursuant to this Section 15.1, except as otherwise Consented to by the General Partner, the Tendering Party shall submit the following to the General Partner, in addition to the Notice of Redemption:

(1) A written affidavit, dated the same date as the Notice of Redemption, (a) disclosing the actual and constructive ownership, as determined for purposes of Code Sections 856(a)(6) and 856(h), of REIT Shares by (i) such Tendering Party and (ii) to the best of their knowledge any Related Party and (b) representing that, after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party will own REIT Shares in violation of the Ownership Limit;

(2) A written representation that neither the Tendering Party nor to the best of their knowledge any Related Party has any intention to acquire any additional REIT Shares prior to the closing of the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date; and

(3) An undertaking to certify, at and as a condition to the closing of (i) the Redemption or (ii) the acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof on the Specified Redemption Date, that either (a) the actual and constructive ownership of REIT Shares by the Tendering Party and to the best of their knowledge any Related Party remain unchanged from that disclosed in the affidavit required by Section 15.1.G(1) or (b) after giving effect to the Redemption or an acquisition of the Tendered Units by the General Partner pursuant to Section 15.1.B hereof, neither the Tendering Party nor to the best of their knowledge any Related Party shall own REIT Shares in violation of the Ownership Limit.

(4) In connection with any Special Redemption, the General Partner shall have the right to receive an opinion of counsel reasonably satisfactory to it to the effect that the proposed Special Redemption will not cause the Partnership or the General Partner to violate any Federal or state securities laws or regulations applicable to the Special Redemption, the issuance and sale of the Tendered Units to the Tendering Party or the issuance and sale of REIT Shares to the Tendering Party pursuant to Section 15.1.B of this Agreement.

H. LTIP Unit Exception. Holders of LTIP Units shall not be entitled to the right of Redemption provided for in Section 15.1 of this Agreement, unless and until such LTIP Units have been converted into Partnership Common Units (or any other class or series of Partnership Units entitled to such right of Redemption) in accordance with their terms.

Section 15.2 *Addresses and Notice*. Any notice, demand, request or report required or permitted to be given or made to a Partner or Assignee under this Agreement shall be in writing and shall be deemed given or made when delivered in person or when sent by first class United States mail or by other means of written or electronic communication (including by telecopy, facsimile, electronic mail or commercial courier service) to the Partner, or Assignee at the address set forth in Exhibit A or Exhibit B (as applicable) or such other address of which the Partner shall notify the General Partner in accordance with this Section 15.2.

Section 15.3 *Titles and Captions*. All article or section titles or captions in this Agreement are for convenience only. They shall not be deemed part of this Agreement and in no way define, limit, extend or describe the scope or intent of any provisions hereof. Except as specifically provided otherwise, references to “Articles” or “Sections” are to Articles and Sections of this Agreement.

Section 15.4 *Pronouns and Plurals*. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa.

Section 15.5 *Further Action*. The parties shall execute and deliver all documents, provide all information and take or refrain from taking action as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 15.6 *Binding Effect*. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 15.7 *Waiver*.

A. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute waiver of any such breach or any other covenant, duty, agreement or condition.

B. The restrictions, conditions and other limitations on the rights and benefits of the Limited Partners contained in this Agreement, and the duties, covenants and other requirements of performance or notice by the Limited Partners, are for the benefit of the Partnership and, except for an obligation to pay money to the Partnership, may be waived or relinquished by the General Partner, in its sole and absolute discretion, on behalf of the Partnership in one or more instances from time to time and at any time; *provided*, *however*, that any such waiver or relinquishment may not be made if it would have the effect of (i) creating liability for any other Limited Partner, (ii) causing the Partnership to cease to qualify as a limited partnership, (iii) reducing the amount of cash otherwise distributable to the Limited Partners (other than any such reduction that affects all of the Limited Partners holding the same class or series of Partnership Units on a uniform or pro rata basis, if approved by a Majority in Interest of the Partners holding such class or series of Partnership Units), (iv) resulting in the classification of the Partnership as an association or publicly traded partnership taxable as a corporation or (v) violating the Securities Act, the Exchange Act or any state “blue sky” or other securities laws; and *provided*, *further*, that any waiver relating to compliance with the Ownership Limit or other restrictions in the Charter shall be made and shall be effective only as provided in the Charter.

Section 15.8 *Counterparts*. This Agreement may be executed in counterparts, all of which together shall constitute one agreement binding on all the parties hereto, notwithstanding that all such parties are not signatories to the original or the same counterpart. Each party shall become bound by this Agreement immediately upon affixing its signature hereto.

Section 15.9 *Applicable Law; Consent to Jurisdiction; Waiver of Jury Trial*.

A. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Maryland, without regard to the principles of conflicts of law. In the event of a conflict between any provision of this Agreement and any non-mandatory provision of the Act, the provisions of this Agreement shall control and take precedence.

B. Each Partner hereby (i) submits to the non-exclusive jurisdiction of any state or federal court sitting in the State of Maryland (collectively, the "*Maryland Courts*"), with respect to any dispute arising out of this Agreement or any transaction contemplated hereby to the extent such courts would have subject matter jurisdiction with respect to such dispute, (ii) irrevocably waives, and agrees not to assert by way of motion, defense, or otherwise, in any such action, any claim that it is not subject personally to the jurisdiction of any of the Maryland Courts, that its property is exempt or immune from attachment or execution, that the action is brought in an inconvenient forum, or that the venue of the action is improper, (iii) agrees that notice or the service of process in any action, suit or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered to such Partner at such Partner's last known address as set forth in the Partnership's books and records, and (iv) irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Agreement or the transactions contemplated hereby.

Section 15.10 *Entire Agreement*. This Agreement contains all of the understandings and agreements between and among the Partners with respect to the subject matter of this Agreement and the rights, interests and obligations of the Partners with respect to the Partnership. Notwithstanding the immediately preceding sentence, the Partners hereby acknowledge and agree that the General Partner, without the approval of any Limited Partner, may enter into side letters or similar written agreements with Limited Partners that are not Affiliates of the General Partner, executed contemporaneously with the admission of such Limited Partner to the Partnership, affecting the terms hereof, as negotiated with such Limited Partner and which the General Partner in its sole discretion deems necessary, desirable or appropriate. The parties hereto agree that any terms, conditions or provisions contained in such side letters or similar written agreements with a Limited Partner shall govern with respect to such Limited Partner notwithstanding the provisions of this Agreement.

Section 15.11 *Invalidity of Provisions*. If any provision of this Agreement is or becomes invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not be affected thereby.

Section 15.12 *Limitation to Preserve REIT Status*. Notwithstanding anything else in this Agreement, to the extent that the amount to be paid, credited, distributed or reimbursed by the Partnership to any REIT Partner or its officers, directors, employees or agents, whether as a reimbursement, fee, expense or indemnity (a "*REIT Payment*"), would constitute gross income to the REIT Partner for purposes of Code Section 856(c)(2) or Code Section 856(c)(3), then, notwithstanding any other provision of this Agreement, the amount of such REIT Payments, as selected by the General Partner in its discretion from among items of potential distribution, reimbursement, fees, expenses and indemnities, shall be reduced for any Partnership Year so that the REIT Payments, as so reduced, for or with respect to such REIT Partner shall not exceed the lesser of:

(i) an amount equal to the excess, if any, of (a) four and nine-tenths percent (4.9%) of the REIT Partner's total gross income (but excluding the amount of any REIT

Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(2) over (b) the amount of gross income (within the meaning of Code Section 856(c)(2)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(2) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code); or

(ii) an amount equal to the excess, if any, of (a) twenty-four percent (24%) of the REIT Partner's total gross income (but excluding the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code) for the Partnership Year that is described in subsections (A) through (I) of Code Section 856(c)(3) over (b) the amount of gross income (within the meaning of Code Section 856(c)(3)) derived by the REIT Partner from sources other than those described in subsections (A) through (I) of Code Section 856(c)(3) (but not including the amount of any REIT Payments and amounts excluded from gross income pursuant to Section 856(c)(5)(G) of the Code);

provided, *however*, that REIT Payments in excess of the amounts set forth in clauses (i) and (ii) above may be made if the General Partner, as a condition precedent, obtains an opinion of tax counsel that the receipt of such excess amounts should not adversely affect the REIT Partner's ability to qualify as a REIT. To the extent that REIT Payments may not be made in a Partnership Year as a consequence of the limitations set forth in this Section 15.12, such REIT Payments shall carry over and shall be treated as arising in the following Partnership Year if such carry over does not adversely affect the REIT Partner's ability to qualify as a REIT, provided, however, that any such REIT Payment shall not be carried over more than three Partnership Years, and any such remaining payments shall no longer be due and payable. The purpose of the limitations contained in this Section 15.12 is to prevent any REIT Partner from failing to qualify as a REIT under the Code by reason of such REIT Partner's share of items, including distributions, reimbursements, fees, expenses or indemnities, receivable directly or indirectly from the Partnership, and this Section 15.12 shall be interpreted and applied to effectuate such purpose.

Section 15.13 *No Partition*. No Partner nor any successor-in-interest to a Partner shall have the right while this Agreement remains in effect to have any property of the Partnership partitioned, or to file a complaint or institute any proceeding at law or in equity to have such property of the Partnership partitioned, and each Partner, on behalf of itself and its successors and assigns hereby waives any such right. It is the intention of the Partners that the rights of the parties hereto and their successors-in-interest to Partnership property, as among themselves, shall be governed by the terms of this Agreement, and that the rights of the Partners and their respective successors-in-interest shall be subject to the limitations and restrictions as set forth in this Agreement.

Section 15.14 *No Third-Party Rights Created Hereby*. The provisions of this Agreement are solely for the purpose of defining the interests of the Holders, inter se; and no other person, firm or entity (i.e., a party who is not a signatory hereto or a permitted successor to such signatory hereto) shall have any right, power, title or interest by way of subrogation or otherwise, in and to the rights, powers, title and provisions of this Agreement. No creditor or other third party having dealings with the Partnership shall have the right to enforce the right or obligation of any Partner to make Capital Contributions or loans to the Partnership or to pursue any other right or remedy hereunder or at law or in equity. None of the rights or obligations of the Partners herein set forth to make Capital Contributions or loans to the Partnership shall be deemed an asset of the Partnership for any purpose by any creditor or other third party, nor may any such rights or obligations be sold, transferred or assigned by the Partnership or pledged or encumbered by the Partnership to secure any debt or other obligation of the Partnership or any of the Partners.

Section 15.15 *No Rights as Stockholders*. Nothing contained in this Agreement shall be construed as conferring upon the Holders of Partnership Units any rights whatsoever as stockholders of the General Partner, including without limitation any right to receive dividends or other distributions made to stockholders of the General Partner or to vote or to consent or receive notice as stockholders in respect of any meeting of stockholders for the election of directors of the General Partner or any other matter.

ARTICLE 16
LTIP UNITS

Section 16.1 *Designation*. A class of Partnership Units in the Partnership designated as the "*LTIP Units*" is hereby established. The number of LTIP Units that may be issued is not limited by this Agreement.

Section 16.2 *Vesting*.

A. *Vesting, Generally*. LTIP Units may, in the sole discretion of the General Partner, be issued subject to vesting, forfeiture and additional restrictions on Transfer pursuant to the terms of an award, vesting or other similar agreement (a "*Vesting Agreement*"). The terms of any Vesting Agreement may be modified by the General Partner from time to time in its sole discretion, subject to any restrictions on amendment imposed by the relevant Vesting Agreement or by the Plan, if applicable. LTIP Units that were fully vested when issued or that have vested and are no longer subject to forfeiture under the terms of a Vesting Agreement are referred to as "*Vested LTIP Units*"; all other LTIP Units shall be treated as "*Unvested LTIP Units*."

B. *Forfeiture*. Unless otherwise specified in the Vesting Agreement, the Plan or in any other applicable Stock Option Plan or Equity Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, upon the occurrence of any event specified in such Vesting Agreement, Plan, Stock Option Plan, Equity Plan, arrangement or program as resulting in either the right of the Partnership or the General Partner to repurchase LTIP Units at a specified purchase price or some other forfeiture of any LTIP Units, then if the Partnership or the General Partner exercises such right to repurchase or upon the occurrence of the event causing forfeiture in accordance with the applicable Vesting Agreement, Plan, Stock Option Plan, Equity Plan, arrangement or program, then the relevant LTIP Units shall immediately, and without any further action, be treated as cancelled and no longer outstanding for any purpose. Unless otherwise specified in the applicable Vesting Agreement, Plan, Stock Option Plan, Equity Plan, arrangement or program, no consideration or other payment shall be due with respect to any LTIP Units that have been forfeited, other than any distributions declared with respect to a Partnership Record Date and with respect to such units prior to the effective date of the forfeiture. Except as otherwise provided in this Agreement (including without limitation Section 6.4.A(ix)) or any agreement relating to the grant of LTIP Units, in connection with any repurchase or forfeiture of such units, the balance of the portion of the Capital Account of the Holder of LTIP Units that is attributable to all of his or her LTIP Units shall be reduced by the amount, if any, by which it exceeds the target balance contemplated by Section 6.2.D, calculated with respect to such Holder's remaining LTIP Units, if any.

Section 16.3 *Adjustments*. The Partnership shall maintain at all times a one-to-one correspondence between LTIP Units and Partnership Common Units for conversion, distribution and other purposes, including without limitation complying with the following procedures; provided, that the foregoing is not intended to alter the special allocations pursuant to Section 6.2.D, differences between distributions to be made with respect to LTIP Units and Partnership Common Units pursuant to Section 13.2 and Section 16.4.B hereof in the event that the Capital Accounts attributable to the LTIP Units are less than those attributable to Partnership Common Units due to insufficient special allocation pursuant to Section 6.2.D or related provisions. If an Adjustment Event occurs, then the General Partner shall take any action reasonably necessary, including any amendment to this Agreement or Exhibit A hereto adjusting the number of outstanding LTIP Units or subdividing or combining outstanding LTIP Units, to maintain a one-for-one conversion and economic equivalence ratio between Partnership Common Units and LTIP Units. The following shall be "*Adjustment Events*": (i) the Partnership makes a distribution on all outstanding Partnership Common Units in Partnership Units, (ii) the Partnership subdivides the outstanding Partnership Common Units into a greater number of units or combines the outstanding Partnership Common Units into a smaller number of units, or (iii) the Partnership issues any Partnership Units in exchange for its outstanding Partnership Common Units by way of a reclassification or recapitalization of its Partnership Common Units. If more than one Adjustment Event occurs, any adjustment to the LTIP Units need be made only once using a single formula that takes into account each and every Adjustment Event as if all Adjustment Events occurred simultaneously. For the avoidance of doubt, the following shall not be Adjustment Events: (x) the issuance of Partnership Units in a financing, reorganization, acquisition or other similar business transaction, (y) the issuance of Partnership Units pursuant to any employee benefit or compensation plan or distribution reinvestment plan, or (z) the issuance of any Partnership Units to the General Partner in respect of a Capital Contribution to the Partnership of proceeds from the sale of securities by the General Partner. If the Partnership takes an action affecting the Partnership Common Units other than actions specifically described above as "Adjustment Events" and in the opinion of the General Partner such action would require action to maintain the one-to-one correspondence described above, the General Partner shall have the right to take such action, to the extent permitted by law, the Plan and by any applicable Stock Option Plan, Equity Plan or other compensatory arrangement or incentive program pursuant to which LTIP Units are issued, in such manner and at such time as the General Partner, in its sole discretion, may determine to be reasonably appropriate under the circumstances. If an amendment is made to this Agreement adjusting the number of outstanding LTIP Units as herein provided, the Partnership shall promptly file in the books and records of the Partnership an officer's certificate setting forth a brief statement of the facts requiring such adjustment, which certificate shall be conclusive evidence of the correctness of such adjustment absent manifest error. Promptly after filing of such certificate, the Partnership shall mail a notice to each LTIP Unit Limited Partner setting forth the adjustment to his or her LTIP Units and the effective date of such adjustment.

Section 16.4 *Distributions*.

A. *Operating Distributions*. Except as otherwise provided in this Agreement, the Plan or any other applicable Stock Option Plan or Equity Plan, any applicable Vesting Agreement or by the General Partner with respect to any particular class or series of LTIP Units, Holders of LTIP Units shall be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, regular, special, extraordinary or other distributions (other than distributions upon the occurrence of a Liquidating Event or proceeds from a Terminating Capital Transaction) which may be made from time to time, in an amount per unit equal to the amount of any such distributions that would have been payable to such holders if the LTIP Units had been Partnership Common Units (if applicable, assuming such LTIP Units were held for the entire period to which such distributions relate).

B. *Liquidating Distributions*. Holders of LTIP Units shall also be entitled to receive, if, when and as authorized by the General Partner out of funds or other property legally available for the payment of distributions, distributions upon the occurrence of a Liquidating Event or representing proceeds from a Terminating Capital Transaction in an amount per LTIP Unit equal to the amount of any such distributions payable on one Partnership Common Unit, whether made prior to, on or after the LTIP Unit Distribution Participation Date; provided that the amount of such distributions shall not exceed the positive balances of the Capital Accounts of the holders of such LTIP Units to the extent attributable to the ownership of such LTIP Units.

C. *Distributions Generally*. Distributions on the LTIP Units, if authorized, shall be payable on such dates and in such manner as may be authorized by the General Partner (any such date, an "*LTIP Unit Distribution Participation Date*"); provided that the LTIP Unit Distribution Participation Date shall be the same as the corresponding date relating to the corresponding distribution on the Partnership Common Units. The record date for determining which Holders of LTIP Units are entitled to receive a distributions shall be the corresponding Partnership Record Date.

Section 16.5 *Allocations*. Holders of LTIP Units shall be allocated Net Income and Net Loss in amounts per LTIP Unit equal to the amounts allocated per Partnership Common Unit. The allocations provided by the preceding sentence shall be subject to Sections 6.2.A and 6.2.B and in addition to any special allocations required by Section 6.2.D. The General Partner is authorized in its discretion to delay or accelerate the participation of the LTIP Units in allocations of Net Income and Net Loss under this Section 16.5, or to adjust the allocations made under this Section 16.5, so that the ratio of (i) the total amount of Net Income or Net Loss allocated with respect to each LTIP Unit in the taxable year in which that LTIP Unit's LTIP Unit Distribution Participation Date falls (excluding special allocations under Section 6.2.D), to (ii) the total amount distributed to that LTIP Unit with respect to such period, is more nearly equal to the ratio of (i) the Net Income and Net Loss allocated with respect to the General Partner's Partnership Common Units in such taxable year to (ii) the amounts distributed to the General Partner with respect to such Partnership Common Units and such taxable year.

Section 16.6 *Transfers*. Subject to the terms of any Vesting Agreement, an LTIP Unit Limited Partner shall be entitled to transfer his or her LTIP Units to the same extent, and subject to the same restrictions as Holders of Partnership Common Units are entitled to transfer their Partnership Common Units pursuant to Article 11.

Section 16.7 *Redemption*. The Redemption Right provided to Qualifying Parties under Section 15.1 shall not apply with respect to LTIP Units unless and until they are converted to Partnership Common Units as provided in Section 16.9 below.

Section 16.8 *Legend*. Any certificate evidencing an LTIP Unit shall bear an appropriate legend indicating that additional terms, conditions and restrictions on transfer, including without limitation any Vesting Agreement, apply to the LTIP Unit.

Section 16.9 *Conversion to Partnership Common Units*.

A. A Qualifying Party holding LTIP Units shall have the right (the "*Conversion Right*"), at his or her option, at any time to convert all or a portion of his or her Vested LTIP Units into Partnership Common Units; provided, however, that a Qualifying Party may not exercise the Conversion Right for less than one thousand (1,000) Vested LTIP Units or, if such Qualifying Party holds less than one thousand (1,000) Vested LTIP Units, all of the Vested LTIP Units held by such Qualifying Party. Qualifying Parties shall not have the right to convert Unvested LTIP Units into Partnership Common Units until they become Vested LTIP Units; *provided*, *however*, that when a Qualifying Party is notified of the expected occurrence of an event that will cause his or her Unvested LTIP Units to become Vested LTIP Units, such Qualifying Party may give the Partnership a Conversion Notice conditioned upon and effective as of the time of vesting and such Conversion Notice, unless subsequently revoked by the Qualifying Party, shall be accepted by the Partnership subject to such condition. In all cases, the conversion of any LTIP Units into Partnership Common Units shall be subject to the conditions and procedures set forth in this Section 16.9.

B. A Qualifying Party may convert his or her Vested LTIP Units into an equal number of fully paid and non-assessable Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3. Notwithstanding the foregoing, in no event may a Qualifying Party convert a number of Vested LTIP Units that exceeds (x) the Economic Capital Account Balance of such Limited Partner, to the extent attributable to his or her ownership of LTIP Units, divided by (y) the Common Unit Economic Balance, in each case as determined as of the effective date of conversion (the "*Capital Account Limitation*"). In order to exercise his or her Conversion Right, a Qualifying Party shall deliver a notice (a "*Conversion Notice*") in the form attached as Exhibit D to the Partnership (with a copy to the General Partner) not less than 3 nor more than 10 days prior to a date (the "*Conversion Date*") specified in such Conversion Notice; *provided*, *however*, that if the General Partner has not given to the Qualifying Party notice of a proposed or upcoming Transaction (as defined below) at least thirty (30) days prior to the effective date of such Transaction, then the Qualifying Party shall have the right to deliver a Conversion Notice until the earlier of (x) the tenth (10th) day after such notice from the General Partner of a Transaction or (y) the third business day immediately preceding the effective date of such Transaction. A Conversion Notice shall be provided in the manner provided in Section 15.2. Each Qualifying Party seeking to convert Vested LTIP Units covenants and agrees with the Partnership that all Vested LTIP Units to be converted pursuant to this Section 16.9 shall be free and clear of all liens. Notwithstanding anything herein to the contrary, if the Fourteen-Month Period with respect to the Partnership Common Units into which the Vested LTIP Units are convertible has elapsed, a Qualifying Party may deliver a Notice of Redemption pursuant to Section 15.1.A relating to such Partnership Common Units in advance of the Conversion Date; *provided*, *however*, that the redemption of such Partnership Common Units by the Partnership shall in no event take place until on or after the Conversion Date. For clarity, it is noted that the objective of this paragraph is to put a Qualifying Party in a position where, if he or she so wishes, the Partnership Common Units into which his or her Vested LTIP Units will be converted can be redeemed by the Partnership pursuant to Section 15.1.A simultaneously with such conversion, with the further consequence that, if the General Partner elects to assume the Partnership's redemption obligation with respect to such Partnership Common Units under Section 15.1.B by delivering to such Qualifying Party REIT Shares rather than cash, then such Qualifying Party can have such REIT Shares issued to him or her simultaneously with the conversion of his or her Vested LTIP Units into Partnership Common Units. The General Partner shall cooperate with a Qualifying Party to coordinate the timing of the different events described in the foregoing sentence.

C. The Partnership, at any time at the election of the General Partner, may cause any number of Vested LTIP Units to be converted (a "*Forced Conversion*") into an equal number of Partnership Common Units, giving effect to all adjustments (if any) made pursuant to Section 16.3; *provided*, *however*, that the Partnership may not cause a Forced Conversion of any LTIP Units that would not at the time be eligible for conversion at the option of a Qualifying Party pursuant to Section 16.9.B. In order to exercise its right of Forced Conversion, the Partnership shall deliver a notice (a "*Forced Conversion Notice*") in the form attached hereto as Exhibit E to the applicable Holder of LTIP Units not less than 10 nor more than 60 days prior to the Conversion Date specified in such Forced Conversion Notice. A Forced Conversion Notice shall be provided in the manner provided in Section 15.2.

D. A conversion of Vested LTIP Units for which the Holder thereof has given a Conversion Notice or the Partnership has given a Forced Conversion Notice shall occur automatically after the close of business on the applicable Conversion Date without any action on the part of such Holder of LTIP Units other than the surrender of any certificate or certificates evidencing such Vested LTIP Units, as of which time such Holder of LTIP Units shall be credited on the books and records of the Partnership as of the opening of business on the next day with the number of Partnership Common Units into which such LTIP Units were converted. After the conversion of LTIP Units as aforesaid, the Partnership shall deliver to such Holder of LTIP Units, upon his or her written request, a certificate of the General Partner certifying the number of Partnership Common Units and remaining LTIP Units, if any, held by such person immediately after such conversion. The Assignee of any Limited Partner pursuant to Article 11 hereof may exercise the rights of such Limited Partner pursuant to this Section 16.9 and such Limited Partner shall be bound by the exercise of such rights by the Assignee.

E. For purposes of making future allocations under Section 6.2.D and applying the Capital Account Limitation, the portion of the Economic Capital Account Balance of the applicable Holder of LTIP Units that is treated as attributable to his or her LTIP Units shall be reduced, as of the date of conversion, by the product of the number of LTIP Units converted and the Common Unit Economic Balance.

F. If the Partnership or the General Partner shall be a party to any transaction (including without limitation a merger, consolidation, unit exchange, self tender offer for all or substantially all Partnership Common Units or other business combination or reorganization, or sale of all or substantially all of the Partnership's assets, but excluding any transaction which constitutes an Adjustment Event) in each case as a result of which Partnership Common Units shall be exchanged for or converted into the right, or the Holders shall otherwise be entitled, to receive cash, securities or other property or any combination thereof (each of the foregoing being referred to herein as a "*Transaction*"), then the General Partner shall, immediately prior to the Transaction, exercise its right to cause a Forced Conversion with respect to the maximum number of LTIP Units then eligible for conversion, taking into account any allocations that occur in connection with the Transaction or that would occur in connection with the Transaction if the assets of the Partnership were sold at the Transaction price or, if applicable, at a value determined by the General Partner in good faith using the value attributed to the Partnership Common Units in the context of the Transaction (in which case the Conversion Date shall be the effective date of the Transaction). In anticipation of such Forced Conversion and the consummation of the Transaction, the Partnership shall use commercially reasonable efforts to cause each LTIP Unit Limited Partner to be afforded the right to receive in connection with such Transaction in consideration for the Partnership Common Units into which his or her LTIP Units will be converted the same kind and amount of cash, securities and other property (or any combination thereof) receivable upon the consummation of such Transaction by a Holder of the same number of Partnership Common Units, assuming such Holder is not a Person with which the Partnership consolidated or into which the Partnership merged or which merged into the Partnership or to which such sale or transfer was made, as the case may be (a "*Constituent Person*"), or an affiliate of a Constituent Person. In the event that Holders of Partnership Common Units have the opportunity to elect the form or type of consideration to be received upon consummation of the Transaction, prior to such Transaction the General Partner shall give prompt written notice to each LTIP Unit Limited Partner of such opportunity, and shall use commercially reasonable efforts to afford the LTIP Unit Limited Partner the right to elect, by written notice to the General Partner, the form or type of consideration to be received upon conversion of each LTIP Unit held by such Holder into Partnership Common Units in connection with such Transaction. If a LTIP Unit Limited Partner fails to make such an election, such Holder (and any of its transferees) shall receive upon conversion of each LTIP Unit held by him or her (or by any of his or her transferees) the same kind and amount of consideration that a Holder of Partnership Common Units would receive if such Holder of Partnership Common Units failed to make such an election. Subject to the rights of the Partnership and the General Partner under any Vesting Agreement and the relevant terms of the Plan or any other applicable Stock Option Plan or Equity Plan, the Partnership shall use commercially reasonable effort to cause the terms of any Transaction to be consistent with the provisions of this Section 16.9.F and to enter into an agreement with the successor or purchasing entity, as the case may be, for the benefit of any LTIP Unit Limited Partner whose LTIP Units will not be converted into Partnership Common Units in connection with the Transaction that will (i) contain provisions enabling Qualifying Parties that remain outstanding after such Transaction to convert their LTIP Units into securities as comparable as reasonably possible under the circumstances to the Partnership Common Units and (ii) preserve as far as reasonably possible under the circumstances the distribution, special allocation, conversion, and other rights set forth in the Agreement for the benefit of the LTIP Unit Limited Partners.

Section 16.10 *Voting*. LTIP Unit Limited Partners shall have the same voting rights as Limited Partners holding Partnership Common Units, with the LTIP Unit Limited Partners voting together as a single class with the Partnership Common Units and having one vote per LTIP Unit, and Holders of LTIP Units shall not be entitled to approve, vote on or consent to any other matter.

Section 16.11 *Section 83 Safe Harbor*. Each Partner authorizes the General Partner to elect to apply the safe harbor (the "Section 83 Safe Harbor") set forth in proposed Regulations Section 1.83-3(l) and proposed IRS Revenue Procedure published in Notice 2005-43 (together, the "Proposed Section 83 Safe Harbor Regulation") (under which the fair market value of a Partnership Interest that is Transferred in connection with the performance of services is treated as being equal to the liquidation value of the interest) if such Proposed Section 83 Safe Harbor Regulation or similar Regulations are promulgated as a final or temporary Regulations. If the General Partner determines that the Partnership should make such election, the General Partner is hereby authorized to amend this Agreement without the consent of any other Partner to provide that (i) the Partnership is authorized and directed to elect the Section 83 Safe Harbor, (ii) the Partnership and each of its Partners (including any Person to whom a Partnership Interest, including an LTIP Unit, is Transferred in connection with the performance of services) will comply with all requirements of the Section 83 Safe Harbor with respect to all Partnership Interests Transferred in connection with the performance of services while such election remains in effect and (iii) the Partnership and each of its Partners will take all actions necessary, including providing the Partnership with any required information, to permit the Partnership to comply with the requirements set forth or referred to in the applicable Regulations for such election to be effective until such time (if any) as the General Partner determines, in its sole discretion, that the Partnership should terminate such election. The General Partner is further authorized to amend this Agreement to modify Article 6 to the extent the General Partner determines in its discretion that such modification is necessary or desirable as a result of the issuance of any applicable law, Regulations, notice or ruling relating to the tax treatment of the transfer of a Partnership Interests in connection with the performance of services. Notwithstanding anything to the contrary in this Agreement, each Partner expressly confirms that it will be legally bound by any such amendment.

[Remainder of Page Left Blank Intentionally]

IN WITNESS WHEREOF, this Agreement has been executed as of the date first written above.

GENERAL PARTNER:

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation,

By: ______________________________
Name:
Its:

LIMITED PARTNER:

[,
a],

By: ______________________________
Name:
Its:

LIMITED PARTNER:

____
Name:

As of [   ], 20[__]

EXHIBIT A

PARTNERS AND PARTNERSHIP UNITS

Name and Address of Partners	Partnership Units (Type and Amount)
General Partner:	
American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130	[ ] Partnership Common Units
Limited Partners:	
TOTAL: [ ] Partnership Common Units	

EXHIBIT B

EXAMPLES REGARDING ADJUSTMENT FACTOR

For purposes of the following examples, it is assumed that (a) the Adjustment Factor in effect on [__________] is 1.0 and (b) on [__________] (the "*Partnership Record Date*" for purposes of these examples), prior to the events described in the examples, there are 100 REIT Shares issued and outstanding.

Example 1

On the Partnership Record Date, the General Partner declares a dividend on its outstanding REIT Shares in REIT Shares. The amount of the dividend is one REIT Share paid in respect of each REIT Share owned. Pursuant to Paragraph (i) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the stock dividend is declared, as follows:

1.0 * 200/100 = 2.0

Accordingly, the Adjustment Factor after the stock dividend is declared is 2.0.

Example 2

On the Partnership Record Date, the General Partner distributes options to purchase REIT Shares to all holders of its REIT Shares. The amount of the distribution is one option to acquire one REIT Share in respect of each REIT Share owned. The strike price is $4.00 a share. The Value of a REIT Share on the Partnership Record Date is $5.00 per share. Pursuant to Paragraph (ii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the options are distributed, as follows:

1.0 * (100 + 100)/(100 + [100 * $4.00/$5.00]) = 1.1111

Accordingly, the Adjustment Factor after the options are distributed is 1.1111. If the options expire or become no longer exercisable, then the retroactive adjustment specified in Paragraph (ii) of the definition of "Adjustment Factor" shall apply.

Example 3

On the Partnership Record Date, the General Partner distributes assets to all holders of its REIT Shares. The amount of the distribution is one asset with a fair market value (as determined by the General Partner) of $1.00 in respect of each REIT Share owned. It is also assumed that the assets do not relate to assets received by the General Partner pursuant to a pro rata distribution by the Partnership. The Value of a REIT Share on the Partnership Record Date is $5.00 a share. Pursuant to Paragraph (iii) of the definition of "Adjustment Factor," the Adjustment Factor shall be adjusted on the Partnership Record Date, effective immediately after the assets are distributed, as follows:

1.0 * $5.00/($5.00 - $1.00) = 1.25

Accordingly, the Adjustment Factor after the assets are distributed is 1.25.

EXHIBIT C

NOTICE OF REDEMPTION

To: American Assets Trust, Inc.

____

____

____

The undersigned Limited Partner or Assignee hereby irrevocably tenders for Redemption Partnership Common Units in American Assets Trust, L.P. in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated as of [   ], 20[__] as amended (the "*Agreement*"), and the Redemption rights referred to therein. The undersigned Limited Partner or Assignee:

(a) undertakes (i) to surrender such Partnership Common Units and any certificate therefor at the closing of the Redemption and (ii) to furnish to the General Partner, prior to the Specified Redemption Date, the documentation, instruments and information required under Section 15.1.G of the Agreement;

(b) directs that the certified check representing the Cash Amount, or the REIT Shares Amount, as applicable, deliverable upon the closing of such Redemption be delivered to the address specified below;

(c) represents, warrants, certifies and agrees that:

(i) the undersigned Limited Partner or Assignee is a Qualifying Party,

(ii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, good, marketable and unencumbered title to such Partnership Common Units, free and clear of the rights or interests of any other person or entity,

(iii) the undersigned Limited Partner or Assignee has, and at the closing of the Redemption will have, the full right, power and authority to tender and surrender such Partnership Common Units as provided herein, and

(iv) the undersigned Limited Partner or Assignee has obtained the consent or approval of all persons and entities, if any, having the right to consent to or approve such tender and surrender; and

(d) acknowledges that he will continue to own such Partnership Common Units until and unless either (1) such Partnership Common Units are acquired by the General Partner pursuant to Section 15.1.B of the Agreement or (2) such redemption transaction closes.

All capitalized terms used herein and not otherwise defined shall have the same meaning ascribed to them respectively in the Agreement.

Dated: __________

Name of Limited Partner or Assignee:

____

____
(Signature of Limited Partner or Assignee)

____
(Street Address)

____
(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

____

Issue Check Payable to:

____

Please insert social security or identifying number:

____

EXHIBIT D

NOTICE OF ELECTION BY PARTNER TO CONVERT LTIP UNITS INTO PARTNERSHIP COMMON UNITS

The undersigned Holder of LTIP Units hereby irrevocably (i) elects to convert the number of LTIP Units in American Assets Trust, L.P. (the "*Partnership*") set forth below into Partnership Common Units in accordance with the terms of the Amended and Restated Agreement of Limited Partnership of the Partnership, as amended; and (ii) directs that any cash in lieu of Partnership Common Units that may be deliverable upon such conversion to be deliverable upon such conversion be delivered to the address specified below. The undersigned hereby represents, warrants, and certifies that the undersigned (a) has title to such LTIP Units, free and clear of the rights or interests of any other person or entity other than the Partnership; (b) has the full right, power, and authority to cause the conversion of such LTIP Units as provided herein; and (c) has obtained the consent or approval of all persons or entities, if any, having the right to consent or approve such conversion.

Name of Holder: ______________________________
Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: ____________________

Date of this Notice: ____________________

____
(Signature of Holder)

____
(Street Address)

____
(City) (State) (Zip Code)

Signature Medallion Guaranteed by:

____

Issue Check Payable to: ______________________________

Please insert social security or identifying number: ______________________________

EXHIBIT E

NOTICE OF ELECTION BY PARTNERSHIP TO FORCE CONVERSION OF LTIP UNITS INTO PARTNERSHIP COMMON UNITS

American Assets Trust, L.P. (the "*Partnership*") hereby irrevocably (i) elects to cause the number of LTIP Units held by the Holder set forth below to be converted into Partnership Common Units in accordance with the terms of Amended and Restated Agreement of Limited Partnership of the Partnership, as amended.

Name of Holder: ______________________________

Please Print Name as Registered with Partnership

Number of LTIP Units to be Converted: ______________________________

Date of this Notice: ______________________________

AMERICAN ASSETS TRUST, INC. AND AMERICAN ASSETS TRUST, L.P.
2010 EQUITY INCENTIVE AWARD PLAN

ARTICLE 1

PURPOSE

The purpose of the American Assets Trust, Inc. and American Assets Trust, L.P. 2010 Equity Incentive Award Plan (the "Plan") is to promote the success and enhance the value of American Assets Trust, Inc., a Maryland corporation (the "Company"), and American Assets Trust, L.P., a Maryland limited partnership (the "Partnership"), by linking the personal interests of the members of the Board, Employees, and Consultants to those of Company shareholders and by providing such individuals with an incentive for outstanding performance to generate superior returns to Company shareholders. The Plan is further intended to provide flexibility to the Company and the Partnership in their ability to motivate, attract, and retain the services of members of the Board, Employees, and Consultants upon whose judgment, interest, and special effort the successful conduct of the Company's and the Partnership's operations is largely dependent.

ARTICLE 2

DEFINITIONS AND CONSTRUCTION

Wherever the following terms are used in the Plan they shall have the meanings specified below, unless the context clearly indicates otherwise. The singular pronoun shall include the plural where the context so indicates.

2.1 "Administrator" means the entity or person that conducts the general administration of the Plan as provided herein. With reference to the administration of the Plan with respect to Awards granted to Independent Directors, the term "Administrator" shall refer to the Board. With reference to the administration of the Plan with respect to any other Award, the term "Administrator" shall refer to the Committee unless the Board has assumed the authority for administration of the Plan generally as provided in Section 12.1. With reference to the duties of the Committee under the Plan which have been delegated to one or more persons pursuant to Section 12.5 of the Plan, the term "Administrator" shall refer to such person(s) unless the Committee or the Board has revoked such delegation.

2.2 "Applicable Accounting Standards" shall mean Generally Accepted Accounting Principles in the United States, International Financial Reporting Standards or such other accounting principles or standards as may apply to the Company's financial statements under United States federal securities laws from time to time.

2.3 "Award" means an Option, a Restricted Stock award, a Stock Appreciation Right award, a Dividend Equivalents award, a Stock Payment award, a Restricted Stock Unit award, an Other Incentive Award, or a Performance Bonus Award granted to a Participant pursuant to the Plan.

2.4 "Award Agreement" means any written agreement, contract, or other instrument or document evidencing an Award, including through electronic medium.

2.5 "Board" means the Board of Directors of the Company.

2.6 “Change in Control” means and includes each of the following:

(a) A transaction or series of transactions (other than an offering of Stock to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any “person” or related “group” of “persons” (as such terms are used in Sections 13(d) and 14(d)(2) of the Exchange Act) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a “person” that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than 50% of the total combined voting power of the Company’s securities outstanding immediately after such acquisition; or

(b) During any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in Section 2.6(a) or Section 2.6(c)) whose election by the Board or nomination for election by the Company’s shareholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(c) The consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of (x) a merger, consolidation, reorganization, or business combination or (y) a sale or other disposition of all or substantially all of the Company’s assets in any single transaction or series of related transactions or (z) the acquisition of assets or stock of another entity, in each case other than a transaction:

(i) Which results in the Company’s voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company’s assets or otherwise succeeds to the business of the Company (the Company or such person, the “Successor Entity”)) directly or indirectly, at least a majority of the combined voting power of the Successor Entity’s outstanding voting securities immediately after the transaction, and

(ii) After which no person or group beneficially owns voting securities representing 50% or more of the combined voting power of the Successor Entity; *provided*, *however*, that no person or group shall be treated for purposes of this Section 2.6(c)(ii) as beneficially owning 50% or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction.

In addition, if a Change in Control constitutes a payment event with respect to any Award which provides for the deferral of compensation and is subject to Section 409A of the Code, the transaction or event described in subsection (a), (b) or (c) with respect to such Award must also constitute a “change in control event,” as defined in Treasury Regulation §1.409A-3(i)(5) to the extent required by Section 409A.

The Administrator shall have full and final authority, which shall be exercised in its discretion, to determine conclusively whether a Change in Control of the Company has occurred pursuant to the above definition, and the date of the occurrence of such Change in Control and any incidental matters relating thereto.

2.7 “Code” means the Internal Revenue Code of 1986, as amended.

2.8 “Committee” means the committee of the Board described in Article 12.

2.9 “Company Consultant” means any consultant or adviser engaged to provide services to the Company or any Company Subsidiary that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.10 “Company Employee” means any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Company or of any Company Subsidiary

2.11 “Company Subsidiary” means (i) any “subsidiary corporation” of the Company as defined in Section 424(f) of the Code and any applicable regulations promulgated thereunder, (ii) any other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Company, or (iii) any partnership or limited liability company of which 50% or more of the capital and profits interest is owned, directly or indirectly, by the Company or by one or more Company Subsidiaries or by the Company and one or more Company Subsidiaries; *provided, however,* that “Company Subsidiary” shall not include the Partnership or any Partnership Subsidiary

2.12 “Consultant” means any Company Consultant or any Partnership Consultant.

2.13 “Covered Employee” means an Employee who is, or could be, a “covered employee” within the meaning of Section 162(m) of the Code.

2.14 “Director” means a member of the Board, or as applicable a member of the board of directors of a Subsidiary.

2.15 “Disability” means “disability,” as such term is defined in Section 22(e)(3) of the Code.

2.16 “Dividend Equivalents” means a right granted to a Participant pursuant to Section 8.1 to receive the equivalent value (in cash or Stock) of dividends paid on Stock.

2.17 “DRO” shall mean a domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended from time to time, or the rules thereunder.

2.18 “Effective Date” has the meaning set forth in Section 13.1.

2.19 “Eligible Individual” means any person who is an Employee, a Consultant or a Director, as determined by the Administrator.

2.20 “Employee” means any Company Employee or Partnership Employee.

2.21 “Equity Restructuring” means a nonreciprocal transaction between the company and its shareholders, such as a stock dividend, stock split, spin-off, rights offering or recapitalization through a large, nonrecurring cash dividend, that affects the shares of Stock (or other securities of the Company) or the share price of Stock (or other securities) and causes a change in the per share value of the Stock underlying outstanding Awards.

2.22 "Exchange Act" means the Securities Exchange Act of 1934, as amended.

2.23 "Expiration Date" has the meaning set forth in Section 13.2.

2.24 "Fair Market Value" means, as of any given date, the fair market value of a share of Stock on the date determined as follows:

(a) If the Stock is listed on any (i) established securities exchange (such as the New York Stock Exchange, the NASDAQ Global Market and the NASDAQ Global Select Market), (ii) national market system or (iii) automated quotation system on which the Stock is listed, quoted or traded, its Fair Market Value shall be the closing sales price for a share of Stock as quoted on such exchange or system for such date or, if there is no closing sales price for a share of Stock on the date in question, the closing sales price for a share of Stock on the last preceding date for which such quotation exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable;

(b) If the Stock is not listed on an established securities exchange, national market system or automated quotation system, but the Stock is regularly quoted by a recognized securities dealer, its Fair Market Value shall be the mean of the high bid and low asked prices for such date or, if there are no high bid and low asked prices for a share of Stock on such date, the high bid and low asked prices for a share of Stock on the last preceding date for which such information exists, as reported in *The Wall Street Journal* or such other source as the Administrator deems reliable; or

(c) If the Stock is neither listed on an established securities exchange, national market system or automated quotation system nor regularly quoted by a recognized securities dealer, its Fair Market Value shall be established by the Administrator in good faith in a manner consistent with Section 409A of the Code.

2.25 "Incentive Stock Option" means an Option that is intended to be an incentive stock option and meets the requirements of Section 422 of the Code or any successor provision thereto.

2.26 "Independent Director" means a Director of the Company who is not an Employee.

2.27 "Misconduct" means the occurrence of any of, but not limited to, the following: (i) conviction of the Participant of any felony or any crime involving fraud or dishonesty; (ii) the Participant's participation (whether by affirmative act or omission) in a fraud, act or dishonesty or other act of misconduct against the Company, the Partnership or any Subsidiary; (iii) conduct by the Participant which, based upon a good faith and reasonable factual investigation by the Company (or, if the Participant is an executive officer, by the Board), demonstrates the Participant's unfitness to serve; (iv) the Participant's violation of any statutory or fiduciary duty, or duty of loyalty owed to the Company and/or the Partnership and/or any Subsidiary; (v) the Participant's violation of state or federal law in connection with the Participant's performance of his or her job which has an adverse effect on the Company and/or the Partnership and/or any Subsidiary; and (vi) the Participant's violation of Company or Partnership policy which has a material adverse effect on the Company and/or the Partnership and/or any Subsidiary. Notwithstanding the foregoing, the Participant's Disability shall not constitute Misconduct as set forth herein. The determination that a termination is for Misconduct shall be by the Administrator it its sole and exclusive judgment and discretion. Notwithstanding the foregoing, if a Participant is a party to an employment or severance agreement with the Company, the Partnership or any Subsidiary in effect as of the date of grant of an Award which defines "Misconduct" or "Cause" or a similar term, "Misconduct" for purposes of the Plan and such Award shall have the meaning given to such term in such employment or severance agreement.

2.28 “Non-Employee Director” means a Director of the Company who qualifies as a “Non-Employee Director” as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition.

2.29 “Non-Qualified Stock Option” means an Option that is not intended to be or otherwise does not qualify as an Incentive Stock Option.

2.30 “Option” means a right granted to a Participant pursuant to Article 5 of the Plan to purchase a specified number of shares of Stock at a specified price during specified time periods. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.

2.31 “Other Incentive Award” means an Award granted or denominated in Stock or units of Stock pursuant to Section 8.4 hereof or denominated in other equity interests, including, without limitation, equity interests of the Partnership, such as partnership profits interests, that are convertible or exchangeable into Stock.

2.32 “Participant” means any Eligible Individual who, as a member of the Board, Consultant or Employee, has been granted an Award pursuant to the Plan.

2.33 “Partnership Agreement” means the Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., as the same may be amended, modified or restated from time to time.

2.34 “Partnership Consultant” means any consultant or adviser engaged to provide services to the Partnership or any Partnership Subsidiary that qualifies as a consultant under the applicable rules of the Securities and Exchange Commission for registration of shares on a Form S-8 Registration Statement.

2.35 “Partnership Employee” means any officer or other employee (as defined in accordance with Section 3401(c) of the Code) of the Partnership or of any Partnership Subsidiary

2.36 “Partnership Subsidiary” means (i) any entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Partnership, or (ii) any partnership or limited liability company of which 50% or more of the capital and profits interest is owned, directly or indirectly, by the Partnership or by one or more Partnership Subsidiaries or by the Partnership and one or more Partnership Subsidiaries.

2.37 “Performance-Based Award” means an Award granted to selected Covered Employees pursuant to Articles 6 and 8, but which is subject to the terms and conditions set forth in Article 9.

2.38 “Performance Bonus Award” has the meaning set forth in Section 8.5.

2.39 “Performance Criteria” means the criteria (and adjustments) that the Administrator selects for an Award for purposes of establishing the Performance Goal or Performance Goals for a Performance Period, determined as follows:

(a) The Performance Criteria that shall be used to establish Performance Goals are limited to the following: (i) net earnings (either before or after one or more of the following: (A) interest, (B) taxes, (C) depreciation and (D) amortization); (ii) gross or net sales or revenue; (iii) net income (either before or after taxes); (iv) adjusted net income; (v) operating earnings; (vi) cash flow (including, but not limited to, operating cash flow and free cash flow); (vii) return on assets; (viii) return on capital; (ix) return on shareholders’ equity; (x) total shareholder return; (xi) return on sales; (xii) gross or net profit or operating margin; (xiii) costs; (xiv) funds from operations; (xv) expenses; (xvi) working capital; (xvii) earnings per share; (xviii) adjusted earnings per share; (xix) price per share of Stock; (xx) implementation or completion of critical projects; (xxi) comparisons with various stock market indices; (xxii) debt reduction; (xxiii) shareholder equity; (xxiv) operating efficiency; (xxv) financial ratios; and (xxvi) financing and other capital raising transactions; in each case as determined according to Applicable Accounting Standards or in accordance with standards established by the Board of Governors of the National Association of Real Estate Investment Trusts in its March 1995 White Paper (as amended in November 1999 and April 2002, and as further amended from time to time), if applicable, any of which may be measured either in absolute terms or as compared to any incremental increase or decrease or as compared to results of a peer group or to market performance indicators or indices. The Administrator shall, within the time prescribed by Section 162(m) of the Code, define in an objective fashion the manner of calculating the Performance Criteria it selects to use for such Performance Period for such Participant.

(b) The Administrator may, in its sole discretion, provide that one or more objectively determinable adjustments shall be made to one or more of the Performance Goals. Such adjustments may include one or more of the following: (i) items related to a change in accounting principle; (ii) items relating to financing activities; (iii) expenses for restructuring or productivity initiatives; (iv) other non-operating items; (v) items related to acquisitions; (vi) items attributable to the business operations of any entity acquired by the Company during the Performance Period; (vii) items related to the disposal of a business or segment of a business; (viii) items related to discontinued operations that do not qualify as a segment of a business under Applicable Accounting Standards; (ix) items attributable to any stock dividend, stock split, combination or exchange of stock occurring during the Performance Period; (x) any other items of significant income or expense which are determined to be appropriate adjustments; (xi) items relating to unusual or extraordinary corporate transactions, events or developments, (xii) items related to amortization of acquired intangible assets; (xiii) items that are outside the scope of the Company’s core, on-going business activities; (xiv) items relating to changes in tax laws; (xv) items relating to gains or losses for litigation, arbitration and contractual settlements; or (xvi) items relating to any other unusual or nonrecurring events or changes in applicable laws, accounting principles or business conditions. For all Awards intended to qualify as Qualified Performance-Based Compensation, such determinations shall be made within the time prescribed by, and otherwise in compliance with, Section 162(m) of the Code.

2.40 “Performance Goals” means, for a Performance Period, the goals established in writing by the Administrator for the Performance Period based upon the Performance Criteria. Depending on the Performance Criteria used to establish such Performance Goals, the Performance Goals may be expressed in terms of overall Company performance or the performance of a Subsidiary, division or other operational unit, or an individual.

2.41 “Performance Period” means the one or more periods of time, which may be of varying and overlapping durations, as the Administrator may select, over which the attainment of one or more Performance Goals will be measured for the purpose of determining a Participant’s right to, and the payment of, a Performance-Based Award.

2.42 "Permitted Transferee" shall mean, with respect to a Participant, any "family member" of the Participant, as defined under the instructions to use of the Form S-8 Registration Statement under the Securities Act, after taking into account any state, federal, local or foreign tax and securities laws applicable to transferable Awards, or any other transferee approved by the Administrator.

2.43 "Plan" means this American Assets Trust, Inc. and American Assets Trust, L.P. 2010 Equity Incentive Award Plan, as it may be amended from time to time.

2.44 "Public Trading Date" means the first date upon which Stock is listed (or approved for listing) upon notice of issuance on any securities exchange or designated (or approved for designation) upon notice of issuance as a national market security on an interdealer quotation system.

2.45 "Qualified Performance-Based Compensation" means any compensation that is intended to qualify as "qualified performance-based compensation" as described in Section 162(m)(4)(C) of the Code.

2.46 "REIT" means a real estate investment trust within the meaning of Sections 856 through 860 of the Code.

2.47 "Restricted Stock" means Stock awarded to a Participant pursuant to Article 6 that is subject to certain restrictions and may be subject to risk of forfeiture or repurchase.

2.48 "Restricted Stock Unit" means a right to receive a share of Stock during specified time periods granted pursuant to Section 8.3.

2.49 "Securities Act" means the Securities Act of 1933, as amended.

2.50 "Stock" means the common stock of the Company and such other securities of the Company that may be substituted for Stock pursuant to Article 11.

2.51 "Stock Appreciation Right" means a right granted pursuant to Article 7 to receive a payment equal to the excess of the Fair Market Value of a specified number of shares of Stock on the date the Stock Appreciation Right is exercised over the Fair Market Value of such number of shares of Stock on the date the Stock Appreciation Right was granted as set forth in the applicable Award Agreement.

2.52 "Stock Payment" means (a) a payment in the form of shares of Stock, or (b) an option or other right to purchase shares of Stock, as part of any bonus, deferred compensation or other arrangement, made in lieu of all or any portion of the compensation, granted pursuant to Section 8.2.

2.53 "Subsidiary" means any Company Subsidiary or Partnership Subsidiary.

2.54 "Substitute Award" shall mean an Award granted under the Plan in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, in any case, upon the assumption of, or in substitution for, outstanding equity awards previously granted by a company or other entity that is a party to such transaction; provided, however, that in no event shall the term "Substitute Award" be construed to refer to an award made in connection with the cancellation and repricing of an Option or Stock Appreciation Right.

2.55 "Successor Entity" has the meaning set forth in Section 2.6.

2.56 “Termination of Consultancy” means the time when the engagement of a Participant as a Consultant is terminated for any reason, with or without cause, including, but not by way of limitation, by resignation, discharge, death or retirement, but excluding: (a) terminations where there is a simultaneous employment or continuing employment of the Participant by the Company, the Partnership or any Subsidiary, and (b) terminations where there is a simultaneous reestablishment of a consulting relationship or continuing consulting relationship between the Participant and the Company, the Partnership or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Consultancy, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Consultancy. Notwithstanding any other provision of the Plan, the Company, the Partnership or any Subsidiary has an absolute and unrestricted right to terminate a Consultant’s service at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in writing.

2.57 “Termination of Directorship” means the time when a Participant, if he or she is or becomes an Independent Director, ceases to be a Director for any reason, including, but not by way of limitation, a termination by resignation, failure to be elected, death or retirement. The Board, in its sole and absolute discretion, shall determine the effect of all matters and questions relating to Termination of Directorship with respect to Independent Directors.

2.58 “Termination of Employment” means the time when the employee-employer relationship between a Participant and the Company, the Partnership or any Subsidiary is terminated for any reason, with or without cause, including, but not by way of limitation, a termination by resignation, discharge, death, Disability or retirement; but excluding: (a) terminations where there is a simultaneous reemployment or continuing employment of the Participant by the Company, the Partnership or any Subsidiary, and (b) terminations where there is a simultaneous establishment of a consulting relationship or continuing consulting relationship between the Participant and the Company, the Partnership or any Subsidiary. The Administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to Termination of Employment, including, but not by way of limitation, the question of whether a particular leave of absence constitutes a Termination of Employment.

2.59 “Termination of Service” shall mean the last to occur of a Participant’s Termination of Consultancy, Termination of Directorship or Termination of Employment, as applicable. A Participant shall not be deemed to have a Termination of Service merely because of a change in the capacity in which the Participant renders service to the Company, the Partnership or any Subsidiary (i.e., a Participant who is an Employee becomes a Consultant) or a change in the entity for which the Participant renders such service (i.e., an Employee of the Company becomes an Employee of the Partnership), unless following such change in capacity or service the Participant is no longer serving as an Employee, Independent Director or Consultant.

ARTICLE 3

SHARES SUBJECT TO THE PLAN

3.1 Number of Shares.

(a) Subject to Article 11 and Section 3.1(b), the aggregate number of shares of Stock which may be issued or transferred pursuant to Awards under the Plan shall be **[______]** shares of Stock, all of which may be issued as Incentive Stock Options. Other Incentive Awards which are denominated in Partnership units, shall count against the number of shares of Stock available for issuance under the Plan only to the extent that such Partnership unit is convertible into shares of Stock and on the same basis as the conversion ratio applicable to the Partnership unit.

(b) If any shares of Stock subject to an Award are forfeited or expire or such Award is settled for cash (in whole or in part), the shares of Stock subject to such Award shall, to the extent of such forfeiture, expiration or cash settlement, again be available for future grants of Awards under the Plan and shall be added back to the share reserve set forth in Section 3.1(a) in the same number of shares as were debited from the share reserve in respect of the grant of such Award (as may be adjusted in accordance with Section 11.1 hereof). Notwithstanding anything to the contrary contained herein, the following shares shall not be added back to the share reserve set forth in Section 3.1(a) and will not be available for future grants of Awards: (i) shares of Stock tendered by a Participant or withheld by the Company in payment of the exercise price of an Option; (ii) shares of Stock tendered by the Participant or withheld by the Company to satisfy any tax withholding obligation with respect to an Award; (iii) shares of Stock subject to a Stock Appreciation Right that are not issued in connection with the stock settlement of the Stock Appreciation Right on exercise thereof; and (iv) shares of Stock purchased on the open market with the cash proceeds from the exercise of Options. If any shares of Restricted Stock are forfeited by a Participant or repurchased by the Company pursuant to Article 6 hereof, such shares shall again be available for the grant of an Award pursuant to the Plan. Notwithstanding the foregoing, Other Incentive Awards covering units in the Partnership shall, to the extent such Partnership units are convertible into Stock, reduce the maximum aggregate number of shares of Stock that may be issued under this Plan, or to any one Participant pursuant to Section 3.3, on the same basis as such Partnership unit is convertible into Stock (i.e., each such unit shall be treated as an equivalent award of Stock). The payment of Dividend Equivalents in cash in conjunction with any outstanding Awards shall not be counted against the shares of Stock available for issuance under the Plan.

(c) Substitute Awards shall not reduce the shares of Stock authorized for grant under the Plan. Additionally, in the event that a company acquired by the Company, the Partnership or any Subsidiary or with which the Company, the Partnership or any Subsidiary combines has shares available under a pre-existing plan approved by shareholders and not adopted in contemplation of such acquisition or combination, the shares available for grant pursuant to the terms of such pre-existing plan (as adjusted, to the extent appropriate, using the exchange ratio or other adjustment or valuation ratio or formula used in such acquisition or combination to determine the consideration payable to the holders of common stock of the entities party to such acquisition or combination) may be used for Awards under the Plan and shall not reduce the shares of Stock authorized for grant under the Plan; *provided*, that Awards using such available shares shall not be made after the date awards or grants could have been made under the terms of the pre-existing plan, absent the acquisition or combination, and shall only be made to individuals who were not employed by or providing services to the Company, the Partnership or any Subsidiary immediately prior to such acquisition or combination.

(d) Notwithstanding the provisions of this Section 3.1, no shares of Stock may again be optioned, granted or awarded if such action would cause an Incentive Stock Option to fail to qualify as an incentive stock option under Section 422 of the Code.

3.2 <u>Stock Distributed</u>. Any shares of Stock distributed pursuant to an Award may consist, in whole or in part, of authorized and unissued Stock, treasury Stock or Stock purchased on the open market.

3.3 Limitation on Number of Shares and Values Subject to Awards. Notwithstanding any provision in the Plan to the contrary, and subject to Article 11, the maximum number of shares of Stock with respect to one or more Awards that may be granted to any one Participant during any calendar year shall be **[______]** and the maximum amount that may be paid in cash during any calendar year with respect to any Performance-Based Award (including, without limitation, any Performance Bonus Award) shall be $10,000,000; *provided*, *however*, that the foregoing limitations shall not apply prior to the Public Trading Date and, following the Public Trading Date, the foregoing limitations shall not apply until the earliest of: (a) the first material modification of the Plan; (b) the issuance of all of the shares of Stock reserved for issuance under the Plan; (c) the expiration of the Plan; (d) the first meeting of shareholders at which members of the Board are to be elected that occurs after the close of the third calendar year following the calendar year in which occurred the first registration of an equity security of the Company under Section 12 of the Exchange Act; or (e) such other date required by Section 162(m) of the Code and the rules and regulations promulgated thereunder.

ARTICLE 4

ELIGIBILITY AND PARTICIPATION

4.1 Eligibility. Each Eligible Individual shall be eligible to be granted one or more Awards pursuant to the Plan.

4.2 Participation. Subject to the provisions of the Plan, the Administrator may, from time to time, select from among all Eligible Individuals, those to whom Awards shall be granted and shall determine the nature and amount of each Award. No Eligible Individual shall have any right to be granted an Award pursuant to this Plan.

4.3 Stand-Alone and Tandem Awards. Awards granted pursuant to the Plan may, in the discretion of the Administrator, be granted either alone, in addition to, or in tandem with, any other Award granted pursuant to the Plan. Awards granted in addition to or in tandem with other Awards may be granted either at the same time as or at a different time from the grant of such other Awards.

4.4 Award Agreement. Awards under the Plan shall be evidenced by Award Agreements that set forth the terms, conditions and limitations for each Award which may include the term of an Award, the provisions applicable in the event the Participant's employment or service terminates, and the Company's authority to unilaterally or bilaterally amend, modify, suspend, cancel or rescind an Award.

4.5 Foreign Participants. Notwithstanding any provision of the Plan to the contrary, in order to comply with the laws in other countries in which the Company and its Subsidiaries operate or have Eligible Individuals, or in order to comply with the requirements of any foreign securities exchange, the Administrator, in its sole discretion, shall have the power and authority to: (a) determine which Subsidiaries shall be covered by the Plan; (b) determine which Eligible Individuals outside the United States are eligible to participate in the Plan; (c) modify the terms and conditions of any Award granted to Eligible Individuals outside the United States to comply with applicable foreign laws or listing requirements of any such foreign securities exchange; (d) establish subplans and modify exercise procedures and other terms and procedures, to the extent such actions may be necessary or advisable (any such subplans and/or modifications shall be attached to the Plan as appendices); *provided*, *however*, that no such subplans and/or modifications shall increase the share limitations contained in Sections 3.1 and 3.3; and (e) take any action, before or after an Award is made, that it deems advisable to obtain approval or comply with any necessary local governmental regulatory exemptions or approvals or listing requirements of any such foreign securities exchange. Notwithstanding the foregoing, the Administrator may not take any actions hereunder, and no Awards shall be granted, that would violate the Code, the Exchange Act, the Securities Act, any other securities law or governing statute, the rules of the securities exchange or automated quotation system on which the Stock is listed, quoted or traded or any other applicable law.

ARTICLE 5

STOCK OPTIONS

5.1 General. The Administrator is authorized to grant Options to Eligible Individuals on the following terms and conditions:

(a) Exercise Price. The exercise price per share of Stock subject to an Option shall be determined by the Administrator and set forth in the Award Agreement; *provided* that, subject to Section 5.2(b), the exercise price for any Option shall not be less than 100% of the Fair Market Value of a share of Stock on the date the Option is granted (or, as to Incentive Stock Options, on the date the Option is modified, extended or renewed for purposes of Section 424(h) of the Code).

(b) Time of Exercise. The Administrator shall determine the time or times at which an Option may be exercised in whole or in part. The Administrator shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised.

(c) Manner of Exercise. The Administrator shall also determine the performance or other conditions, if any, that must be satisfied before all or part of an Option may be exercised. All or a portion of an exercisable Option shall be deemed exercised upon delivery of all of the following to the Secretary of the Company, or such other person or entity designated by the Administrator, or his, her or its office, as applicable:

(i) A written or electronic notice complying with the applicable rules established by the Administrator stating that the Option, or a portion thereof, is exercised. The notice shall be signed by the Participant or other person then entitled to exercise the Option or such portion of the Option;

(ii) Such representations and documents as the Administrator, in its sole discretion, deems necessary or advisable to effect compliance with all applicable provisions of the Securities Act and any other federal, state or foreign securities laws or regulations, the rules of any securities exchange or automated quotation system on which the shares of Stock are listed, quoted or traded or any other applicable law. The Administrator may, in its sole discretion, also take whatever additional actions it deems appropriate to effect such compliance including, without limitation, placing legends on share certificates and issuing stop-transfer notices to agents and registrars;

(iii) In the event that the Option shall be exercised pursuant to Section 10.3 by any person or persons other than the Participant, appropriate proof of the right of such person or persons to exercise the Option, as determined in the sole discretion of the Administrator; and

(iv) Full payment of the exercise price and applicable withholding taxes to the stock administrator of the Company for the shares with respect to which the Option, or portion thereof, is exercised, in a manner permitted by Section 10.1 and 10.2.

5.2 Incentive Stock Options. The terms of any Incentive Stock Options granted pursuant to the Plan must comply with the conditions and limitations contained in this Section 5.2.

(a) Eligibility. Incentive Stock Options may be granted only to employees (as defined in accordance with Section 3401(c) of the Code) of the Company or a Company Subsidiary which constitutes a “subsidiary corporation” of the Company within the meaning of Section 424(f) of the Code or a Parent which constitutes a “parent corporation” of the Company within the meaning of Section 424(e) of the Code.

(b) Exercise Price. The exercise price per share of Stock shall be set by the Administrator; *provided* that subject to Section 5.2(e) the exercise price for any Incentive Stock Option shall not be less than 100% of the Fair Market Value on the date of grant.

(c) Expiration. Subject to Section 5.2(e), an Incentive Stock Option may not be exercised to any extent by anyone after the tenth anniversary of the date it is granted, unless an earlier time is set in the Award Agreement.

(d) Individual Dollar Limitation. The aggregate Fair Market Value (determined as of the time the Option is granted) of all shares of Stock with respect to which Incentive Stock Options are first exercisable by a Participant in any calendar year may not exceed $100,000 or such other limitation as imposed by Section 422(d) of the Code, or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, the excess shall be considered Non-Qualified Stock Options.

(e) Ten Percent Owners. An Incentive Stock Option shall be granted to any individual who, at the date of grant, owns stock possessing more than ten percent of the total combined voting power of all classes of Stock of the Company or any "subsidiary corporation" of the Company or "parent corporation" of the Company (each within the meaning of Section 424 of the Code) only if such Option is granted at an exercise price per share that is not less than 110% of the Fair Market Value per share of the Stock on the date of grant and the Option is exercisable for no more than five years from the date of grant.

(f) Notice of Disposition. The Participant shall give the Company prompt notice of any disposition of shares of Stock acquired by exercise of an Incentive Stock Option within (i) two years from the date of grant of such Incentive Stock Option or (ii) one year after the transfer of such shares of Stock to the Participant.

(g) Transferability; Right to Exercise. An Incentive Stock Option shall not be transferable by the Participant other than by will or by the laws of descent or distribution, or pursuant to a DRO. During a Participant's lifetime, unless such Incentive Stock Option is transferred pursuant to a DRO, an Incentive Stock Option may be exercised only by the Participant.

(h) Failure to Meet Requirements. Any Option (or portion thereof) purported to be an Incentive Stock Option, which, for any reason, fails to meet the requirements of Section 422 of the Code shall be considered a Non-Qualified Stock Option.

5.3 Substitute Awards. Notwithstanding the foregoing provisions of this Article 5 to the contrary, in the case of an Option that is a Substitute Award, the price per share of the shares subject to such Option may be less than the Fair Market Value per share on the date of grant, *provided*, *however*, that the ratio of the exercise price to the Fair Market Value of the shares immediately after the substitution is not greater than the ratio of the exercise price to the Fair Market Value of the shares immediately before the assumption.

5.4 Substitution of Stock Appreciation Rights. The Administrator may provide in the Award Agreement evidencing the grant of an Option that the Administrator, in its sole discretion, shall have the right to substitute a Stock Appreciation Right for such Option at any time prior to or upon exercise of such Option, subject to the provisions of Section 7.2 hereof; *provided* that such Stock Appreciation Right shall be exercisable with respect to the same number of shares of Stock for which such substituted Option would have been exercisable.

ARTICLE 6

RESTRICTED STOCK AWARDS

6.1 Grant of Restricted Stock. The Administrator is authorized to make Awards of Restricted Stock to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. The Administrator shall determine the mechanism for the transfer of the Restricted Stock and payment therefore in the case of Awards to Partnership Employees or Partnership Consultants, and any forfeiture or repurchase of such Restricted Stock pursuant to Section 6.3.

6.2 Issuance and Restrictions. Restricted Stock shall be subject to such repurchase restrictions, forfeiture restrictions, restrictions on transferability and other restrictions as the Administrator may impose (including, without limitation, limitations on the right to vote Restricted Stock or the right to receive dividends on the Restricted Stock). These restrictions may lapse separately or in combination at such times, pursuant to such circumstances, in such installments, or otherwise, as the Administrator determines at the time of the grant of the Award or thereafter.

6.3 Repurchase or Forfeiture. Except as otherwise determined by the Administrator at the time of the grant of the Award or thereafter, upon Termination of Service during the applicable restriction period, Restricted Stock that is at that time subject to restrictions shall be forfeited or subject to repurchase by the Company (or its assignee) under such terms as the Administrator shall determine; *provided, however*, that the Administrator may (a) provide in any Award Agreement that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of a Participant's Termination of Service under certain circumstances, and (b) in other cases waive in whole or in part restrictions or forfeiture conditions relating to Restricted Stock.

6.4 Certificates for Restricted Stock. Restricted Stock granted pursuant to the Plan may be evidenced in such manner as the Administrator shall determine. If certificates representing shares of Restricted Stock are registered in the name of the Participant, certificates must bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, and the Company may, at its discretion, retain physical possession of the certificate until such time as all applicable restrictions lapse or the Award Agreement may provide that the shares shall be held in escrow by an escrow agent designated by the Company.

ARTICLE 7

STOCK APPRECIATION RIGHTS

7.1 Grant of Stock Appreciation Rights. A Stock Appreciation Right may be granted to any Eligible Individual selected by the Administrator. A Stock Appreciation Right shall be subject to such terms and conditions not inconsistent with the Plan as the Administrator shall impose and shall be evidenced by an Award Agreement (including, without limitation, in the case of Awards to Partnership Employees or Partnership Consultants, the mechanism for the transfer of rights under such Awards).

7.2 Stock Appreciation Rights.

(a) A Stock Appreciation Right shall have a term set by the Administrator. A Stock Appreciation Right shall be exercisable in such installments as the Administrator may determine. A Stock Appreciation Right shall cover such number of shares of Stock as the Administrator may determine. The exercise price per share of Stock subject to each Stock Appreciation Right shall be set by the Administrator; provided, however, that the Administrator in its sole and absolute discretion may provide that the Stock Appreciation Right may be exercised subsequent to a Termination of Service or following a Change in Control of the Company, or because of the Participant's retirement, death or Disability, or otherwise.

(b) A Stock Appreciation Right shall entitle the Participant (or other person entitled to exercise the Stock Appreciation Right pursuant to the Plan) to exercise all or a specified portion of the Stock Appreciation Right (to the extent then exercisable pursuant to its terms) and to receive from the Company an amount determined by multiplying (i) the amount (if any) by which the Fair Market Value of a share of Stock on the date of exercise of the Stock Appreciation Right exceeds the exercise price per share of the Stock Appreciation Right, by (ii) the number of shares of Stock with respect to which the Stock Appreciation Right shall have been exercised, subject to any limitations the Administrator may impose.

7.3 Payment and Limitations on Exercise.

(a) Payment of the amounts determined under Section 7.2(b) above shall be in cash, in Stock (based on its Fair Market Value as of the date the Stock Appreciation Right is exercised) or a combination of both, as determined by the Administrator.

(b) To the extent any payment under Section 7.2(b) is effected in Stock it shall be made subject to satisfaction of all provisions of Article 5 above pertaining to Options.

ARTICLE 8

OTHER TYPES OF AWARDS

8.1 Dividend Equivalents.

(a) Any Eligible Individual selected by the Administrator may be granted Dividend Equivalents based on the dividends on the shares of Stock that are subject to any Award, to be credited as of dividend payment dates, during the period between the date the Award is granted and the date the Award is exercised, vests or expires, as determined by the Administrator. Such Dividend Equivalents shall be converted to cash or additional shares of Stock by such formula and at such time and subject to such limitations as may be determined by the Administrator. The Administrator shall specify the mechanism for the transfer of Stock pursuant to a Dividend Equivalent Award in the case of Awards to Partnership Employees or Partnership Consultants.

(b) Unless otherwise determined by the Administrator, Dividend Equivalents with respect to an Award with performance-based vesting that are based on dividends paid prior to the vesting of such Award shall only be paid out to the Participant to the extent that the performance-based vesting conditions are subsequently satisfied and the Award vests.

(c) Notwithstanding the foregoing, no Dividend Equivalents shall be payable with respect to Options or Stock Appreciation Rights.

8.2 Stock Payments. Any Eligible Individual selected by the Administrator may receive Stock Payments in the manner determined from time to time by the Administrator. The number of shares of Stock or the number of options or other rights to purchase shares of Stock subject to a Stock Payment shall be determined by the Administrator and may be based upon the attainment of Performance Goals that are established by the Administrator and relate to one or more of the Performance Criteria or other specific performance goals determined appropriate by the Administrator. The Administrator shall specify the mechanism for the transfer of the Stock pursuant to a Stock Payment Award and payment therefore, if applicable, in the case of Awards to Partnership Employees or Partnership Consultants.

8.3 Restricted Stock Units. The Administrator is authorized to make Awards of Restricted Stock Units to any Eligible Individual selected by the Administrator in such amounts and subject to such terms and conditions as determined by the Administrator. At the time of grant, the Administrator shall specify the date or dates on which the Restricted Stock Units shall become fully vested and nonforfeitable, and may specify such conditions to vesting as it deems appropriate. At the time of grant, the Administrator shall specify the maturity date applicable to each grant of Restricted Stock Units which shall be no earlier than the vesting date or dates of the Award and may be determined at the election of the Eligible Individual to whom the Award is granted. On the maturity date, the Company shall, subject to Section 10.4(b), transfer to the Participant one unrestricted, fully transferable share of Stock for each Restricted Stock Unit that is vested and scheduled to be distributed on such date and not previously forfeited. The Administrator shall specify the purchase price, if any, to be paid by the Participant to the Company for such shares of Stock.

8.4 Other Incentive Awards. Any Eligible Individual selected by the Administrator may be granted one or more Awards that provide Participants with shares of Stock or the right to purchase shares of Stock or that have a value derived from the value of, or an exercise or conversion privilege at a price related to, or that are otherwise payable in shares of Stock and which may be linked to the attainment of Performance Goals that are established by the Administrator and relate to one or more of the any one or more of the Performance Criteria or other specific performance goals determined appropriate by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. In making such determinations, the Administrator shall consider (among such other factors as it deems relevant in light of the specific type of Award) the contributions, responsibilities and other compensation of the particular Participant. The Administrator shall specify the mechanism for the transfer of the Stock or other equity interests pursuant to Other Incentive Awards and payment therefore, if applicable, in the case of Awards to Partnership Employees or Partnership Consultants.

8.5 Performance Bonus Awards. Any Eligible Individual selected by the Administrator may be granted one or more Awards in the form of a cash bonus (a "Performance Bonus Award") payable upon the attainment of Performance Goals that are established by the Administrator and relate to one or more of the Performance Criteria or other specific performance goals determined appropriate by the Administrator, in each case on a specified date or dates or over any period or periods determined by the Administrator. Any such Performance Bonus Award paid to a Covered Employee shall be based upon objectively determinable bonus formulas established in accordance with Article 9.

8.6 Term. Except as otherwise provided herein, the term of any Award of Dividend Equivalents, Stock Payments, Restricted Stock Units or Other Incentive Award shall be set by the Administrator in its discretion.

8.7 Exercise or Purchase Price. The Administrator may establish the exercise or purchase price, if any, of any Award of any Stock Payments, Restricted Stock Units or Other Incentive Awards; *provided, however*, that such price shall not be less than the par value of a share of Stock on the date of grant, unless otherwise permitted by applicable state law.

ARTICLE 9

PERFORMANCE-BASED AWARDS

9.1 Purpose. The purpose of this Article 9 is to provide the Administrator the ability to qualify Awards other than Options and Stock Appreciation Rights and that are granted pursuant to Articles 6 and 8 as Qualified Performance-Based Compensation. If the Administrator, in its discretion, decides to grant a Performance-Based Award to a Covered Employee, the provisions of this Article 9 shall control over any contrary provision contained in Articles 6 or 8; *provided, however*, that the Administrator may in its discretion grant Awards to Covered Employees that are based on Performance Criteria or Performance Goals but that do not satisfy the requirements of this Article 9 and that are not intended to qualify as Qualified Performance-Based Compensation. Unless otherwise specified by the Administrator at the time of grant, the Performance Criteria with respect to an Award intended to be Performance-Based Compensation payable to a Covered Employee shall be determined on the basis of Applicable Accounting Standards.

9.2 Applicability. This Article 9 shall apply only to those Covered Employees selected by the Administrator to receive Performance-Based Awards. The designation of a Covered Employee as a Participant for a Performance Period shall not in any manner entitle the Participant to receive an Award for the period. Moreover, designation of a Covered Employee as a Participant for a particular Performance Period shall not require designation of such Covered Employee as a Participant in any subsequent Performance Period and designation of one Covered Employee as a Participant shall not require designation of any other Covered Employees as a Participant in such period or in any other period.

9.3 Procedures with Respect to Performance-Based Awards. To the extent necessary to comply with the Qualified Performance-Based Compensation requirements of Section 162(m)(4)(C) of the Code, with respect to any Award granted under Articles 6 and 8 which may be granted to one or more Covered Employees, no later than ninety (90) days following the commencement of any fiscal year in question or any other designated fiscal period or period of service (or such other time as may be required or permitted by Section 162(m) of the Code), the Administrator shall, in writing, (a) designate one or more Covered Employees, (b) select the Performance Criteria applicable to the Performance Period, (c) establish the Performance Goals, and amounts of such Awards, as applicable, which may be earned for such Performance Period, and (d) specify the relationship between Performance Criteria and the Performance Goals and the amounts of such Awards, as applicable, to be earned by each Covered Employee for such Performance Period. Following the completion of each Performance Period, the Administrator shall certify in writing whether the applicable Performance Goals have been achieved for such Performance Period. In determining the amount earned by a Covered Employee, the Administrator shall have the right to reduce or eliminate (but not to increase) the amount payable at a given level of performance to take into account additional factors that the Administrator may deem relevant to the assessment of individual or corporate performance for the Performance Period.

9.4 Payment of Performance-Based Awards. Unless otherwise provided in the applicable Award Agreement, a Participant must be employed by the Company or a Parent or Subsidiary on the day a Performance-Based Award for such Performance Period is paid to the Participant. Furthermore, a Participant shall be eligible to receive payment pursuant to a Performance-Based Award for a Performance Period only if the Performance Goals for such period are achieved.

9.5 Additional Limitations. Notwithstanding any other provision of the Plan, any Award which is granted to a Covered Employee and is intended to constitute Qualified Performance-Based Compensation shall be subject to any additional limitations set forth in Section 162(m) of the Code (including any amendment to Section 162(m) of the Code) or any regulations or rulings issued thereunder that are requirements for qualification as qualified performance-based compensation as described in Section 162(m)(4)(C) of the Code, and the Plan shall be deemed amended to the extent necessary to conform to such requirements.

ARTICLE 10

PROVISIONS APPLICABLE TO AWARDS

10.1 Payment. The Administrator shall determine the methods by which payments by any Participant with respect to any Awards granted under the Plan shall be made, including, without limitation: (a) cash or check, (b) shares of Stock (including, in the case of payment of the exercise price of an Award, shares of Stock issuable pursuant to the exercise of the Award) or shares of Stock held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences, in each case, having a Fair Market Value on the date of delivery equal to the aggregate payments required, (c) delivery of a written or electronic notice that the Participant has placed a market sell order with a broker with respect to shares of Stock then issuable upon exercise or vesting of an Award, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the aggregate payments required; *provided*, that payment of such proceeds is then made to the Company upon settlement of such sale, or (d) other form of legal consideration acceptable to the Administrator. The Administrator shall also determine the methods by which shares of Stock shall be delivered or deemed to be delivered to Participants. Notwithstanding any other provision of the Plan to the contrary, no Participant who is a Director or an “executive officer” of the Company within the meaning of Section 13(k) of the Exchange Act shall be permitted to make payment with respect to any Awards granted under the Plan, or continue any extension of credit with respect to such payment with a loan from the Company or a loan arranged by the Company in violation of Section 13(k) of the Exchange Act.

10.2 Tax Withholding. The Company, the Partnership or any Subsidiary shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company, the Partnership or such Subsidiary an amount sufficient to satisfy federal, state, local and foreign taxes (including the Participant’s employment tax obligations) required by law to be withheld with respect to any taxable event concerning a Participant arising as a result of this Plan. The Administrator may in its discretion and in satisfaction of the foregoing requirement elect to have the Company, the Partnership or any Subsidiary, as applicable, withhold shares of Stock otherwise issuable under an Award (or allow the return of shares of Stock) having a Fair Market Value equal to the sums required to be withheld (or allow the Participant to make such an election). Notwithstanding any other provision of the Plan, the number of shares of Stock which may be withheld with respect to the issuance, vesting, exercise or payment of any Award (or which may be repurchased from the Participant of such Award within six months (or such other period as may be determined by the Administrator) after such shares of Stock were acquired by the Participant) in order to satisfy the Participant’s federal, state, local and foreign income and payroll tax liabilities with respect to the issuance, vesting, exercise or payment of the Award shall be limited to the number of shares of Stock which have a Fair Market Value on the date of withholding or repurchase equal to the aggregate amount of such liabilities based on the minimum statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes that are applicable to such supplemental taxable income. The Administrator shall determine the fair market value of the Stock, consistent with applicable provisions of the Code, for tax withholding obligations due in connection with a broker-assisted cashless Option or Stock Appreciation Right exercise involving the sale of shares of Stock to pay the exercise price or any tax withholding obligation.

10.3 Transferability of Awards.

(a) Except as otherwise provided in Section 10.3(b):

(i) No Award under the Plan may be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent of the Administrator, pursuant to a DRO, unless and until such Award has been exercised, or the shares underlying such Award have been issued, and all restrictions applicable to such shares have lapsed;

(ii) No Award or interest or right therein shall be liable for the debts, contracts or engagements of the Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, hypothecation, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence; and

(iii) During the lifetime of the Participant, only the Participant may exercise an Award (or any portion thereof) granted to him under the Plan, unless it has been disposed of pursuant to a DRO; after the death of the Participant, any exercisable portion of an Award may, prior to the time when such portion becomes unexercisable under the Plan or the applicable Award Agreement, be exercised by his personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

(b) Notwithstanding Section 10.3(a), the Administrator, in its sole discretion, may determine to permit a Participant to transfer an Award other than an Incentive Stock Option to any one or more Permitted Transferees, subject to the following terms and conditions: (i) an Award transferred to a Permitted Transferee shall not be assignable or transferable by the Permitted Transferee other than by will or the laws of descent and distribution; (ii) an Award transferred to a Permitted Transferee shall continue to be subject to all the terms and conditions of the Award as applicable to the original Participant (other than the ability to further transfer the Award); and (iii) the Participant and the Permitted Transferee shall execute any and all documents requested by the Administrator, including, without limitation documents to (A) confirm the status of the transferee as a Permitted Transferee, (B) satisfy any requirements for an exemption for the transfer under applicable federal, state and foreign securities laws and (C) evidence the transfer.

10.4 Stock Certificates; Book Entry Procedures.

(a) Notwithstanding anything herein to the contrary, the Company shall not be required to issue or deliver any certificates evidencing shares of Stock pursuant to the exercise of any Award, unless and until the Board has determined, with advice of counsel, that the issuance and delivery of such certificates is in compliance with all applicable laws, regulations of governmental authorities and, if applicable, the requirements of any exchange on which the shares of Stock are listed or traded. All Stock certificates delivered pursuant to the Plan are subject to any stop-transfer orders and other restrictions as the Administrator deems necessary or advisable to comply with federal, state, or foreign jurisdiction, securities or other laws, rules and regulations and the rules of any national securities exchange or automated quotation system on which the Stock is listed, quoted, or traded. The Administrator may place legends on any Stock certificate to reference restrictions applicable to the Stock. In addition to the terms and conditions provided herein, the Board may require that a Participant make such reasonable covenants, agreements, and representations as the Board, in its discretion, deems advisable in order to comply with any such laws, regulations, or requirements. The Administrator shall have the right to require any Participant to comply with any timing or other restrictions with respect to the settlement or exercise of any Award, including a window-period limitation, as may be imposed in the discretion of the Administrator.

(b) Notwithstanding any other provision of the Plan, unless otherwise determined by the Administrator or required by any applicable law, rule or regulation, the Company shall not deliver to any Participant certificates evidencing shares of Stock issued in connection with any Award and instead such shares of Stock shall be recorded in the books of the Company (or, as applicable, its transfer agent or stock plan administrator).

10.5 Paperless Administration. In the event that the Company establishes for itself or using the services of a third part, an automated system for the documentation, granting or exercise of Awards, such as a system using an internet website or interactive voice response, then the paperless documentation, granting or exercise of Awards by a Participant may be permitted through the use of such an automated system.

10.6 Beneficiaries. Notwithstanding Section 10.3(a), a Participant may, in the manner determined by the Administrator, designate a beneficiary to exercise the rights of the Participant and to receive any distribution with respect to any Award upon the Participant’s death. A beneficiary, legal guardian, legal representative, or other person claiming any rights pursuant to the Plan is subject to all terms and conditions of the Plan and any Award Agreement applicable to the Participant, except to the extent the Plan and the Award Agreement otherwise provide, and to any additional restrictions deemed necessary or appropriate by the Administrator. If the Participant is married and resides in a community property state, a designation of a person other than the Participant’s spouse as his or her beneficiary with respect to more than 50% of the Participant’s interest in the Award shall not be effective without the prior written or electronic consent of the Participant’s spouse. If no beneficiary has been designated or survives the Participant, payment shall be made to the person entitled thereto pursuant to the Participant’s will or the laws of descent and distribution. Subject to the foregoing, a beneficiary designation may be changed or revoked by a Participant at any time provided the change or revocation is filed with the Administrator prior to the Participant’s death.

10.7 Transfer of Shares to a Partnership Employee or Partnership Consultant. As soon as practicable after the Company issues shares of Stock with respect to which an Award has been issued to and is held by a Partnership Employee or Partnership Consultant in such capacity, then, with respect to each such Award:

(a) The Company shall sell to the Partnership the number of shares equal to the number of shares deliverable with respect to such Award. The price to be paid by the Partnership to the Company for such shares shall be an amount equal to the product of (x) the number of shares multiplied by (y) the Fair Market Value of a share of Stock at the time of exercise or delivery less the amount paid by the Participant for such shares, if anything, pursuant to Section 10.1; and

(b) The Company shall contribute to the Partnership an amount of cash equal to the sum of the amount paid by the Participant, if any, for such shares of Stock, and the amount paid by the Partnership under Section 10.7(a) and the Partnership shall issue an additional interest in the Partnership on the terms set forth in the Partnership Agreement.

10.8 Allocation of Payment. Notwithstanding the foregoing, to the extent that a Participant provides services to more than one of the Company, the Partnership, or any Subsidiary, the Company may, in its discretion, allocate the payment or issuance of shares of Stock with respect to any Awards exercised by or otherwise delivered to such Participant or (and the services performed by the Participant) among such entities for purposes of the provisions of Sections 10.7 in order to ensure that the relationship between the Company and the Partnership or such Subsidiary remains at arms-length.

10.9 Forfeiture Provisions. Pursuant to its general authority to determine the terms and conditions applicable to Awards under the Plan, the Administrator shall have the right to provide, in the terms of Awards made under the Plan, or to require a Participant to agree by separate written or electronic instrument, that: (a)(i) any proceeds, gains or other economic benefit actually or constructively received by the Participant upon any receipt or exercise of the Award, or upon the receipt or resale of any shares of Stock underlying the Award, must be paid to the Company, and (ii) the Award shall terminate and any unexercised portion of the Award (whether or not vested) shall be forfeited, if (b)(i) a Termination of Service occurs prior to a specified date, or within a specified time period following receipt or exercise of the Award, or (ii) the Participant at any time, or during a specified time period, engages in any activity in competition with the Company, or which is inimical, contrary or harmful to the interests of the Company, as further defined by the Administrator or (iii) the Participant incurs a Termination of Service for Misconduct.

ARTICLE 11

CHANGES IN CAPITAL STRUCTURE

11.1 Adjustments.

(a) In the event of any stock dividend, stock split, combination or exchange of shares, merger, consolidation, distribution of Company assets to shareholders (other than normal cash dividends), or any other corporate event affecting the Stock or the share price of the Stock other than an Equity Restructuring, the Administrator may make such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such changes with respect to (i) the aggregate number and type of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3); (ii) the number and kind of shares of Stock (or other securities or property) subject to outstanding Awards; (iii) the terms and conditions of any outstanding Awards (including, without limitation, any applicable performance targets or criteria with respect thereto); and (iv) the grant or exercise price per share for any outstanding Awards under the Plan. Any adjustment affecting an Award intended as Qualified Performance-Based Compensation shall be made consistent with the requirements of Section 162(m) of the Code.

(b) In the event of any transaction or event described in Section 11.1(a) or any unusual or nonrecurring transactions or events affecting the Company, any affiliate of the Company, or the financial statements of the Company or any affiliate (including without limitation any Change in Control), or of changes in applicable laws, regulations or accounting principles, the Administrator, in its sole discretion and on such terms and conditions as it deems appropriate, either by amendment of the terms of any outstanding Awards or by action taken prior to the occurrence of such transaction or event, is hereby authorized to take any one or more of the following actions whenever the Administrator determines that action is appropriate in order to prevent the dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan or with respect to any Award under the Plan, to facilitate such transactions or events or to give effect to such changes in laws, regulations or principles:

(i) To provide for either (A) termination of any such Award in exchange for an amount of cash and/or other property, if any, equal to the amount that would have been received upon the exercise of such Award or realization of the Participant's rights (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction or event described in this Section 11.1(b) the Administrator determines in good faith that no amount would have been attained upon the exercise of such Award or realization of the Participant's rights, then such Award may be terminated by the Company without payment) or (B) the replacement of such Award with other rights or property selected by the Administrator in its sole discretion;

(ii) To provide that such Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

(iii) To make adjustments in the number and type of shares of Stock (or other securities or property) subject to outstanding Awards, and in the number and kind of outstanding Restricted Stock or Restricted Stock Unit Awards and/or in the terms and conditions of (including the grant or exercise price), and the criteria included in, outstanding options, rights and awards and options, rights and awards which may be granted in the future;

(iv) To provide that such Award shall be exercisable or payable or fully vested with respect to all shares covered thereby, notwithstanding anything to the contrary in the Plan or the applicable Award Agreement; and

(v) To provide that the Award cannot vest, be exercised or become payable after such event.

(c) In connection with the occurrence of any Equity Restructuring, and notwithstanding anything to the contrary in Sections 11.1(a) and 11.1(b):

(i) The number and type of securities subject to each outstanding Award and the exercise price or grant price thereof, if applicable, will be proportionately adjusted. The adjustments provided under this Section 11.1(c)(i) shall be nondiscretionary and shall be final and binding on the affected Participant and the Company.

(ii) The Administrator shall make such proportionate adjustments, if any, as the Administrator in its discretion may deem appropriate to reflect such Equity Restructuring with respect to the aggregate number and kind of shares that may be issued under the Plan (including, but not limited to, adjustments of the limitations in Sections 3.1 and 3.3).

11.2 Acceleration Upon a Change in Control. Notwithstanding Section 11.1, and except as may otherwise be provided in any applicable Award Agreement or other written agreement entered into between the Company, a Parent, a Subsidiary, or other Company affiliate and a Participant, if a Change in Control occurs and a Participant's Awards are not continued, converted, assumed, or replaced by (i) the Company or a Parent or Subsidiary of the Company, or (ii) a Successor Entity, then immediately prior to the Change in Control such Awards shall become fully exercisable and/or payable, as applicable, and all forfeiture, repurchase and other restrictions on such Awards shall lapse. Upon, or in anticipation of, a Change in Control, the Administrator may cause any and all Awards outstanding hereunder to terminate at a specific time in the future, including but not limited to the date of such Change in Control, and shall give each Participant the right to exercise such Awards during a period of time as the Administrator, in its sole and absolute discretion, shall determine.

11.3 Adjustments of Qualified Performance-Based Compensation. With respect to Awards which are granted to Covered Employees and are intended to qualify as Qualified Performance-Based Compensation, no adjustment or action described in this Article 11 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause such Award to fail to so qualify as Qualified Performance-Based Compensation, unless the Administrator determines that the Award should not so qualify. No adjustment or action described in this Article 11 or in any other provision of the Plan shall be authorized to the extent that such adjustment or action would cause the Plan to violate Section 422(b)(1) of the Code. Furthermore, no such adjustment or action shall be authorized with respect to any Award to the extent such adjustment or action would result in short-swing profits liability under Section 16 or violate the exemptive conditions of Rule 16b-3 unless the Administrator determines that the Award is not to comply with such exemptive conditions.

11.4 No Other Rights. Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger, or consolidation of the Company or any other corporation. Except as expressly provided in the Plan or pursuant to action of the Administrator under the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number of shares of Stock subject to an Award or the grant or exercise price of any Award.

11.5 Restrictions on Exercise. In the event of any pending stock dividend, stock split, combination or exchange of shares, merger, consolidation or other distribution (other than normal cash dividends) of Company assets to shareholders, or any other change affecting the shares of Stock or the share price of the Stock including any Equity Restructuring, for reasons of administrative convenience, the Company in its sole discretion may refuse to permit the exercise of any Award during a period of 30 days prior to the consummation of any such transaction.

ARTICLE 12

ADMINISTRATION

12.1 Administrator. Unless and until the Board delegates administration of the Plan to a Committee as set forth below, the Plan shall be administered by the full Board. The term “Administrator” as used in this Plan shall apply to any person or persons who at the time have the authority to administer the Plan. If administration is delegated to a Committee, the Committee shall have, in connection with the administration of the Plan, the powers theretofore possessed by the Board, including the power to delegate to a subcommittee any of the administrative powers the Committee is authorized to exercise, subject, however, to such resolutions, not inconsistent with the provisions of the Plan, as may be adopted from time to time by the Board. Notwithstanding the foregoing, however, from and after the Public Trading Date, a Committee of the Board shall administer the Plan and such committee shall consist solely of two or more members of the Board each of whom is a Non-Employee Director, and with respect to awards that are intended to be Performance-Based Awards, an “outside director” within the meaning of Section 162(m) of the Code; *provided* that any action taken by the Committee shall be valid and effective, whether or not members of the Committee at the time of such action are later determined not to have satisfied the requirements for membership set forth in this Section 12.1 or otherwise provided in any charter of the Committee. Notwithstanding the foregoing: (a) the full Board, acting by a majority of its members in office, shall conduct the general administration of the Plan with respect to all Awards granted to Independent Directors and for purposes of such Awards the term “Administrator” as used in this Plan shall be deemed to refer to the Board and (b) the Board or the Committee may delegate its authority hereunder to the extent permitted by Section 12.5. In addition, in its sole discretion, the Board may at any time and from time to time exercise any and all rights and duties of the Committee under the Plan except with respect to matters which, following the Public Trading Date, are required to be determined in the sole discretion of the Committee under Rule 16b-3 of the Exchange Act or Section 162(m) of the Code, or any regulations or rules issued thereunder. Except as may otherwise be provided in any charter of the Committee, appointment of Committee members shall be effective upon acceptance of appointment; Committee members may resign at any time by delivering written notice to the Board; and vacancies in the Committee may only be filled by the Board.

12.2 Action by the Administrator. Unless otherwise established by the Board or in any charter of the Company or the Committee, a majority of the Administrator shall constitute a quorum and the acts of a majority of the members present at any meeting at which a quorum is present, and acts approved in writing by a majority of the Administrator in lieu of a meeting, shall be deemed the acts of the Administrator. Each member of the Administrator is entitled to, in good faith, rely or act upon any report or other information furnished to that member by any officer or other employee of the Company or of any Parent or Subsidiary, the Company’s independent certified public accountants, or any executive compensation consultant or other professional retained by the Company or any Parent or Subsidiary to assist in the administration of the Plan.

12.3 Authority of Administrator. Subject to any specific designation in the Plan, the Administrator has the exclusive power, authority and discretion to:

(a) Designate Participants to receive Awards;

(b) Determine the type or types of Awards to be granted to each Participant;

(c) Determine the number of Awards to be granted and the number of shares of Stock to which an Award will relate;

(d) Determine the terms and conditions of any Award granted pursuant to the Plan, including, but not limited to, the exercise price, grant price, or purchase price, any reload provision, any restrictions or limitations on the Award, any schedule for lapse of forfeiture restrictions or restrictions on the exercisability of an Award, and accelerations or waivers thereof, any provisions related to non-competition and recapture of gain on an Award, based in each case on such considerations as the Committee in its sole discretion determines; *provided*, *however*, that the Administrator shall not have the authority to accelerate the vesting or waive the forfeiture of any Performance-Based Awards;

(e) Determine whether, to what extent, and pursuant to what circumstances an Award may be settled in, or the exercise price of an Award may be paid in, cash, Stock, other Awards, or other property, or an Award may be canceled, forfeited, or surrendered;

(f) Prescribe the form of each Award Agreement, which need not be identical for each Participant;

(g) Decide all other matters that must be determined in connection with an Award;

(h) Establish, adopt, or revise any rules and regulations as it may deem necessary or advisable to administer the Plan;

(i) Interpret the terms of, and any matter arising pursuant to, the Plan or any Award Agreement; and

(j) Make all other decisions and determinations that may be required pursuant to the Plan or as the Administrator deems necessary or advisable to administer the Plan.

12.4 Decisions Binding. The Administrator's interpretation of the Plan, any Awards granted pursuant to the Plan, any Award Agreement and all decisions and determinations by the Administrator with respect to the Plan are final, binding, and conclusive on all parties.

12.5 Delegation of Authority. To the extent permitted by applicable law, the Board or the Committee may from time to time delegate to a committee of one or more members of the Board or one or more officers of the Company the authority to grant or amend Awards to Participants other than (a) Employees who are subject to Section 16 of the Exchange Act, (b) Covered Employees, or (c) officers of the Company (or Directors) to whom authority to grant or amend Awards has been delegated hereunder. Any delegation hereunder shall be subject to the restrictions and limits that the Board or the Committee specifies at the time of such delegation, and the Board or the Committee may at any time rescind the authority so delegated or appoint a new delegatee. At all times, the delegatee appointed under this Section 12.5 shall serve in such capacity at the pleasure of the Board or the Committee.

ARTICLE 13

EFFECTIVE AND EXPIRATION DATE

13.1 Effective Date. The Plan is effective as of the day prior to the Public Trading Date (the "Effective Date").

13.2 Expiration Date. The Plan will expire on, and no Award may be granted pursuant to the Plan after, the tenth anniversary of the date of the Board's initial adoption of the Plan (the "Expiration Date"). Any Awards that are outstanding on the Expiration Date shall remain in force according to the terms of the Plan and the applicable Award Agreement.

13.3 Approval of Plan by Stockholders. The Plan will be submitted for the approval of the Company's shareholders within twelve (12) months after the date of the Board's initial adoption of the Plan. Awards may be granted or awarded prior to such shareholder approval; provided that such Awards shall not be exercisable nor shall such Awards vest prior to the time when the Plan is approved by the shareholders; and, *provided*, *further*, that if such approval has not been obtained at the end of said twelve-month period, all Awards previously granted or awarded under the Plan shall thereupon be canceled and become null and void. In addition, if the Board determines that Awards other than Options and Stock Appreciation Rights which may be granted to Covered Employees should continue to be eligible to qualify as performance-based compensation under Section 162(m)(4)(C) of the Code, the Performance Criteria must be disclosed to and approved by the Company's shareholders no later than the first shareholder meeting that occurs in the fifth year following the year in which the Company's shareholders previously approved by the Plan.

ARTICLE 14

AMENDMENT, MODIFICATION, AND TERMINATION

14.1 Amendment, Modification, And Termination. With the approval of the Board, at any time and from time to time, the Board may terminate, amend or modify the Plan; *provided*, *however*, that (a) to the extent necessary and desirable to comply with any applicable law, regulation, or stock exchange rule, the Company shall obtain shareholder approval of any Plan amendment in such a manner and to such a degree as required, and (b) shareholder approval shall be required for any amendment to the Plan that increases the number of shares of Stock available under the Plan.

14.2 Awards Previously Granted. No termination, amendment, or modification of the Plan shall adversely affect in any material way any Award previously granted pursuant to the Plan without the prior written consent of the Participant.

14.3 Prohibition on Repricing. Notwithstanding Section 14.1, and subject to Section 11.1 hereof, the Administrator shall not, without the approval of the shareholders of the Company, (a) authorize the amendment of any outstanding Option or Stock Appreciation Right to reduce its price per share, or (b) cancel any Option or Stock Appreciation Right in exchange for cash or another Award when the Option or Stock Appreciation Right price per share exceeds the Fair Market Value of the underlying shares of Stock. Subject to Section 11.1 hereof, the Administrator shall have the authority, without the approval of the stockholders of the Company, to amend any outstanding award to increase the price per share or to cancel and replace an Award with the grant of an Award having a price per share that is greater than or equal to the price per share of the original Award.

ARTICLE 15

GENERAL PROVISIONS

15.1 No Rights to Awards. No Eligible Individual or other person shall have any claim to be granted any Award pursuant to the Plan, and neither the Company nor the Administrator is obligated to treat Eligible Individuals, Participants or any other persons uniformly.

15.2 No Stockholders Rights. Except as otherwise provided herein, a Participant shall have none of the rights of a shareholder with respect to shares of Stock covered by any Award until the Participant becomes the record owner of such shares of Stock.

15.3 <u>No Right to Employment or Services</u>. Nothing in the Plan or any Award Agreement shall interfere with or limit in any way the right of the Company, the Partnership or any Subsidiary to terminate any Participant's employment or services at any time, nor confer upon any Participant any right to continue in the employ or service of the Company, the Partnership or any Subsidiary.

15.4 <u>Unfunded Status of Awards</u>. The Plan is intended to be an "unfunded" plan for incentive compensation. With respect to any payments not yet made to a Participant pursuant to an Award, nothing contained in the Plan or any Award Agreement shall give the Participant any rights that are greater than those of a general creditor of the Company, the Partnership or any Subsidiary.

15.5 <u>Indemnification</u>. To the extent allowable pursuant to applicable law, each member of the Administrator or of the Board shall be indemnified and held harmless by the Company from any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by such member in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action or failure to act pursuant to the Plan and against and from any and all amounts paid by him or her in satisfaction of judgment in such action, suit, or proceeding against him or her; *provided* he or she gives the Company an opportunity, at its own expense, to handle and defend the same before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such persons may be entitled pursuant to the Company's Articles of Incorporation or Bylaws, as a matter of law, or otherwise, or any power that the Company may have to indemnify them or hold them harmless.

15.6 <u>Relationship to other Benefits</u>. No payment pursuant to the Plan shall be taken into account in determining any benefits pursuant to any pension, retirement, savings, profit sharing, group insurance, welfare or other benefit plan of the Company, the Partnership or any Subsidiary except to the extent otherwise expressly provided in writing in such other plan or an agreement thereunder.

15.7 <u>Expenses</u>. The expenses of administering the Plan shall be borne by the Company, the Partnership and their Subsidiaries.

15.8 <u>Titles and Headings</u>. The titles and headings of the Sections in the Plan are for convenience of reference only and, in the event of any conflict, the text of the Plan, rather than such titles or headings, shall control.

15.9 <u>Fractional Shares</u>. No fractional shares of Stock shall be issued and the Administrator shall determine, in its discretion, whether cash shall be given in lieu of fractional shares of Stock or whether such fractional shares of Stock shall be eliminated by rounding up or down as appropriate.

15.10 <u>Limitations Applicable to Section 16 Persons</u>. Notwithstanding any other provision of the Plan, the Plan, and any Award granted or awarded to any Participant who is then subject to Section 16 of the Exchange Act, shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by applicable law, the Plan and Awards granted or awarded hereunder shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

15.11 Government and Other Regulations. The obligation of the Company or the Partnership to make payment of awards in Stock or otherwise shall be subject to all applicable laws, rules, and regulations, and to such approvals by government agencies as may be required. Neither the Company nor the Partnership shall be under an obligation to register pursuant to the Securities Act any of the shares of Stock or Partnership units paid pursuant to the Plan. If the shares of Stock or Partnership units paid pursuant to the Plan may in certain circumstances be exempt from registration pursuant to the Securities Act, the Company or the Partnership, as appropriate, may restrict the transfer of such shares of Stock or units in such manner as it deems advisable to ensure the availability of any such exemption.

15.12 Section 409A. To the extent that the Administrator determines that any Award granted under the Plan is subject to Section 409A of the Code, the Award Agreement evidencing such Award shall incorporate the terms and conditions required by Section 409A of the Code. To the extent applicable, the Plan and Award Agreements shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the adoption of the Plan. Notwithstanding any provision of the Plan to the contrary, in the event that following the adoption of the Plan the Administrator determines that any Award may be subject to Section 409A of the Code and related Department of Treasury guidance (including such Department of Treasury guidance as may be issued after the adoption of the Plan), the Administrator may adopt such amendments to the Plan and the applicable Award Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Administrator determines are necessary or appropriate to (a) exempt the Award from Section 409A of the Code and/or preserve the intended tax treatment of the benefits provided with respect to the Award, or (b) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance.

15.13 Governing Law. The Plan and all Award Agreements shall be construed in accordance with and governed by the laws of the State of California, without regard to the conflicts of law principles thereof.

15.14 Restrictions on Awards. This Plan shall be interpreted and construed in a manner consistent with the Company's status as a REIT. No Award shall be granted or awarded, and with respect to an Award already granted under the Plan, such Award shall not be exercisable:

(a) to the extent such Award or exercise could cause the Participant to be in violation of the Ownership Limit (as defined in the Company's Articles of Incorporation, as amended from time to time); or

(b) if, in the discretion of the Administrator, such Award or exercise could impair the Company's status as a REIT.

15.15 Conflicts with Company's Articles of Incorporation. Notwithstanding any other provision of the Plan, no Participant shall acquire or have any right to acquire any Stock, and shall not have any other rights under the Plan, which are prohibited under the Company's Articles of Incorporation, as amended from time to time.

15.16 Grant of Awards to Certain Employees or Consultants. The Company and the Partnership or any Subsidiary may provide through the establishment of a formal written policy or otherwise for the method by which shares of Stock and/or payment therefore may be exchanged or contributed between the Company and such other party, or may be returned to the Company upon any forfeiture or repurchase of Stock by the Participant, for the purpose of ensuring that the relationship between the Company and the Partnership or such Subsidiary remains at arm's length.

15.17 Section 83(b) Election. No Participant may make an election under Section 83(b) of the Code with respect to any Award under the Plan without the consent of the Company, which the Company may grant or withhold in its sole discretion. If, with the consent of the Company, a Participant makes an election under Section 83(b) of the Code to be taxed with respect to the Restricted Stock as of the date of transfer of the Restricted Stock rather than as of the date or dates upon which the Participant would otherwise be taxable under Section 83(a) of the Code, the Participant shall be required to deliver a copy of such election to the Company promptly after filing such election with the Internal Revenue Service.

* * * * *

I hereby certify that the foregoing Plan was duly adopted by the Board of Directors of American Assets Trust, Inc. on ______, 2010.

I hereby certify that the foregoing Plan was approved by the General Partner of American Assets Trust, L.P. on ______, 2010.

I hereby certify that the foregoing Plan was duly adopted by the stockholders of American Assets Trust, Inc. on ______, 2010.

Executed on this __day of ______, 2010.

____
Name:
Title:

Exhibit 10.4

AMERICAN ASSETS TRUST, INC.

2010 EQUITY INCENTIVE AWARD PLAN

RESTRICTED STOCK AWARD GRANT NOTICE AND
RESTRICTED STOCK AWARD AGREEMENT

American Assets Trust, Inc., a Maryland corporation (the "***Company***"), pursuant to its 2010 Equity Incentive Award Plan (the "***Plan***"), hereby grants to the individual listed below ("***Participant***") the number of shares of the Company's Stock (the "***Shares***") set forth below. This Restricted Stock award is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Award Agreement attached hereto as Exhibit A (the "***Restricted Stock Agreement***") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Restricted Stock Agreement.

Participant:	____________________
Grant Date:	____________________
Grant Number:	____________________
Total Number of Shares of Restricted Stock:	____________________
Vesting Schedule:	[To be specified in individual agreements], provided that the Participant continues to be an Employee, Independent Director or Consultant on each such date.

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Agreement and this Grant Notice. Participant has reviewed the Restricted Stock Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Restricted Stock Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Agreement.

AMERICAN ASSETS TRUST, INC.

By: ____________________

Print Name: ____________________

Title: ____________________

Address: 11455 El Camino Real, Suite 200
San Diego, CA 92130

PARTICIPANT

By: ____________________

Print Name: ____________________

Address: ____________________
____

EXHIBIT A

TO RESTRICTED STOCK AWARD GRANT NOTICE

RESTRICTED STOCK AWARD AGREEMENT

Pursuant to the Restricted Stock Award Grant Notice ("***Grant Notice***") to which this Restricted Stock Award Agreement (this "***Agreement***") is attached, American Assets Trust, Inc., a Maryland corporation (the "***Company***"), has granted to Participant the right to purchase the number of shares of Restricted Stock under the Company's 2010 Equity Incentive Award Plan (the "***Plan***") indicated in the Grant Notice. The Shares are subject to the terms and conditions of the Plan which are incorporated herein by reference. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

ARTICLE I
ISSUANCE OF SHARES

1.1 Issuance of Shares. Pursuant to the Plan and subject to the terms and conditions of this Agreement, effective on the Grant Date, the Company irrevocably grants to Participant the number of shares of Stock set forth in the Grant Notice (the "***Shares***"), in consideration of Participant's employment with or service to the Company, the Partnership or one of their Subsidiaries on or before the Grant Date, for which the Administrator has determined Participant has not been fully compensated, and the Administrator has determined that the benefit received by the Company as a result of such employment or service has a value that exceeds the aggregate par value of the Shares, which Shares, when issued in accordance with the terms hereof, shall be fully paid and nonassessable.

1.2 Issuance Mechanics. On the Grant Date, the Company shall issue the Shares to Participant and shall (a) cause a stock certificate or certificates representing the Shares to be registered in the name of Participant, or (b) cause such Shares to be held in book entry form. If a stock certificate is issued, it shall be delivered to and held in custody by the Company and shall bear the restrictive legends required by Section 4.1 below. If the Shares are held in book entry form, then such entry will reflect that the Shares are subject to the restrictions of this Agreement. Participant's execution of a stock assignment in the form attached as Exhibit B to the Grant Notice (the "***Stock Assignment***") shall be a condition to the issuance of the Shares.

ARTICLE II
FORFEITURE AND TRANSFER RESTRICTIONS

2.1 Forfeiture Restriction. Subject to the provisions of Section 2.2 below, in the event of Participant's cessation of Service for any reason, including as a result of Participant's death or Disability, all of the Unreleased Shares (as defined below) shall thereupon be forfeited immediately and without any further action by the Company (the "***Forfeiture Restriction***"). Upon the occurrence of such a forfeiture, the Company shall become the legal and beneficial owner of the Unreleased Shares and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Unreleased Shares being forfeited by Participant. The Unreleased Shares and Participant's executed stock assignment in the form attached as Exhibit B to the Grant Notice shall be held by the Company in accordance with Section 2.4 until the Shares are forfeited as provided in this

Section 2.1, until such Unreleased Shares are fully released from the Forfeiture Restriction, or until such time as this Agreement no longer is in effect. Participant hereby authorizes and directs the Secretary of the Company, or such other person designated by the Committee, to transfer the Unreleased Shares which have been forfeited pursuant to this Section 2.1 from Participant to the Company.

2.2 Release of Shares from Forfeiture Restriction. The Shares shall be released from the Forfeiture Restriction in accordance with the vesting schedule set forth in the Grant Notice. Any of the Shares which, from time to time, have not yet been released from the Forfeiture Restriction are referred to herein as "***Unreleased Shares***." As soon as administratively practicable following the release of any Shares from the Forfeiture Restriction, the Company shall, as applicable, either deliver to Participant the certificate or certificates representing such Shares in the Company's possession belonging to Participant, or, if the Shares are held in book entry form, then the Company shall remove the notations on the book form. Participant (or the beneficiary or personal representative of Participant in the event of Participant's death or incapacity, as the case may be) shall deliver to the Company any representations or other documents or assurances as the Company or its representatives deem necessary or advisable in connection with any such delivery.

2.3 Transfer Restriction. No Unreleased Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect.

2.4 Escrow. The Unreleased Shares and Participant's executed Stock Assignment shall be held by the Company until the Shares are forfeited as provided in Section 2.1, until such Unreleased Shares are fully released from the Forfeiture Restriction, or until such time as this Agreement no longer is in effect. In such event, Participant shall not retain physical custody of any certificates representing Unreleased Shares issued to Participant. Participant, by acceptance of this Award, shall be deemed to appoint, and does so appoint, the Company and each of its authorized representatives as Participant's attorney(s)-in-fact to effect any transfer of forfeited Unreleased Shares to the Company as may be required pursuant to the Plan or this Agreement, and to execute such representations or other documents or assurances as the Company or such representatives deem necessary or advisable in connection with any such transfer. The Company, or its designee, shall not be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

2.5 Rights as Stockholder. Except as otherwise provided herein, upon issuance of the Shares by the Company, Participant shall have all the rights of a stockholder with respect to said Shares, subject to the restrictions herein, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

2.6 Ownership Limit and REIT Status. The Forfeiture Restriction on the Shares shall not lapse if the lapsing of such restrictions would likely result in any of the following:

(a) a violation of the restrictions or limitations on ownership provided for from time to time under the terms of the organizational documents of the Company; or

(b) income to the Company that could impair the Company's status as a real estate investment trust, within the meaning of Section 856 through 860 of the Code.

ARTICLE III
TAXATION REPRESENTATIONS

Participant represents to the Company the following:

(a) Participant has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that Participant (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

(b) Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to require payment (which payment may be made in cash, by deduction from other compensation payable to Participant or in any form of consideration permitted by the Plan) of any sums required by federal, state or local tax law to be withheld with respect to the issuance, lapsing of restrictions on or sale of the Shares. The Company shall not be obligated to deliver any stock certificate representing vested Shares to Participant or Participant's legal representative, or, if the Shares are held in book entry form, to remove the notations on the book form, unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of Participant resulting from the issuance, lapsing of restrictions on or sale of the Shares.

(c) Participant covenants that he or she will not make an election under Section 83(b) of the Code with respect to the receipt of any of the Shares without the consent of the Administrator, which the Administrator may grant or withhold in its sole discretion.

ARTICLE IV
RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS

4.1 Legends. The certificate or certificates representing the Shares, if any, shall bear the following legend (as well as any legends required by the Company's charter and applicable state and federal corporate and securities laws):

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO FORFEITURE IN FAVOR OF THE COMPANY AND MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AWARD AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

4.2 Refusal to Transfer; Stop-Transfer Notices. The Company shall not be required (a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (b) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

4.3 Removal of Legend. After such time as the Forfeiture Restriction shall have lapsed with respect to the Shares, and upon Participant's request, a new certificate or certificates representing such Shares shall be issued without the legend referred to in Section 4.1, and delivered to Participant. If the Shares are held in book entry form, the Company shall cause any restrictions noted on the book form to be removed.

ARTICLE V
MISCELLANEOUS

5.1 Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

5.2 Entire Agreement; Enforcement of Rights. This Agreement and the Plan set forth the entire agreement and understanding of the parties relating to the subject matter herein and merge all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement.

5.3 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

5.4 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by electronic mail (with return receipt requested and received) or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified, if to the Company, at its principal offices, and if to Participant, at Participant's address, electronic mail address or fax number in the Company's employee records or as subsequently modified by written notice.

5.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

5.6 Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The Company may assign its rights under this Agreement to any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company without the prior written consent of Participant. The rights and obligations of Participant under this Agreement may only be assigned with the prior written consent of the Company.

5.7 Conformity to Securities Laws. Participant acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Shares are to be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.8 NO RIGHT TO CONTINUED SERVICE. THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE LAPSING OF THE FORFEITURE RESTRICTION PURSUANT TO SECTION 2.1 HEREOF IS EARNED ONLY BY CONTINUING SERVICE TO THE COMPANY, THE PARTNERSHIP OR ONE OF THEIR SUBSIDIARIES AS AN "AT WILL" EMPLOYEE OR CONSULTANT OF THE COMPANY, THE PARTNERSHIP OR ONE OF THEIR SUBSIDIARIES OR AN INDEPENDENT DIRECTOR OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED OR ACQUIRING SHARES HEREUNDER). THE PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE FORFEITURE RESTRICTION SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, CONSULTANT OR INDEPENDENT DIRECTOR FOR SUCH PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH THE COMPANY'S, THE PARTNERSHIP'S OR ANY OF THEIR SUBSIDIARIES' RIGHT TO TERMINATE THE PARTICIPANT'S EMPLOYMENT OR SERVICE TO THE COMPANY AT ANY TIME, WITH OR WITHOUT CAUSE.

EXHIBIT B

TO RESTRICTED STOCK AWARD GRANT NOTICE

STOCK ASSIGNMENT

FOR VALUE RECEIVED, the undersigned, [Name of Participant], hereby sells, assigns and transfers unto AMERICAN ASSETS TRUST, INC., a Maryland corporation, ______ shares of the Common Stock of AMERICAN ASSETS TRUST, INC., a Maryland corporation, standing in its name of the books of said corporation represented by Certificate No. ______ herewith and do hereby irrevocably constitute and appoint ____________________ to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Restricted Stock Award Grant Notice and Restricted Stock Award Agreement between AMERICAN ASSETS TRUST, INC. and the undersigned dated __________, 200__.

Dated: __________, ______

____
[Name of Participant]

INSTRUCTIONS: Please do not fill in the blanks other than the signature line. The purpose of this assignment is to enable the Company to enforce the Forfeiture Restriction as set forth in the Stock Award Grant Notice and Restricted Stock Award Agreement, without requiring additional signatures on the part of the stockholder.

Exhibit 10.38

TRANSITION SERVICES AGREEMENT

This Transition Services Agreement (this "Agreement") is entered as of ___________, 2010 by and among American Assets, Inc., a California corporation ("AAI"), and American Assets Trust, L.P., a Maryland limited partnership ("AAT"). AAI and AAT are sometimes referred to individually, each as a "Party" and, collectively, as the "Parties".

RECITALS

In consideration of the mutual promises and covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Parties do hereby agree as follows:

AGREEMENT

Section 1. Services.

(a) During the Term (as defined in Section 4 hereof), each of AAI and AAT shall provide to the other such services as the other shall reasonably request (the "Services"). Such Services shall be provided at reasonable times and upon reasonable notice, as mutually agreed to by the parties.

Section 2. Fees.

(a) Any Party providing Services hereunder shall provide such Services to the other Party at its fully-loaded cost. In addition, the recipient of the Services shall reimburse the provider of the Services for any other actual and reasonable out-of-pocket costs or expenses incurred by the provider of the Services in connection with providing such Services.

(b) Not more than thirty (30) days following the end of each calendar month during the Term, if any costs or out-of-pocket expenses have been incurred and not previously reimbursed, the Party which has not then received such reimbursement shall invoice the other Party for the Services performed under this Agreement during the preceding calendar month. All such invoices shall be paid in full within thirty (30) days after receipt thereof. The recipient of Services shall pay all federal, state, and local taxes based upon or arising out of such Services having been rendered under this Agreement.

Section 3. Limitation on Damages. **IN NO EVENT SHALL EITHER PARTY AND/OR ITS AFFILIATES OR ANY OF THEIR DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR SUBCONTRACTORS BE LIABLE REGARDLESS OF THE FORM OF ACTION OR LEGAL THEORY FOR INDIRECT, SPECIAL, PUNITIVE, EXEMPLARY, INCIDENTAL OR CONSEQUENTIAL DAMAGES OF ANY KIND RELATED TO THE PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT INCLUDING WITHOUT LIMITATION LOST PROFITS, LOSS OF DATA (OTHER THAN LIABILITY FOR THE COST OF REENTRY OF SUCH DATA) OR BUSINESS INTERRUPTION.**

Section 4. Effective Time; Service Period.

(a) This Agreement shall become effective, without further action by any Party, upon the consummation of the initial public offering of American Assets Trust, Inc (the "Effective Time"). This Agreement shall continue indefinitely, provided that either Party may terminate this Agreement upon thirty (30) days advanced written notice to the other Party. (the "Term"). Further, either Party may terminate this Agreement immediately upon written notice to the other upon the material breach or failure by the other to perform its obligations hereunder (including any nonpayment referred to in Section 2 above), which material breach or failure is not cured within ten (10) days after written notice of such breach or failure is given by the non-breaching Party to the breaching Party, or, in the case of nonpayment, which nonpayment is not cured within fifteen (5) Business Days after written notice is given.

(b) The provisions of Sections 2, 3, 4(b), 5 and 6 shall survive any termination of this Agreement or any Services provided hereunder.

Section 5. Indemnification. Each Party receiving Services hereunder hereby agrees to indemnify, protect and hold the Party providing such Services, its Affiliates and their respective employees, agents, officers, directors and representatives (each, an "Indemnified Party) harmless from and against any and all claims, liabilities, damages, including costs or expenses related thereto and reasonable attorneys' fees, incurred by any Indemnified Party as a result of the Party providing such Services or any of its Affiliates providing the Services hereunder, except for losses directly resulting from the gross negligence or willful misconduct of an Indemnified Party. For purposes of this Agreement, the term "Affiliates" shall mean, with respect to any person, another person that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such Person.

Section 6. Miscellaneous.

(a) Notice. Any notices or other communications required or permitted under, or otherwise in connection with this Agreement, shall be in writing and shall be deemed to have been duly given: (i) when delivered in person, (ii) upon confirmation of receipt when transmitted by facsimile transmission or e-mail (but only if followed by transmittal by national overnight courier or hand for delivery on the next Business Day), (iii) on receipt after dispatch by registered or certified mail, postage prepaid, addressed, or (iv) on the next Business Day if transmitted by national overnight courier, in each case as follows:

If to AAI:	American Assets, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130 Tel: (858) 350-2600 Fax: (858) 350-2620 Email:
If to AAT:	American Assets Trust, Inc. 11455 El Camino Real, Suite 200 San Diego, California 92130 Tel: (858) 350-2600 Fax: (858) 350-2620 Email:

or to such other place and with such other copies as either Party may designate as to itself by written notice to the others.

(b) No Third Party Beneficiaries. Except as expressly provided herein, nothing herein is intended to confer upon any person, other than the Parties and their respective permitted assignees, any rights, obligations or liabilities under or by reason of this Agreement.

(c) No Assignment. Neither this Agreement nor any rights or obligations hereunder shall be assignable by either of the Parties hereto, provided that either Party may delegate all or any portion of its obligations to perform Services under this Agreement to one or more of its Affiliates.

(d) Independent Contractor. The Parties hereto understand and agree that this Agreement does not make either of them an agent or legal representative of the other for any purpose whatsoever. No Party is granted, by this Agreement or otherwise, any right or authority to assume or create any obligation or responsibility, express or implied, on behalf of or in the name of any other Party, or to bind any other Party in any manner whatsoever. Each Party expressly acknowledges (i) that each Party is an independent contractor with respect to the other in all respects, including, without limitation, the provision of the Services, and (ii) that the Parties are not Partners, joint venturers, employees or agents of or with each other.

(e) Modifications and Amendments. This Agreement may be amended, modified, or supplemented only by written agreement of the Parties.

(f) Governing Law. This Agreement shall be governed by, and construed in accordance with, the Laws of the State of California, without regard to laws that may be applicable under conflicts of laws principles.

(g) Headings. The underlined headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

(h) Counterparts. This Agreement may be executed in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement with the same effect as if the counterpart signatures were upon the same instrument.

(i) No Representations or Warranties. The Parties acknowledge that neither Party has made or is making any representations or warranties whatsoever to the other, implied or otherwise, under this Agreement.

(j) Successors. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective successors.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first above written.

AMERICAN ASSETS, INC.
a California corporation

By: ____________________
Name: John W. Chamberlain
Title: Chief Executive Officer

AMERICAN ASSETS TRUST, L.P.
a Maryland limited partnership

By: American Assets Trust, Inc.,
a Maryland corporation
Its: General Partner

By: ____________________
Name: John W. Chamberlain
Its: President

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), dated as of November __, 2010, is entered into by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership") and [INSERT NAME] (the "Executive").

WHEREAS, the REIT and the Operating Partnership (collectively, the "Company") desire to employ the Executive and to enter into an agreement embodying the terms of such employment; and

WHEREAS, the Executive desires to accept employment with the Company, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Employment Period. Subject to the provisions for earlier termination hereinafter provided, the Executive's employment hereunder shall be for a term (as extended pursuant to this Section 1, the "Employment Period") commencing on the Effective Date and ending on the third anniversary of the Effective Date (unless the Executive's employment is terminated prior to such date pursuant to Section 3 below) (the "Initial Termination Date"); provided, however, that the Employment Period shall automatically be extended for one additional year on the Initial Termination Date and on each subsequent anniversary of the Initial Termination Date thereafter (each such extension, a "Renewal Year"), unless either the Executive or the Company elects not to so extend the Employment Period by notifying the other party, in writing, of such election (a "Non-Renewal") not less than sixty (60) days prior to the last day of the Employment Period as then in effect. For purposes of this Agreement, "Effective Date" shall mean the date of the closing of the initial public offering of shares of the REIT's common stock.

2. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, the Executive shall serve as [INSERT POSITION] of the REIT and the Operating Partnership, and shall perform such employment duties as are usual and customary for such positions. The Executive shall report directly to the [FOR THE CHIEF EXECUTIVE OFFICER: Board of Directors of the REIT (the "Board")][FOR OTHER EXECUTIVES: the Chief Executive Officer of the REIT]. [FOR THE CHIEF EXECUTIVE OFFICER: In addition, during the Employment Period, the Company shall cause the Executive to be nominated to stand for election to the Board at any meeting of stockholders of the REIT during which any such election is held and the Executive's term as director will expire if he is not reelected; provided, however, that the Company shall not be obligated to cause such nomination if any of the events constituting Cause (as defined below) have occurred and not been cured. Provided that the Executive is so nominated and is elected to the Board, the Executive hereby agrees to serve as a member of the Board.] At the Company's request, the Executive shall serve the Company and/or its subsidiaries and affiliates in other capacities in addition to the foregoing consistent with the Executive's position as [INSERT POSITION] of the REIT and the Operating Partnership. In the event that the Executive, during the Employment Period, serves in any one or more of such additional capacities, the Executive's compensation shall not be increased beyond that specified in Section 2(b) hereof. In addition, in the event the Executive's service in one or more of such additional capacities is terminated, the Executive's compensation, as specified in Section 2(b) hereof, shall not be diminished or reduced in any manner as a result of such termination provided that the Executive otherwise remains employed under the terms of this Agreement.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive may be entitled, the Executive agrees to devote his full business time and attention to the business and affairs of the Company. Notwithstanding the foregoing, during the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) serve on boards, committees or similar bodies of charitable or nonprofit organizations, [FOR THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER: including, without limitation, the Executive's continued service on the board of directors of American Assets, Inc.], (B) fulfill limited teaching, speaking and writing engagements, and (C) manage his personal investments, in each case, so long as such activities do not materially interfere or conflict with the performance of the Executive's duties and responsibilities under this Agreement.

(iii) During the Employment Period, the Executive shall perform the services required by this Agreement at the Company's principal offices located in San Diego, California (the "Principal Location"), except for travel to other locations as may be necessary to fulfill the Executive's duties and responsibilities hereunder.

(b) Compensation, Benefits, Etc.

(i) Base Salary. During the Employment Period, the Executive shall receive a base salary (the "Base Salary") of $[INSERT BASE SALARY] per annum. The Base Salary shall be reviewed annually by the Compensation Committee of the Board (the "Compensation Committee") and may be increased from time to time by the Compensation Committee in its sole discretion. The Base Salary shall be paid in accordance with the Company's normal payroll practices for executive salaries generally, but no less often than monthly. The Base Salary shall not be reduced after any increase in accordance herewith and the term "Base Salary" as utilized in this Agreement shall refer to Base Salary as so increased.

(ii) Annual Bonus. In addition to the Base Salary, the Executive shall be eligible to earn, for each fiscal year of the Company ending during the Employment Period, an annual cash performance bonus (an "Annual Bonus") under the Company's bonus plan or program applicable to senior executives. The Executive's target Annual Bonus shall be [INSERT PERCENTAGE]% of his Base Salary actually paid for such year. The amount of the Annual Bonus, if any, shall be determined by the Compensation Committee in its sole discretion based on such performance criteria as the Compensation Committee shall determine in its sole discretion. Except as otherwise provided in Section 4(a) below, Executive must be employed on the date of payment of the Annual Bonus in order to be eligible to receive an Annual Bonus for such fiscal year. The Executive acknowledges and agrees that nothing contained herein confers on the Executive any right to an Annual Bonus in any year, and that whether the Company pays him an Annual Bonus and the amount of any such Annual Bonus shall be determined by the Compensation Committee in its sole discretion.

(iii) Restricted Stock Awards. Subject to adoption by the Board and approval by the REIT's stockholders of the Incentive Plan, on or as soon as practicable following the date of the closing of the REIT's initial public offering (the "Offering Date"), the REIT shall issue to the Executive the following awards of Restricted Stock as defined in the Company's 2010 Equity Incentive Award Plan (the "Incentive Plan")):

(A) an award of Restricted Stock with respect to [INSERT NUMBER] shares of the REIT's common stock (the "Time Vesting Restricted Stock Award"). Subject to the Executive's continued employment with the Company through each such date, one-half of the Time Vesting Restricted Stock Award shall vest and become nonforfeitable on each of the third and fourth anniversaries of the Offering Date; and

(B) an award of Restricted Stock with respect to [INSERT NUMBER] shares of the REIT's common stock (the "Performance Vesting Restricted

Stock Award" and together with the Time Vesting Restricted Stock Award, the "Restricted Stock Awards"). Subject to the Executive's continued employment with the Company through each such date, the Performance Vesting Restricted Stock Award shall vest based on the satisfaction by the REIT of absolute and relative "total shareholder return" hurdles established by the Company and set forth in the applicable award agreement; and

The terms and conditions of the Restricted Stock Awards shall be set forth in separate award agreements in a form prescribed by the Company (the "Restricted Stock Award Agreements"), to be entered into by the Company and the Executive, which shall evidence the grant of the Restricted Stock Awards. Immediately prior to a Change in Control of the Company (as defined in the Incentive Plan), the Restricted Stock Awards shall, to the extent not previously vested, become fully vested and nonforfeitable.

(iv) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be eligible to participate in all other incentive plans, practices, policies and programs, and all savings and retirement plans, practices, policies and programs, in each case that are available generally to senior executives of the Company.

(v) Welfare Benefit Plans. During the Employment Period, the Executive and the Executive's eligible family members shall be eligible for participation in the welfare benefit plans, practices, policies and programs (including, if applicable, medical, dental, disability, employee life, group life and accidental death insurance plans and programs) maintained by the Company for its senior executives.

(vi) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by the Executive in accordance with the policies, practices and procedures of the Company provided to senior executives of the Company.

(vii) Fringe Benefits. During the Employment Period, the Executive shall be entitled to such fringe benefits and perquisites as are provided by the Company to its senior executives from time to time, in accordance with the policies, practices and procedures of the Company, and shall receive such additional fringe benefits and perquisites as the Company may, in its discretion, from time-to-time provide.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, policies, programs and practices of the Company applicable to its senior executives but in no event less than five (5) weeks per calendar year.

(ix) Indemnification Agreement. The parties hereby acknowledge that in connection with the execution of this Agreement, they are entering into an Indemnification Agreement (the "Indemnification Agreement"), substantially in the form attached hereto as Exhibit A, which shall become effective as of the Effective Date.

3. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. Either the Company or the Executive may terminate the Executive's employment in the event of the Executive's Disability during the Employment Period. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for ninety (90) consecutive days or for a total of one hundred eighty (180) days in any twelve (12)-month period, in either case as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause or without Cause. For purposes of this Agreement, "Cause" shall mean the occurrence of any one or more of the following events unless, to the extent capable of correction, the Executive fully corrects the circumstances constituting Cause within fifteen (15) days after receipt of the Notice of Termination (as defined below):

(i) the Executive's willful and continued failure to substantially perform his duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after his issuance of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed his duties;

(ii) the Executive's willful commission of an act of fraud or dishonesty resulting in reputational, economic or financial injury to the Company;

(iii) the Executive's commission of, or entry by the Executive of a guilty or no contest plea to, a felony or a crime involving moral turpitude;

(iv) a willful breach by the Executive of his fiduciary duty to the Company which results in reputational, economic or other injury to the Company; or

(v) the Executive’s willful and material breach of the Executive’s obligations under a written agreement between the Company and the Executive, including without limitation, such a breach of this Agreement.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered “willful” unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive’s action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(c) Good Reason. The Executive’s employment may be terminated by the Executive for Good Reason or by the Executive without Good Reason. For purposes of this Agreement, “Good Reason” shall mean the occurrence of any one or more of the following events without the Executive’s prior written consent, unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction) within thirty (30) days after the Company’s receipt of the Notice of Termination (as defined below) delivered by the Executive:

(i) the assignment to the Executive of any duties materially inconsistent in any respect with the Executive’s position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2(a) hereof, or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose any isolated, insubstantial or inadvertent actions not taken in bad faith and which are remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) the Company’s material reduction of the Executive’s Base Salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) a material change in the geographic location of the Principal Location which shall, in any event, include only a relocation of the Principal Location by more than thirty (30) miles from its existing location;

(iv) the Company’s failure to cure a material breach of its obligations under this Agreement after written notice is delivered to the Board by the Executive which specifically identifies the manner in which the Executive believes that the Company has breached its obligations under the Agreement and the Company is given a reasonable opportunity to cure any such breach.

Notwithstanding the foregoing, the Executive will not be deemed to have resigned for Good Reason unless (1) the Executive provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason within sixty (60) days after the date of the occurrence of any event that the Executive knows or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of the Executive's termination for Good Reason occurs no later than thirty (30) days after the expiration of the cure period.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by a Notice of Termination to the other parties hereto given in accordance with Section 11(b) hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Termination of Offices and Directorships. Upon termination of the Executive's employment for any reason, unless otherwise specified in a written agreement between the Executive and the Company, the Executive shall be deemed to have resigned from all offices, directorships, and other employment positions if any, then held with the Company, and shall take all actions reasonably requested by the Company to effectuate the foregoing.

4. Obligations of the Company upon Termination.

(a) Without Cause or For Good Reason. Subject to Section 4(e) below, if, the Executive incurs a "separation from service" from the Company (within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulation Section 1.409A-1(h)) (a "Separation from Service") during the Employment Period by reason of (1) a termination of the Executive's employment by the Company without Cause (other than by reason of the Executive's death or Disability), or (2) a termination of the Executive's employment by the Executive for Good Reason:

(i) The Executive shall be paid, in a single lump-sum payment on the date of the Executive's termination of employment, the aggregate amount of the Executive's earned but unpaid Base Salary and accrued but unpaid vacation pay through the date of such termination (the "Accrued Obligations") and any Annual Bonus required to be paid to the Executive pursuant to Section 2(b)(ii) above for any fiscal year of the Company that ends on or before the Date of Termination to the extent not previously paid (the "Unpaid Bonus") (or, if the amount of the Unpaid Bonus has not yet been determined as of the date of the Executive's termination of employment, such Unpaid Bonus shall be paid to the Executive on the date annual bonuses for the relevant fiscal year are paid to the Company's executives generally, but in no event later than March 15th of the calendar year following the end of the calendar year to which such Unpaid Bonus relates);

(ii) In addition, the Executive shall be paid, in a single lump-sum payment on the sixtieth (60th) day after the date of Executive's Separation from Service (such date, the "Date of Termination"), an amount equal to two (2) (the "Severance Multiple") times the sum of (x) the Base Salary in effect on the Date of Termination, plus (y) the highest Annual Bonus earned by the Executive (regardless of whether such amount was paid out on a current basis or deferred) during the Employment Period (or, in the event that the Date of Termination occurs prior to the end of the completion of the first full fiscal year of the Company during the Employment Period, then the amount in clause (y) shall be determined by the Compensation Committee in its sole discretion, but in no event shall such amount be less than the Base Salary in effect on the Date of Termination), plus (z) the highest Equity Award Value (as defined below) of any Annual Grant made to the Executive by the Company during the Employment Period. For purposes of this Agreement, "Equity Award Value" shall mean (A) with respect to Options and Stock Appreciation Rights (each as defined in the Incentive Plan), the grant date fair value, as computed in accordance with FASB Accounting Standards Codification Topic 718, *Compensation — Stock Compensation* (or any successor accounting standard), and (B) with respect to Awards (as defined in the Incentive Plan) other than Stock Options and Stock Appreciation Rights (and excluding cash Awards under the Incentive Plan), the product of (1) the number of shares or units subject to such Award, times (2) the "fair market value" of a share of the REIT's common stock on the date of grant as determined under the Incentive Plan. For purposes of this Agreement, "Annual Grant" shall mean (1) the Time Vesting Restricted Stock Award, and (2) the grant of an equity-based Award that constitutes a component of a given year's annual compensation package and shall not include any isolated, one-off or non-recurring grant outside of the Executive's annual compensation package, such as (but not limited to) the Performance Vesting Restricted Stock Award granted pursuant to Section 2(b)(iii) above, an initial hiring Award, a retention Award, an Award that relates to multi-year or other long-term performance, an outperformance Award or other similar award, in any event, as determined by the Company in its sole discretion. For the avoidance of doubt, for purposes of this Section 4(a)(ii), Annual Bonus shall include any portion of the Executive's Annual Bonus received in the form of equity rather than cash.

(iii) The Executive shall be paid, in a single lump-sum payment on the sixtieth (60th) day after the Date of Termination, a pro-rata portion of the Annual Bonus for the partial fiscal year in which the Date of Termination occurs in an amount determined based on (x) the extent to which the performance criteria applicable to such Annual Bonus (pro-rated based on the number of days in such fiscal year through the Date of Termination and as if the entire Annual Bonus was based solely on such performance criteria for such fiscal year) are actually achieved as of the Date of Termination, or (y) if such performance criteria have not been established by the Compensation Committee, the Annual Bonus earned by the Executive (regardless of whether such amount was paid out on a current basis or deferred) for the fiscal year of the Company immediately preceding the Date of Termination (pro-rated based on the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination.

(iv) All outstanding equity awards held by the Executive on the Date of Termination shall immediately become fully vested and exercisable.

(v) The Executive shall be paid, in a single lump-sum payment on the sixtieth (60th) day after the Date of Termination, an amount equal to the amount the Executive would be required to pay for continued health coverage under Section 4980B of the Code and the regulations thereunder ("COBRA") during the period commencing on the Date of Termination and ending on the eighteen (18)-month anniversary of the Date of Termination (which amount shall be calculated by reference to the applicable premium as of the Date of Termination).

Notwithstanding the foregoing, it shall be a condition to the Executive's right to receive the amounts provided for in Sections 4(a)(ii), 4(a)(iii) and 4(a)(iv) above that the Executive execute and deliver to the Company an effective release of claims in substantially the form attached hereto as Exhibit B (the "Release") within twenty-one (21) days (or, to the extent required by law, forty-five (45) days) following the Date of Termination and that Executive not revoke such Release during any applicable revocation period.

(b) Company Non-Renewal. Subject to Section 4(e) below, in the event that the Executive incurs a Separation from Service during the Employment Period by reason of a Non-Renewal of the Employment Period by the Company and the Executive is willing and able, at the time of such Non-Renewal, to continue performing services on the terms and conditions set forth herein for the Renewal Year that would have occurred but for the Non-Renewal, then the Executive shall be entitled to the payments and benefits provided in Section 4(a) hereof, subject to the terms and conditions of Section 4(a) (including, without limitation, the Release requirement contained therein).

(c) For Cause, Without Good Reason or Other Terminations. If the Executive's employment shall be terminated by the Company for Cause, by the Executive without Good Reason or for any other reason not enumerated in this Section 4, in any case, during the Employment Period, the Company shall pay to the Executive the Accrued Obligations in cash within thirty (30) days after the Date of Termination (or by such earlier date as may be required by applicable law) (or, if the amount of the Unpaid Bonus has not yet been determined as of the Date of Termination, such Unpaid Bonus shall be paid to the Executive on the date annual bonuses for the relevant fiscal year are paid to the Company's executives generally, but in no event later than March 15^{th} of the calendar year following the end of the calendar year to which such Unpaid Bonus relates).

(d) Death or Disability. Subject to Section 4(e) below, if the Executive incurs a Separation from Service by reason of the Executive's death or Disability during the Employment Period:

(i) The Accrued Obligations shall be paid to the Executive's estate or beneficiaries or to the Executive, as applicable, in cash on or as soon as practicable following the Date of Termination;

(ii) Any Unpaid Bonus shall be paid to the Executive's estate or beneficiaries or to the Executive, as applicable, on the Date of Termination (or, if the amount of the Unpaid Bonus has not yet been determined as of the Date of Termination, such Unpaid Bonus shall be paid to the Executive's estate or beneficiaries or to the Executive, as applicable, on the date annual bonuses for the relevant fiscal year are paid to the Company's executives generally, but in no event later than March 15^{th} of the calendar year following the end of the calendar year to which such Unpaid Bonus relates); and

(iii) All outstanding equity awards held by the Executive on the Date of Termination shall immediately become fully vested and exercisable.

(e) Six-Month Delay. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits, including without limitation any severance payments or benefits payable under Section 4 hereof, shall be paid to the Executive during the six (6)-month period following the Executive's "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code) if the Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A of the Code without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period.

(f) Exclusive Benefits. Except as expressly provided in this Section 4 and subject to Section 5 below, the Executive shall not be entitled to any additional payments or benefits upon or in connection with his termination of employment. In addition, the Executive acknowledges and agrees that he is not entitled to any reimbursement by the Company for any taxes payable by the Executive as a result of the payments and benefits received by the Executive pursuant to this Section 4, including, without limitation, any income or excise tax imposed by Sections 409A and 4999 of the Internal Revenue Code of 1986, as amended (the "Code").

(g) No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by the Executive as the result of employment by another employer or self-employment or by retirement benefits; provided, however, that loans, advances (other than salary advances) or other amounts owed by the Executive to the Company under a written agreement may be offset by the Company against amounts payable to Executive under this Section 4.

5. Non-Exclusivity of Rights. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

6. Limitation on Payments.

(a) Notwithstanding any other provision of this Agreement, in the event that any payment or benefit received or to be received by the Executive (including any payment or benefit received in connection with a termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the payments and benefits under Section 4 hereof, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement, the cash severance payments under this Agreement shall first be reduced, and the noncash severance payments hereunder shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). The Total Payments shall be reduced in the following order: (A) reduction of any cash severance payments otherwise payable to the Executive that are exempt from Section 409A of the Code; (B) reduction of any other cash payments or benefits otherwise payable to the Executive that are exempt from Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code; (C) reduction of any other payments or benefits otherwise payable to Employee on a pro-rata basis or such other manner that complies with Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting and payments with respect to any equity award that are exempt from Section 409A of the Code; and (D) reduction of any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code, in each case beginning with payments that would otherwise be made last in time.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a "payment" within the meaning of Section 280G(b) of the Code shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which, in the written opinion of independent auditors of nationally recognized standing ("Independent Advisors") selected by the Company, does not constitute a "parachute payment" within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the

Base Amount (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (iii) the value of any non cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

7. Confidential Information and Non-Solicitation.

(a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its subsidiaries and affiliates, which shall have been obtained by the Executive in connection with the Executive's employment by the Company and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data, to anyone other than the Company and those designated by it; provided, however, that if the Executive receives actual notice that the Executive is or may be required by law or legal process to communicate or divulge any such information, knowledge or data, the Executive shall promptly so notify the Company.

(b) While employed by the Company and, for a period of one (1) year after the Date of Termination, the Executive shall not directly or indirectly solicit, induce, or encourage any employee or consultant of any member of the Company and its subsidiaries and affiliates to terminate their employment or other relationship with the Company and its subsidiaries and affiliates or to cease to render services to any member of the Company and its subsidiaries and affiliates and the Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity. During his employment with the Company and thereafter, the Executive shall not use any trade secret of the Company or its subsidiaries or affiliates to solicit, induce, or encourage any customer, client, vendor, or other party doing business with any member of the Company and its subsidiaries and affiliates to terminate its relationship therewith or transfer its business from any member of the Company and its subsidiaries and affiliates and the Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity.

(c) In recognition of the facts that irreparable injury will result to the Company in the event of a breach by the Executive of his obligations under Sections 7(a) and (b) hereof, that monetary damages for such breach would not be readily calculable, and that the Company would not have an adequate remedy at law therefor, the Executive acknowledges, consents and agrees that in the event of such breach, or the threat thereof, the Company shall be entitled, in addition to any other legal remedies and damages available, to specific performance thereof and to temporary and permanent injunctive relief (without the necessity of posting a bond) to restrain the violation or threatened violation of such obligations by the Executive.

8. Representations. The Executive hereby represents and warrants to the Company that (a) the Executive is entering into this Agreement voluntarily and that the performance of his obligations hereunder will not violate any agreement between the Executive and any other person, firm, organization or other entity, and (b) the Executive is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or other party that would be violated by his entering into this Agreement and/or providing services to the Company pursuant to the terms of this Agreement.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Payment of Financial Obligations. The payment or provision to the Executive by the Company of any remuneration, benefits or other financial obligations pursuant to this Agreement shall be allocated among the Operating Partnership, the REIT and any subsidiary or affiliate thereof in such manner as such entities determine in order to reflect the services provided by the Executive to such entities; provided, however, that the Operating Partnership and the REIT shall be jointly and severally liable for such obligations.

11. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the Executive's most recent address on the records of the Company.

If to the REIT or the Operating Partnership:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Attn: General Counsel

with a copy to:

Latham & Watkins
355 South Grand Ave.
Los Angeles, CA 90071-1560
Attn: Julian Kleindorfer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) Sarbanes-Oxley Act of 2002. Notwithstanding anything herein to the contrary, if the Company determines, in its good faith judgment, that any transfer or deemed transfer of funds hereunder is likely to be construed as a personal loan prohibited by Section 13(k) of the Exchange Act and the rules and regulations promulgated thereunder, then such transfer or deemed transfer shall not be made to the extent necessary or appropriate so as not to violate the Exchange Act and the rules and regulations promulgated thereunder.

(d) Section 409A of the Code.

(i) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code and related Department of Treasury guidance, the Company shall work in good faith with the Executive to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A of the Code, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code, and/or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance; provided, however, that this Section 11(d) shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so.

(ii) To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed “nonqualified deferred compensation” subject to Section 409A of the Code and Section 4(e) hereof to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A of the Code.

(iii) To the extent that any payments or reimbursements provided to the Executive under this Agreement, including, without limitation, pursuant to Section 2(b)(vii), are deemed to constitute compensation to the Executive to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Executive’s right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) Withholding. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) No Waiver. The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3(c) hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(h) Entire Agreement. As of the Effective Date, this Agreement, together with the Indemnification Agreement and the Restricted Stock Award Agreements, constitutes the final, complete and exclusive agreement between the Executive and the Company with respect to the subject matter hereof and replaces and supersedes any and all other agreements, offers or promises, whether oral or written, by any member of the Company and its subsidiaries and affiliates (a "Predecessor Employer"), or representative thereof, whose business or assets any member of the Company and its subsidiaries and affiliates succeeded to in connection with the initial public offering of the common stock of the REIT or the transactions related thereto. The Executive agrees that any such agreement, offer or promise between the Executive and a Predecessor Employer (or any representative thereof) is hereby terminated and will be of no further force or effect, and the Executive acknowledges and agrees that upon his execution of this Agreement, he will have no right or interest in or with respect to any such agreement, offer or promise. In the event that the Effective Date does not occur, this Agreement (including, without limitation, the immediately preceding sentence) shall have no force or effect.

(i) Amendment. No amendment or other modification of this Agreement shall be effective unless made in writing and signed by the parties hereto.

(j) Counterparts. This Agreement and any agreement referenced herein may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(k) Right to Advice of Counsel. The Executive acknowledges that he has the right to, and has been advised to, consult with an attorney regarding the execution of this Agreement and any release hereunder; by his signature below, the Executive acknowledges that he understands this right and has either consulted with an attorney regarding the execution of this Agreement or determined not to do so.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from the Board, each of the REIT and the Operating Partnership has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: ______________________________
Name:
Title:

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.
Its: General Partner

By: ______________________________
Name:
Title:

"EXECUTIVE"

____
[INSERT NAME]

<u>EXHIBIT A</u>

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the ____ day of ___________, 20____, by and between American Assets Trust, Inc., a Maryland corporation (the "Company"), and ______________________ ("Indemnitee").

WHEREAS, at the request of the Company, Indemnitee currently serves as **[a director] [and] [an officer]** of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of **[his][her]** service; and

WHEREAS, as an inducement to Indemnitee to serve or continue to serve as **[a director] [and] [an officer]**, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. <u>Definitions</u>. For purposes of this Agreement:

(a) "Change in Control" means **[**a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of all of the Company's then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person's attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) at any time, a majority of the members of the Board of Directors are not individuals (A) who were directors as of the Effective Date or (B) whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election for nomination for election was previously so approved**]**.

(b) “Corporate Status” means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise (i) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (ii) the management of which is controlled directly or indirectly by the Company.

(c) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(d) “Effective Date” means the date set forth in the first paragraph of this Agreement.

(e) “Expenses” means any and all reasonable and out-of-pocket attorneys’ fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties and any other disbursements or expenses incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent.

(f) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(g) “Proceeding” means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

Section 2. Services by Indemnitee. Indemnitee **[will serve][serves]** as **[a director] [and] [an officer]** of the Company. However, this Agreement shall not impose any independent obligation on Indemnitee or the Company to continue Indemnitee's service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law (the "MGCL").

Section 4. Standard for Indemnification. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall indemnify Indemnitee against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any such Proceeding unless it is established that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that **[his][her]** conduct was unlawful.

Section 5. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is adjudged to be liable to the Company;

(b) indemnification hereunder if Indemnitee is adjudged to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in the Indemnitee's Corporate Status; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee, unless: (i) the Proceeding was brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

Section 6. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances:

(a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses.

Section 7. Indemnification for Expenses of an Indemnitee Who is Wholly or Partially Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is, by reason of **[his][her]** Corporate Status, made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, Indemnitee shall be indemnified for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 7 and, without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses for Indemnitee. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding within ten days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met by Indemnitee and which have not been successfully resolved as described in Section 7 of this Agreement. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Indemnification and Advance of Expenses as a Witness or Other Participant. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of Indemnitee's Corporate Status, made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party, Indemnitee shall be advanced all reasonable Expenses and indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting any such advance or indemnification from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee.

Section 10. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in Indemnitee's sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 10(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval shall not be unreasonably withheld; or (ii) if a Change in Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors or, if such a quorum cannot be obtained, then by a majority vote of a duly authorized committee of the Board of Directors consisting solely of one or more Disinterested Directors, (B) if Independent Counsel has been selected by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by the Indemnitee, which approval shall not be unreasonably withheld, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(b). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(c) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

Section 11. Presumptions and Effect of Certain Proceedings.

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of *nolo contendere* or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

Section 12. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Sections 8 or 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Sections 7 or 9 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce **[his][her]** rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 8 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 10(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnitee is successful in seeking, pursuant to this Section 12, a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(e) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with either the tenth day after the date on which the Company was requested to advance Expenses in accordance with Sections 8 or 9 of this Agreement or the 60th day after the date on which the Company was requested to make the determination of entitlement to indemnification under Section 10(b) of this Agreement, as applicable, and (ii) ending on the date such payment is made to Indemnitee by the Company.

Section 13. Defense of the Underlying Proceeding.

(a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnitee. This Section 13(b) shall not apply to a Proceeding brought by Indemnitee under Section 12 of this Agreement.

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that Indemnitee may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 14. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in **[his][her]** Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 15. Insurance. The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of **[his][her]** Corporate Status and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of **[his][her]** Corporate Status. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence. The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

Section 16. Coordination of Payments. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 17. Reports to Stockholders. To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

Section 18. Duration of Agreement; Binding Effect.

(a) This Agreement shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 12 of this Agreement).

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(d) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 19. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 20. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 21. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 22. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 23. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, on the day of such delivery, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, California 92130
Attn: Secretary

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 24. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN ASSETS TRUST, INC.

By: ______________________________

Name:

Title:

INDEMNITEE

____

Name:

Address:

EXHIBIT A

AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of American Assets Trust, Inc.

Re: Affirmation and Undertaking

Ladies and Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement dated the ______ day of ___________, 20__, by and between American Assets Trust, Inc., a Maryland corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as **[a director] [an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of Expenses by the Company for reasonable attorneys' fees and related Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ______ day of ___________, 20__.

____

Name:

EXHIBIT B

GENERAL RELEASE

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned does hereby release and forever discharge the "Releasees" hereunder, consisting of American Assets Trust, Inc., a Maryland corporation, American Assets Trust, L.P., a Maryland limited partnership, and each of their partners, subsidiaries, associates, affiliates, successors, heirs, assigns, agents, directors, officers, employees, representatives, lawyers, insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys' fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "Claims"), which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the employment or termination of employment of the undersigned by the Releasees, or any of them; any alleged breach of any express or implied contract of employment; any alleged torts or other alleged legal restrictions on Releasees' right to terminate the employment of the undersigned; and any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, the Americans With Disabilities Act, and the California Fair Employment and Housing Act. Notwithstanding the foregoing, this Release shall not operate to release any rights or claims of the undersigned (i) to payments or benefits under either Section 4(a) or 4(b) of that certain Employment Agreement, dated as of November __, 2010, between American Assets Trust, Inc., American Assets Trust, L.P. and the undersigned (the "Employment Agreement"), whichever is applicable to the payments and benefits provided in exchange for this release, (ii) to payments or benefits under the Restricted Stock Award Agreements (as defined in the Employment Agreement), (iii) with respect to Section 2(b)(vi) or 6 of the Employment Agreement, (iv) to accrued or vested benefits the undersigned may have, if any, as of the date hereof under any applicable plan, policy, practice, program, contract or agreement with the Company, or (v) to indemnification and/or advancement of expenses pursuant to the Indemnification Agreement (as defined in the Employment Agreement).

THE UNDERSIGNED ACKNOWLEDGES THAT HE HAS BEEN ADVISED BY LEGAL COUNSEL AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR

HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

THE UNDERSIGNED, BEING AWARE OF SAID CODE SECTION, HEREBY EXPRESSLY WAIVES ANY RIGHTS HE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT OF 1990, THE UNDERSIGNED IS HEREBY ADVISED AS FOLLOWS:

(A) HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE;

(B) HE HAS TWENTY-ONE (21) DAYS TO CONSIDER THIS RELEASE BEFORE SIGNING IT; AND

(C) HE HAS SEVEN (7) DAYS AFTER SIGNING THIS RELEASE TO REVOKE THIS RELEASE, AND THIS RELEASE WILL BECOME EFFECTIVE UPON THE EXPIRATION OF THAT REVOCATION PERIOD.

The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which he may have against Releasees, or any of them, and the undersigned agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

The undersigned agrees that if he hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the undersigned agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim.

The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Release this ____ day of __________, ____.

____

Schedule to Exhibit 10.43

The Company intends to enter into this form of Employment Agreement with certain of its named executive officers. In accordance with Instruction 2 to Item 601 of Regulation S-K, the Company has filed only the form of such agreement as the employment agreements are substantially identical in all material respects, except as to the following terms:

Name	Title	Base Salary	Target Bonus (% of Base Salary)	Time Vesting Restricted Stock Awards	Performance Vesting Restricted Stock Awards
John W. Chamberlain	Chief Executive Officer				
Robert F. Barton	Executive Vice President and Chief Financial Officer				
Adam Wyll	Senior Vice President, General Counsel and Secretary				
Patrick Kinney	Senior Vice President of Real Estate Operations				

The Company agrees to furnish the agreements at the request of the Securities and Exchange Commission.

Exhibit 10.44

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), dated as of November __, 2010, is entered into by and among American Assets Trust, Inc., a Maryland corporation (the "REIT"), American Assets Trust, L.P., a Maryland limited partnership (the "Operating Partnership") and Ernest S. Rady (the "Executive").

WHEREAS, the REIT and the Operating Partnership (collectively, the "Company") desire to employ the Executive and to enter into an agreement embodying the terms of such employment; and

WHEREAS, the Executive desires to accept employment with the Company, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Employment Period. Subject to the provisions for earlier termination hereinafter provided, the Executive's employment hereunder shall be for a term (as extended pursuant to this Section 1, the "Employment Period") commencing on the Effective Date and ending on the third anniversary of the Effective Date (unless the Executive's employment is terminated prior to such date pursuant to Section 3 below) (the "Initial Termination Date"); provided, however, that the Employment Period shall automatically be extended for one additional year on the Initial Termination Date and on each subsequent anniversary of the Initial Termination Date thereafter (each such extension, a "Renewal Year"), unless either the Executive or the Company elects not to so extend the Employment Period by notifying the other party, in writing, of such election (a "Non-Renewal") not less than sixty (60) days prior to the last day of the Employment Period as then in effect. For purposes of this Agreement, "Effective Date" shall mean the date of the closing of the initial public offering of shares of the REIT's common stock.

2. Terms of Employment.

(a) Position and Duties.

(i) During the Employment Period, the Executive shall serve as Executive Chairman of the REIT and the Operating Partnership, and shall perform such employment duties as are usual and customary for such positions. The Executive shall report directly to the Board of Directors of the REIT (the "Board"). In addition, during the Employment Period, the Company shall cause the Executive to be nominated to stand for election to the Board at any meeting of stockholders of the REIT during which any such election is held and the Executive's term as director will expire if he is not reelected; provided, however, that the Company shall not be obligated to cause such nomination if any of the events constituting Cause (as defined below) have occurred and not been cured. Provided that the Executive is so nominated and is elected to the Board, the Executive hereby agrees to serve as a member of the Board. At the Company's request, the Executive shall serve the Company and/or its subsidiaries and affiliates in other capacities in addition to the foregoing consistent with the Executive's position as Executive Chairman of the REIT and the Operating Partnership. In the event that the Executive, during the Employment Period, serves in any one or more of such additional capacities, the Executive's compensation shall not be increased beyond that specified in Section 2(b) hereof. In addition, in the event the Executive's service in one or more of such additional capacities is terminated, the Executive's compensation, as specified in Section 2(b) hereof, shall not be diminished or reduced in any manner as a result of such termination provided that the Executive otherwise remains employed under the terms of this Agreement.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive may be entitled, the Executive agrees to devote a significant majority of his business time and attention to the business and affairs of the Company. Notwithstanding the foregoing, during the Employment Period, it shall not be a violation of this Agreement for the Executive to (A) continue to serve as Chairman of the Board of Insurance Company of the West, (B) serve on boards, committees or similar bodies of charitable or nonprofit organizations, (C) fulfill limited teaching, speaking and writing engagements, and (D) manage his personal investments, in each case, so long as such activities do not materially interfere or conflict with the performance of the Executive's duties and responsibilities under this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company; provided, that (1) no such activity that violates the provisions of Section 7 shall be permitted and (2) Executive shall notify the Board prior to engaging in any new real estate related business activities after the Effective Date that are unrelated to the performance of Executive's duties hereunder.

(iii) During the Employment Period, the Executive shall perform the services required by this Agreement at the Company's principal offices located in San Diego, California (the "Principal Location"), except for travel to other locations as may be necessary to fulfill the Executive's duties and responsibilities hereunder.

(b) Compensation, Benefits, Etc.

(i) Base Salary. During the Employment Period, the Executive shall receive a base salary (the "Base Salary") of $[INSERT NUMBER] per annum. The Base Salary shall be reviewed annually by the Compensation Committee of the Board (the "Compensation Committee") and may be increased from time to time by the Compensation Committee in its sole discretion. The Base Salary shall be paid in accordance with the Company's normal payroll practices for executive salaries generally, but no less often than monthly. The Base Salary shall not be reduced after any increase in accordance herewith and the term "Base Salary" as utilized in this Agreement shall refer to Base Salary as so increased.

(ii) Annual Bonus. In addition to the Base Salary, the Executive shall be eligible to earn, for each fiscal year of the Company ending during the Employment Period, an annual cash performance bonus (an "Annual Bonus") under the Company's bonus plan or program applicable to senior executives. The Executive's target Annual Bonus shall be [INSERT NUMBER]% of his Base Salary actually paid for such year. The amount of the Annual Bonus, if any, shall be determined by the Compensation Committee in its sole discretion based on such performance criteria as the Compensation Committee shall determine in its sole discretion. Except as otherwise provided in Section 4(a) below, Executive must be employed on the date of payment of the Annual Bonus in order to be eligible to receive an Annual Bonus for such fiscal year. The Executive acknowledges and agrees that nothing contained herein confers on the Executive any right to an Annual Bonus in any year, and that whether the Company pays him an Annual Bonus and the amount of any such Annual Bonus shall be determined by the Compensation Committee in its sole discretion.

(iii) Restricted Stock Award. Subject to adoption by the Board and approval by the REIT's stockholders of the Incentive Plan, on or as soon as practicable following the date of the closing of the REIT's initial public offering (the "Offering Date"), the REIT shall issue to the Executive an award of Restricted Stock (as defined in the Company's 2010 Equity Incentive Award Plan (the "Incentive Plan")) with respect to [INSERT NUMBER] shares of the REIT's common stock (the "Restricted Stock

Award”). Subject to the Executive’s continued employment with the Company through each such date, the Restricted Stock Award shall vest based on the satisfaction by the REIT of absolute and relative “total shareholder return” hurdles established by the Company and set forth in the applicable award agreement. The terms and conditions of the Restricted Stock Award shall be set forth in separate award agreements in a form prescribed by the Company (the “Restricted Stock Award Agreement”), to be entered into by the Company and the Executive, which shall evidence the grant of the Restricted Stock Award. Immediately prior to a Change in Control of the Company (as defined in the Incentive Plan), the Restricted Stock Award shall, to the extent not previously vested, become fully vested and nonforfeitable.

(iv) Incentive, Savings and Retirement Plans. During the Employment Period, the Executive shall be eligible to participate in all other incentive plans, practices, policies and programs, and all savings and retirement plans, practices, policies and programs, in each case that are available generally to senior executives of the Company.

(v) Welfare Benefit Plans. During the Employment Period, the Executive and the Executive’s eligible family members shall be eligible for participation in the welfare benefit plans, practices, policies and programs (including, if applicable, medical, dental, disability, employee life, group life and accidental death insurance plans and programs) maintained by the Company for its senior executives.

(vi) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by the Executive in accordance with the policies, practices and procedures of the Company provided to senior executives of the Company.

(vii) Fringe Benefits. During the Employment Period, the Executive shall be entitled to such fringe benefits and perquisites as are provided by the Company to its senior executives from time to time, in accordance with the policies, practices and procedures of the Company, and shall receive such additional fringe benefits and perquisites as the Company may, in its discretion, from time-to-time provide.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, policies, programs and practices of the Company applicable to its senior executives but in no event less than five (5) weeks per calendar year.

(ix) Indemnification Agreement. The parties hereby acknowledge that in connection with the execution of this Agreement, they are entering into an Indemnification Agreement (the "Indemnification Agreement"), substantially in the form attached hereto as Exhibit A, which shall become effective as of the Effective Date.

3. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. Either the Company or the Executive may terminate the Executive's employment in the event of the Executive's Disability during the Employment Period. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for ninety (90) consecutive days or for a total of one hundred eighty (180) days in any twelve (12)-month period, in either case as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and reasonably acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause or without Cause. For purposes of this Agreement, "Cause" shall mean the occurrence of any one or more of the following events unless, to the extent capable of correction, the Executive fully corrects the circumstances constituting Cause within fifteen (15) days after receipt of the Notice of Termination (as defined below):

(i) the Executive's willful and continued failure to substantially perform his duties with the Company (other than any such failure resulting from the Executive's incapacity due to physical or mental illness or any such actual or anticipated failure after his issuance of a Notice of Termination for Good Reason), after a written demand for substantial performance is delivered to the Executive by the Board, which demand specifically identifies the manner in which the Board believes that the Executive has not substantially performed his duties;

(ii) the Executive's willful commission of an act of fraud or dishonesty resulting in reputational, economic or financial injury to the Company;

(iii) the Executive's commission of, or entry by the Executive of a guilty or no contest plea to, a felony or a crime involving moral turpitude;

(iv) a willful breach by the Executive of his fiduciary duty to the Company which results in reputational, economic or other injury to the Company; or

(v) the Executive's willful and material breach of the Executive's obligations under a written agreement between the Company and the Executive, including without limitation, such a breach of this Agreement.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason or by the Executive without Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence of any one or more of the following events without the Executive's prior written consent, unless the Company fully corrects the circumstances constituting Good Reason (provided such circumstances are capable of correction) within thirty (30) days after the Company's receipt of the Notice of Termination (as defined below) delivered by the Executive:

(i) the assignment to the Executive of any duties materially inconsistent in any respect with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 2(a) hereof, or any other action by the Company which results in a material diminution in such position, authority, duties or responsibilities, excluding for this purpose any isolated, insubstantial or inadvertent actions not taken in bad faith and which are remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) the Company's material reduction of the Executive's Base Salary as in effect on the date hereof or as the same may be increased from time to time;

(iii) a material change in the geographic location of the Principal Location which shall, in any event, include only a relocation of the Principal Location by more than thirty (30) miles from its existing location;

(iv) the Company's failure to cure a material breach of its obligations under this Agreement after written notice is delivered to the Board by the Executive which specifically identifies the manner in which the Executive believes that the Company has breached its obligations under the Agreement and the Company is given a reasonable opportunity to cure any such breach.

Notwithstanding the foregoing, the Executive will not be deemed to have resigned for Good Reason unless (1) the Executive provides the Company with written notice setting forth in reasonable detail the facts and circumstances claimed by the Executive to constitute Good Reason within sixty (60) days after the date of the occurrence of any event that the Executive knows or should reasonably have known to constitute Good Reason, (2) the Company fails to cure such acts or omissions within thirty (30) days following its receipt of such notice, and (3) the effective date of the Executive's termination for Good Reason occurs no later than thirty (30) days after the expiration of the cure period.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by a Notice of Termination to the other parties hereto given in accordance with Section 11(b) hereof. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Termination of Offices and Directorships. Upon termination of the Executive's employment for any reason, unless otherwise specified in a written agreement between the Executive and the Company, the Executive shall be deemed to have resigned from all offices, directorships, and other employment positions if any, then held with the Company, and shall take all actions reasonably requested by the Company to effectuate the foregoing.

4. Obligations of the Company upon Termination.

(a) Without Cause or For Good Reason. Subject to Section 4(e) below, if, the Executive incurs a "separation from service" from the Company (within the meaning of Section 409A(a)(2)(A)(i) of the Internal Revenue Code of 1986, as amended (the "Code"), and Treasury Regulation Section 1.409A-1(h)) (a "Separation from Service") during the Employment Period by reason of (1) a termination of the Executive's employment by the Company without Cause (other than by reason of the Executive's death or Disability), or (2) a termination of the Executive's employment by the Executive for Good Reason:

(i) The Executive shall be paid, in a single lump-sum payment on the date of the Executive's termination of employment, the aggregate amount of the Executive's earned but unpaid Base Salary and accrued but unpaid vacation pay through the date of such termination (the "Accrued Obligations") and any Annual Bonus required to be paid to the Executive pursuant to Section 2(b)(ii) above for any fiscal year of the Company that ends on or before the Date of Termination to the extent not previously paid (the "Unpaid Bonus") (or, if the amount of the Unpaid Bonus has not yet been determined as of the date of the Executive's termination of employment, such Unpaid Bonus shall be paid to the Executive on the date annual bonuses for the relevant fiscal year are paid to the Company's executives generally, but in no event later than March 15th of the calendar year following the end of the calendar year to which such Unpaid Bonus relates);

(ii) In addition, the Executive shall be paid, in a single lump-sum payment on the sixtieth (60th) day after the date of Executive's Separation from Service (such date, the "Date of Termination"), an amount equal to two (2) (the "Severance Multiple") times the sum of (x) the Base Salary in effect on the Date of Termination, plus (y) the highest Annual Bonus earned by the Executive (regardless of whether such amount was paid out on a current basis or deferred) during the Employment Period (or, in the event that the Date of Termination occurs prior to the end of the completion of the first full fiscal year of the Company during the Employment Period, then the amount in clause (y) shall be determined by the Compensation Committee in its sole discretion, but in no event shall such amount be less than the Base Salary in effect on the Date of Termination), plus (z) the highest Equity Award Value (as defined below) of any Annual Grant made to the Executive by the Company during the Employment Period. For purposes of this Agreement, "Equity Award Value" shall mean (A) with respect to Options and Stock Appreciation Rights (each as defined in the Incentive Plan), the grant date fair value, as computed in accordance with FASB Accounting Standards Codification Topic 718, *Compensation — Stock Compensation* (or any successor accounting standard), and (B) with respect to Awards (as defined in the Incentive Plan) other than Stock Options and Stock Appreciation Rights (and excluding cash Awards under the Incentive Plan), the product of (1) the number of shares or units subject to such Award, times (2) the "fair market value" of a share of the REIT's common stock on the date of grant as determined under the Incentive Plan. For purposes of this Agreement, "Annual Grant" shall mean the grant of an equity-based Award that constitutes a component of a given year's annual compensation package and shall not include any isolated, one-off or non-recurring grant outside of the Executive's annual compensation package, such as (but not limited to) the Restricted Stock Award granted pursuant to Section 2(b)(iii) above, an initial hiring Award, a retention Award, an Award that relates to multi-year or other long-term performance, an outperformance Award or other similar award, in any event, as determined by the Company in its sole discretion. For the avoidance of doubt, for purposes of this Section 4(a)(ii), Annual Bonus shall include any portion of the Executive's Annual Bonus received in the form of equity rather than cash.

(iii) The Executive shall be paid, in a single lump-sum payment on the sixtieth (60^{th}) day after the Date of Termination, a pro-rata portion of the Annual Bonus for the partial fiscal year in which the Date of Termination occurs in an amount determined based on (x) the extent to which the performance criteria applicable to such Annual Bonus (pro-rated based on the number of days in such fiscal year through the Date of Termination and as if the entire Annual Bonus was based solely on such performance criteria for such fiscal year) are actually achieved as of the Date of Termination, or (y) if such performance criteria have not been established by the Compensation Committee, the Annual Bonus earned by the Executive (regardless of whether such amount was paid out on a current basis or deferred) for the fiscal year of the Company immediately preceding the Date of Termination (pro-rated based on the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination.

(iv) All outstanding equity awards held by the Executive on the Date of Termination shall immediately become fully vested and exercisable.

(v) The Executive shall be paid, in a single lump-sum payment on the sixtieth (60^{th}) day after the Date of Termination, an amount equal to the amount the Executive would be required to pay for continued health coverage under Section 4980B of the Code and the regulations thereunder ("COBRA") during the period commencing on the Date of Termination and ending on the eighteen (18)-month anniversary of the Date of Termination (which amount shall be calculated by reference to the applicable premium as of the Date of Termination).

Notwithstanding the foregoing, it shall be a condition to the Executive's right to receive the amounts provided for in Sections 4(a)(ii), 4(a)(iii) and 4(a)(iv) above that the Executive execute and deliver to the Company an effective release of claims in substantially the form attached hereto as Exhibit B (the "Release") within twenty-one (21) days (or, to the extent required by law, forty-five (45) days) following the Date of Termination and that Executive not revoke such Release during any applicable revocation period.

(b) Company Non-Renewal. Subject to Section 4(e) below, in the event that the Executive incurs a Separation from Service during the Employment Period by reason of a Non-Renewal of the Employment Period by the Company and the Executive is willing and able, at the time of such Non-Renewal, to continue performing services on the terms and conditions set forth herein for the Renewal Year that would have occurred but for the Non-Renewal, then the Executive shall be entitled to the payments and benefits provided in Section 4(a) hereof, subject to the terms and conditions of Section 4(a) (including, without limitation, the Release requirement contained therein).

(c) For Cause, Without Good Reason or Other Terminations. If the Executive's employment shall be terminated by the Company for Cause, by the Executive without Good Reason or for any other reason not enumerated in this Section 4, in any case, during the Employment Period, the Company shall pay to the Executive the Accrued Obligations in cash within thirty (30) days after the Date of Termination (or by such earlier date as may be required by applicable law) (or, if the amount of the Unpaid Bonus has not yet been determined as of the Date of Termination, such Unpaid Bonus shall be paid to the Executive on the date annual bonuses for the relevant fiscal year are paid to the Company's executives generally, but in no event later than March 15th of the calendar year following the end of the calendar year to which such Unpaid Bonus relates).

(d) Death or Disability. Subject to Section 4(e) below, if the Executive incurs a Separation from Service by reason of the Executive's death or Disability during the Employment Period:

(i) The Accrued Obligations shall be paid to the Executive's estate or beneficiaries or to the Executive, as applicable, in cash on or as soon as practicable following the Date of Termination;

(ii) Any Unpaid Bonus shall be paid to the Executive's estate or beneficiaries or to the Executive, as applicable, on the Date of Termination (or, if the amount of the Unpaid Bonus has not yet been determined as of the Date of Termination, such Unpaid Bonus shall be paid to the Executive's estate or beneficiaries or to the Executive, as applicable, on the date annual bonuses for the relevant fiscal year are paid to the Company's executives generally, but in no event later than March 15th of the calendar year following the end of the calendar year to which such Unpaid Bonus relates); and

(iii) All outstanding equity awards held by the Executive on the Date of Termination shall immediately become fully vested and exercisable.

(e) Six-Month Delay. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits, including without limitation any severance payments or benefits payable under Section 4 hereof, shall be paid to the Executive during the six (6)-month period following the Executive's "separation from service" (within the meaning of Section 409A(a)(2)(A)(i) of the Code) if the Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such six (6)-month period (or such earlier date upon which such amount can be paid under Section 409A of the Code without resulting in a prohibited distribution, including as a result of the Executive's death), the Company shall pay the Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Executive during such period.

(f) Exclusive Benefits. Except as expressly provided in this Section 4 and subject to Section 5 below, the Executive shall not be entitled to any additional payments or benefits upon or in connection with his termination of employment. In addition, the Executive acknowledges and agrees that he is not entitled to any reimbursement by the Company for any taxes payable by the Executive as a result of the payments and benefits received by the Executive pursuant to this Section 4, including, without limitation, any income or excise tax imposed by Sections 409A and 4999 of the Internal Revenue Code of 1986, as amended (the "Code").

(g) No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Section 4 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 4 be reduced by any compensation earned by the Executive as the result of employment by another employer or self-employment or by retirement benefits; provided, however, that loans, advances (other than salary advances) or other amounts owed by the Executive to the Company under a written agreement may be offset by the Company against amounts payable to Executive under this Section 4.

5. Non-Exclusivity of Rights. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

6. Limitation on Payments.

(a) Notwithstanding any other provision of this Agreement, in the event that any payment or benefit received or to be received by the Executive (including any payment or benefit received in connection with a termination of the Executive's employment, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement) (all such payments and benefits, including the payments and benefits under Section 4 hereof, being hereinafter referred to as the "Total Payments") would be subject (in whole or part), to the excise tax imposed under Section 4999 of the Code (the "Excise Tax"), then, after taking into account any reduction in the Total Payments provided by reason of Section 280G of the Code in such other plan, arrangement or agreement, the cash severance payments under this Agreement shall first be reduced, and the noncash severance payments hereunder shall thereafter be reduced, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax but only if (i) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such reduced Total Payments) is greater than or equal to (ii) the net amount of such Total Payments without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which the Executive would be subject in respect of such unreduced Total Payments and after taking into account the phase out of itemized deductions and personal exemptions attributable to such unreduced Total Payments). The Total Payments shall be reduced in the following order: (A) reduction of any cash severance payments otherwise payable to the Executive that are exempt from Section 409A of the Code; (B) reduction of any other cash payments or benefits otherwise payable to the Executive that are exempt from Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code; (C) reduction of any other payments or benefits otherwise payable to Employee on a pro-rata basis or such other manner that complies with Section 409A of the Code, but excluding any payments attributable to any acceleration of vesting and payments with respect to any equity award that are exempt from Section 409A of the Code; and (D) reduction of any payments attributable to any acceleration of vesting or payments with respect to any equity award that are exempt from Section 409A of the Code, in each case beginning with payments that would otherwise be made last in time.

(b) For purposes of determining whether and the extent to which the Total Payments will be subject to the Excise Tax, (i) no portion of the Total Payments the receipt or enjoyment of which the Executive shall have waived at such time and in such manner as not to constitute a “payment” within the meaning of Section 280G(b) of the Code shall be taken into account; (ii) no portion of the Total Payments shall be taken into account which, in the written opinion of independent auditors of nationally recognized standing (“Independent Advisors”) selected by the Company, does not constitute a “parachute payment” within the meaning of Section 280G(b)(2) of the Code (including by reason of Section 280G(b)(4)(A) of the Code) and, in calculating the Excise Tax, no portion of such Total Payments shall be taken into account which, in the opinion of Independent Advisors, constitutes reasonable compensation for services actually rendered, within the meaning of Section 280G(b)(4)(B) of the Code, in excess of the Base Amount (as defined in Section 280G(b)(3) of the Code) allocable to such reasonable compensation; and (iii) the value of any non cash benefit or any deferred payment or benefit included in the Total Payments shall be determined by the Independent Advisors in accordance with the principles of Sections 280G(d)(3) and (4) of the Code.

7. Confidential Information and Non-Solicitation.

(a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company and its subsidiaries and affiliates, which shall have been obtained by the Executive in connection with the Executive’s employment by the Company and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive’s employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data, to anyone other than the Company and those designated by it; provided, however, that if the Executive receives actual notice that the Executive is or may be required by law or legal process to communicate or divulge any such information, knowledge or data, the Executive shall promptly so notify the Company.

(b) While employed by the Company and, for a period of one (1) year after the Date of Termination, the Executive shall not directly or indirectly solicit, induce, or encourage any employee or consultant of any member of the Company and its subsidiaries and affiliates to terminate their employment or other relationship with the Company and its subsidiaries and affiliates or to cease to render services to any member of the Company and its subsidiaries and affiliates and the Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity. During his employment with the Company and thereafter, the Executive shall not use any trade secret of the Company or its subsidiaries or affiliates to solicit, induce, or encourage any customer, client, vendor, or other party doing business with any member of the Company and its subsidiaries and affiliates to terminate its relationship therewith or transfer its business from any member of the Company and its subsidiaries and affiliates and the Executive shall not initiate discussion with any such person for any such purpose or authorize or knowingly cooperate with the taking of any such actions by any other individual or entity.

(c) In recognition of the facts that irreparable injury will result to the Company in the event of a breach by the Executive of his obligations under Sections 7(a) and (b) hereof, that monetary damages for such breach would not be readily calculable, and that the Company would not have an adequate remedy at law therefor, the Executive acknowledges, consents and agrees that in the event of such breach, or the threat thereof, the Company shall be entitled, in addition to any other legal remedies and damages available, to specific performance thereof and to temporary and permanent injunctive relief (without the necessity of posting a bond) to restrain the violation or threatened violation of such obligations by the Executive.

8. Representations. The Executive hereby represents and warrants to the Company that (a) the Executive is entering into this Agreement voluntarily and that the performance of his obligations hereunder will not violate any agreement between the Executive and any other person, firm, organization or other entity, and (b) the Executive is not bound by the terms of any agreement with any previous employer or other party to refrain from competing, directly or indirectly, with the business of such previous employer or other party that would be violated by his entering into this Agreement and/or providing services to the Company pursuant to the terms of this Agreement.

9. Successors.

(a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

10. Payment of Financial Obligations. The payment or provision to the Executive by the Company of any remuneration, benefits or other financial obligations pursuant to this Agreement shall be allocated among the Operating Partnership, the REIT and any subsidiary or affiliate thereof in such manner as such entities determine in order to reflect the services provided by the Executive to such entities; provided, however, that the Operating Partnership and the REIT shall be jointly and severally liable for such obligations.

11. Miscellaneous.

(a) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(b) Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive: at the Executive's most recent address on the records of the Company.

If to the REIT or the Operating Partnership:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, CA 92130
Attn: General Counsel

with a copy to:

Latham & Watkins
355 South Grand Ave.
Los Angeles, CA 90071-1560
Attn: Julian Kleindorfer

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) Sarbanes-Oxley Act of 2002. Notwithstanding anything herein to the contrary, if the Company determines, in its good faith judgment, that any transfer or deemed transfer of funds hereunder is likely to be construed as a personal loan prohibited by Section 13(k) of the Exchange Act and the rules and regulations promulgated thereunder, then such transfer or deemed transfer shall not be made to the extent necessary or appropriate so as not to violate the Exchange Act and the rules and regulations promulgated thereunder.

(d) Section 409A of the Code.

(i) To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder. Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A of the Code and related Department of Treasury guidance, the Company shall work in good faith with the Executive to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A of the Code, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A of the Code, and/or (ii) comply with the requirements of Section 409A of the Code and related Department of Treasury guidance;

provided, however, that this Section 11(d) shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so.

(ii) To the extent permitted under Section 409A of the Code, any separate payment or benefit under this Agreement or otherwise shall not be deemed “nonqualified deferred compensation” subject to Section 409A of the Code and Section 4(e) hereof to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A of the Code.

(iii) To the extent that any payments or reimbursements provided to the Executive under this Agreement, including, without limitation, pursuant to Section 2(b)(vii), are deemed to constitute compensation to the Executive to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and the Executive’s right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

(e) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) Withholding. The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) No Waiver. The Executive’s or the Company’s failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 3(c) hereof, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(h) Entire Agreement. As of the Effective Date, this Agreement, together with the Indemnification Agreement and the Restricted Stock Award Agreement, constitutes the final, complete and exclusive agreement between the Executive and the Company with respect to the subject matter hereof and replaces and supersedes any and all other agreements, offers or promises, whether oral or written, by any member of the Company and its subsidiaries and affiliates (a "Predecessor Employer"), or representative thereof, whose business or assets any member of the Company and its subsidiaries and affiliates succeeded to in connection with the initial public offering of the common stock of the REIT or the transactions related thereto. The Executive agrees that any such agreement, offer or promise between the Executive and a Predecessor Employer (or any representative thereof) is hereby terminated and will be of no further force or effect, and the Executive acknowledges and agrees that upon his execution of this Agreement, he will have no right or interest in or with respect to any such agreement, offer or promise. In the event that the Effective Date does not occur, this Agreement (including, without limitation, the immediately preceding sentence) shall have no force or effect.

(i) Amendment. No amendment or other modification of this Agreement shall be effective unless made in writing and signed by the parties hereto.

(j) Counterparts. This Agreement and any agreement referenced herein may be executed simultaneously in two or more counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.

(k) Right to Advice of Counsel. The Executive acknowledges that he has the right to, and has been advised to, consult with an attorney regarding the execution of this Agreement and any release hereunder; by his signature below, the Executive acknowledges that he understands this right and has either consulted with an attorney regarding the execution of this Agreement or determined not to do so.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from the Board, each of the REIT and the Operating Partnership has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

AMERICAN ASSETS TRUST, INC.,
a Maryland corporation

By: ______________________________
Name:
Title:

AMERICAN ASSETS TRUST, L.P.,
a Maryland limited partnership

By: AMERICAN ASSETS TRUST, INC.
Its: General Partner

By: ______________________________
Name:
Title:

"EXECUTIVE"

____
Ernest S. Rady

EXHIBIT A

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the ____ day of ___________, 20____, by and between American Assets Trust, Inc., a Maryland corporation (the "Company"), and ______________________ ("Indemnitee").

WHEREAS, at the request of the Company, Indemnitee currently serves as **[a director] [and] [an officer]** of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of **[his][her]** service; and

WHEREAS, as an inducement to Indemnitee to serve or continue to serve as **[a director] [and] [an officer]**, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions. For purposes of this Agreement:

(a) "Change in Control" means **[**a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 15% or more of the combined voting power of all of the Company's then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person's attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) at any time, a majority of the members of the Board of Directors are not individuals (A) who were directors as of the Effective Date or (B) whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election for nomination for election was previously so approved**]**.

(b) “Corporate Status” means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise (i) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (ii) the management of which is controlled directly or indirectly by the Company.

(c) “Disinterested Director” means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(d) “Effective Date” means the date set forth in the first paragraph of this Agreement.

(e) “Expenses” means any and all reasonable and out-of-pocket attorneys’ fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties and any other disbursements or expenses incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding. Expenses shall also include Expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent.

(f) “Independent Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term “Independent Counsel” shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee’s rights under this Agreement.

(g) “Proceeding” means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding.

Section 2. Services by Indemnitee. Indemnitee **[will serve][serves]** as **[a director] [and] [an officer]** of the Company. However, this Agreement shall not impose any independent obligation on Indemnitee or the Company to continue Indemnitee's service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. General. The Company shall indemnify, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent permitted by Maryland law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law (the "MGCL").

Section 4. Standard for Indemnification. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall indemnify Indemnitee against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with any such Proceeding unless it is established that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that **[his][her]** conduct was unlawful.

Section 5. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is adjudged to be liable to the Company;

(b) indemnification hereunder if Indemnitee is adjudged to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee, whether or not involving action in the Indemnitee's Corporate Status; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee, unless: (i) the Proceeding was brought to enforce indemnification under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

Section 6. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification of Indemnitee by the Company in the following circumstances:

(a) if such court determines that Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if such court determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses.

Section 7. Indemnification for Expenses of an Indemnitee Who is Wholly or Partially Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is, by reason of **[his][her]** Corporate Status, made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, Indemnitee shall be indemnified for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 7 and, without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses for Indemnitee. If, by reason of Indemnitee's Corporate Status, Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding within ten days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met by Indemnitee and which have not been successfully resolved as described in Section 7 of this Agreement. To the extent that Expenses advanced to Indemnitee do not relate to a specific claim, issue or matter in the Proceeding, such Expenses shall be allocated on a reasonable and proportionate basis. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Indemnification and Advance of Expenses as a Witness or Other Participant. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is or may be, by reason of Indemnitee's Corporate Status, made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party, Indemnitee shall be advanced all reasonable Expenses and indemnified against all Expenses actually and reasonably incurred by Indemnitee or on Indemnitee's behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting any such advance or indemnification from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee.

Section 10. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in Indemnitee's sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 10(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval shall not be unreasonably withheld; or (ii) if a Change in Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting of Disinterested Directors or, if such a quorum cannot be obtained, then by a majority vote of a duly authorized committee of the Board of Directors consisting solely of one or more Disinterested Directors, (B) if Independent Counsel has been selected by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by the Indemnitee, which approval shall not be unreasonably withheld, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(b). Any Expenses incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company shall indemnify and hold Indemnitee harmless therefrom.

(c) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

Section 11. Presumptions and Effect of Certain Proceedings.

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of *nolo contendere* or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise shall not be imputed to Indemnitee for purposes of determining any other right to indemnification under this Agreement.

Section 12. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Sections 8 or 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Sections 7 or 9 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of Indemnitee's entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at Indemnitee's option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce **[his][her]** rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnitee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving that Indemnitee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnitee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 8 of this Agreement until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 10(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnitee is successful in seeking, pursuant to this Section 12, a judicial adjudication of or an award in arbitration to enforce Indemnitee's rights under, or to recover damages for breach of, this Agreement, Indemnitee shall be entitled to recover from the Company, and shall be indemnified by the Company for, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration. If it shall be determined in such judicial adjudication or arbitration that Indemnitee is entitled to receive part but not all of the indemnification or advance of Expenses sought, the Expenses incurred by Indemnitee in connection with such judicial adjudication or arbitration shall be appropriately prorated.

(e) Interest shall be paid by the Company to Indemnitee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period (i) commencing with either the tenth day after the date on which the Company was requested to advance Expenses in accordance with Sections 8 or 9 of this Agreement or the 60th day after the date on which the Company was requested to make the determination of entitlement to indemnification under Section 10(b) of this Agreement, as applicable, and (ii) ending on the date such payment is made to Indemnitee by the Company.

Section 13. Defense of the Underlying Proceeding.

(a) Indemnitee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnitee from the right, or otherwise affect in any manner any right of Indemnitee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend Indemnitee in any Proceeding which may give rise to indemnification hereunder; provided, however, that the Company shall notify Indemnitee of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. The Company shall not, without the prior written consent of Indemnitee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnitee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnitee, (ii) does not include, as an unconditional term thereof, the full release of Indemnitee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnitee or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnitee. This Section 13(b) shall not apply to a Proceeding brought by Indemnitee under Section 12 of this Agreement.

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnitee is a party by reason of Indemnitee's Corporate Status, (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that Indemnitee may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, subject to the prior approval of the Company, which approval shall not be unreasonably withheld, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 14. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the charter or Bylaws of the Company, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. Unless consented to in writing by Indemnitee, no amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in **[his][her]** Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 15. Insurance. The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of **[his][her]** Corporate Status and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of **[his][her]** Corporate Status. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence. The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

Section 16. Coordination of Payments. The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 17. Reports to Stockholders. To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnitee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

Section 18. Duration of Agreement; Binding Effect.

(a) This Agreement shall continue until and terminate on the later of (i) the date that Indemnitee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company and (ii) the date that Indemnitee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnitee pursuant to Section 12 of this Agreement).

(b) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any other foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise that such person is or was serving in such capacity at the request of the Company, and shall inure to the benefit of Indemnitee and Indemnitee's spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(c) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(d) The Company and Indemnitee agree that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnitee irreparable harm. Accordingly, the parties hereto agree that Indemnitee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnitee shall not be precluded from seeking or obtaining any other relief to which Indemnitee may be entitled. Indemnitee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnitee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 19. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 20. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 21. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 22. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 23. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, on the day of such delivery, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to:

American Assets Trust, Inc.
11455 El Camino Real, Suite 200
San Diego, California 92130
Attn: Secretary

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 24. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

[SIGNATURE PAGE FOLLOWS]

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

AMERICAN ASSETS TRUST, INC.

By: ______________________________
Name:
Title:

INDEMNITEE

____
Name:
Address:

EXHIBIT A

AFFIRMATION AND UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of American Assets Trust, Inc.

Re: Affirmation and Undertaking

Ladies and Gentlemen:

This Affirmation and Undertaking is being provided pursuant to that certain Indemnification Agreement dated the ______ day of __________, 20__, by and between American Assets Trust, Inc., a Maryland corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good faith belief that at all times, insofar as I was involved as **[a director] [an officer]** of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of Expenses by the Company for reasonable attorneys' fees and related Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ______ day of __________, 20__.

____

Name:

<u>EXHIBIT B</u>

GENERAL RELEASE

For valuable consideration, the receipt and adequacy of which are hereby acknowledged, the undersigned does hereby release and forever discharge the "<u>Releasees</u>" hereunder, consisting of American Assets Trust, Inc., a Maryland corporation, American Assets Trust, L.P., a Maryland limited partnership, and each of their partners, subsidiaries, associates, affiliates, successors, heirs, assigns, agents, directors, officers, employees, representatives, lawyers, insurers, and all persons acting by, through, under or in concert with them, or any of them, of and from any and all manner of action or actions, cause or causes of action, in law or in equity, suits, debts, liens, contracts, agreements, promises, liability, claims, demands, damages, losses, costs, attorneys' fees or expenses, of any nature whatsoever, known or unknown, fixed or contingent (hereinafter called "<u>Claims</u>"), which the undersigned now has or may hereafter have against the Releasees, or any of them, by reason of any matter, cause, or thing whatsoever from the beginning of time to the date hereof. The Claims released herein include, without limiting the generality of the foregoing, any Claims in any way arising out of, based upon, or related to the employment or termination of employment of the undersigned by the Releasees, or any of them; any alleged breach of any express or implied contract of employment; any alleged torts or other alleged legal restrictions on Releasees' right to terminate the employment of the undersigned; and any alleged violation of any federal, state or local statute or ordinance including, without limitation, Title VII of the Civil Rights Act of 1964, the Age Discrimination In Employment Act, the Americans With Disabilities Act, and the California Fair Employment and Housing Act. Notwithstanding the foregoing, this Release shall not operate to release any rights or claims of the undersigned (i) to payments or benefits under either Section 4(a) or 4(b) of that certain Employment Agreement, dated as of November __, 2010, between American Assets Trust, Inc., American Assets Trust, L.P. and the undersigned (the "<u>Employment Agreement</u>"), whichever is applicable to the payments and benefits provided in exchange for this release, (ii) to payments or benefits under the Restricted Stock Award Agreement (as defined in the Employment Agreement), (iii) with respect to Section 2(b)(vi) or 6 of the Employment Agreement, (iv) to accrued or vested benefits the undersigned may have, if any, as of the date hereof under any applicable plan, policy, practice, program, contract or agreement with the Company, or (v) to indemnification and/or advancement of expenses pursuant to the Indemnification Agreement (as defined in the Employment Agreement).

THE UNDERSIGNED ACKNOWLEDGES THAT HE HAS BEEN ADVISED BY LEGAL COUNSEL AND IS FAMILIAR WITH THE PROVISIONS OF CALIFORNIA CIVIL CODE SECTION 1542, WHICH PROVIDES AS FOLLOWS:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR

HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

THE UNDERSIGNED, BEING AWARE OF SAID CODE SECTION, HEREBY EXPRESSLY WAIVES ANY RIGHTS HE MAY HAVE THEREUNDER, AS WELL AS UNDER ANY OTHER STATUTES OR COMMON LAW PRINCIPLES OF SIMILAR EFFECT.

IN ACCORDANCE WITH THE OLDER WORKERS BENEFIT PROTECTION ACT OF 1990, THE UNDERSIGNED IS HEREBY ADVISED AS FOLLOWS:

(A) HE HAS THE RIGHT TO CONSULT WITH AN ATTORNEY BEFORE SIGNING THIS RELEASE;

(B) HE HAS TWENTY-ONE (21) DAYS TO CONSIDER THIS RELEASE BEFORE SIGNING IT; AND

(C) HE HAS SEVEN (7) DAYS AFTER SIGNING THIS RELEASE TO REVOKE THIS RELEASE, AND THIS RELEASE WILL BECOME EFFECTIVE UPON THE EXPIRATION OF THAT REVOCATION PERIOD.

The undersigned represents and warrants that there has been no assignment or other transfer of any interest in any Claim which he may have against Releasees, or any of them, and the undersigned agrees to indemnify and hold Releasees, and each of them, harmless from any liability, Claims, demands, damages, costs, expenses and attorneys' fees incurred by Releasees, or any of them, as the result of any such assignment or transfer or any rights or Claims under any such assignment or transfer. It is the intention of the parties that this indemnity does not require payment as a condition precedent to recovery by the Releasees against the undersigned under this indemnity.

The undersigned agrees that if he hereafter commences any suit arising out of, based upon, or relating to any of the Claims released hereunder or in any manner asserts against Releasees, or any of them, any of the Claims released hereunder, then the undersigned agrees to pay to Releasees, and each of them, in addition to any other damages caused to Releasees thereby, all attorneys' fees incurred by Releasees in defending or otherwise responding to said suit or Claim.

The undersigned further understands and agrees that neither the payment of any sum of money nor the execution of this Release shall constitute or be construed as an admission of any liability whatsoever by the Releasees, or any of them, who have consistently taken the position that they have no liability whatsoever to the undersigned.

IN WITNESS WHEREOF, the undersigned has executed this Release this __ day of __________, __.

____
Ernest S. Rady

AMERICAN ASSETS TRUST, INC.

INDEPENDENT DIRECTOR COMPENSATION POLICY

Non-employee members of the board of directors (the "***Board***") of American Assets Trust, Inc. (the "***Company***") shall be eligible to receive cash and equity compensation commencing on the first date upon which the Company is subject to the reporting requirements of Section 13 or 15(d)(2) of the Exchange Act (the "***Public Trading Date***") as set forth in this Independent Director Compensation Policy (this "***Policy***"). The cash and equity compensation described in this Independent Director Compensation Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, an "***Independent Director***") who may be eligible to receive such cash or equity compensation, unless such Independent Director declines the receipt of such cash or equity compensation by written notice to the Company. This Policy shall remain in effect until it is revised or rescinded by further action of the Board. The terms and conditions of this Policy shall supersede any prior cash or equity compensation arrangements between the Company and its Independent Directors.

1. Cash Compensation.

(a) Annual Retainers. Each Independent Director shall be eligible to receive an annual retainer of $20,000 for service on the Board.

(b) Additional Annual Retainers. In addition, an Independent Director shall receive the following additional annual retainers:

(i) Chairperson of the Audit Committee. An Independent Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of $10,000 for such service.

(ii) Chairperson of the Compensation Committee. An Independent Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of $5,000 for such service.

(iii) Chairperson of the Nominating and Corporate Governance Committee. An Independent Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of $5,000 for such service.

(c) Meeting Fees. Each Independent Director shall be eligible to receive $1,500 for each Board meeting attended in person and $750 for each Board meeting attended by telephone. In addition, each Independent Director who serves on a committee of the Board shall be eligible for an additional $1,000 for each committee meeting attended in person and $500 for each committee meeting attended by telephone. Committee meeting fees will be paid regardless of whether a Board meeting is scheduled for the same day.

(d) Payment of Retainers and Fees. The annual retainers described in subsections (a) and (b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifth business day following the end of each calendar quarter. In the event an Independent Director does not serve as an Independent Director, or in the applicable positions described in subsection (b), for an entire calendar quarter, the retainer paid to such Independent Director shall be prorated for the portion of such calendar quarter actually served as an Independent Director, or in such position, as applicable. The meeting fees described in subsection (c) shall be paid within thirty days following the applicable meeting date. Independent Directors may be permitted to elect to receive vested shares of common stock in lieu of the foregoing retainers and fees in accordance with the terms and conditions of the Company's 2010 Equity Incentive Award Plan (the "***2010 Plan***").

2. Equity Compensation. The Independent Directors shall be granted the following restricted stock awards. The awards described below shall be granted under and shall be subject to the terms and provisions of the 2010 Plan and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the same forms previously approved by the Board, setting forth the vesting schedule applicable to such awards and such other terms as may be required by the 2010 Plan.

(a) Initial Awards. A person who is serving as an Independent Director on the Public Trading Date shall be eligible to receive such number of shares of restricted common stock on the Public Trading Date as is determined by dividing (i) $40,000 by (ii) the initial price to the public of the Company's common stock. The awards described in this subsection (a) shall be referred to as "***Initial Awards***." No Independent Director shall be granted more than one Initial Award.

(b) Subsequent Awards. A person who is an Independent Director immediately following each annual meeting of the Company's stockholders after the Public Trading Date and who will continue to serve as an Independent Director immediately following such meeting shall be automatically granted such number of shares of restricted common stock on the date of such annual meeting as is determined by dividing (i) $40,000 by (ii) the Fair Market Value per share (as defined in the 2010 Plan) of the Company's common stock on the date of such grant. The awards described in this subsection (b) shall be referred to as "***Subsequent Awards***."

(c) Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to subsection (a) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Subsequent Awards as described in subsection (b) above.

(d) Terms of Awards Granted to Independent Directors

(i) Purchase Price. The purchase price per share of each share of restricted common stock granted to an Independent Director shall be equal to the par value of the Company's common stock.

(ii) Vesting. Each Initial Award and Subsequent Award will initially be subject to forfeiture in the event of an Independent Director's termination of service on the Board. Each Initial Award and each Subsequent Award shall vest and be released from the forfeiture restriction as to one-third of the shares subject to such award on each of the first three anniversaries of the date of grant, subject to the Independent Director continuing in service on the Board through such dates. No portion of an Initial Award or Subsequent Award which is unvested at the time of an Independent Director's termination of service on the Board shall become vested thereafter. All of an Independent Director's Initial Awards and Subsequent Awards shall vest in full upon the occurrence of a Change in Control (as defined in the 2010 Plan).

Exhibit 10.46

AMERICAN ASSETS TRUST, INC.

2010 EQUITY INCENTIVE AWARD PLAN

RESTRICTED STOCK AWARD GRANT NOTICE AND
RESTRICTED STOCK AWARD AGREEMENT

American Assets Trust, Inc., a Maryland corporation (the "***Company***"), pursuant to its 2010 Equity Incentive Award Plan (the "***Plan***"), hereby grants to the individual listed below ("***Participant***") the number of shares of the Company's Stock (the "***Shares***") set forth below. This Restricted Stock award (the "***Award***") is subject to all of the terms and conditions as set forth herein and in the Restricted Stock Award Agreement attached hereto as Exhibit A (the "***Restricted Stock Agreement***") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in this Grant Notice and the Restricted Stock Agreement.

Participant:	______________________
Grant Date:	______________________
Grant Number:	______________________
Total Number of Shares of Restricted Stock:	______________________
Vesting Schedule:	This Award shall vest in accordance with the vesting schedule set forth on Exhibit C attached hereto.

By his or her signature, Participant agrees to be bound by the terms and conditions of the Plan, the Restricted Stock Agreement and this Grant Notice. Participant has reviewed the Restricted Stock Agreement, the Plan and this Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Grant Notice and fully understands all provisions of this Grant Notice, the Restricted Stock Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator of the Plan upon any questions arising under the Plan, this Grant Notice or the Restricted Stock Agreement.

AMERICAN ASSETS TRUST, INC.		**PARTICIPANT**	
By:	______________________	By:	______________________
Print Name:	______________________	Print Name:	______________________
Title:	______________________		
Address:	11455 El Camino Real, Suite 200 San Diego, CA 92130	Address:	______________________ ______________________

EXHIBIT A

TO RESTRICTED STOCK AWARD GRANT NOTICE

RESTRICTED STOCK AWARD AGREEMENT

Pursuant to the Restricted Stock Award Grant Notice ("***Grant Notice***") to which this Restricted Stock Award Agreement (this "***Agreement***") is attached, American Assets Trust, Inc., a Maryland corporation (the "***Company***"), has granted to Participant the right to purchase the number of shares of Restricted Stock under the Company's 2010 Equity Incentive Award Plan (the "***Plan***") indicated in the Grant Notice. The Shares are subject to the terms and conditions of the Plan which are incorporated herein by reference. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan and the Grant Notice.

ARTICLE I
ISSUANCE OF SHARES

1.1 Issuance of Shares. Pursuant to the Plan and subject to the terms and conditions of this Agreement, effective on the Grant Date, the Company irrevocably grants to Participant the number of shares of Stock set forth in the Grant Notice (the "***Shares***"), in consideration of Participant's employment with or service to the Company, the Partnership or one of their Subsidiaries on or before the Grant Date, for which the Administrator has determined Participant has not been fully compensated, and the Administrator has determined that the benefit received by the Company as a result of such employment or service has a value that exceeds the aggregate par value of the Shares, which Shares, when issued in accordance with the terms hereof, shall be fully paid and nonassessable.

1.2 Issuance Mechanics. On the Grant Date, the Company shall issue the Shares to Participant and shall (a) cause a stock certificate or certificates representing the Shares to be registered in the name of Participant, or (b) cause such Shares to be held in book entry form. If a stock certificate is issued, it shall be delivered to and held in custody by the Company and shall bear the restrictive legends required by Section 4.1 below. If the Shares are held in book entry form, then such entry will reflect that the Shares are subject to the restrictions of this Agreement. Participant's execution of a stock assignment in the form attached as Exhibit B to the Grant Notice (the "***Stock Assignment***") shall be a condition to the issuance of the Shares.

ARTICLE II
FORFEITURE AND TRANSFER RESTRICTIONS

2.1 Forfeiture Restriction. Subject to the provisions of Section 2.2 below, in the event of Participant's cessation of Service for any reason, including as a result of Participant's death or Disability, all of the Unreleased Shares (as defined below) shall thereupon be forfeited immediately and without any further action by the Company (the "***Forfeiture Restriction***"). Upon the occurrence of such a forfeiture, the Company shall become the legal and beneficial owner of the Unreleased Shares and all rights and interests therein or relating thereto, and the Company shall have the right to retain and transfer to its own name the number of Unreleased Shares being forfeited by Participant. The Unreleased Shares and Participant's executed stock assignment in the form attached as Exhibit B to the Grant Notice shall be held by the Company in accordance with Section 2.4 until the Shares are forfeited as provided in this

Section 2.1, until such Unreleased Shares are fully released from the Forfeiture Restriction, or until such time as this Agreement no longer is in effect. Participant hereby authorizes and directs the Secretary of the Company, or such other person designated by the Committee, to transfer the Unreleased Shares which have been forfeited pursuant to this Section 2.1 from Participant to the Company.

2.2 Release of Shares from Forfeiture Restriction. The Shares shall be released from the Forfeiture Restriction in accordance with the vesting schedule set forth in Exhibit C attached to the Grant Notice. Any of the Shares which, from time to time, have not yet been released from the Forfeiture Restriction are referred to herein as "***Unreleased Shares***." As soon as administratively practicable following the release of any Shares from the Forfeiture Restriction, the Company shall, as applicable, either deliver to Participant the certificate or certificates representing such Shares in the Company's possession belonging to Participant, or, if the Shares are held in book entry form, then the Company shall remove the notations on the book form. Participant (or the beneficiary or personal representative of Participant in the event of Participant's death or incapacity, as the case may be) shall deliver to the Company any representations or other documents or assurances as the Company or its representatives deem necessary or advisable in connection with any such delivery.

2.3 Transfer Restriction. No Unreleased Shares or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of the Participant or his successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect.

2.4 Escrow. The Unreleased Shares and Participant's executed Stock Assignment shall be held by the Company until the Shares are forfeited as provided in Section 2.1, until such Unreleased Shares are fully released from the Forfeiture Restriction, or until such time as this Agreement no longer is in effect. In such event, Participant shall not retain physical custody of any certificates representing Unreleased Shares issued to Participant. Participant, by acceptance of this Award, shall be deemed to appoint, and does so appoint, the Company and each of its authorized representatives as Participant's attorney(s)-in-fact to effect any transfer of forfeited Unreleased Shares to the Company as may be required pursuant to the Plan or this Agreement, and to execute such representations or other documents or assurances as the Company or such representatives deem necessary or advisable in connection with any such transfer. The Company, or its designee, shall not be liable for any act it may do or omit to do with respect to holding the Shares in escrow and while acting in good faith and in the exercise of its judgment.

2.5 Rights as Stockholder. Except as otherwise provided herein, upon issuance of the Shares by the Company, Participant shall have all the rights of a stockholder with respect to said Shares, subject to the restrictions herein, including the right to vote the Shares and to receive all dividends or other distributions paid or made with respect to the Shares.

2.6 Ownership Limit and REIT Status. The Forfeiture Restriction on the Shares shall not lapse if the lapsing of such restrictions would likely result in any of the following:

(a) a violation of the restrictions or limitations on ownership provided for from time to time under the terms of the organizational documents of the Company; or

(b) income to the Company that could impair the Company's status as a real estate investment trust, within the meaning of Section 856 through 860 of the Code.

ARTICLE III
TAXATION REPRESENTATIONS

3.1 Participant represents to the Company the following:

(a) Participant has reviewed with his or her own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Participant understands that Participant (and not the Company) shall be responsible for his or her own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

(b) Notwithstanding anything to the contrary in this Agreement, the Company shall be entitled to require payment (which payment may be made in cash, by deduction from other compensation payable to Participant or in any form of consideration permitted by the Plan) of any sums required by federal, state or local tax law to be withheld with respect to the issuance, lapsing of restrictions on or sale of the Shares. The Company shall not be obligated to deliver any stock certificate representing vested Shares to Participant or Participant's legal representative, or, if the Shares are held in book entry form, to remove the notations on the book form, unless and until Participant or Participant's legal representative shall have paid or otherwise satisfied in full the amount of all federal, state and local taxes applicable to the taxable income of Participant resulting from the issuance, lapsing of restrictions on or sale of the Shares.

(c) Participant covenants that he or she will not make an election under Section 83(b) of the Code with respect to the receipt of any of the Shares without the consent of the Administrator, which the Administrator may grant or withhold in its sole discretion.

ARTICLE IV
RESTRICTIVE LEGENDS AND STOP-TRANSFER ORDERS

4.1 Legends. The certificate or certificates representing the Shares, if any, shall bear the following legend (as well as any legends required by the Company's charter and applicable state and federal corporate and securities laws):

> THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO FORFEITURE IN FAVOR OF THE COMPANY AND MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF A RESTRICTED STOCK AWARD AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

4.2 Refusal to Transfer; Stop-Transfer Notices. The Company shall not be required (a) to transfer on its books any Shares that have been sold or otherwise transferred in violation of any of the provisions of this Agreement or (b) to treat as owner of such Shares or to accord the right to vote or pay dividends to any purchaser or other transferee to whom such Shares shall have been so transferred. Participant agrees that, in order to ensure compliance with the restrictions referred to herein, the Company may issue appropriate "stop transfer" instructions to its transfer agent, if any, and that, if the Company transfers its own securities, it may make appropriate notations to the same effect in its own records.

4.3 Removal of Legend. After such time as the Forfeiture Restriction shall have lapsed with respect to the Shares, and upon Participant's request, a new certificate or certificates representing such Shares shall be issued without the legend referred to in Section 4.1, and delivered to Participant. If the Shares are held in book entry form, the Company shall cause any restrictions noted on the book form to be removed.

ARTICLE V
MISCELLANEOUS

5.1 Governing Law. This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law.

5.2 Entire Agreement; Enforcement of Rights. This Agreement and the Plan set forth the entire agreement and understanding of the parties relating to the subject matter herein and merge all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement.

5.3 Severability. If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (a) such provision shall be excluded from this Agreement, (b) the balance of the Agreement shall be interpreted as if such provision were so excluded and (c) the balance of the Agreement shall be enforceable in accordance with its terms.

5.4 Notices. Any notice required or permitted by this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by electronic mail (with return receipt requested and received) or fax or forty-eight (48) hours after being deposited in the U.S. mail, as certified or registered mail, with postage prepaid, and addressed to the party to be notified, if to the Company, at its principal offices, and if to Participant, at Participant's address, electronic mail address or fax number in the Company's employee records or as subsequently modified by written notice.

5.5 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

5.6 Successors and Assigns. The rights and benefits of this Agreement shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The Company may assign its rights under this Agreement to any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company without the prior written consent of Participant. The rights and obligations of Participant under this Agreement may only be assigned with the prior written consent of the Company.

5.7 Conformity to Securities Laws. Participant acknowledges that the Plan is intended to conform to the extent necessary with all provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated by the Securities and Exchange Commission thereunder, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Shares are to be issued, only in such a manner as to conform to such laws, rules and regulations. To the extent permitted by applicable law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to such laws, rules and regulations.

5.8 NO RIGHT TO CONTINUED SERVICE. THE PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE LAPSING OF THE FORFEITURE RESTRICTION PURSUANT TO SECTION 2.1 HEREOF IS EARNED ONLY BY CONTINUING SERVICE TO THE COMPANY, THE PARTNERSHIP OR ONE OF THEIR SUBSIDIARIES AS AN "AT WILL" EMPLOYEE OR CONSULTANT OF THE COMPANY, THE PARTNERSHIP OR ONE OF THEIR SUBSIDIARIES OR AN INDEPENDENT DIRECTOR OF THE COMPANY (AND NOT THROUGH THE ACT OF BEING HIRED OR ACQUIRING SHARES HEREUNDER). THE PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE FORFEITURE RESTRICTION SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE, CONSULTANT OR INDEPENDENT DIRECTOR FOR SUCH PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE WITH THE COMPANY'S, THE PARTNERSHIP'S OR ANY OF THEIR SUBSIDIARIES' RIGHT TO TERMINATE THE PARTICIPANT'S EMPLOYMENT OR SERVICE TO THE COMPANY AT ANY TIME, WITH OR WITHOUT CAUSE.

EXHIBIT B

TO RESTRICTED STOCK AWARD GRANT NOTICE

STOCK ASSIGNMENT

FOR VALUE RECEIVED, the undersigned, [Name of Participant], hereby sells, assigns and transfers unto AMERICAN ASSETS TRUST, INC., a Maryland corporation, ______ shares of the Common Stock of AMERICAN ASSETS TRUST, INC., a Maryland corporation, standing in its name of the books of said corporation represented by Certificate No. __ herewith and do hereby irrevocably constitute and appoint ____________________ to transfer the said stock on the books of the within named corporation with full power of substitution in the premises.

This Stock Assignment may be used only in accordance with the Restricted Stock Award Grant Notice and Restricted Stock Award Agreement between AMERICAN ASSETS TRUST, INC. and the undersigned dated ______, 200__.

Dated: __________, ______

____
[Name of Participant]

INSTRUCTIONS: Please do not fill in the blanks other than the signature line. The purpose of this assignment is to enable the Company to enforce the Forfeiture Restriction as set forth in the Stock Award Grant Notice and Restricted Stock Award Agreement, without requiring additional signatures on the part of the stockholder.

EXHIBIT C

TO RESTRICTED STOCK AWARD GRANT NOTICE

VESTING SCHEDULE

1. The number of Shares subject to this Award that become available for vesting pursuant to Sections 2, 3 and 4 below shall be released from the Forfeiture Restriction and vest (a) 50% on the third anniversary of the IPO Date (as defined below), and (b) 50% on the fourth anniversary of the IPO Date, in each case provided that the Participant continues to be an Employee, Independent Director or Consultant on each such date.

2. Absolute TSR Hurdle. Up to __% of the Shares subject to this Award shall become available for vesting pursuant to this Section 2 as follows:

2.1. If the Company achieves a compounded annualized TSR (as defined below) with respect to the three-year period beginning on the date of the closing of the Company's initial public offering (the "***IPO Date***") and ending on the third anniversary of the IPO Date (the "***Performance Period***") that equals or exceeds __%, then __% of the Shares subject to this Award shall become available for vesting.

2.2. If the Company achieves a compounded annualized TSR with respect to the Performance Period that equals __%, then __% of the Shares subject to this Award shall become available for vesting.

2.3. If the Company achieves a compounded annualized TSR with respect to the Performance Period that equals __%, then __% of the Shares subject to this Award shall become available for vesting; or

2.4. If the Company achieves a compounded annualized TSR with respect to the Performance Period that is less than __%, then none of the Shares subject to this Award become available for vesting pursuant to this Section 2.

2.5. If the Company achieves a compounded annualized TSR with respect to the Performance Period that falls between the foregoing levels, the number of Shares subject to this Award that shall become available for vesting will be determined by linear interpolation between the applicable levels.

2.6. For purposes of this Exhibit C, "***TSR***" means the Company's compound annual total shareholder return for the Performance Period calculated in accordance with the total shareholder return calculation methodology used in the MSCI US REIT Index (and, for the avoidance of doubt, assuming the reinvestment of all dividends paid on Common Stock); *provided*, *however*, that for purposes of calculating the Company's TSR for the Performance Period, the initial share price shall be equal to the initial public offering price of a share of Stock.

3. Relative TSR Hurdle. Up to __% of the Shares subject to this Award shall become available for vesting pursuant to this Section 3 as follows:

3.1. If the Company achieves a compounded annualized TSR with respect to the Performance Period that equals or exceeds __ basis points greater than the compounded annualized total shareholder return of the MSCI US REIT Index (or any successor index thereto) for the Performance Period, then __% of the Shares subject to this Award shall become available for vesting.

3.2. If the Company achieves a compounded annualized TSR with respect to the Performance Period that equals __ basis points greater than the compounded annualized total shareholder return of the MSCI US REIT Index (or any successor index thereto) for the Performance Period, then __% of the Shares subject to this Award shall become available for vesting.

3.3. If the Company achieves a compounded annualized TSR with respect to the Performance Period that is within __ basis points less than the compounded annualized total shareholder return of the MSCI US REIT Index (or any successor index thereto) for the Performance Period (the "***Relative TSR Threshold***"), then __% of the Shares subject to this Award shall become available for vesting.

3.4. If the Company achieves a compounded annualized TSR with respect to the Performance Period that is greater than __ basis points less than the compounded annualized total shareholder return of the MSCI US REIT Index (or any successor index thereto) for the Performance Period, then none of the Shares subject to this Award become available for vesting pursuant to this Section 2.

3.5. If the Company achieves a compounded annualized TSR with respect to the Performance Period that falls between the foregoing levels, the number of Shares subject to this Award that shall become available for vesting will be determined by linear interpolation between the applicable levels.

4. Adjustment in the Event of Negative TSR. Notwithstanding the foregoing, in the event that (a) the Relative TSR Threshold is achieved and (b) the Company achieves a negative compounded annualized TSR with respect to the Performance Period, then the number of Shares subject to this Award that become available for vesting pursuant to this Exhibit C shall be reduced by one-third.

5. Forfeiture. Any portion of the Award and any Shares which do not become available for vesting upon the completion of the Performance Period as a result of the relevant performance targets not being achieved shall automatically and without further action be cancelled and forfeited by Participant at the completion of the Performance Period, and Participant shall have no further right or interest in or with respect to such portion of the Award or Shares.

Exhibit 23.3

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption "Experts" and to the use of our report dated September 13, 2010 with respect to the balance sheet of American Assets Trust, Inc. as of August 12, 2010; our report dated September 13, 2010 with respect to the combined financial statements of American Assets Trust, Inc. Predecessor at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; our report dated September 13, 2010 with respect to the financial statements of Novato FF Venture, LLC at December 31, 2009 and 2008, and for each of the three years in the period ended December 31, 2009; our report dated September 13, 2010 with respect to the statements of revenues and certain operating expenses of The Landmark at One Market for the years ended December 31, 2009, 2008 and 2007; and our report dated September 13, 2010 with respect to the combined statements of revenues and certain operating expenses of Solana Beach Centre properties for the years ended December 31, 2009, 2008 and 2007, all included in Amendment No. 2 to the Registration Statement on Form S-11 and related Prospectus of American Assets Trust, Inc. for the registration of $500,000,000 of its common stock.

/s/ ERNST & YOUNG LLP

San Diego, California
November 10, 2010

Exhibit 23.4

Consent of Independent Registered Public Accounting Firm

We consent to the use in Amendment No. 2 to the Registration Statement on Form S-11 of American Assets Trust, Inc., of our report, dated March 31, 2010, relating to our audits of the consolidated financial statements of ABW Lewers LLC.

We also consent to the reference to our firm under the caption “Experts” in the Prospectus.

/s/ ACCUITY LLP

Honolulu, Hawaii
November 10, 2010

Consent of Independent Registered Public Accounting Firm

We consent to the use in Amendment No. 2 to the Registration Statement on Form S-11 of American Assets Trust, Inc., of our report, dated April 21, 2010 (except as to Note 3 and Note 6 which are as of September 13, 2010), relating to our audits of the combined financial statements of Waikiki Beach Walk – Hotel.

We also consent to the reference to our firm under the caption "Experts" in the Prospectus.

/s/ ACCUITY LLP

Honolulu, Hawaii
November 10, 2010

Exhibit 99.2

CONSENT OF LARRY E. FINGER

American Assets Trust, Inc. (the “Company”) intends to file a Registration Statement on Form S-11 (together with any amendments or supplements thereto, the “Registration Statement”) registering its common shares of beneficial interest for issuance in its initial public offering. As required by Rule 438 under the Securities Act of 1933, as amended, the undersigned hereby consents to being named in the Registration Statement as a person who has agreed to serve as a director of the Company beginning immediately after the closing of the offering.

Dated: November 8, 2010

/s/ Larry E. Finger

Larry E. Finger

Exhibit 99.3

CONSENT OF EDWARD F. LANGE, JR.

American Assets Trust, Inc. (the "Company") intends to file a Registration Statement on Form S-11 (together with any amendments or supplements thereto, the "Registration Statement") registering its common shares of beneficial interest for issuance in its initial public offering. As required by Rule 438 under the Securities Act of 1933, as amended, the undersigned hereby consents to being named in the Registration Statement as a person who has agreed to serve as a director of the Company beginning immediately after the closing of the offering.

Dated: November 8, 2010

/s/ Edward F. Lange, Jr.

Edward F. Lange, Jr.

Exhibit 99.4

CONSENT OF DUANE A. NELLES

American Assets Trust, Inc. (the “Company”) intends to file a Registration Statement on Form S-11 (together with any amendments or supplements thereto, the “Registration Statement”) registering its common shares of beneficial interest for issuance in its initial public offering. As required by Rule 438 under the Securities Act of 1933, as amended, the undersigned hereby consents to being named in the Registration Statement as a person who has agreed to serve as a director of the Company beginning immediately after the closing of the offering.

Dated: November 8, 2010

/s/ Duane A. Nelles

Duane A. Nelles

Exhibit 99.5

CONSENT OF THOMAS S. OLINGER

American Assets Trust, Inc. (the “Company”) intends to file a Registration Statement on Form S-11 (together with any amendments or supplements thereto, the “Registration Statement”) registering its common shares of beneficial interest for issuance in its initial public offering. As required by Rule 438 under the Securities Act of 1933, as amended, the undersigned hereby consents to being named in the Registration Statement as a person who has agreed to serve as a director of the Company beginning immediately after the closing of the offering.

Dated: November 8, 2010

/s/ Thomas S. Olinger

Thomas S. Olinger

Exhibit 99.6

CONSENT OF ROBERT S. SULLIVAN

American Assets Trust, Inc. (the “Company”) intends to file a Registration Statement on Form S-11 (together with any amendments or supplements thereto, the “Registration Statement”) registering its common shares of beneficial interest for issuance in its initial public offering. As required by Rule 438 under the Securities Act of 1933, as amended, the undersigned hereby consents to being named in the Registration Statement as a person who has agreed to serve as a director of the Company beginning immediately after the closing of the offering.

Dated: November 9, 2010

/s/ Robert S. Sullivan

Robert S. Sullivan

Julian T.H. Kleindorfer
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LATHAM & WATKINS LLP

File No. 043222-0002

November 12, 2010

VIA EDGAR AND COURIER

Securities and Exchange Commission
Division of Corporation Finance
Mail Stop 4631
100 F Street, N.E.
Washington, D.C. 20549

Attention: Jennifer Gowetski, Senior Counsel
Erin Martin, Attorney-Advisor
Cicely LaMothe, Accounting Branch Chief
Jorge Bonilla, Staff Accountant

Re: American Assets Trust, Inc.
Amendment No. 1 to Registration Statement on Form S-11
Filed October 20, 2010
File No. 333-169326

Ladies and Gentlemen:

On behalf of American Assets Trust, Inc. (the "***Company***"), we have electronically transmitted for filing under separate cover, pursuant to Regulation S-T, Amendment No. 2 (the "***Amendment***") to the Company's above-referenced Registration Statement on Form S-11, which was initially filed with the Securities and Exchange Commission (the "***Commission***") on September 13, 2010 and subsequently amended on October 20, 2010 ("***Amendment No. 1***"), as amended, the "***Registration Statement***." For your convenience, we have enclosed a courtesy package that includes five copies of the Amendment, three of which have been marked to show changes from Amendment No. 1.

This letter responds to the comments of the staff (the "***Staff***") of the Division of Corporation Finance of the Commission, received by facsimile on November 8, 2010 (the "***Comment Letter***"), with respect to the Registration Statement, and the Amendment has been revised to reflect the Company's responses to the Comment Letter. For ease of review, we have set forth below each of the numbered comments of your letter and the Company's responses thereto. All page numbers and captions in the responses below refer to the Amendment, except as otherwise noted below.

General

1. We note your response to comment 3 in our letter dated October 12, 2010. Please note that we will continue to monitor your filing with respect to whether your offering constitutes a "blind pool" offering.

Response: The Company respectfully acknowledges the Staff's comment.

LATHAM&WATKINS LLP

Prospectus Summary, page 1

2. **We note your response to comment 6 in our letter dated October 12, 2010. We further note, however, that your summary continues to contain a lengthy description of your competitive strengths, growth strategies, market opportunity and industry background. Please further revise your summary to substantially reduce the amount of repetitive disclosure in the summary.**

Response: In response to the Staff's comment, the Company has revised the disclosure in the prospectus summary to shorten and streamline the presentation and reduce the amount of repetitive disclosure. For example, the Company has shortened the descriptions the Company's competitive strengths and business and growth strategies. The Company also shortened the industry background and market opportunity sub-section and, in particular, the discussions of the California and Hawaii markets contained therein. In addition, the Company revised the disclosure regarding the structure and formation of the Company and conflicts of interests where it believes that such items are sufficiently described in the remainder of the prospectus in order to reduce the amount of repetitive disclosure in the summary.

Our Competitive Strengths, page 2

3. **We note your response to comment 9 in our letter dated October 12, 2010. Please balance your disclosure in this section and include a brief description of the adverse business developments experienced by your management. Alternatively, revise to remove your discussion of management's prior experience from the summary.**

Response: In response to the Staff's comment and the Staff's comment No. 13, the Company respectfully advises the Staff that it has revised the disclosure on pages 187 and 188 to include additional detail regarding adverse business developments experienced by its management team. While its initial filing had included under the heading "Our Competitive Strengths" a description of accomplishments achieved during its management team's years of experience, the Company notes that it has removed those references from "Our Competitive Strengths." The Company respectfully suggests that the description of its management team's experience under the heading "Our Competitive Strengths" contains no qualitative descriptions of successes for which balancing descriptions of adverse business developments would be appropriate or necessary. Moreover, the Company respectfully suggests further that the inclusion of additional disclosure in this section regarding adverse developments experienced by its management team would run counter to the Company's effort to reduce the length of the description of its strengths, growth strategies, market opportunity and industry background.

Summary Risk Factors, page 5

4. **Please include a summary risk factor that details the risk of on-going litigation as a result of your prior investors' claims.**

Response: In response to the Staff's comment, the Company has revised the disclosure on page 6 to include a summary risk factor relating to the risk of on-going litigation as a result of prior investors' claims.

Structure and Formation of Our Company, page 10

5. **We note your response to comment 15 in our letter dated October 12, 2010 that there are approximately 55 other prior investors. Please confirm that all of these other prior investors have no affiliation with you or your senior management other than the holdings of your securities following the offering.**

Response: In response to the Staff's comment, the Company confirms that none of these other prior investors are "affiliates" of the Company or its senior management as such term is defined under the Securities Act of 1933, as amended. The Company respectfully advises the Staff that these other prior investors include some individuals with extended familial ties to Mr. Rady;

however, none of these investors are members of Mr. Rady's immediate family, nor do they have any other affiliation with the Company or its senior management team.

6. **We note your response to comment 16 in our letter dated October 12, 2010. Please also disclose the aggregate amounts of common stock, common units and cash payable to the third party prior investors.**

   Response: In response to the Staff's comment, the Company has revised the disclosure on page 11 to disclose the aggregate amounts of common stock, common units and cash payable to the third party prior investors.

7. **We note your response to comment 17 in our letter dated October 12, 2010. Please describe in more detail the "relative equity valuation analysis" used to value each of your properties.**

   Response: In response to the Staff's comment, the Company has revised the disclosure on pages 11, 205 and 229 to describe in more detail the relative equity valuation analysis used to value each of the properties.

<u>**Distribution Policy, page 161**</u>

8. **Please refer to footnote (1) on page 63, and notes (H) and (II) on pages F-13 and F-19, respectively. We note your response to comment 27 in our letter dated October 12, 2010 and will monitor your next amendment for compliance. Please note that you need a firm commitment for continued inclusion of this financing activity in your document.**

   Response: The Company acknowledges the Staff's comment and respectfully advises the Staff that it will have a firm commitment for the revolving credit facility prior to the printing and first use of its preliminary prospectus. As the Company will not use its preliminary prospectus or complete its offering prior to obtaining a firm commitment underwriting, the Company respectfully requests that it be permitted to continue including references to its revolving credit facility in its registration statement.

9. **Please refer to footnotes (3) and (4) on pages 63 and 64, respectively, relating to your treatment of month-to-month leases. We have considered your response to comment 28 in our letter dated October 12, 2010, but remain of the view that unless you have entered into a renewal lease, your distribution table should be revised to reflect the decreases due to lease expirations for month-to-month leases. Please revise or advise.**

   Response: In response to the Staff's comment, the Company has revised its distribution table to reflect the decreases due to lease expirations for month-to-month leases.

10. **We note that your disclosure in note (11) on page 67 of your prior filing relating to cash reserve required under your hotel franchise agreement has been deleted in the current amendment. Please explain to us your basis for excluding this disclosure and how you considered the impact of this commitment in your calculation of estimated cash available for distribution.**

    Response: In response to the Staff's comment, the Company respectfully advises the Staff that it believes that its current disclosure, which shows the estimated impact of its historical furniture, fixture and equipment expenses for the hotel portion of this property on its cash flow available for distributions, is an accurate depiction of the impact of recurring anticipated capital expenditures from this property. The Company respectfully advises the Staff that it changed its original disclosure because it determined that footnote 11 on page 67 of its original filing incorrectly presented its furniture, fixture and equipment expense funding obligations with respect to the hotel portion of its mixed-use property. The hotel franchise agreement does not include an impound or lock-box for furniture, fixture and equipment expenses as the previous disclosure stated. Rather, the management agreement for the hotel places an obligation on Outrigger Hotels Hawaii, the manager of this property, to transfer to the hotel's owner (which, after consummation of the IPO, will be a subsidiary of the Operating Partnership) an amount equal to 4% of the gross revenues from the hotel to fund furniture, fixture and equipment expenses. The management agreement does not actually obligate the hotel's owner to deposit these funds in a lock-box account or to actually spend these amounts or any amount for purposes of furniture, fixture and equipment expenses. Pursuant to the terms of the management agreement, the hotel's owner is responsible for all furniture, fixture and equipment expenses, regardless of their relation to the hotel's gross revenue. As such, the Company believes that its current disclosure, which is based on actual amounts historically spent for these purposes, is an accurate depiction of the impact of recurring anticipated capital expenditures at this property, and has been taken into account in the calculation of estimated cash available for distribution.

Dilution, page 267

11. **We note your response to comment 30 in our letter dated October 12, 2010. Please revise to include a footnote that explains how you determined the decrease in pro forma net tangible book value per share attributable to the formation transactions and another footnote that explains how you determined the increase in pro forma net tangible book value per share attributable to the offering.**

Response: In response to the Staff's comment, the Company has revised its dilution table to include separate footnotes that explain the determination of (a) the decrease in pro forma net tangible book value per share attributable to the formation transactions and (b) the increase in pro forma net tangible book value per share attributable to the offering.

Business and Properties, page 113

Our Portfolio, page 119

12. **We note your response to comment 32 in our letter dated October 12, 2010. We note that the hotel property in your mixed-use portfolio is your only hospitality property and, therefore, operating data for the hotel appears material to investors. Please disclose occupancy data and average effective annual rent per unit associated with your hotel property for the prior five years in accordance with Item 15 of Form S-11.**

Response: In response to the Staff's comment, the Company has revised the disclosure on page 170 to include data regarding average occupancy, average daily rate and revenue per available room for the prior three years and nine months. As this property is a hotel and leases its rooms on a nightly basis, the Company respectfully suggests that average effective annual rent per unit would be an inappropriate metric and that average daily rate and revenue per available room, which are metrics customarily used in the hospitality industry, would be the metrics which would be material to investors. While a portion of this property opened in December 2006, this property was not fully opened until February of 2007 and for this reason, the Company respectfully suggests that operational information for this property prior to 2007 would not be material or relevant to investors.

LATHAM&WATKINS LLP

Management, page 184

Additional Background Regarding Our Management Teams, page 186

13. **We note your response to comment 9 in our letter dated October 12, 2010 and the revised disclosure on page 186. Please revise to more specifically explain what you mean by "our senior management team has experienced numerous real estate economic cycles, each of which has presented different challenges and opportunities" and describe in more detail the challenges that your predecessor faced. For example, we note that your predecessor experiences a net loss in the fiscal years ended December 31, 2008 and 2007.**

    Response: In response to the Staff's comment, the Company has revised the disclosure on pages 187 and 188 to more specifically explain what it means by "our senior management team has experienced numerous real estate economic cycles, each of which has presented different challenges and opportunities" and to describe in more detail the challenges faced by its predecessor.

Financial Statements

Pro Forma Consolidated Statement of Operations, pages F-8 and F-9

14. **We have read your response to comment 44 in our letter dated October 12, 2010 and will monitor your next amendment for compliance.**

    Response: The Company respectfully acknowledges the Staff's comment.

Financial Statements of American Assets Trust, Inc. Predecessor

Note 1 — Summary of Significant Accounting Policies

Real Estate, page F-32

15. **We have read your response to comment 46 in our letter dated October 12, 2010. Please explain to us the factors you considered in determining the probability of renewal of your below market leases that have fixed rate renewal options and the basis for this treatment.**

    Response: In response to the Staff's comment, the Company respectfully advises the Staff that in connection with determining purchase price allocations, it reviewed all leases to determine if at acquisition the leases contained fixed rate renewal options that were below market. The Company determined that twenty acquired leases contained fixed rate renewal options. Of these twenty leases, the Company determined that nine contained fixed rate renewal options that constituted a bargain renewal option, as such fixed rate renewal options were materially below market (i.e. the contractual rent was 18% to 60% below market at acquisition) and therefore, at acquisition, it was considered probable that the tenant would exercise its right to extend the lease. For the remaining eleven leases with fixed rate renewal options, the Company determined that they did not contain bargain lease renewal options. The factors considered by the Company in reaching this determination included (i) the limited difference between the fixed renewal rate and estimated market rate (i.e. the contractual rent was 3% to 15% below market at acquisition) and (ii) the amount of time until the relevant option period begins. Based upon its determination that these eleven leases did not contain bargain lease renewal options, the Company concluded that it was unlikely that the tenant would elect to renew such leases and that, therefore, the value of such renewal options, if any, was immaterial. For each of the nine leases that we considered to contain bargain renewal options, we calculated the fixed rate renewal below market lease liability.

Based on these calculations, the Company determined that the carrying amounts of its intangible lease liability related to the nine leases with fixed rate bargain renewal options should be $5.1 million at acquisition, which is being amortized into income over the corresponding renewal periods.

<u>Part II — Information Not Required in Prospectus, page II-1</u>

<u>Item 36. Financial Statements and Exhibits, page II-3</u>

16. **We note your response to comment 49 in our letter dated October 12, 2010. Please confirm to us that you will file exhibit 10.8 in its entirety after its execution.**

Response: In response to the Staff's comment, the Company confirms that it will file exhibit 10.8 in its entirety on Form 8-K after its execution. The Company respectfully advises the Staff that the execution of exhibit 10.8 will occur concurrently with the completion of the proposed offering.

<u>Draft Tax Opinion</u>

17. **Please refer to the penultimate paragraph of the opinion, which states that '[t]his opinion is rendered only to you and is solely for your benefit . . . This opinion may not be relied upon by you for any other purpose . . . ." Please note that it is inappropriate to place limitations on who may rely upon the opinion and the manner in which they may rely. Please have counsel revise the opinion accordingly or advise.**

Response: The Company's tax counsel has revised its draft tax opinion in response to the Staff's comment. The Company is providing a revised draft of the Exhibit 8.1 opinion to the Staff on a supplemental basis for its review, which revised draft opinion is appended to this letter.

Please do not hesitate to contact me by telephone at (213) 891-8371 or by fax at (213) 891-8763 with any questions or comments regarding this correspondence.

Very truly yours,

/s/ Julian T.H. Kleindorfer
Julian T.H. Kleindorfer of
LATHAM & WATKINS LLP

cc: John Chamberlain, American Assets Trust, Inc.
Adam Wyll, American Assets Trust, Inc.
Scott N. Wolfe, Esq., Latham & Watkins LLP
Michael E. Sullivan, Esq., Latham & Watkins LLP
David W. Bonser, Esq., Hogan Lovells US LLP
Samantha S. Gallagher, Esq., Hogan Lovells US LLP

Appendix

Revised Tax Opinion
(Supplementally Provided)