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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

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

COMMISSION FILE NO. 33-98136

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

DELAWARE	22-3258100
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

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

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

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

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

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

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

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

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the definitive Proxy Statement of Chelsea GCA Realty, Inc. relating to its 1998 Annual Meeting of Shareholders are incorporated by reference into Part III as set forth herein.

PART I

ITEM 1. BUSINESS

THE OPERATING PARTNERSHIP

Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), is 81.7% owned and managed by its sole general partner, Chelsea GCA Realty, Inc. ("Chelsea GCA" or the "Company"), a self-administered and self-managed real estate investment trust ("REIT"). The Operating Partnership owns, develops, redevelops, leases, markets and manages upscale and fashion-oriented manufacturers' outlet centers. At the end of 1997, the Operating Partnership owned and operated 20 centers (the "Properties") with approximately 4.3 million square feet of gross leasable area ("GLA") in 12 states. The Operating Partnership also has properties under development including one new center in Leesburg, Virginia, an expansion of Woodbury Common (Central Valley, NY), its largest center, and expansions of other existing centers. The Operating Partnership's existing portfolio includes properties in or near New York City, Los Angeles, San Francisco, Sacramento, Boston, Portland (Oregon), Kansas City, Atlanta, Cleveland, Honolulu, the Napa Valley, Palms Springs and the Monterey Peninsula.

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

RECENT DEVELOPMENTS

Between January 1, 1997 and December 31, 1997, the Operating Partnership added 698,000 square feet of GLA to its portfolio as a result of a 227,000 square foot new center opening, a 214,000 square foot acquisition and five expansions totaling 257,000 square feet.

A summary of development, acquisition and expansion activity from January 1, 1997 through December 31, 1997 is contained below:

Property	Acquisition or Development Date (s)	GLA (Sq. Ft.)	Number of Stores	Certain Tenants
As of January 1, 1997.....		3,610,000	995	
New center:				
Wrentham Village.....	10/97	227,000	57	Bose, Brooks Brothers, Donna Karan, GAP, Off 5th-Saks Fifth Avenue, Versace
Acquisition:				
Waikele Premium Outlets.....	3/97	214,000	51	Bose, Donna Karan, Guess, Levi's, Nine West, Off 5th-Saks Fifth Avenue
Expansions:				
North Georgia.....	5/97	111,000	32	Joan & David, Liz Claiborne, Williams Sonoma
Camarillo Premium Outlets.....	9/97	85,000	18	Calvin Klein, GAP, J. Peterman
Desert Hills.....	11/97	36,000	8	Emanuel/Emanuel Ungaro, Lacoste
Other (net).....		25,000	1	Emanuel/Emanuel Ungaro
Total expansions.....		257,000	59	
As of December 31, 1997.....		4,308,000	1,162	

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

WRENTHAM VILLAGE, WRENTHAM, MASSACHUSETTS. Wrentham Village Premium Outlets, a 227,000 square foot center containing 57 stores, opened in October 1997 and is located near the junction of interstates 95 and 495 between Boston and Providence. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 3.9 million, 6.9 million and 10.3 million, respectively. Average household income within a 30-mile radius is approximately $52,000.

WAIKELE, WAIPAHU, HAWAII. Waikele Premium Outlets, a 214,000 square foot center containing 51 stores, was acquired on March 31, 1997 and is located on Oahu Highway H-1, 15 miles northwest of Honolulu. The populations within a 15-mile and 30-mile radius are approximately 700,000 and 900,000, respectively. Average household income within a 30-mile radius is approximately $63,000. Approximately 6.5 million tourists visited Hawaii in 1996.

NORTH GEORGIA, DAWSONVILLE, GEORGIA. North Georgia Premium Outlets, a 403,000 square foot center containing 108 stores, opened in two phases, in May 1996 and May 1997. The center is located 40 miles north of Atlanta on Georgia State Highway 400 bordering Lake Lanier, at the gateway to the North Georgia mountains. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 700,000, 3.6 million and 5.8 million, respectively. Average household income within a 30-mile radius is approximately $55,000.

CAMARILLO, CAMARILLO, CALIFORNIA. Camarillo Premium Outlets, a 365,000 square foot center containing 103 stores, opened in five phases, from March 1995 through September 1997. The center is located 48 miles north of Los Angeles, about 55 miles south of Santa Barbara on Highway 101. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 1.1 million, 8.3 million and 14.6 million, respectively. Average household income within a 30-mile radius is approximately $66,000.

DESERT HILLS, CABAZON, CALIFORNIA. Desert Hills Premium Outlets, a 468,000 square foot center containing 117 stores, opened in three phases, in December 1990, June 1995 and November 1997. The center is located on Interstate 10, 18 miles west of Palm Springs and 75 miles east of Los Angeles. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 1.1 million, 4.7 million and 17.0 million, respectively. Average household income within a 30-mile radius is approximately $42,000.

The Operating Partnership has started construction of approximately 760,000 square feet of new GLA scheduled for completion in 1998, including the 270,000 square foot first phase of Leesburg Corner Premium Outlets (Leesburg, VA), a new center serving the greater Washington, DC market; and expansions of 270,000 square feet at Woodbury Common Premium Outlets (Central Valley, NY), 125,000 square feet at Wrentham Village Premium Outlets, 45,000 square feet at Camarillo Premium Outlets, 30,000 square feet at North Georgia Premium Outlets, and 20,000 square feet at Folsom Premium Outlets (Folsom, CA). These projects are in various stages of development and there can be no assurance that any of these projects will be completed or opened, or that there will not be delays in the opening or completion of any of these projects.

STRATEGIC ALLIANCE

In May 1997, the Operating Partnership announced the formation of a strategic alliance with Simon DeBartolo Group, Inc. ("Simon") to develop and acquire high-end outlet centers with GLA of 500,000 square feet or more in the United States. The Operating Partnership and Simon will be co-managing general partners, each with 50% ownership of the joint venture and any entities formed with respect to specific projects; the Operating Partnership will have primary responsibility for the day-to-day activities of each project. In conjunction with the alliance, on June 16, 1997, the Operating Partnership completed the sale of 1.4 million shares of the Company's common stock to Simon, for an aggregate price of $50 million. Proceeds from the sale were used to repay borrowings under the Credit Facilities. Simon is one of the largest publicly traded real estate companies in North America as measured by market capitalization, and at March 1998 owns, has an interest in and or manages approximately 145 million square feet of retail and mixed-use properties in 34 states.

ORGANIZATION OF THE OPERATING PARTNERSHIP

The Operating Partnership was formed through the merger in 1993 of The Chelsea Group ("Chelsea") and Ginsburg Craig Associates ("GCA"), two leading outlet center development companies, providing for greater access to the public and private capital markets. All of the Properties are held by and all of its business activities conducted through the Operating Partnership. The Company (which owned 81.7% in the Operating Partnership as of December 31, 1997) is the sole general partner of the Operating Partnership and has full and complete control over the management of the Operating Partnership and each of the Properties.

THE MANUFACTURERS' OUTLET BUSINESS

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

BUSINESS OF THE OPERATING PARTNERSHIP

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

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

HIGH QUALITY PROPERTY PORTFOLIO. The Properties generated weighted average reported tenant sales during 1997 of $360 per square foot. A significant number of the Operating Partnership's tenants, including Ann Taylor, Brooks Brothers, Burberrys, Cole-Haan, Donna Karan, Emanuel/Emanuel Ungaro, Joan & David, Jones New York, Nike, Nine West, Nautica, Polo Ralph Lauren Factory Store, Royal Doulton, Timberland, Tommy Hilfiger and Waterford/Wedgwood, reported that the top store in their outlet chain during 1996 (as measured by sales per square foot or gross sales) was in one of the Operating Partnership's centers. The Operating Partnership believes that the quality of its centers gives it significant advantages in attracting customers and negotiating multi-lease transactions with tenants.

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

GROWTH STRATEGY

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

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

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

ACQUIRING AND REDEVELOPING CENTERS. The Operating Partnership intends to selectively acquire individual properties and portfolios of properties that meet its strategic investment criteria as suitable opportunities arise. The Operating Partnership believes that its extensive experience in the outlet center business, access to capital markets, familiarity with real estate markets and advanced management systems will allow it to evaluate and execute acquisitions competitively. Furthermore, management believes that the Operating Partnership will be able to enhance the operation of acquired properties as a result of its (i) strong tenant relationships with both national and upscale fashion retailers; and (ii) development, marketing and management expertise as a full-service real estate organization. Additionally, the Operating Partnership may be able to acquire properties on a tax-advantaged basis through the issuance of Operating Partnership units. There can be no assurance that any acquisitions will be consummated or, if consummated, will result in an advantageous return on investment for the Operating Partnership.

OPERATING STRATEGY

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

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

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

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

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

PROPERTY DESIGN AND MANAGEMENT. The Operating Partnership believes that effective property design and management are significant factors in the success of its properties and works continually to maintain or enhance each center's physical plant, original architectural theme and high level of on-site services. Each property is designed to be compatible with its environment and is maintained to high standards of aesthetics, ambiance and cleanliness in order to promote longer visits and repeat visits by shoppers. Of the Operating Partnership's 326 full-time and 72 part-time employees, 228 full-time and 72 part-time employees are involved in on-site maintenance, security, administration and marketing. Centers are generally managed by an on-site property manager with oversight from a regional operations manager.

FINANCING

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

It is the Operating Partnership's policy to limit its borrowings to less than 40% of total market capitalization (defined as the value of outstanding shares of the Company's common stock including conversion of partnership units to common stock, plus the liquidation preference value of the Company's preferred stock, plus total debt). Applying a December 31, 1997 closing price of $38.1875 per common share, plus a liquidation preference of $50.00 per preferred share, the Operating Partnership's ratio of debt to total market capitalization was approximately 27% at December 31, 1997.

The Operating Partnership currently has in place two unsecured bank revolving lines of credit with an aggregate maximum borrowing amount of $150 million (each, a "Credit Facility" and collectively, the "Credit Facilities"). Each Credit Facility expires on March 30, 1998 and bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.15% or the prime rate, at the Operating Partnership's option. A fee on the unused portion of the Credit Facilities is payable quarterly at a rate of 0.25% per annum. The Credit Facilities' are provided by five banks. The Operating Partnership has agreed to a term sheet with its agent bank for a new three year credit facility that generally includes more favorable terms than the Credit Facilities and is expected to close on or prior to March 30, 1998.

The Operating Partnership completed the sale to Simon of 1.4 million shares of the Company's common stock, for an aggregate price of $50 million, on June 16,

1997, in conjunction with a strategic alliance. Proceeds from the sale were used to repay borrowings under the Credit Facilities.

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

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

COMPETITION

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

ENVIRONMENTAL MATTERS

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

PERSONNEL

As of December 31, 1997, the Operating Partnership had 326 full-time and 72 part-time employees. None of the employees are subject to any collective bargaining agreements, and the Operating Partnership believes it has good relations with its employees.

ITEM 2. PROPERTIES

The Properties are upscale, fashion-oriented manufacturers' outlet centers located near large metropolitan areas, including New York, Los Angeles, San Francisco, Boston, Atlanta, Sacramento, Portland (Oregon), Kansas City and Cleveland, or at or near tourists destinations, including Honolulu, the Napa Valley, Palm Springs and the Monterey Peninsula. The Properties were 99% leased as of December 31, 1997 and contained approximately 1,200 stores with approximately 360 different tenants. During 1997 and 1996, the Properties generated weighted average tenant sales of $360 and $345 per square foot, respectively. As of December 31, 1997, the Operating Partnership had 20 operating outlet centers. Of the 20 operating centers, 18 are owned 100% in fee; and two, American Tin Cannery Premium Outlets and Lawrence Riverfront Plaza Factory Outlets, are held under long-term leases. The Operating Partnership manages all of its Properties.

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

The Operating Partnership, combining all of its store concepts, does not consider any one store lease to be material and no individual tenant accounts for more than 7% of the Operating Partnership's gross revenues or total GLA. Only one tenant occupies more than 4.3% of the Operating Partnership's total GLA. In view of these statistics and the Operating Partnership's past success in re-leasing available space, the Operating Partnership believes the loss of any individual tenant would not have a significant effect on future operations.

Set forth in the table below is certain property information as of December 31,1997:

NAME/LOCATION	YEAR OPENED	GLA (SQ. FT.)	NO. OF STORES	CERTAIN TENANTS
Woodbury Common..... Central Valley, NY (New York City Metro area)	1985	573,000	151	Brooks Brothers, Calvin Klein, Coach Leather, Donna Karan, GAP, Polo Ralph Lauren
Desert Hills..... Cabazon, CA (Palm Springs-Los Angeles area)	1990	468,000	117	Bose, Coach Leather, Donna Karan, Eddie Bauer, Nautica, Polo Ralph Lauren, Tommy Hilfiger
North Georgia..... Dawsonville, GA (Atlanta metro area)	1996	403,000	108	Bose, Brooks Brothers, Donna Karan, GAP, Off 5th-Saks Fifth Avenue, Van Heusen, Williams Sonoma
Camarillo Premium Outlets..... Camarillo, CA (Los Angeles metro area)	1995	365,000	103	Barneys New York, Donna Karan, J. Peterman, Levi's, Nine West, Off 5th-Saks Fifth Avenue
Aurora Premium Outlets..... Aurora, OH (Cleveland metro area)	1987	294,000	66	Ann Taylor, Brooks Brothers, Carters, Liz Claiborne, Off 5th-Saks Fifth Avenue, Reebok
Clinton Crossing..... Clinton, CT (I-95/NY-New England corridor)	1996	272,000	67	Bose, Coach Leather, Donna Karan, GAP, Off 5th-Saks Fifth Avenue, Polo Ralph Lauren
Wrentham Village..... Wrentham, MA (Boston/Providence metro area)	1997	227,000	57	Brooks Brothers, Calvin Klein, Donna Karan, GAP, Versace
Folsom Premium Outlets..... Folsom, CA (Sacramento metro area)	1990	226,000	67	Bass, Donna Karan, Levi's, Nike, Nine West, Off 5th-Saks Fifth Avenue
Waikele Premium Outlets..... Waipahu, HI (Honolulu area)	1997(1)	214,000	51	Bose, Donna Karan, Guess, Levi's, Nine West, Off 5th-Saks Fifth Avenue
Petaluma Village..... Petaluma, CA (San Francisco metro area)	1994	196,000	51	Ann Taylor, Brooks Brothers, Levi's, Off 5th-Saks Fifth Avenue, Reebok
Napa Premium Outlets..... Napa, CA (Napa Valley)	1994	171,000	49	Cole-Haan, Dansk, Ellen Tracy, Esprit, J.Crew, Nautica, Timberland
Liberty Village..... Flemington, NJ (New York-Phila. metro area)	1981	157,000	58	Calvin Klein, Donna Karan, Ellen Tracy, Polo Ralph Lauren, Tommy Hilfiger
Columbia Gorge..... Troutdale, OR (Portland metro area)	1991	148,000	42	Carters, Harry & David, Levi's, Mikasa, Norm Thompson
Lawrence Riverfront Plaza..... Lawrence, KS (Kansas City metro area)	1990	146,000	39	Bass, J.Crew, Jones New York Country, London Fog
American Tin Cannery..... Pacific Grove, CA (Monterey Peninsula)	1987	137,000	49	Anne Klein, Carole Little, Joan & David, London Fog, Reebok, Rockport
Santa Fe Premium Outlets..... Santa Fe, NM	1993	125,000	41	Brooks Brothers, Cole-Haan, Dansk, Donna Karan, Joan & David, Mondi
Patriot Plaza..... Williamsburg, VA (Norfolk-Richmond area)	1986	76,000	11	Lenox, Polo Ralph Lauren, Westpoint Stevens
Solvang Designer Outlets..... Solvang, CA (Southern California area)	1994	52,000	15	Bass, Donna Karan, Ellen Tracy, Nautica
Mammoth Premium Outlets..... Mammoth Lakes, CA. (Yosemite National Park)	1990	35,000	11	Bass, Polo Ralph Lauren
St. Helena Premium Outlets..... St. Helena, CA (Napa Valley)	1992	23,000	9	Brooks Brothers, Coach Leather, Donna Karan, Joan & David
Total.....		4,308,000	1,162	

(1) Acquired in March 1997

The Operating Partnership rents approximately 23,000 square feet of office space in its headquarters facility in Roseland, New Jersey and approximately 4,000 square feet of office space for its west coast regional office in Newport Beach, California.

ITEM 3. LEGAL PROCEEDINGS

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

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

None.

PART II

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

None.

ITEM 6: SELECTED FINANCIAL DATA

CHELSEA GCA REALTY PARTNERSHIP, L.P. AND PREDECESSOR BUSINESS (1)
(IN THOUSANDS EXCEPT PER SHARE, AND NUMBER OF CENTERS)

	Year Ended December 31,				Period Nov.2 1993 to Dec. 31,	Period Jan. 1, 1993 to Nov. 1,
Operating Data:	1997	1996	1995	1994	1993	1993
Rental revenue	$81,531	$63,792	$51,361	$38,010	$6,401	$21,398
Total revenues	113,417	91,356	72,515	53,145	8,908	29,844
Total expenses	78,262	59,996	41,814	28,179	4,618	28,372
Net income before minority interest and extraordinary item	35,155	31,360	29,650	24,966	4,290	1,472
Minority interest	(127)	(257)	(285)	(49)	-	(1,128)
Net income before extraordinary item	35,028	31,103	29,365	24,917	4,290	344
Extraordinary item - loss on retirement of debt	(252)	(902)	-	-	(9,410)	-
Net income (loss)	34,776	30,201	29,365	24,917	(5,120)	344
Preferred distribution	(907)	-	-	-	-	-
Net income (loss) to common unitholders	33,869	30,201	29,365	24,917	(5,120)	344
Net income (loss) per common unit:						
General partner (including $0.01, $0.05 and $0.51 net loss per unit from extraordinary item in 1997, 1996 and 1993, respectively)	$1.88	$1.77	$1.75	$1.50	$(0.31)	-
Limited partner (including $0.01, $0.05 and $0.51 net loss per unit from extraordinary item in 1997, 1996 and 1993, respectively)	$1.87	$1.76	$1.75	$1.50	$(0.31)	-
OWNERSHIP INTEREST:						
General partner	14,605	11,802	11,188	10,956	10,937	-
Limited partners	3,435	5,316	5,601	5,690	5,703	-
Weighted average units outstanding	18,040	17,118	16,789	16,646	16,640	-
BALANCE SHEET DATA:						
Rental properties before accumulated depreciation	$708,933	$512,354	$415,983	$332,834	$243,218	$192,565
Total assets	688,029	502,212	408,053	330,775	288,732	188,895
Total liabilities	342,106	240,878	141,577	68,084	24,496	173,012
Minority interest	-	5,698	5,441	5,156	-	5,587
Partners' capital	$345,923	$255,636	$261,035	$257,535	$264,236	$2,297
Distributions declared per common unit	$2.58	$2.355	$2.135	$1.90	$0.30	-
OTHER DATA:						
Funds from operations to common unitholders(2)	$57,417	$48,616	$41,870	$33,631	$5,648	$7,727
Cash flows from:						
Operating activities	$56,594	$53,510	$36,797	$32,522	$4,746	$9,893
Investing activities	(199,250)	(99,568)	(82,393)	(79,595)	(63,607)	(29,032)
Financing activities	$143,308	$55,957	$40,474	$(1,707)	$116,570	$22,692
GLA at end of period	4,308	3,610	2,934	2,342	1,879	1,620
Weighted average GLA (3)	3,935	3,255	2,680	2,001	1,743	1,550
Centers at end of the period	20	18	16	16	13	12
New centers opened	1	2	1	3	1	-
Centers expanded	5	5	7	4	3	2
Center sold	-	-	1	-	-	-
Center acquired	1	-	-	-	-	-

NOTES TO SELECTED FINANCIAL DATA:

(1) The selected financial data includes the combined statement of Chelsea GCA Properties ("Predecessor Business") for the period prior to November 2, 1993, and the consolidated statements of Chelsea GCA Realty Partnership, L.P. for the periods after November 1, 1993.

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

(3) GLA weighted by months in operation.

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

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

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

GENERAL OVERVIEW

At December 31, 1997, the Operating Partnership operated 20 manufacturers' outlet centers, compared to 18 at the end of 1996 and 16 at the end of 1995. The Operating Partnership's operating gross leasable area ("GLA") at December 31, 1997 was 4.3 million square feet compared to 3.6 million square feet and 2.9 million square feet at December 31, 1996 and 1995, respectively.

From January 1, 1995 to December 31, 1997, the Operating Partnership grew by increasing rents at its operating centers, opening four new centers, acquiring one center, and expanding ten centers. The 2.0 million square feet ("sf") of GLA added is detailed in the schedule that follows:

Changes in GLA (sf in 000's):	SINCE JANUARY 1, 1995	1997	1996	1995
NEW CENTERS DEVELOPED:				
Wrentham Village	227	227	-	-
North Georgia	292	-	292	-
Clinton Crossing	272	-	272	-
Camarillo Premium Outlets	149	-	-	149
TOTAL NEW CENTERS	940	227	564	149
CENTERS EXPANDED:				
North Georgia	111	111	-	-
Camarillo Premium Outlets	216	85	54	77
Desert Hills	227	36	-	191
Folsom Premium Outlets	37	15	22	-
Liberty Village	16	12	4	-
Petaluma Village	46	-	30	16
Woodbury Common	21	-	2	19
Napa Premium Outlets	99	-	-	99
Patriot Plaza	35	-	-	35
Aurora Premium Outlets	27	-	-	27
Other	(9)	(2)	-	(7)
TOTAL CENTERS EXPANDED	826	257	112	457
CENTER SOLD:				
Page Factory Stores	(14)	-	-	(14)
CENTER ACQUIRED:				
Waikele Premium Outlets	214	214	-	-
GLA added during the period	1,966	698	676	592
OTHER DATA:				
GLA at end of period		4,308	3,610	2,934
Weighted average GLA (1)		3,935	3,255	2,680
Centers at end of period		20	18	16
New centers opened		1	2	1
Centers expanded		5	5	7
Center sold		-	-	1
Center acquired		1	-	-

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

The Operating Partnership's centers produced weighted average reported tenant sales of approximately $360 per square foot in 1997 compared to $345 and $313 per square foot in 1996 and 1995, respectively.

Two of the Operating Partnership's centers, Woodbury Common and Desert Hills, provided approximately 34%, 38% and 40% of the Operating Partnership's total revenue for the years 1997, 1996, and 1995, respectively. In addition, approximately 38%, 44%, and 45% of the Operating Partnership's revenues for the years ended December 31, 1997, 1996 and 1995, respectively, were derived from the Operating Partnership's centers in California.

The Operating Partnership does not consider any one store lease to be material and no individual tenant, combining all of its store concepts, accounts for more than 7% of the Operating Partnership's gross revenues or total GLA. Only one tenant occupies in excess of 4.3% of the Operating Partnership's total GLA. In view of these statistics and the Operating Partnership's past success in re-leasing available space, the Operating Partnership believes the loss of any individual tenant would not have a significant effect on future operations.

The discussion below is based upon operating income before minority interest and extraordinary item. The minority interest in net income varies from period to period as a result of changes in the Operating Partnership's 50% investment in Solvang.

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

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

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

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

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

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

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

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

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

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

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

COMPARISON OF YEAR ENDED DECEMBER 31, 1996 TO YEAR ENDED DECEMBER 31, 1995

Operating income before interest, depreciation and amortization increased $12.4 million, or 26.8%, to $59.1 million in 1996 from $46.7 million in 1995. This increase was primarily the result of the Operating Partnership's expansions and new center openings.

Base rentals increased $10.4 million, or 22.5%, to $56.4 million in 1996 from $46.0 million in 1995 due to expansions, new center openings and higher average rents. Base rental revenue per weighted average square foot increased to $17.32 in 1996 from $17.17 in 1995 as a result of higher rental rates on new leases and renewals.

Percentage rents increased $2.1 million, or 38.7%, to $7.4 million in 1996 from $5.3 million in 1995. The increase was primarily due to increases in tenant sales, new center openings and expansions at the Operating Partnership's larger centers.

Expense reimbursements, representing contractual recoveries from tenants of certain common area maintenance, operating, real estate tax, promotional and management expenses, increased $5.1 million, or 25.6%, to $24.8 million in 1996 from $19.7 million in 1995, due to the recovery of operating and maintenance costs at new and expanded centers. On a weighted average square foot basis, expense reimbursements increased 3.5% to $7.61 in 1996 from $7.35 in 1995. The average recovery of reimbursable expenses was 91.8% in 1996 compared to 93.9% in 1995.

Other income increased $1.3 million to $2.8 million in 1996 from $1.5 million in 1995 primarily as a result of an outparcel sale at one of the operating centers, increased interest income and lease termination settlements.

Interest, in excess of amounts capitalized, increased $5.7 million to $8.8 million in 1996 from $3.1 million in 1995, due to higher debt balances from the issuance of $200 million of public debt during 1996 and lower construction in progress.

Operating and maintenance expenses increased $6.0 million, or 28.6%, to $27.0 million in 1996 from $21.0 million in 1995. The increase was primarily due to costs related to expansions and new centers. On a weighted average square foot basis, operating and maintenance expenses increased 5.9% to $8.29 in 1996 from $7.83 in 1995 as a result of increased insurance expense and additional maintenance and security services provided at the centers.

General and administrative expenses increased $0.3 million to $3.3 million in 1996 from $3.0 million in 1995. On a weighted average square foot basis, general and administrative expenses decreased 7.2% to $1.03 in 1996 from $1.11 in 1995. Increased personnel and overhead costs were offset by additions to operating GLA.

Other expenses remained stable at $1.9 million in 1996 and 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Operating Partnership believes it has adequate financial resources to fund operating expenses, distributions, and planned development and construction activities. Operating cash flow in 1997 of $54.6 million is expected to increase with a full year of operations of the 698,000 square feet of GLA added during 1997 and scheduled openings of approximately 760,000 square feet in 1998, subject to market demand. In addition, at December 31, 1997 the Operating Partnership had $145 million available under its Credit Facilities, access to the public markets through shelf registrations covering $200 million of equity and $175 million of debt, and cash and equivalents of $14.5 million.

Operating cash flow is expected to provide sufficient funds for distributions. In addition, the Operating Partnership anticipates retaining sufficient operating cash to fund re-tenanting and lease renewal tenant improvement costs, as well as capital expenditures to maintain the quality of its centers.

In the fourth quarter of 1997, the Operating Partnership raised its quarterly distribution to $0.69 per unit from $0.63 per unit, a 9.5% increase. Common distributions declared and recorded in 1997 were $47.3 million or $2.58 per unit. The Operating Partnership's 1997 distribution payout ratio as a percentage of net income before depreciation and amortization, loss on extraordinary item and minority interest was 82.4%. Distributions are limited by covenants of the Credit Facilities to 95% of net income before depreciation and amortization and minority interest.

The Operating Partnership currently has in place two unsecured bank revolving lines of credit with an aggregate maximum borrowing amount of $150 million (each, a "Credit Facility" and collectively, the "Credit Facilities"). Each Credit Facility expires on March 30, 1998 and bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.15% or the prime rate, at the Operating Partnership's option. A fee on the unused portion of the Credit Facilities is payable quarterly at a rate of 0.25% per annum. The Credit Facilities'are provided by five banks. The Operating Partnership has agreed to a term sheet with its agent bank for a new three year credit facility that generally includes more favorable terms than the Credit Facilities and is expected to close on or prior to March 30, 1998.

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

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

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

The Operating Partnership is in the process of planning development for 1998 and beyond. Approximately 760,000 square feet of the Operating Partnership's planned 1998 development is under construction. The Operating Partnership anticipates 1998 development and construction costs of $100 million to $120 million. Funding is currently expected from borrowings under the Credit Facilities, additional debt offerings, and/or equity offerings.

The Operating Partnership's planned development also includes Houston Premium Outlets (Houston, TX) which is expected to be the first project undertaken as part of the Operating Partnership's strategic alliance with Simon, announced in May 1997. Construction is scheduled to begin on the 430,000 square foot first phase during the third quarter of 1998, with completion scheduled for mid-year 1999. The Operating Partnership will be a co-managing general partner of a sole purpose joint venture and will have a 50% ownership interest in the project. The joint venture expects to finance this project with partners' equity contributions and debt secured by the project.

Planned development projects are in various stages of completion and there can be no assurance that any of these projects will be completed or opened or that there will not be delays in the opening or completion of any of these projects.

To achieve planned growth and favorable returns in both the short and long-term, the Operating Partnership's financing strategy is to maintain a strong, flexible financial position by: (i) maintaining a conservative level of leverage; (ii) extending and sequencing debt maturity dates; (iii) managing exposure to

floating interest rates; and (iv) maintaining liquidity. Management believes these strategies will enable the Operating Partnership to access a broad array of capital sources, including bank or institutional borrowings and secured and unsecured debt and equity offerings. It is the Operating Partnership's policy to limit its borrowings to less than 40% of total market capitalization (defined as the value of outstanding shares of the Company's common stock including conversion of partnership units to common stock, plus the liquidation preference value of the Company's preferred stock plus total debt). Applying a December 31, 1997 closing price of $38.1875 per common share, plus a liquidation preference of $50.00 per preferred share, the Operating Partnership's ratio of debt to total market capitalization was approximately 27% at December 31, 1997.

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

Net cash provided by operating activities was $53.5 million and $36.8 million for the years ended December 31, 1996 and 1995, respectively. The increase was primarily due to the growth of the Operating Partnership's GLA to 3.6 million square feet in 1996 from 2.9 million square feet in 1995 and increases in accrued interest on the borrowings. Net cash used in investing activities increased $17.2 million for the year ended December 31, 1996 compared to 1995, primarily as a result of increased construction activity. Net cash provided by financing activities increased $15.5 million primarily due to debt offerings offset by repayments of the Operating Partnership's lines of credit.

YEAR 2000 COMPLIANCE

The Operating Partnership has determined that is will need to modify or replace significant portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and beyond. The Operating Partnership's comprehensive Year 2000 initiative is being managed by a team of internal staff and outside consultants. The team's activities are designed to ensure that there are no adverse effects on the Operating Partnership's core business operations and that transactions with customers, suppliers, and financial institutions are fully supported. The Operating Partnership is well under way with these efforts, which are scheduled to be completed by the end of 1998. While the Operating Partnership believes its planning efforts are adequate to address its Year 2000 concerns, there can be no guarantee that the systems of other companies on which the Operating Partnership's systems and operations rely will be converted on a timely basis and will not have a material effect on the Operating Partnership. The cost of the Year 2000 initiatives is not expected to be material to the Operating Partnership's results of operations or financial position.

FUNDS FROM OPERATIONS

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

	Year Ended December 31, 1997	1996
Common income before extraordinary item....	$34,121	$31,103
Add:		
Depreciation and amortization (1).....	24,883	18,747
Amortization of deferred financing costs and depreciation of non-rental real estate assets.....	(1,587)	(1,234)
FFO.....	$57,417	$48,616
Average units outstanding.....	18,039	17,118
Distributions declared per unit.....	$2.58	$2.355

NOTE: (1) Excludes depreciation and minority interest attributed to a third-party limited partner's interest in a partnership for the years ended December 31, 1997 and 1996, respectively.

ECONOMIC CONDITIONS

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

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

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

None.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and financial information of the Operating Partnership for the years ended December 31, 1997, 1996 and 1995 and the Reports of the Independent Auditors thereon are included elsewhere herein. Reference is made to the financial statements and schedules in Item 14.

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

None.

PART III

ITEMS 10, 11, 12 AND 13.

The Operating Partnership does not have any directors, executive officers or stock authorized, issued or outstanding. If the information was required it would be identical to the information contained in Items 10, 11, 12 and 13 of the Company's Form 10-K, that will appear in the Company's Proxy Statement furnished to shareholders in connection with the Company's 1998 Annual Meeting. Such information is incorporated by reference in this Form 10-K.

PART IV

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

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

3. Exhibits

3.1 Articles of Incorporation of the Company, as amended, including Articles Supplementary relating to 8 3/8% Series A Cumulative Redeemable Preferred Stock.

3.2 By-laws of the Company. Incorporated by reference to Exhibit 3.2 to Registration Statement filed by the Company on Form S-11 under the Securities Act of 1933 (file No. 33-67870) (S-11).

3.3 Agreement of Limited Partnership for the Operating Partnership. Incorporated by reference to Exhibit 3.3 to S-11.

3.4 Amendments No. 1 and No. 2 to Partnership Agreement dated March 31, 1997 and October 7, 1997

4.1 Form of Indenture among the Company, Chelsea GCA Realty Partnership, L.P., and State Street Bank and Trust Company, as Trustee. Incorporated by reference to Exhibit 4.4 to Registration Statement filed by the Company on Form S-3 under the Securities Act of 1933 (File No. 33-98136).

10.1 Registration Rights Agreement among the Company and recipients of Units. Incorporated by reference to Exhibit 4.1 to S-11.

10.2 Consulting Agreement effective August 1, 1997, between the Operating Partnership and Robert Frommer.

10.3 Limited Liability Company Agreement of Simon/Chelsea Development Co., L.L.C. dated May 16, 1997 between Simon DeBartolo Group, L.P. and Chelsea GCA Realty Partnership, L.P.

10.4 Subscription Agreement dated as of March 31, 1997 by and among Chelsea GCA Realty Partnership, L.P., WCC Associates and K M Halawa Partners. Incorporated by reference to Exhibit 1 to current report on Form 8-K reporting on an event which occurred March 31, 1997.

10.5 Stock Subscription Agreement dated May 16, 1997 between Chelsea GCA Realty, Inc. and Simon DeBartolo Group, L.P.

23.1 Consent of Ernst & Young LLP.

(b) Reports on Form 8-K.
None

(c) Exhibits
None

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

ITEM 8, ITEM 14(a)(1) AND (2) AND ITEM 14(d)

(a)1. FINANCIAL STATEMENTS

All other schedules are omitted since the required information is not present or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the consolidated financial statements and notes thereto.

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated balance sheets of Chelsea GCA Realty Partnership, L.P. as of December 31, 1997 and 1996, and the related consolidated statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 1997. Our audits also included the financial statement schedule listed in the Index as Item 14(a). These financial statements and schedule are the responsibility of the management of Chelsea GCA Realty Partnership, L.P. Our responsibility is to express an opinion on the financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Chelsea GCA Realty Partnership, L.P. as of December 31, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

ERNST & YOUNG LLP
NEW YORK, NEW YORK
FEBRUARY 13, 1998

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

	DECEMBER 31, 1997	1996
Assets		
Rental properties:		
Land	$112,470	$ 80,312
Depreciable property	596,463	432,042
Total rental property	708,933	512,354
Accumulated depreciation	(80,244)	(58,054)
Rental properties, net	628,689	454,300
Cash and equivalents	14,538	13,886
Notes receivable-related parties	4,781	8,023
Deferred costs, net	17,276	10,321
Other assets	22,745	15,682
TOTAL ASSETS	$688,029	502,212
LIABILITIES AND PARTNERS' CAPITAL		
Liabilities:		
Unsecured bank debt	$ 5,035	$ -
7.75% Unsecured Notes due 2001	99,743	99,668
Remarketed Floating Rate Reset Notes due 2001	60,000	100,000
7.25% Unsecured Notes due 2007	124,681	-
Construction payables	17,810	14,473
Accounts payable and accrued expenses	14,442	10,904
Obligation under capital lease	9,729	9,805
Accrued distribution payable	3,276	3,038
Other liabilities	7,390	2,990
TOTAL LIABILITIES	342,106	240,878
Commitments and contingencies		
Minority interest	-	5,698
Partners' capital:		
General partner units outstanding, 15,353 in 1997 and 12,402 in 1996	297,670	185,340
Limited partners units outstanding, 3,432 in 1997 and 4,808 in 1996	48,253	70,296
Total partners' capital	345,923	255,636
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$688,029	$502,212

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

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

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Revenues:			
Base rental	$70,693	$56,390	$46,025
Percentage rentals	10,838	7,402	5,336
Expense reimbursements	28,981	24,758	19,704
Other income	2,905	2,806	1,450
TOTAL REVENUES	113,417	91,356	72,515
EXPENSES:			
Interest	15,447	8,818	3,129
Operating and maintenance	31,423	26,979	20,984
Depreciation and amortization	24,995	18,965	12,823
General and administrative	3,815	3,342	2,967
Other	2,582	1,892	1,911
TOTAL EXPENSES	78,262	59,996	41,814
Operating income	35,155	31,360	30,701
Loss on sale of center	-	-	(1,051)
Net income before minority interest and extraordinary item	35,155	31,360	29,650
Minority interest	(127)	(257)	(285)
Net income before extraordinary item	35,028	31,103	29,365
Extraordinary item-loss on early extinguishment of debt	(252)	(902)	-
Net income	34,776	30,201	29,365
Preferred unit requirement	(907)	-	-
NET INCOME TO COMMON UNITHOLDERS	$33,869	$30,201	$29,365
NET INCOME TO COMMON UNITHOLDERS:			
General partner	$27,449	$20,854	$19,572
Limited partners	6,420	9,347	9,793
TOTAL	$33,869	$30,201	$29,365
NET INCOME PER COMMON UNIT:			
General partner (including $0.01 and $0.05 net loss per unit from extraordinary item in 1997 and 1996, respectively)	$1.88	$1.77	$1.75
Limited partners (including $0.01 and $0.05 net loss per unit from extraordinary item in 1997 and 1996, respectively)	$1.87	$1.76	$1.75
WEIGHTED AVERAGE UNITS OUTSTANDING:			
General partner	14,605	11,802	11,188
Limited partners	3,435	5,316	5,601
TOTAL	18,040	17,118	16,789

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

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

	General Partner's Capital	Limited Partners' Capital	Total Partners' Capital
Balance December 31, 1994	$171,051	$86,484	$257,535
Contributions	8,446	1,932	10,378
Net income	19,572	9,793	29,365
Distributions	(23,940)	(11,945)	(35,885)
Transfer of a limited partner's interest	1,629	(1,629)	-
Purchase of a limited partner's interest	-	(358)	(358)
Balance December 31, 1995	176,758	84,277	261,035
Contributions	3,216	1,556	4,772
Net income	20,854	9,347	30,201
Distributions	(28,122)	(12,250)	(40,372)
Transfer of a limited partners' interest	12,634	(12,634)	-
BALANCE DECEMBER 31, 1996	185,340	70,296	255,636
Contributions	103,357	389	103,746
Net income	28,356	6,420	34,776
Common distributions	(38,475)	(8,853)	(47,328)
Preferred distribution	(907)	-	(907)
Transfer of a limited partners' interest	19,999	(19,999)	-
Balance December 31, 1997	$297,670	$48,253	$345,923

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

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

	Year ended December 31,		
	1997	1996	1995
Cash flows from operating activities			
Net income	$34,776	$30,201	$29,365
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	24,995	18,965	12,823
Minority interest in net income	127	257	285
Loss on sale of center	-	-	1,051
Loss on early extinguishment of debt	252	902	-
Additions to deferred lease costs	(6,629)	(2,537)	(1,245)
Other operating activities	319	191	146
Changes in assets and liabilities:			
Straight-line rent receivable	(1,523)	(1,595)	(1,357)
Other assets	287	597	(2,426)
Accounts payable and accrued expenses	3,990	6,529	(1,845)
Net cash provided by operating activities	56,594	53,510	36,797
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to rental properties	(195,058)	(97,585)	(80,249)
Additions to deferred development costs	(2,237)	(1,477)	(2,068)
Advances to related parties	-	(67)	(189)
Payments from related parties	-	173	115
Proceeds from sale of center	-	-	465
Other investing activities	(1,955)	(612)	(467)
Net cash used in investing activities	(199,250)	(99,568)	(82,393)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from sale of preferred units	48,406	-	-
Net proceeds from sale of common units	54,951	2,583	8,446
Distributions	(48,791)	(47,124)	(34,748)
Debt proceeds	261,710	292,592	68,000
Repayments of debt	(172,000)	(189,000)	-
Additions to deferred financing costs	(855)	(3,660)	(866)
Other financing activities	(113)	566	(358)
Net cash provided by financing activities	143,308	55,957	40,474
Net increase (decrease) in cash and equivalents	652	9,899	(5,122)
Cash and equivalents, beginning of period	13,886	3,987	9,109
Cash and equivalents, end of period	$14,538	$13,886	$3,987

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

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION

ORGANIZATION

Chelsea GCA Realty Partnership, L.P. (the "Operating Partnership"), which commenced operations on November 2, 1993, is engaged in the development, ownership, acquisition and operation of manufacturers' outlet centers. As of December 31, 1997, the Operating Partnership operated 20 manufacturers' outlet centers in 12 states. The sole general partner in the Operating Partnership, Chelsea GCA Realty, Inc. (the "Company") is a self-administered and self-managed Real Estate Investment Trust.

BASIS OF PRESENTATION

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

Disclosure about fair value of financial instruments is based on pertinent information available to management as of December 31, 1997 using available market information and appropriate valuation methodologies. Although management is not aware of any factors that would significantly affect the reasonable fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date and current estimates of fair value may differ significantly from the amounts presented herein.

Certain balances in the accompanying prior year financial statements have been reclassified to conform to the current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

RENTAL PROPERTIES

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

CASH AND EQUIVALENTS

All demand and money market accounts and certificates of deposit with original terms of three months or less from the date of purchase are considered cash equivalents. At December 31, 1997 and 1996 cash equivalents consisted of repurchase agreements which were held by one financial institution, commercial paper and US Government agency securities which matured in January of the following year. The carrying amount of such investments approximated fair value.

DEVELOPMENT COSTS

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

CAPITALIZED INTEREST

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

RENTAL EXPENSE

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

DEFERRED LEASE COSTS

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

DEFERRED FINANCING COSTS

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

REVENUE RECOGNITION

Leases with tenants are accounted for as operating leases. Minimum rental income is recognized on a straight-line basis over the lease term. Due and unpaid rents are included in other assets in the accompanying balance sheet. Certain lease agreements contain provisions for rents which are calculated on a percentage of sales and recorded on the accrual basis. Virtually all lease agreements contain provisions for reimbursement of real estate taxes, insurance, advertising and common area maintenance costs.

BAD DEBT EXPENSE

Bad debt expense included in other expense totaled $0.8 million, $0.3 million and $0.4 million for the years ended December 31, 1997, 1996 and 1995, respectively. The allowance for doubtful accounts included in other assets totaled $0.8 million and $0.5 million at December 31, 1997 and 1996, respectively.

INCOME TAXES

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

NET INCOME PER PARTNERSHIP UNIT

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

CONCENTRATION OF OPERATING PARTNERSHIP'S REVENUE AND CREDIT RISK

Approximately 34%, 38% and 40% of the Operating Partnership's revenues for the years ended December 31, 1997, 1996 and 1995, respectively, were derived from the Operating Partnership's two centers with the highest revenues, Woodbury Common and Desert Hills. The loss of either center or a material decrease in revenues from either center for any reason may have a material adverse effect on the Operating Partnership. In addition, approximately 38%, 44% and 45% of the Operating Partnership's revenues for the years ended December 31, 1997, 1996 and 1995, respectively, were derived from the Operating Partnership's centers in California.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (CONTINUED)

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

USE OF ESTIMATES

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

MINORITY INTEREST

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Financial Accounting Standards Board Statement No. 131 ("FAS No. 131") "Disclosure about Segments of an Enterprise and Related Information" is effective for financial statements issued for periods beginning after December 15, 1997. FAS No. 131 requires disclosures about segments of an enterprise and related information regarding the different types of business activities in which an enterprise engages and the different economic environments in which it operates. The Operating Partnership does not believe that the implementation of FAS No. 131 will have an impact on its financial statements.

3. RENTAL PROPERTIES

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

	1997	1996
Land and improvements	$207,186	$153,096
Buildings and improvements	434,565	335,242
Construction-in-process	60,615	18,888
Equipment and furniture	6,567	5,128
Total rental property	708,933	512,354
Accumulated depreciation and amortization	(80,244)	(58,054)
Total rental property, net	$628,689	$454,300

Interest costs capitalized as part of buildings and improvements were $4.8 million, $3.9 million and $3.7 million for the years ended December 31, 1997, 1996 and 1995, respectively.

3. RENTAL PROPERTIES (CONTINUED)

Commitments for land, new construction, development, and acquisitions totaled approximately $51.5 million at December 31, 1997.

Depreciation expense (including amortization of the capital lease) amounted to $22.3 million, $16.9 million and $11.2 million for the years ended December 31, 1997, 1996 and 1995, respectively.

4. WAIKELE ACQUISITION

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

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

	1997	1996
Total revenue	$115,802	$99,589
Common income before extraordinary items	34,718	32,725
Net income to common unitholders:		
General partner	27,933	21,973
Limited partners	6,533	9,850

Total	34,466	31,823
Net income per unit:		
General partner (including $0.01 and $0.05 net loss per unit from extraordinary item in 1997 and 1996, respectively)	$1.91	$1.86
Limited partners (including $0.01 and $0.05 net loss per unit from extraordinary item in 1997 and 1996, respectively)	$1.89	$1.85

5. DEFERRED COSTS

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

	1997	1996
Lease costs	$14,712	$8,095
Financing costs	9,184	8,329
Development costs	4,348	2,111
Other	991	491
Total deferred costs	28,235	19,026
Accumulated amortization	(11,959)	(8,705)
Total deferred costs, net	$17,276	$10,321

6. DEBT

The Operating Partnership currently has in place two unsecured bank revolving lines of credit with an aggregate maximum borrowing amount of $150 million (each, a "Credit Facility" and collectively, the "Credit Facilities"). Each Credit Facility expires on March 30, 1998 and bears interest on the outstanding balance, payable monthly, at a rate equal to the London Interbank Offered Rate ("LIBOR") plus 1.15% (7.09% at December 31, 1997) or the prime rate, at the Operating Partnership's option. A fee on the unused portion of the Credit Facilities is payable quarterly at a rate of 0.25% per annum. The Credit Facilities' are provided by five banks.

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

In October 1996, the Operating Partnership completed a $100 million offering of Remarketed Floating Rate Reset Notes (the "Reset Notes"), which are guaranteed by the Company. The interest rate will reset quarterly and was equal to LIBOR plus 75 basis points during the first year. In October 1997, the interest rate spread was reduced to LIBOR plus 48 basis points (6.39% at December 31, 1997). The spread and the spread period for subsequent periods will be adjusted in whole or part at the end of each year, pursuant to an agreement with the underwriters. Unless previously redeemed, the Reset Notes will have a final maturity of October 23, 2001. Net proceeds from the offering were used to repay all of the then borrowings under the Credit Facilities and for working capital. In October 1997, the Operating Partnership redeemed $40 million of Reset Notes. The carrying amount of the Reset Notes approximates their fair value.

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

Interest paid, excluding amounts capitalized, was $14.1 million, $4.8 million and $2.7 million for the years ended December 31, 1997, 1996 and 1995, respectively.

7. PREFERRED STOCK

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

8. LEASE AGREEMENTS

The Operating Partnership is the lessor and sub-lessor of retail stores under operating leases with term expiration dates ranging from 1998 to 2012. Most leases are renewable for five years after expiration of the initial term at the lessee's option. Future minimum lease receipts under non-cancelable operating leases as of December 31, 1997, exclusive of renewal option periods, were as follows (in thousands):

1998.....	$75,356
1999.....	69,296
2000.....	58,241
2001.....	45,797
2002.....	32,405
Thereafter.....	120,188
	$401,283

8. LEASE AGREEMENTS (CONTINUED)

In 1987, a Predecessor partnership entered into a lease agreement for property in California. Land was estimated to be approximately 37% of the fair market value of the property. The portion of the lease attributed to land is classified as an operating lease and the remainder as a capital lease. The initial lease term is 25 years with two options of 5 and 4 1/2 years, respectively. The lease provides for additional rent based on specific levels of income generated by the property. No additional rental payments were incurred during 1997, 1996 or 1995. The Operating Partnership has the option to cancel the lease upon six months written notice and six months advance payment of the then fixed monthly rent. If the lease is canceled, the building and leasehold improvements revert to the lessor.

OPERATING LEASES

Future minimum rental payments under operating leases for land and administrative offices as of December 31, 1997 were as follows (in thousands):

1998.....	$1,188
1999.....	1,208
2000.....	1,203
2001.....	786
2002.....	755
Thereafter.....	8,787
	$13,927

Rental expense amounted to $1.0 million, $1.1 million and $0.9 million for the years ended December 31, 1997, 1996 and 1995, respectively.

CAPITAL LEASE

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

	1997	1996
Building.....	$8,621	$8,621
Less accumulated amortization.....	(3,592)	(3,247)
Leased property, net.....	$5,029	$5,374

Future minimum payments under the capitalized building lease, including the present value of net minimum lease payments as of December 31, 1997 are as follows (in thousands):

1998.....	$1,085
1999.....	1,117
2000.....	1,151
2001.....	1,185
2002.....	1,221
Thereafter.....	13,732
Total minimum lease payments.....	19,491
Amount representing interest.....	(9,762)
Present value of net minimum capital lease payments.....	$9,729

9. COMMITMENTS AND CONTINGENCIES

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

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

10. RELATED PARTY INFORMATION

In September 1995, the Operating Partnership transferred property with a book value of $4.8 million to its former President (a current unitholder) in exchange for a $4.0 million note secured by units in the Operating Partnership (the "Secured Note") and an $0.8 million unsecured note receivable (the "Unsecured Note"). The secured note bears interest at a rate of LIBOR plus 250 basis points per annum, payable monthly, and is due upon the earlier of the maker obtaining permanent financing on the property, the Operating Partnership repurchasing the

property under an option agreement, the maker selling the property to an unaffiliated third party, or January 1999. The Unsecured Note bears interest at a rate of 8.0% per annum and is due upon the earlier of the Operating Partnership repurchasing the property under an option agreement, the maker selling the property to an unaffiliated third party, or September 2000.

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

The Operating Partnership had space leased to related parties of approximately 61,000, 61,000 and 56,000 square feet during the years ended December 31, 1997, 1996 and 1995, respectively. Rental income from those tenants, including reimbursement for taxes, common area maintenance and advertising, totaled $1.5 million, $1.3 million and $1.5 million during the years ended December 31, 1997, 1996 and 1995, respectively.

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

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

11. EXTRAORDINARY ITEM

Deferred financing costs of $0.3 million and $0.9 million were expensed in 1997 and 1996, respectively, and are reflected in the accompanying financial statements as an extraordinary item.

12. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The following summary represents the results of operations, expressed in thousands except per share amounts, for each quarter during 1997 and 1996.

	March 31	June 30	September 30	December 31
1997				
Base rental revenue	$15,563	$17,286	$18,096	$19,748
Total revenues	22,649	26,637	28,822	35,309
Common income before extraordinary item	6,437	6,985	9,380	11,319
Net income to common unitholders	6,437	6,985	9,380	11,067
Income before extraordinary item per weighted average partnership unit	$0.37	$0.40	$0.50	$0.60
Net income per weighted average partnership unit	$0.37	$0.40	$0.50	$0.59
1996				
Base rental revenue	$12,677	$13,746	$14,737	$15,230
Total revenues	19,055	20,929	23,323	28,049
Common income before extraordinary item	7,071	8,040	8,085	7,907
Net income to common unitholders	6,169	8,040	8,085	7,907
Income before extraordinary item per weighted average partnership unit	$0.41	$0.47	$0.47	$0.45
Net income per weighted average partnership unit	$0.36	$0.47	$0.47	$0.45

13. NON-CASH FINANCING AND INVESTING ACTIVITIES

In December 1997 and 1996, the Operating Partnership declared distributions per unit of $0.69 and $0.63, respectively. The limited partners' distributions were paid in January of each subsequent year. In December 1995, the Operating Partnership declared distributions per share or unit of $0.575, that were paid in January of the subsequent year.

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

Other assets and other liabilities include $3.9 million related to a deferred unit incentive program with certain key officers to be paid in 2002.

During 1997, 1996 and 1995, the Operating Partnership issued units with an aggregate fair market value of $0.5 million, $1.6 million and $1.9 million, respectively, to acquire properties.

During 1997, 1996 and 1995, respectively, 1.4 million, 0.8 million and 0.1 million Operating Partnership units were converted to common shares.

In September 1995, the Operating Partnership transferred property with a book value of $4.8 million to a unitholder in exchange for a $4.0 million note collateralized by units in the Operating Partnership and an $0.8 million unsecured note.

CHELSEA GCA REALTYPARTNERSHIP, L.P.
SCHEDULE III-CONSOLIDATED REAL ESTATE AND ACCUMULATED DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 1997

Description Outlet Center Name	Encum-brances	Initial Cost to Company		Cost Capitalized (Disposed of) Subsequent to Acquisition (Improvements)		Step-Up Related to Acquisition of Partnership Interest (1)		Gross Amount Carried at Close of Period December 31, 1997			Accumulated Depreciation	Date of Construction	Life Used to Compute Depreciation in Latest Income Statement
		Land	Buildings, Fixtures and Equipment	Land	Buildings, Fixtures and Equipment	Land	Buildings, Fixtures and Equipment	Land	Buildings, Fixtures and Equipment	Total			
American Tin Cannery, CA	$9,729	$ -	$8,621	$ -	$6,451	$ -	$ -	$ -	$15,072	$15,072	$6,074	'87	25
Lawrence Riverfront, KS	-	-	14,300	15	2,830	-	-	15	17,130	17,145	4,418	'90	40
Liberty Village, NJ	-	345	405	1,206	17,543	11,015	2,195	12,566	20,143	32,709	2,952	'81,'97	30
Folsom, CA	-	4,169	10,465	1,868	17,348	-	-	6,037	27,813	33,850	4,857	'90,'92, '93,'96, '97	40
Aurora, OH	-	637	6,884	879	16,973	-	-	1,516	23,857	25,373	3,632	'90,'93, '94,'95	40

Woodbury Common, NY	-	4,448	16,073	5,042	85,943	-	-	9,490	102,016	111,506	18,152	'85,'93, '95	30
Petaluma Village, CA	-	3,735	-	2,934	29,261	-	-	6,669	29,261	35,930	3,599	'93,'95, '96	40
Desert Hills, CA	-	975	-	2,417	58,655	830	4,936	4,222	63,591	67,813	12,163	'90,'94, '95,'97	40
Columbia Gorge, OR	-	934	-	428	11,357	497	2,647	1,859	14,004	15,863	3,069	'91,'94	40
Mammoth Lakes, CA	-	1,180	530	-	2,221	994	1,430	2,174	4,181	6,355	1,252	'78	40
St. Helena, CA	-	1,029	1,522	(25)	513	38	78	1,042	2,113	3,155	381	'83	40
Patriot Plaza, VA	-	789	1,854	976	4,053	-	-	1,765	5,907	7,672	1,447	'86,'93, '95	40
Santa Fe, NM	-	74	-	1,317	11,392	491	1,772	1,882	13,164	15,046	1,652	'93	40
Corporate Offices, NJ, CA	-	-	60	-	3,925	-	-	-	3,985	3,985	1,295	-	5
Napa, CA	-	3,456	2,113	7,908	18,345	-	-	11,364	20,458	31,822	2,593	'62,'93, '95	40
Solvang, CA	-	-	-	2,380	9,632	-	-	2,380	9,632	12,012	1,226	'94	40
Camarillo, CA	-	4,000	-	4,915	40,976	-	-	8,915	40,976	49,891	3,122	'94,'95, '96,'97	40
Clinton, CT	-	4,124	43,656	-	4	-	-	4,124	43,660	47,784	3,472	'95,'96	40
North Georgia, GA	-	2,960	34,726	66	7,784	-	-	3,026	42,510	45,536	3,222	'95,'96, '97	40
Wrentham, MA	-	157	2,817	2,909	39,327	-	-	3,066	42,144	45,210	338	'95,'96, '97	40
Waikele, HI	-	22,800	54,357	-	-	-	-	22,800	54,357	77,157	1,328	-	-
Leesburg, VA	-	6,296	-	-	-	-	-	6,296	-	6,296	-	'96,'97	-
Houston, TX	-	500	466	-	-	-	-	500	466	966	-	-	-
Orlando, FL	-	100	23	-	-	-	-	100	23	123	-	-	-
Wall Township, NJ	-	662	-	-	-	-	-	662	-	662	-	'96,'97	-
		$9,729	$63,370	$198,872	$35,235	$384,533	$13,865	$13,058	$112,470	$596,463	$708,933	$80,244	

The aggregate cost of the land, building, fixtures and equipment for federal tax purposes was approximately $709 million at December 31, 1997.

(1) As part of the formation transaction assets acquired for cash have been accounted for as a purchase.
The step-up represents the amount of the purchase price that exceeds the net book value of the assets acquired (see Note 1).

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

THE CHANGES IN TOTAL REAL ESTATE:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Balance, beginning of period.....	$512,354	$415,983	$332,834
Additions.....	196,941	96,621	89,871
Dispositions and other.....	(362)	(250)	(6,722)
Balance, end of period.....	$708,933	$512,354	$415,983

THE CHANGES IN ACCUMULATED DEPRECIATION:

	YEAR ENDED DECEMBER 31,		
	1997	1996	1995
Balance, beginning of period	$58,054	$41,373	$30,439
Additions.....	22,314	16,931	11,277
Dispositions and other.....	(124)	(250)	(343)
Balance, end of period.....	$80,244	$58,054	$41,373

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on the 12th of March 1998.

CHELSEA GCA REALTY PARTNERSHIP, L.P.

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

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

SIGNATURE	Title	Date
/s/ DAVID C. BLOOM David C. Bloom	Chairman of the Board and Chief Executive Officer	MARCH 12, 1998
/s/ BARRY M. GINSBURG Barry M. Ginsburg	Vice Chairman	MARCH 12, 1998
/s/ WILLIAM D. BLOOM William D. Bloom	Executive Vice President-Strategic Relationships	MARCH 12, 1998
/s/ LESLIE T. CHAO Leslie T. Chao	President and Chief Financial Officer	MARCH 12, 1998
/s/ MICHAEL J. CLARKE Michael J. Clarke	Senior Vice President-Finance	MARCH 12, 1998
/s/ BRENDAN T. BYRNE Brendan T. Byrne	Director	MARCH 12, 1998
/s/ ROBERT FROMMER Robert Frommer	Director	MARCH 12, 1998
/s/ PHILIP D. KALTENBACHER Philip D. Kaltenbacher	Director	MARCH 12, 1998
/s/ REUBEN S. LEIBOWITZ Reuben S. Leibowitz	Director	MARCH 12, 1998

Exhibit Index

Exhibits	Description	Page No.
3.1	Articles of Incorporation of the Company, as amended, including Articles Supplementary relating to 8 3/8% Series A Cumulative Redeemable Preferred Stock.	
3.2	By-laws of the Company. Incorporated by reference to Exhibit 3.2 to Registration Statement filed by the Company on Form S-11 under the Securities Act of 1933 (file No. 33-67870) (S-11).	
3.3	Agreement of Limited Partnership for the Operating Partnership. Incorporated by reference to Exhibit 3.3 to S-11.	
3.4	Amendments No. 1 and No. 2 to Partnership Agreement dated March 31, 1997 and October 7, 1997	
4.1	Form of Indenture among the Company, Chelsea GCA Realty Partnership, L.P., and State Street Bank and Trust Company, as Trustee. Incorporated by reference to Exhibit 4.4 to Registration Statement filed by the Company on Form S-3 under the Securities Act of 1933 (File No. 33-98136).	
10.1	Registration Rights Agreement among the Company and recipients of Units. Incorporated by reference to Exhibit 4.1 to S-11.	
10.2	Consulting Agreement effective August 1, 1997, between the Company and Robert Frommer.	
10.3	Limited Liability Company Agreement of Simon/Chelsea Development Co., L.L.C. dated May 16, 1997 between Simon DeBartolo Group, L.P. and Chelsea GCA Realty Partnership, L.P.	
10.4	Subscription Agreement dated as of March 31, 1997 by and among Chelsea GCA Realty Partnership, L.P., WCC Associates and K M Halawa Partners. Incorporated by reference to Exhibit 1 to current report on Form 8-K reporting on an event which occurred March 31, 1997.	
10.5	Stock Subscription Agreement dated May 16, 1997 between Chelsea GCA Realty, Inc. and Simon DeBartolo Group, L.P.	
23.1	Consent of Ernst & Young LLP.	

Exhibit 3.1

ARTICLES OF AMENDMENT
AND
RESTATEMENT OF ARTICLES OF INCORPORATION
OF
CHELSEA GCA REALTY, INC.

Chelsea GCA Realty, Inc., a Maryland corporation, having its principal office in Maryland in Baltimore, Maryland, and having The Corporation Trust, Incorporated, a Maryland corporation, as its resident agent located at 32 South Street, Baltimore, Maryland, hereby certifies to the State Department of Assessment and Taxation of Maryland, that:

FIRST: The Articles of Incorporation of the Corporation, filed with the State Department of Assessment and Taxation of Maryland on August 24, 1993, are hereby amended and restated in full as follows:

ARTICLE I

NAME

The name of the Corporation shall be Chelsea GCA Realty, Inc. (the "Corporation").

ARTICLE II

PRINCIPAL OFFICE, REGISTERED OFFICE AND AGENT

The address of the Corporation's principal office in Maryland is c/o The Corporation Trust, Incorporated, 32 South Street, Baltimore, Maryland 21202. The address of the Corporation's principal office and registered office in the State of Maryland is 32 South Street, Baltimore, Maryland 21202. The name of its registered agent at that office is The Corporation Trust, Incorporated, a Maryland corporation.

ARTICLE III

PURPOSES

The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE IV

CAPITAL STOCK

A. The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 70 million shares, consisting of 50 million shares of Common Stock with a par value of $.01 per share (the "Common Stock"), amounting in the aggregate to par value of $500,000, 15 million Excess Shares with a par value of $.01 per share (the "Excess Shares"), amounting in the aggregate to par value of $150,000, and 5 million shares of Preferred Stock with a par value of $.01 per share (the "Preferred Stock"), amounting in the aggregate to par value of $50,000.

B. COMMON STOCK

1. DIVIDEND RIGHTS. Subject to the preferential dividend rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph D of this Article IV, the holders of shares of the Common Stock shall be entitled to receive such dividends as may be declared by the Board of Directors of the Corporation. Upon the declaration of dividends hereunder, the holders of Common Stock shall be entitled to share in all such dividends, pro rata, in accordance with the relative number of shares of Common Stock held by each such stockholder.

2. RIGHTS UPON LIQUIDATION. Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph D of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, each holder of shares of the Common Stock shall be entitled to receive, ratably with each other holder of Common Equity Stock (as defined below), that portion of the assets of the Corporation available for distribution to its stockholders as the number of shares of the Common Stock held by such holder bears to the total number of shares of Common Equity Stock then outstanding.

3. VOTING RIGHTS. Each holder of shares of the Common Stock shall be entitled to vote on all matters (on which a holder of Common Stock shall be entitled to vote), and shall be entitled to one vote for each share of the Common Stock held by such holder.

4. RESTRICTIONS ON OWNERSHIP AND TRANSFER TO PRESERVE TAX BENEFIT; EXCHANGE FOR EXCESS SHARES.

(a) DEFINITIONS

For the purposes of this Article IV, the following terms shall have the following meanings:

"Beneficial Ownership" shall mean ownership of Common Stock or Excess Shares by a Person who would be treated as an owner of such shares of Common Stock or Excess Shares either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h)(l)(B) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

"Beneficiary" shall mean the beneficiary of the Trust as determined pursuant to subparagraph C(6) of this Article IV.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Common Equity Stock" shall mean stock that is either Common Stock or Excess Shares.

"Constructive Ownership" shall mean ownership of Common Stock or Excess Shares by a Person who would be treated as an owner of such shares of Common Stock or Excess Shares either directly or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

"Existing Holder" shall mean (i) Charles E. Bloom, David C. Bloom and William D. Bloom and (ii) any Person (other than another Existing Holder) to whom an Existing Holder transfers Beneficial Ownership of Common Equity Stock causing such transferee to Beneficially Own Common Equity Stock in excess of the Ownership Limit.

"Existing Holder Limit" (i) for any Existing Holder who is an Existing Holder by virtue of clause (i) of the definition thereof, shall mean, initially, the percentage of Common Stock Beneficially Owned by such Person immediately after the Initial Public Offering, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Equity Stock as so adjusted; and (ii) for any Existing Holder who becomes an Existing Holder by virtue of clause (ii) of the definition thereof, shall mean, initially, the percentage of the outstanding Common Equity Stock Beneficially Owned by such Existing Holder at the time that such Existing Holder becomes an Existing Holder, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Equity Stock as so adjusted; provided, however, that the Existing Holding Limits for all Existing Holders when combined shall not exceed 21% of the Corporation's Common Stock. For purposes of determining the Existing Holder Limit, the amount of Common Stock outstanding at the time of the determination shall be deemed to include the maximum number of shares that Existing Holders may beneficially own with respect to options and rights to convert Units into Common Stock pursuant to Section 8.6 of the Partnership Agreement and shall not include shares that may be Beneficially Owned solely by other persons upon exercise of options or rights to convert into Common Stock. From the date of the Initial Public Offering and prior to the Restriction Termination Date, the Secretary of the Corporation shall maintain and, upon request, make available to each Existing Holder, a schedule which sets forth the then current Existing Holder Limits for each Existing Holder.

"Initial Public Offering" shall mean the sale of shares of Common Stock in an underwritten public offering pursuant to the Corporation's first effective registration statement for such Common Stock filed under the Securities Act of 1933, as amended.

"IRS" shall mean the United States Internal Revenue Service.

"IRS Ruling" shall mean a ruling by the IRS, in form and substance satisfactory to the Board of Directors in their sole discretion, evidenced by a resolution passed by the Board of Directors and filed with the Secretary of the Corporation, that the issuance by the Corporation of Excess Shares and the immediate conversion of such Excess Shares into Common Stock will not cause the Corporation to fail to satisfy the organizational and operational requirements that must be met to qualify for treatment as a REIT.

"Market Price" shall mean the last reported sales price reported on the New York Stock Exchange of Common Stock on the trading day immediately preceding the relevant date, or if the Common Stock is not then traded on the New York Stock Exchange, the last reported sales price of the Common Stock on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the Common Stock may be traded, or if the Common Stock is not then traded over any exchange or quotation system, then the market price of the Common Stock on the relevant date as determined in good faith by the Board of Directors of the Corporation.

"Ownership Limit" shall initially mean 7% of the outstanding

Common Equity Stock of the Corporation, and after any adjustment as set forth in subparagraph B(4)(i) of this Article IV, shall mean such greater percentage.

"Partner" shall mean any Person owning Units.

"Partnership" shall mean Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of the Partnership, of which the Corporation is the sole general partner, as such agreement may be amended from time to time.

"Person" shall mean an individual, corporation, partnership, estate, trust, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; but does not include (i) Warburg, Pincus Capital Company, L.P., and WP/Chelsea Inc., and (ii) an underwriter which participates in a public offering of the Common Stock provided that the ownership of Common Stock by such underwriter would not result in the Corporation failing to qualify as a REIT.

"Purported Beneficial Transferee" shall mean, with respect to any purported Transfer which results in Excess Shares, the purported beneficial transferee or owner for whom the Purported Record Transferee would have acquired or owned shares of Common Stock, if such Transfer had been valid under subparagraph B(4)(b) of this Article IV.

"Purported Record Transferee" shall mean, with respect to any purported Transfer which results in Excess Shares, the record holder of the Common Equity Stock if such Transfer had been valid under subparagraph B(4)(b) of this Article IV.

"REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

"Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Board of Directors of the Corporation determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

"Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Common Equity Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Common Equity Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Common Equity Stock), whether voluntary or involuntary, whether of record or beneficially or Beneficially or Constructively (including but not limited to transfers of interests in other entities which result in changes in Beneficial or Constructive Ownership of Common Equity Stock), and whether by operation of law or otherwise.

"Trust" shall mean the trust created pursuant to subparagraph C(1) of this Article IV.

"Trustee" shall mean the Corporation as trustee for the Trust, and any successor trustee appointed by the Corporation.

"Units" shall mean the units into which partnership interests of the Partnership are divided, and as the same may be adjusted, as provided in the Partnership Agreement.

"Warburg, Pincus Capital Company, L.P." shall mean Warburg, Pincus Capital Company, L.P., a Delaware limited partnership.

"WP/Chelsea Inc." shall mean WP Chelsea Inc., a New York corporation.

(b) RESTRICTION ON OWNERSHIP AND TRANSFERS.

(i) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, no Person (other than an Existing Holder) shall Beneficially Own shares of Common Stock in excess of the Ownership Limit, and no Existing Holder shall Beneficially Own shares of Common Stock in excess of the Existing Holder Limit for such Existing Holder.

(ii) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the New York Stock Exchange ("NYSE")), that, if effective, would result in any Person (other than an Existing Holder) Beneficially Owning Common Stock in excess of the Ownership Limit shall be void AB INITIO as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit; and the intended transferee shall acquire no rights in such shares of Common Stock.

(iii) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or not such

Transfer is the result of a transaction entered into through the facilities of the NYSE) that, if effective, would result in any Existing Holder Beneficially Owning Common Stock in excess of the applicable Existing Holder Limit shall be void AB INITIO as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Existing Holder in excess of the applicable Existing Holder Limit; and such Existing Holder shall acquire no rights in such shares of Common Stock.

(iv) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE) that, if effective, would result in the Common Stock being beneficially owned by less than 100 Persons (determined without reference to any rules of attribution) shall be void AB INITIO as to the Transfer of such shares of Common Stock which would be otherwise beneficially owned by the transferee; and the intended transferee shall acquire no rights in such shares of Common Stock.

(v) Notwithstanding any other provisions contained in this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or nor such transfer is the result of a transaction entered into through the facilities of the NYSE) or other event that, if effective, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT (including, but not limited to, a Transfer or other event that would result in the Corporation owning (directly or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code), shall be void AB INITIO as to the Transfer of the shares of Common Stock which would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code or would otherwise result in the Corporation failing to qualify as a REIT; and the intended transferee or owner or Constructive or Beneficial Owner shall acquire or retain no rights in such shares of Common Stock.

(c) EXCHANGE FOR EXCESS SHARES. This subparagraph (B)(4)(c) shall take effect only upon the occurrence of the IRS Ruling. If, notwithstanding the other provisions contained in this Article IV, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE), change in the capital structure of the Corporation, or other event such that one or more of the restrictions on ownership and transfers described in subparagraph B(4)(b) above, has been violated then the shares of Common Stock being Transferred (or in the case of an event other than a Transfer, the shares owned or Constructively Owned or Beneficially Owned) which would cause one or more of the restrictions on ownership or transfer to be violated (rounded up to the nearest whole share) shall be automatically converted into an equal number of Excess Shares in lieu of any other action to be taken with respect to such shares in accordance with subparagraph B(4)(b) above (without limitation of any action taken in accordance with subparagraph B(4)(d) below). Such conversion shall be effective as of the close of business on the business day prior to the date of the Transfer.

(d) REMEDIES FOR BREACH. If the Board of Directors or its designees shall at any time determine in good faith that a Transfer or other event has taken place in violation of subparagraph B(4)(b) of this Article IV or that a Person intends to acquire or has attempted to acquire beneficial ownership (determined without reference to any rules of attribution), Beneficial Ownership or Constructive Ownership of any shares of the Corporation in violation of subparagraph B(4)(b) of this Article IV, the Board of Directors or its designees shall take such action as it deems advisable to refuse to give effect or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer; provided, however, that any Transfers (or, if the IRS ruling has not occurred, attempted Transfers (or, in the case of events other than a Transfer, ownership or Constructive Ownership or Beneficial Ownership)) in violation of subparagraph B(4)(b) of this Article IV (1) if the IRS Ruling has not yet occurred, shall be void AB INITIO, or (2) if the IRS Ruling has occurred, shall automatically result in the conversion described in subparagraph B(4)(c), irrespective of any action (or non-action) by the Board of Directors.

(e) NOTICE OF RESTRICTED TRANSFER. Any Person who acquires or attempts to acquire shares in violation of subparagraph B(4)(b) of this Article IV, or any Person who is a transferee such that Excess Shares result under subparagraph B(4)(c) of this Article IV, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer on the Corporation's status as a REIT.

(f) OWNERS REQUIRED TO PROVIDE INFORMATION. From the date of the Initial Public Offering and prior to the Restriction Termination Date each Person who is a beneficial owner or Beneficial Owner or Constructive Owner of Common Stock and each Person (including the stockholder of record) who is holding Common Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information that the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

(g) REMEDIES NOT LIMITED. Nothing contained in this Article IV shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status as a REIT.

(h) AMBIGUITY. In the case of an ambiguity in the application of any of the provisions of subparagraph B(4) of this Article IV, including any definition contained in subparagraph B(4)(a), the Board of Directors shall have the power to determine the application of the provisions of this subparagraph B(4) with respect to any situation based on the facts known to it.

(i) MODIFICATION OF OWNERSHIP LIMIT OR EXISTING HOLDER LIMIT. Subject to the limitations provided in subparagraph B(4)(j), the Board of Directors may from time to time increase the Ownership Limit or the Existing Holder Limit and shall file Articles Supplementary with the State Department of Assessment and Taxation of Maryland to evidence such increase.

(j) LIMITATIONS ON MODIFICATIONS.

(i) From the date of the Initial Public Offering and prior to the Restriction Termination Date, neither the Ownership Limit nor any Existing Holder Limit may be increased (nor may any additional Existing Holder Limit be created) if, after giving effect to such increase (or creation), five Persons who are Beneficial Owners of Common Stock (including all of the then Existing Holders) could (taking into account the Ownership Limit and the Existing Holder Limit) Beneficially Own, in the aggregate, more than 49% of the outstanding Common Equity Stock.

(ii) Prior to the modification of any Existing Holder Limit or Ownership Limit pursuant to subparagraph B(4)(i) of this Article IV, the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(iii) No Existing Holder Limit shall be reduced to a percentage which is less than the Ownership Limit.

(iv) The Ownership Limit may not be increased to a percentage which is greater than 9.9%.

(k) EXCEPTIONS.

(i) The Board of Directors, in its sole discretion, may exempt a Person from the Ownership Limit or the Existing Holder Limit, as the case may be, if such Person is not an individual for purposes of Section 542(a)(2) of the Code and the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial Ownership of such shares of Common Stock will violate the Ownership Limit or the applicable Existing Holder Limit, as the case may be, and agrees that if the IRS Ruling has been obtained any violation of such representations or undertaking (or other action which is contrary to the restrictions contained in this subparagraph B(4) of this Article IV) or attempted violation will result in such shares of Common Stock being exchanged for Excess Shares in accordance with subparagraph B(4)(c) of this Article IV.

(ii) Prior to granting any exception pursuant to subparagraph B(4)(k)(i) of this Article IV, the Board of Directors may require a ruling from the IRS, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in it sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

5. LEGEND. Each certificate for shares of Common Stock shall bear legends substantially to the effect of the following:

"The Corporation is authorized to issue three classes of capital stock which are designated as Common Stock, Excess Shares and Preferred Stock. The Board of Directors is authorized to determine the preferences, limitations and relative rights of the Preferred Stock before the issuance of any Preferred Stock. The Corporation will furnish, without charge, to any stockholder making a written request therefor, a copy of the Corporation's charter and a written statement of the designations, relative rights, preferences and limitations applicable to each such class of stock. Requests for the Corporation's charter and such written statement may be directed to Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068, Attention: Secretary.

The shares of Common Stock represented by this certificate are subject to restrictions on ownership and Transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Code. No Person may Beneficially Own shares of Common Stock in excess of 7% (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding Common Equity Stock of the Corporation (unless such Person is an Existing Holder) with certain exceptions set forth in the Corporation's charter. Any Person who attempts to Beneficially Own shares of Common Stock in excess of the above limitations must immediately notify the Corporation. All capitalized terms in this legend have the meanings defined in the Corporation's charter. Transfers in violation of the restrictions described above may be void AB INITIO.

In addition, upon the occurrence of certain events, if the restrictions on ownership are violated, the shares of Common Stock represented hereby may be automatically exchanged for Excess Shares which will be held in trust by the Corporation. The Corporation has an option to acquire Excess Shares under certain circumstances. The Corporation will furnish to the holder hereof upon request and without charge a complete written statement of the terms and conditions of the Excess Shares. Requests for such statement may be directed to Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068, Attention: Secretary."

6. SEVERABILITY. If any provision of this Article IV or any

application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

C. EXCESS SHARES.

1. OWNERSHIP IN TRUST. Upon any purported Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE) that results in Excess Shares pursuant to subparagraph B(4)(c) of this Article IV, such Excess Shares shall be deemed to have been transferred to the Corporation, as Trustee of a Trust for the exclusive benefit of such Beneficiary or Beneficiaries to whom an interest in such Excess Shares may later be transferred pursuant to subparagraph C(6). Excess Shares so held in trust shall be issued and outstanding stock of the Corporation. The Purported Record Transferee shall have no rights in such Excess Shares except the right to designate a transferee of such Excess Shares upon the terms specified in subparagraph C(6) of this Article IV. The Purported Beneficial Transferee shall have no rights in such Excess Shares except as provided in subparagraph C(6).

2. SEPARATE CLASS. Excess Shares shall be a separate class of issued and outstanding stock of the Corporation. The rights, privileges and other attributes of Excess Shares shall be as provided in paragraphs C(3), C(4), C(5) and C(6) of this Article IV.

3. DIVIDEND RIGHTS. Excess Shares shall not be entitled to any dividends. Any dividend or distribution paid prior to the discovery by the Corporation that the shares of Common Stock have been converted into Excess Shares shall be repaid to the Corporation upon demand and shall not be held for the benefit of any Beneficiary of the Trust.

4. RIGHTS UPON LIQUIDATION. Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph D of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of the Corporation, each holder of Excess Shares shall be entitled to receive, ratably with each other holder of Common Equity Stock, that portion of the assets of the Corporation available for distribution to its stockholders as the number of Excess Shares held by such holder bears to the total number of shares of Common Equity Stock then outstanding. The Corporation, as holder of the Excess Shares in trust, or if the Corporation shall have been dissolved, any trustee appointed by the Corporation prior to its dissolution, shall distribute ratably to the Beneficiaries of the Trust, when determined (or if not determined, or only partially determined, ratably to the other holders of Common Stock and Beneficiaries of the Trust who have been determined), any such assets received in respect of the Excess Shares in any liquidation, dissolution or winding up of, or any distribution of the assets of the Corporation.

5. VOTING RIGHTS. The holders of Excess Shares shall not be entitled to vote on any matters (except as required by law); PROVIDED, HOWEVER, that no corporate action authorized by the stockholders prior to the discovery that shares of Common Stock have been converted into Excess Shares shall be void or voidable as a result of the inclusion of the vote of holders of Excess Shares in approving a corporate action or in determining the presence of a quorum.

6. RESTRICTIONS ON TRANSFER; DESIGNATION OF BENEFICIARY.

(a) Excess Shares shall not be transferable. The Purported Record Transferee may freely designate a Beneficiary of an interest in the Trust (representing the number of Excess Shares held by the Trust attributable to a purported Transfer that resulted in the Excess Shares), if (i) Excess Shares held in the Trust would not be Excess Shares in the hands of such Beneficiary and (ii) the Purported Beneficial Transferee does not receive a price for designating such Beneficiary that reflects a price per share for such Excess Shares that exceeds (x) the price per share such Purported Beneficial Transferee paid for the Common Stock in the purported Transfer that resulted in the Excess Shares, or (y) if the Transfer or other event that resulted in the Excess Shares was not a transaction in which the Purported Beneficial Transferee gave value for such Excess Shares, a price per share equal to the Market Price on the date of the purported Transfer or other event that resulted in the Excess Shares. Upon such transfer of an interest in the Trust, the corresponding Excess Shares in the Trust shall be automatically exchanged for an equal number of shares of Common Stock and such shares of Common Stock shall be transferred of record to the transferee of the interest in the Trust if such Common Stock would not be Excess Shares in the hands of such transferee. Prior to any transfer of any interest in the Trust, the Purported Record Transferee must give advance notice to the Corporation of the intended transfer and the Corporation must have waived in writing its purchase rights under subparagraph C(7) of this Article IV.

(b) Notwithstanding the foregoing, if a Purported Beneficial Transferee receives a price for designating a Beneficiary of an interest in the Trust that exceeds the amounts allowable under subparagraph C(6)(a) of this Article IV, such Purported Beneficial Transferee shall pay, or cause such Beneficiary to pay, such excess to the Corporation and such payment shall be the only remedy for breach of such requirement.

7. PURCHASE RIGHT IN EXCESS SHARES. Excess Shares shall be deemed to have been offered for sale to the Corporation, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that created such Excess Shares (or, if the Transfer or other event that resulted in the Excess Shares was not a transaction in which the Purported Beneficial Transferee gave value for such Excess Shares, a price per share equal to the Market Price on the date of the purported Transfer or other event that resulted in the Excess Shares) and (ii) the Market Price on the date the Corporation, or its designee, accepts such offer. The Corporation shall have the right to accept such offer for a period of ninety days after the later of (i) the date of the Transfer which resulted in such Excess Shares and (ii) the date the Board of Directors determines in good faith that a Transfer resulted in Excess Shares has occurred, if the Corporation does not receive a notice of such Transfer pursuant to subparagraph B(4)(e) of this Article IV. The Corporation may appoint a

special trustee of the trust established under subparagraph C(1) for the purpose of consummating the purchase of the Excess Shares by the Corporation and such payment shall be the only remedy for breach of such requirement.

D. PREFERRED STOCK. The Board of Directors of the Corporation, by resolution, is hereby expressly vested with authority to provide for the issuance of the shares of Preferred Stock in one or more classes or one or more series, with such voting powers, full or limited, or no voting powers, and with such designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions thereof, if any, as shall be stated and expressed in the resolution or resolutions providing for such issue adopted by the Board of Directors. Except as otherwise provided by law, the holders of the Preferred Stock of the Corporation shall only have such voting rights as are provided for or expressed in the resolutions of the Board of Directors relating to such Preferred Stock adopted pursuant to the authority contained in the Articles of Incorporation. Before issuance of any such shares of Preferred Stock, the Corporation shall file Articles Supplementary with the State Department of Assessment and Taxation of Maryland in accordance with the provision of Section 2-208 of the Maryland General Corporation Law.

E. RESERVATION OF SHARES. Pursuant to the obligations of the Corporation under the Partnership Agreement to issue shares of Common Stock in exchange for Units, the Board of Directors is hereby required to reserve a sufficient number of authorized but unissued shares of Common Stock to permit the Corporation to issue shares of Common Stock in exchange for Units that may be exchanged for shares of Common Stock pursuant to the Partnership Agreement.

F. NYSE SETTLEMENT. Nothing in this Article IV shall preclude the settlement of any transaction entered into through the facilities of the NYSE.

G. PREEMPTIVE RIGHTS. No holder of shares of capital stock of the Corporation shall, as such holder, have any preemptive or other right to purchase or subscribe for any shares of Common Stock, Excess Shares or any class of capital stock of the Corporation which the Corporation may issue or sell.

H. CONTROL SHARES. Pursuant to Section 3-702(b) of the General Corporation Law of Maryland (the "Act"), the terms of Subtitle 7 of Title 3 of the Act shall be inapplicable to any acquisition of a Control Share (as defined in the Act) that is not prohibited by the terms of Article IV.

I. BUSINESS COMBINATIONS. Pursuant to Section 3-603(e)(1)(iii) of the General Corporation Law of Maryland, the terms of Section 3-602 of such law shall be inapplicable to the Corporation.

ARTICLE V

BOARD OF DIRECTORS

A. MANAGEMENT. The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors.

B. NUMBER. The number of directors which will constitute the entire Board of Directors shall be fixed by, or in the manner provided in, the By-laws but shall in no event be less than three.

C. CLASSIFICATION. The directors shall be classified, with respect to the time for which they severally hold office, into three classes, as nearly equal in number as possible, as shall be provided in the By-laws of the Corporation, one class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1994, another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1995, and another class to be originally elected for a term expiring at the annual meeting of stockholders to be held in 1996, with each class to hold office until its successors are elected and qualified. At each annual meeting of the stockholders of the Corporation, the date of which shall be fixed by or pursuant to the By-laws of the Corporation, the successors of the class of directors whose terms expire at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. No election of directors need be by written ballot. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

D. VACANCIES. Newly created directorships resulting from any increase in the number of directors may be filled by the Board of Directors, or as otherwise provided in the By-laws, and any vacancies on the Board of Directors resulting from death, resignation, removal or other cause shall only be filled by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, or as otherwise provided in the By-laws. Any director elected in accordance with the preceding sentence shall hold office until the next annual meeting of the Corporation, at which time a successor shall be elected to fill the remaining term of the position filled by such director.

E. REMOVAL. Any director may be removed from office only for cause and only by the affirmative vote of the holders of a majority of the combined voting power of the then outstanding shares entitled to vote in the election of directors. For purposes of this subparagraph E of Article V "cause" shall mean the wilful and continuous failure of a director to substantially perform such director's duties to the Corporation (other than any such failure resulting from temporary incapacity due to physical or mental illness) or the willful engaging by a director in gross misconduct materially and demonstrably injurious to the Corporation.

F. BY-LAWS. The power to adopt, alter and/or repeal the By-laws of the Corporation is vested exclusively in the Board of Directors.

G. POWERS. The enumeration and definition of particular powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of

this or any other Article of the charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Board of Directors under the General Corporation Law of Maryland as now or hereafter in force.

ARTICLE VI

LIABILITY

The liability of the directors and officers of the Corporation to the Corporation and its stockholders for money damages is hereby limited to the fullest extent permitted by Section 5-349 of the Courts and Judicial Proceedings Code of Maryland (or its successor) as such provisions may be amended from time to time.

ARTICLE VII

INDEMNIFICATION

The Corporation shall indemnify (A) its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the full extent permitted by law and (B) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's By-Laws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such by-laws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the charter of the Corporation shall limit or eliminate the right to indemnification provided hereunder with respect to acts or omissions occurring prior to such amendment or repeal.

ARTICLE VIII

EXISTENCE

The Corporation is to have perpetual existence.

SECOND: The total number of shares of stock heretofore authorized is 1,000 shares of Common Stock of the par value of $.01 per share and of the aggregate par value of $10. The capital stock of the Corporation heretofore authorized is not divided into classes.

The total number of shares of all classes of stock as increased is 70 million shares, divided into 50 million shares of Common Stock of the par value of $.01 per share, and of the aggregate par value of $500,000, 15 million Excess Shares of the par value of $.01 per share, and of the aggregate par value of $150,000, and 5 million shares of Preferred Stock of the par value of $.01 per share, and of the aggregate par value of $50,000.

A description as amended of each class with the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption of each class of stock, is set forth in Article FIRST hereof.

THIRD: The number of directors of the Corporation is six. The names of the directors are set forth below:

Charles E. Bloom
David C. Bloom
Steven L. Craig
Barry M. Ginsburg
Reuben S. Leibowitz
John D. Santoleri

The Board of Directors of the Corporation by a unanimous consent in writing in lieu of a meeting under ss. 2-408 of the Maryland General Corporation Law, dated October 20, 1993, adopted a resolution which set forth the foregoing amendment to the charter, declaring that the said amendment and restatement of the charter was advisable and directing that it be submitted for action thereon by the stockholders by a unanimous consent in writing in lieu of a meeting under ss. 2-505 of the Maryland General Corporation law.

FOURTH: Notice of a meeting of stockholders to take action on the amendment and restatement of the charter was waived by all stockholders of the Corporation.

FIFTH: The amendment and restatement of the charter of the Corporation as hereinabove set forth was approved by the unanimous consent in writing of the stockholders on October 20, 1993.

IN WITNESS WHEREOF, Chelsea GCA Realty, Inc. has caused these presents to be signed in its name and on its behalf by its President and attested by its Secretary on October 20, 1993.

CHELSEA GCA REALTY, INC.

By:/S/ STEVEN L. CRAIG
Steven L. Craig
President

Attest:/S/ DENISE M. ELMER
Denise M. Elmer
Secretary

I, Steven L. Craig, President of Chelsea GCA Realty, Inc., hereby acknowledge the foregoing Articles of Amendment and Restatement of Articles of Incorporation of Chelsea GCA Realty, Inc. to be the act of Chelsea GCA Realty, Inc., and to the best of my knowledge, information and belief, these matters and facts are true in all material respects, and my statement is made under penalties for perjury.

/S/ STEVEN L. CRAIG
Steven L. Craig
President of Chelsea GCA Realty, Inc.

ARTICLES OF AMENDMENT
OF ARTICLES OF INCORPORATION
OF
CHELSEA GCA REALTY, INC.

Chelsea GCA Realty, Inc., a Maryland corporation, having its principal office in Maryland in Baltimore, Maryland, and having The Corporation Trust, Incorporated, a Maryland corporation, as its resident agent located at 32 South Street, Baltimore, Maryland, hereby certifies to the State Department of Assessment and Taxation of Maryland, that:

FIRST: Article IV of The Articles of Incorporation of the Corporation, filed with the State Department of Assessment and Taxation of Maryland on August 24, 1993, is hereby amended to read as follows:

ARTICLE IV

CAPITAL STOCK

A. The total number of shares of all classes of capital stock that the Corporation shall have authority to issue is 55 million shares, consisting of 50 million shares of Common Stock with a par value of $.01 per share (the "Common Stock"), amounting in the aggregate to par value of $500,000, and 5 million shares of Preferred Stock with a par value of $.01 per share (the "Preferred Stock"), amounting in the aggregate to par value of $50,000.

B. COMMON STOCK

1. DIVIDEND RIGHTS. Subject to the preferential dividend rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, Holders (as defined below) shall be entitled to receive such dividends as may be declared by the Board of Directors of the Corporation. Upon the declaration of dividends hereunder, Holders shall be entitled to share in all such dividends, pro rata, in accordance with the relative number of shares of Common Stock held by each such Holder.

2. RIGHTS UPON LIQUIDATION. Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, each Holder shall be entitled to receive, ratably with each other Holder, that portion of the assets of the Corporation available for distribution to its stockholders as the number of shares of the Common Stock held by such Holder bears to the total number of shares of Common Stock then outstanding.

3. VOTING RIGHTS. Each Holder shall be entitled to vote on all matters (on which a holder of Common Stock shall be entitled to vote), and shall be entitled to one vote for each share of the Common Stock held by such Holder.

4. RESTRICTIONS ON OWNERSHIP AND TRANSFER TO PRESERVE TAX BENEFIT.

(a) DEFINITIONS

For the purposes of this Article IV, the following terms shall have the following meanings:

"Beneficial Ownership" shall mean ownership of Common Stock by a Person who would be treated as an owner of such shares of Common Stock either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

"Charitable Trust" shall mean the trust created pursuant to subparagraph B(4)(c)(i) of this Article IV.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

"Constructive Ownership" shall mean ownership of Common Stock by a Person who would be treated as an owner of such shares of Common Stock either directly or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

"Existing Holder" shall mean (i) Charles E. Bloom, David C. Bloom and William D. Bloom and (ii) any Person (other than another Existing Holder) to whom an Existing Holder transfers Beneficial Ownership of Common Stock causing such transferee to Beneficially Own Common Stock in excess of the Ownership Limit.

"Existing Holder Limit" (i) for any Existing Holder who is an Existing Holder by virtue of clause (i) of the definition thereof, shall mean, initially, the percentage of Common Stock Beneficially Owned by such Person immediately after the Initial Public Offering, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Stock as so adjusted; and (ii) for any Existing Holder who becomes an Existing Holder by virtue of clause (ii) of the definition thereof, shall mean, initially, the percentage of the outstanding Common Stock

Beneficially Owned by such Existing Holder at the time that such Existing Holder becomes an Existing Holder, and after any adjustment pursuant to subparagraph B(4)(i) of this Article IV, shall mean such percentage of the outstanding Common Stock as so adjusted; provided, however, that the Existing Holding Limits for all Existing Holders when combined shall not exceed 21% of the Corporation's Common Stock. For purposes of determining the Existing Holder Limit, the amount of Common Stock outstanding at the time of the determination shall be deemed to include the maximum number of shares that Existing Holders may beneficially own with respect to options and rights to convert Units into Common Stock pursuant to Section 8.6 of the Partnership Agreement and shall not include shares that may be Beneficially Owned solely by other persons upon exercise of options or rights to convert into Common Stock. From the date of the Initial Public Offering and prior to the Restriction Termination Date, the Secretary of the Corporation shall maintain and, upon request, make available to each Existing Holder, a schedule which sets forth the then current Existing Holder Limits for each Existing Holder.

"Holder" shall mean the record holder of shares of Common Stock, or in the case of shares held by a Purported Record Transferee, the Charitable Trust.

"Initial Public Offering" shall mean the sale of shares of Common Stock in an underwritten public offering pursuant to the Corporation's first effective registration statement for such Common Stock filed under the Securities Act of 1933, as amended.

"IRS" shall mean the United States Internal Revenue Service.

"Market Price" shall mean the last reported sales price reported on the New York Stock Exchange of Common Stock on the trading day immediately preceding the relevant date, or if the Common Stock is not then traded on the New York Stock Exchange, the last reported sales price of the Common Stock on the trading day immediately preceding the relevant date as reported on any exchange or quotation system over which the Common Stock may be traded, or if the Common Stock is not then traded over any exchange or quotation system, then the market price of the Common Stock on the relevant date as determined in good faith by the Board of Directors of the Corporation.

"Ownership Limit" shall initially mean 7% of the outstanding Common Stock of the Corporation, and after any adjustment as set forth in subparagraph B(4)(i) of this Article IV, shall mean such greater percentage.

"Partner" shall mean any Person owning Units.

"Partnership" shall mean Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership.

"Partnership Agreement" shall mean the Agreement of Limited Partnership of the Partnership, of which the Corporation is the sole general partner, as such agreement may be amended from time to time.

"Person" shall mean an individual, corporation, partnership, estate, trust, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; but does not include (i) Warburg, Pincus Capital Company, L.P., and WP/Chelsea Inc., and (ii) an underwriter which participates in a public offering of the Common Stock provided that the ownership of Common Stock by such underwriter would not result in the Corporation failing to qualify as a REIT.

"Purported Transferee" shall mean, with respect to any purported Transfer which results in a violation of subparagraph B(4)(b) of this Article IV, the purported beneficial transferee or owner for whom the Purported Record Transferee would have acquired or owned shares of Common Stock, if such Transfer had been valid under such subparagraph.

"Purported Record Transferee" shall mean, with respect to any purported Transfer which results in a violation of subparagraph B(4)(b) of this Article IV, the record holder of the Common Stock if such Transfer had been valid under such subparagraph.

"REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

"Restriction Termination Date" shall mean the first day after the date of the Initial Public Offering on which the Board of Directors of the Corporation determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

"Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Common Stock (including (i) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Common Stock or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Common Stock), whether voluntary or involuntary, whether of record or beneficially or Beneficially or Constructively (including but not limited to transfers of interests in other entities which result in changes in Beneficial or Constructive Ownership of Common Stock), and whether by operation of law or otherwise.

"Trustee" shall mean the Corporation as trustee for the Charitable Trust, and any successor trustee appointed by the Corporation.

"Units" shall mean the units into which partnership interests of the Partnership are divided, and as the same may be adjusted, as provided in the Partnership Agreement.

"Warburg, Pincus Capital Company, L.P." shall mean Warburg, Pincus Capital Company, L.P., a Delaware limited partnership.

"WP/Chelsea Inc." shall mean WP Chelsea Inc., a New York corporation.

(b) RESTRICTION ON OWNERSHIP AND TRANSFERS.

(i) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, no Person (other than an Existing Holder) shall Beneficially Own shares of Common Stock in excess of the Ownership Limit, and no Existing Holder shall Beneficially Own shares of Common Stock in excess of the Existing Holder Limit for such Existing Holder.

(ii) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the New York Stock Exchange ("NYSE")), that, if effective, would result in any Person (other than an Existing Holder) Beneficially Owning Common Stock in excess of the Ownership Limit shall be void AB INITIO as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Person in excess of the Ownership Limit; and the Purported Transferee shall acquire no rights in such shares of Common Stock.

(iii) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE) that, if effective, would result in any Existing Holder Beneficially Owning Common Stock in excess of the applicable Existing Holder Limit shall be void AB INITIO as to the Transfer of such shares of Common Stock which would be otherwise Beneficially Owned by such Existing Holder in excess of the applicable Existing Holder Limit; and such Existing Holder shall acquire no rights in such shares of Common Stock.

(iv) Except as provided in subparagraph B(4)(k) of this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE) that, if effective, would result in the Common Stock being beneficially owned by less than 100 Persons (determined without reference to any rules of attribution) shall be void AB INITIO as to the Transfer of such shares of Common Stock which would be otherwise beneficially owned by the transferee; and the intended transferee shall acquire no rights in such shares of Common Stock.

(v) Notwithstanding any other provisions contained in this Article IV, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer (whether or nor such transfer is the result of a transaction entered into through the facilities of the NYSE) or other event that, if effective, would result in the Corporation being "closely held" within the meaning of Section 856(h) of the Code, or would otherwise result in the Corporation failing to qualify as a REIT (including, but not limited to, a Transfer or other event that would result in the Corporation owning (directly or Constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the Corporation from such tenant would cause the Corporation to fail to satisfy any of the gross income requirements of Section 856(c) of the Code), shall be void AB INITIO as to the Transfer of the shares of Common Stock which would cause the Corporation to be "closely held" within the meaning of Section 856(h) of the Code or would otherwise result in the Corporation failing to qualify as a REIT; and the intended transferee or owner or Constructive or Beneficial Owner shall acquire or retain no rights in such shares of Common Stock.

(c) EFFECT OF TRANSFER IN VIOLATION OF SUBPARAGRAPH (B)(4)(B).

(i) If, notwithstanding the other provisions contained in this Article IV, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE), change in the capital structure of the Corporation, or other event such that one or more of the restrictions on ownership and transfers described in subparagraph B(4)(b) above has been violated, then the shares of Common Stock being Transferred (or in the case of an event other than a Transfer, the shares owned or Constructively Owned or Beneficially Owned) which would cause one or more of the restrictions on ownership or transfer to be violated (rounded up to the nearest whole share) (the "Trust Shares"), shall automatically be transferred to the Corporation, as Trustee of a trust (the "Charitable Trust") for the exclusive benefit of (The American Cancer Society) (the "Designated Charity"), an organization described in Section 170(b)(1)(A) and 170(c) of the Code. The Purported Transferee shall have no rights in such Trust Shares.

(ii) The Corporation, as Trustee of the Charitable Trust, may transfer the shares held in such trust to a Person whose ownership of the shares will not result in a violation of the ownership restrictions (a "Permitted Transferee"). If such a transfer is made, the interest of the Designated Charity will terminate and proceeds of the sale will be payable to the Purported Transferee and to the Designated Charity. The Purported Transferee will receive the lesser of (1) the price paid by the Purported Transferee for the shares or, if the Purported Transferee did not give value for the shares, the Market Price of the shares on the day of the event causing the shares to be held in trust, and (2) the price per share received by the Corporation, as Trustee, from the sale or other disposition of the shares held in trust. The Designated Charity will receive any proceeds in excess of the amount payable to the Purported Transferee. The Purported Transferee will not be entitled to designate a Permitted Transferee.

(iii) All stock held in the Charitable Trust will be deemed to have been offered for sale to the Corporation or its designee for a 90-day period, at the lesser of the price paid for that stock by the Purported Transferee and the Market Price on the date that the Corporation accepts the offer. This period will commence on the date of the violative transfer, if the Purported Transferee gives notice to the Corporation of the transfer, or the date that the Board of Directors of the Corporation determines that a violative transfer occurred, if no such notice is provided.

(iv) Any dividend or distribution paid prior to the discovery by the Corporation that shares of Common Stock have been transferred in violation of subparagraph B(4)(b) of this Article IV, shall be repaid to the Corporation upon demand and shall be held in trust for the Designated Charity. Any dividend or distribution declared but unpaid shall be rescinded as void AB INITIO with respect to such shares of stock.

(v) Subject to the preferential rights of the Preferred Stock, if any, as may be determined by the Board of Directors of the Corporation pursuant to paragraph C of this Article IV, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, the Designated Charity shall be entitled to receive, ratably with each other holder of Common Stock, that portion of the assets of the Corporation available for distribution to its stockholders as the number of Trust Shares bears to the total number of shares of Common Stock then outstanding (including the Trust Shares). The Corporation, as Trustee, or if the Corporation shall have been dissolved, any trustee appointed by the Corporation prior to its dissolution, shall distribute to the Designated Charity, when determined (or if not determined, or only partially determined, ratably to the other holders of Common Stock who have been determined and the Designated Charity), any such assets received in respect of the Trust Shares in any liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation.

(vi) The Purported Transferee will not be entitled to vote any Common Stock it attempts to acquire, and any stockholder vote will be rescinded if a Purported Transferee votes and the stockholder vote would have been decided differently if such Purported Transferee's vote was not counted.

(d) REMEDIES FOR BREACH. If the Board of Directors or its designees shall at any time determine in good faith that a Transfer or other event has taken place in violation of subparagraph B(4)(b) of this Article IV or that a Person intends to acquire or has attempted to acquire beneficial ownership (determined without reference to any rules of attribution), Beneficial Ownership or Constructive Ownership of any shares of the Corporation in violation of subparagraph B(4)(b) of this Article IV, the Corporation shall inform the Purported Transferee of its obligations pursuant to this Article IV, including such Purported Transferee's obligations to pay over to the Charitable Trust any and all dividends received with respect to the Trust Shares. In addition, the Board of Directors or its designees shall take such action as it deems advisable to refuse to give effect or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer and to recover any dividend erroneously paid and declaring any votes erroneously cast to be retroactively invalid; provided, however, that any Transfers (or, in the case of events other than a Transfer, ownership or Constructive Ownership or Beneficial Ownership) in violation of subparagraph B(4)(b) of this Article IV shall automatically result in a transfer to the Charitable Trust as described in subparagraph B(4)(c), irrespective of any action (or non-action) by the Board of Directors.

(e) NOTICE OF RESTRICTED TRANSFER. Any Person who acquires or attempts to acquire shares in violation of subparagraph B(4)(b) of this Article IV, or any Person who is a Purported Transferee, shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer on the Corporation's status as a REIT.

(f) OWNERS REQUIRED TO PROVIDE INFORMATION. From the date of the Initial Public Offering and prior to the Restriction Termination Date each Person who is a beneficial owner or Beneficial Owner or Constructive Owner of Common Stock and each Person (including the stockholder of record) who is holding Common Stock for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information that the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

(g) REMEDIES NOT LIMITED. Nothing contained in this Article IV shall

limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its stockholders by preservation of the Corporation's status as a REIT.

(h) AMBIGUITY. In the case of an ambiguity in the application of any of the provisions of subparagraph B(4) of this Article IV, including any definition contained in subparagraph B(4)(a), the Board of Directors shall have the power to determine the application of the provisions of this subparagraph B(4) with respect to any situation based on the facts known to it.

(i) MODIFICATION OF OWNERSHIP LIMIT OR EXISTING HOLDER LIMIT. Subject to the limitations provided in subparagraph B(4)(j), the Board of Directors may from time to time increase the Ownership Limit or the Existing Holder Limit and shall file Articles Supplementary with the State Department of Assessment and Taxation of Maryland to evidence such increase.

(j) LIMITATIONS ON MODIFICATIONS.

(i) From the date of the Initial Public Offering and prior to the Restriction Termination Date, neither the Ownership Limit nor any Existing Holder Limit may be increased (nor may any additional Existing Holder Limit be created) if, after giving effect to such increase (or creation), five Persons who are Beneficial Owners of Common Stock (including all of the then Existing Holders) could (taking into account the Ownership Limit and the Existing Holder Limit) Beneficially Own, in the aggregate, more than 49% of the outstanding Common Stock.

(ii) Prior to the modification of any Existing Holder Limit or Ownership Limit pursuant to subparagraph B(4)(i) of this Article IV, the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(iii) No Existing Holder Limit shall be reduced to a percentage which is less than the Ownership Limit.

(iv) The Ownership Limit may not be increased to a percentage which is greater than 9.9%.

(k) EXCEPTIONS.

(i) The Board of Directors, in its sole discretion, may exempt a Person from the Ownership Limit or the Existing Holder Limit, as the case may be, if such Person is not an individual for purposes of Section 542(a)(2) of the Code and the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial Ownership of such shares of Common Stock will violate the Ownership Limit or the applicable Existing Holder Limit, as the case may be, and agrees that any violation of such representations or undertaking (or other action which is contrary to the restrictions contained in this subparagraph B(4) of this Article IV) or attempted violation will result in such shares of Common Stock automatically being transferred to the Charitable Trust.

(ii) Prior to granting any exception pursuant to subparagraph B(4)(k)(i) of this Article IV, the Board of Directors may require a ruling from the IRS, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

5. LEGEND. Each certificate for shares of Common Stock shall bear legends substantially to the effect of the following:

"The Corporation is authorized to issue two classes of capital stock which are designated as Common Stock and Preferred Stock. The Board of Directors is authorized to determine the preferences, limitations and relative rights of the Preferred Stock before the issuance of any Preferred Stock. The Corporation will furnish, without charge, to any stockholder making a written request therefor, a copy of the Corporation's charter and a written statement of the designations, relative rights, preferences and limitations applicable to each such class of stock. Requests for the Corporation's charter and such written statement may be directed to Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068, Attention: Secretary.

The shares of Common Stock represented by this certificate are subject to restrictions on ownership and Transfer for the purpose of the Corporation's maintenance of its status as a Real Estate Investment Trust under the Code. No Person may Beneficially Own shares of Common Stock in excess of 7% (or such greater percentage as may be determined by the Board of Directors of the Corporation) of the outstanding Common Stock of the Corporation (unless such Person is an Existing Holder) with certain exceptions set forth in the Corporation's charter. Any Person who attempts to Beneficially Own shares of Common Stock in excess of the above limitations must immediately notify the Corporation. All capitalized terms in this legend have the meanings defined in the Corporation's charter. Transfers in violation of the restrictions described above may be void AB INITIO.

In addition, upon the occurrence of certain events, if the restrictions on ownership are violated, the shares of Common Stock represented hereby may be automatically exchanged for Trust Shares which will be held in trust by the Corporation. The Corporation has an option to acquire Trust Shares under certain circumstances. The Corporation will furnish to the holder hereof upon request and without charge a complete written statement of the terms and conditions of the Trust Shares. Requests for such statement may be directed to Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068,

Attention: Secretary."

6. SEVERABILITY. If any provision of this Article IV or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provisions shall be affected only to the extent necessary to comply with the determination of such court.

C. PREFERRED STOCK. The Board of Directors of the Corporation, by resolution, is hereby expressly vested with authority to provide for the issuance of the shares of Preferred Stock in one or more classes or one or more series, with such voting powers, full or limited, or no voting powers, and with such designations, preferences and relative, participating, optional and other special rights, and qualifications, limitations or restrictions thereof, if any, as shall be stated and expressed in the resolution or resolutions providing for such issue adopted by the Board of Directors. Except as otherwise provided by law, the holders of the Preferred Stock of the Corporation shall only have such voting rights as are provided for or expressed in the resolutions of the Board of Directors relating to such Preferred Stock adopted pursuant to the authority contained in the Articles of Incorporation. Before issuance of any such shares of Preferred Stock, the Corporation shall file Articles Supplementary with the State Department of Assessment and Taxation of Maryland in accordance with the provision of Section 2-208 of the Maryland General Corporation Law.

D. RESERVATION OF SHARES. Pursuant to the obligations of the Corporation under the Partnership Agreement to issue shares of Common Stock in exchange for Units, the Board of Directors is hereby required to reserve a sufficient number of authorized but unissued shares of Common Stock to permit the Corporation to issue shares of Common Stock in exchange for Units that may be exchanged for shares of Common Stock pursuant to the Partnership Agreement.

E. NYSE SETTLEMENT. Nothing in this Article IV shall preclude the settlement of any transaction entered into through the facilities of the NYSE.

F. PREEMPTIVE RIGHTS. No holder of shares of capital stock of the Corporation shall, as such holder, have any preemptive or other right to purchase or subscribe for any shares of Common Stock or any class of capital stock of the Corporation which the Corporation may issue or sell.

G. CONTROL SHARES. Pursuant to Section 3-702(b) of the General Corporation Law of Maryland (the "Act"), the terms of Subtitle 7 of Title 3 of the Act shall be inapplicable to any acquisition of a Control Share (as defined in the Act) that is not prohibited by the terms of Article IV.

H. BUSINESS COMBINATIONS. Pursuant to Section 3-603(e)(1)(iii) of the General Corporation Law of Maryland, the terms of Section 3-602 of such law shall be inapplicable to the Corporation.

SECOND: The amendment of the charter of the Corporation as hereinabove set forth was approved by the stockholders of the Corporation on June 13, 1996.

IN WITNESS WHEREOF, Chelsea GCA Realty, Inc. has caused these presents to be signed in its name and on its behalf by its President and attested by its Secretary on June 13, 1996.

CHELSEA GCA REALTY, INC.

By:/s/ David C. Bloom
David C. Bloom
President

Attest: /s/ Denise M. Elmer
Denise M. Elmer
Secretary

I, David C. Bloom, President of Chelsea GCA Realty, Inc., hereby acknowledge the foregoing Articles of Amendment of Articles of Incorporation of Chelsea GCA Realty, Inc. to be the act of Chelsea GCA Realty, Inc., and to the best of my knowledge, information and belief, these matters and facts are true in all material respects, and my statement is made under penalties for perjury.

David C. Bloom
President of Chelsea GCA
Realty, Inc.

ARTICLES SUPPLEMENTARY TO ARTICLES OF INCORPORATION
OF CHELSEA GCA REALTY, INC.

Chelsea GCA Realty, Inc., a Maryland corporation having its principal office in Baltimore, Maryland (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland, as follows:

FIRST: Pursuant to authority expressly vested in the Board of Directors of the Corporation by Article IV of the Amended and Restated Articles of Incorporation of the Corporation, as amended, the Board of Directors has duly divided and classified 1,000,000 unissued shares of the Preferred Stock of the Corporation into a series designated "8 3/8% Series A Cumulative Redeemable Preferred Stock" and has provided for the issuance of such series.

SECOND: A description of the 8 3/8% Series A Cumulative Redeemable Preferred Stock, including the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption as set or changed by the Board of Directors of the Corporation is as follows:

(i) TITLE. The Series of Preferred Stock is hereby designated as the "8 3/8% Series A Cumulative Redeemable Preferred Stock (the "Series A Preferred Shares").

(ii) NUMBER. The maximum number of authorized shares of the Series A Preferred Shares shall be 1,000,000.

(iii) RELATIVE SENIORITY. In respect of rights to receive dividends and to participate in distributions of payments in the event of any liquidation, dissolution or winding up of the Corporation, the Series A Preferred Shares shall rank senior to the Common Stock and any other class or series of shares of the Corporation which, by their terms rank junior to the Series A Preferred Shares (collectively, "Junior Shares") and on a parity with all other shares of Preferred Stock of the Corporation which are not by their terms Junior Shares.

(iv) DIVIDENDS.

(A) The holders of the then outstanding Series A Preferred Shares shall be entitled to receive, when and as declared by the Board of Directors out of any funds legally available therefor, cumulative dividends at the rate of $4.1875 per share per year, payable in arrears in equal amounts of $1.046875 per share quarterly in cash on the 15th day of each January, April, July and October or, if not a Business Day (as hereinafter defined), the next succeeding Business Day (each such day being hereafter called a "Quarterly Dividend Date" and each period ending on the calendar day preceding a Quarterly Dividend Date being hereinafter called a "Dividend Period"). Dividends shall accumulate from the date of original issue, with the first dividends to be paid on January 15, 1998. Dividends shall be payable to holders of record as they appear in the share records of the Corporation at the close of business on the applicable record date (a "Record Date"), which shall be the 1st day of the calendar month in which the applicable Quarterly Dividend Date falls on or such other date designated by the Board of Directors of the Corporation for the payment of dividends that is not more than 30 nor less than 10 days prior to such Quarterly Dividend Date. The amount of any dividend payable for any Dividend Period shorter than a full Dividend Period shall be computed on the basis of a 360-day year of twelve 30-day months.

"Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close.

(B) The amount of any dividends accumulated on any Series A Preferred Shares at any Quarterly Dividend Date shall be the amount of any unpaid dividends accumulated thereon to but excluding such Quarterly Dividend Date and the amount of dividends accumulated on any shares of Series A Preferred Shares at any date other than a Quarterly Dividend Date shall be equal to the sum of the amount of any unpaid dividends accumulated thereon to but excluding the last preceding Quarterly Dividend Date, plus an amount calculated on the basis of the annual dividend rate of $4.1875 per share for the period after such last preceding Quarterly Dividend Date to and including the date as of which the calculation is made based on a 360-day year of twelve 30-day months. Dividends on the Series A Preferred Shares will accumulate whether or not the Corporation has earnings, whether or not there are funds legally available for the payment of such dividends and whether or not such dividends are authorized or declared.

(C) Except as otherwise expressly provided herein, the Series A Preferred Shares will not be entitled to any dividends in excess of full cumulative dividends as described above and shall not be entitled to participate in the earnings or assets of the Corporation, and no interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on the Series A Preferred Shares which may be in arrears.

(D) Any dividend payment made on the Series A Preferred Shares shall first be credited against the earliest accumulated but unpaid dividend due with respect to such shares which remains payable.

(E) If, for any taxable year, the Corporation elects to designate as "capital gain dividends" (as defined in and permitted pursuant to Section 857 of the Internal Revenue Code of 1986, as amended (the "Code")), any portion (the "Capital Gains Amount") of the dividends paid or made available for the year to holders of all classes of shares (the "Total Dividends"), then the portion of the Capital Gains Amount that shall be allocated to the holders of the Series A Preferred Shares shall equal (i) the Capital Gains Amount multiplied by (ii) a fraction that is equal to (a) the total dividends paid or made available to the

holders of the Series A Preferred Shares for the year over (b) the Total Dividends.

(F) No dividends on the Series A Preferred Shares shall be authorized by the Board of Directors of the Corporation or be paid or set apart for payment by the Corporation at such time as the terms and provisions of any agreement of the Corporation, including any agreement relating to its indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such authorization or payment shall be restricted or prohibited by law.

(G) No dividends will be declared or paid or set apart for payment on any capital stock of the Corporation ranking, as to dividends, on a parity with or junior to the Series A Preferred Shares for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment therefor set apart for such payment on the Series A Preferred Shares for all past Dividend Periods and the then current Dividend Period. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Shares and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Series A Preferred Shares, all dividends declared on the Series A Preferred Shares and any other series of Preferred Stock ranking on a parity as to dividends with the Series A Preferred Shares shall be declared pro rata so that the amount of dividends declared per Series A Preferred Share and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accumulated dividends per Series A Preferred Share and such other series of Preferred Stock bear to each other.

(H) Except as provided in subparagraph G, unless full cumulative dividends on the Series A Preferred Shares have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment therefor set apart for such payment on the Series A Preferred Shares for all past Dividend Periods and the then current Dividend Period, no dividends (other than in Junior Shares) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Junior Shares or any other capital stock of the Corporation ranking on a parity with the Series A Preferred Shares as to dividends or upon liquidation, nor shall any Junior Shares or any other capital stock of the Corporation ranking on a parity with the Series A Preferred Shares as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid or made available for a sinking fund for the redemption of such shares) by the Corporation (except by conversion into or exchange for other Junior Shares).

(v) LIQUIDATION RIGHTS.

(A) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Corporation (a "liquidation"), the holders of the Series A Preferred Shares then outstanding shall be entitled to receive in cash or property (at its fair market value determined by the Corporation's Board of Directors) and to be paid out of the assets of the Corporation legally available for distribution to its shareholders, before any payment or distribution shall be made on any Junior Shares, the amount of $50.00 per share, plus accumulated and unpaid dividends, if any, thereon to and including the date of liquidation.

(B) After the payment to the holders of the Series A Preferred Shares of the full liquidation amounts provided for in paragraph (A), the holders of the Series A Preferred Shares, as such, shall have no right or claim to any of the remaining assets of the Corporation.

(C) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Corporation, the amounts payable with respect to the preference distributions on the Series A Preferred Shares and the shares of each other series of Preferred Stock of the Corporation ranking, as to liquidation rights, on a parity with the Series A Preferred Shares are not paid in full, the holders of the Series A Preferred Shares and any other shares of Preferred Stock of the Corporation ranking, as to liquidation rights, on a parity with the Series A Preferred Shares shall share ratably in any such distribution of assets of the Corporation in proportion to the full respective preference amounts to which they would otherwise be respectively entitled.

(D) Neither the sale, lease, transfer or conveyance of all or substantially all of the property or business of the Corporation, nor the merger or consolidation of the Corporation into or with any other entity or the merger or consolidation of any other entity into or with the Corporation, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes of this paragraph (v).

(vi) REDEMPTION.

(A) OPTIONAL REDEMPTION. On and after October 15, 2027, the Corporation may, at its option (subject to the provisions of this paragraph (vi)), redeem at any time all or, from time to time, part of the Series A Preferred Shares at a price per share (the "Redemption Price"), payable in cash, of $50.00 per share, together with all accumulated and unpaid dividends, if any, to and including the date fixed for redemption (the "Redemption Date"), without interest, to the extent the Corporation has funds legally available therefor. The Series A Preferred Shares have no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions, except as provided for in paragraph (ix) below.

(B) PROCEDURES FOR REDEMPTION.

(1) Notice of redemption will be given by publication in a newspaper of general circulation in The City of New York, such publication to be made once a week for two successive weeks commencing not less than 30 nor more than 60 days prior to the Redemption Date. Notice of any redemption furnished by the Corporation will also be mailed by the registrar, postage prepaid, not less than 30 nor more than 60 days prior to the Redemption Date, addressed to each holder

of record of the Series A Preferred Shares to be redeemed at the address set forth in the share transfer records of the registrar. No failure to give such notice or any defect therein or in the mailing thereof shall affect the validity of the proceedings for the redemption of any Series A Preferred Shares except as to the holder to whom the Corporation has failed to give notice or except as to the holder to whom notice was defective. In addition to any information required by law or by the applicable rules of any exchange upon which Series A Preferred Shares may be listed or admitted to trading, such notice shall state: (a) the Redemption Date; (b) the Redemption Price; (c) the number of Series A Preferred Shares to be redeemed; (d) the place or places where certificates for the Series A Preferred Shares to be redeemed are to be surrendered for payment of the Redemption Price; and (e) that dividends on the Series A Preferred Shares to be redeemed will cease to accumulate on the Redemption Date.

(2) If notice has been mailed in accordance with paragraph (vi)(B)(1) above and provided that on or before the Redemption Date specified in such notice all funds necessary for such redemption shall have been irrevocably set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the Series A Preferred Shares so called for redemption, so as to be, and to continue to be available therefor, then, from and after the Redemption Date, dividends on the Series A Preferred Shares so called for redemption shall cease to accumulate, and said shares shall no longer be deemed to be outstanding and shall not have the status of Series A Preferred Shares and all rights of the holders thereof as shareholders of the Corporation (except the right to receive the Redemption Price) shall cease. Upon surrender, in accordance with such notice, of the certificates for any Series A Preferred Shares so redeemed (properly endorsed or assigned for transfer, if the Corporation shall so require and the notice shall so state), such Series A Preferred Shares shall be redeemed by the Corporation at the Redemption Price. In case fewer than all the Series A Preferred Shares represented by any such certificate are redeemed, a new certificate or certificates shall be issued representing the unredeemed Series A Preferred Shares without cost to the holder thereof.

(3) Any funds deposited with a bank or trust company for the purpose of redeeming Series A Preferred Shares shall be irrevocable except that:

(a) the Corporation shall be entitled to receive from such bank or trust company the interest or other earnings, if any, earned on any money so deposited in trust, and the holders of any Series A Preferred Shares redeemed shall have no claim to such interest or other earnings; and

(b) any balance of monies so deposited by the Corporation and unclaimed by the holders of the Series A Preferred Shares entitled thereto at the expiration of two years from the applicable Redemption Date shall be repaid, together with any interest or other earnings earned thereon, to the Corporation, and after any such repayment, the holders of the Series A Preferred Shares entitled to the funds so repaid to the Corporation shall look only to the Corporation for payment without interest or other earnings.

(4) No Series A Preferred Shares may be redeemed except from proceeds from the sale of other capital stock of the Corporation (consisting of common stock, preferred stock, depositary shares, interests, participations or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing) and not from any other source.

(5) Unless full accumulated dividends on all Series A Preferred Shares shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment on the Series A Preferred Shares for all past Dividend Periods and the then current Dividend Period, no Series A Preferred Shares shall be redeemed, purchased or otherwise acquired directly or indirectly on the Series A Preferred Shares; provided, however, that the foregoing shall not prevent the redemption, purchase or acquisition of Series A Preferred Shares to preserve the Corporation's REIT status or the purchase or acquisition of Series A Preferred Shares pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series A Preferred Shares.

(6) If the Redemption Date is after a Record Date and before the related Quarterly Dividend Date, the dividend payable on such Quarterly Dividend Date shall be paid to the holder in whose name the Series A Preferred Shares to be redeemed are registered at the close of business on such Record Date notwithstanding the redemption thereof between such Record Date and the related Quarterly Dividend Date or the Corporation's default in the payment of the dividend due. Except as provided in this paragraph (vi), the Corporation will make no payment or allowance for unpaid dividends, whether or not in arrears, on Series A Preferred Shares to be redeemed.

(7) In case of redemption of less than all Series A Preferred Shares at the time outstanding, the Series A Preferred Shares to be redeemed shall be selected pro rata from the holders of record of such Series A Preferred Shares in proportion to the number of Series A Preferred Shares held by such holders (with adjustments to avoid redemption of fractional shares) or by any other equitable method determined by the Corporation.

(vii) VOTING RIGHTS. Except as required by law, and as set forth below, the holders of the Series A Preferred Shares shall not be entitled to vote at any meeting of the shareholders for election of Directors or for any other purpose or otherwise to participate in any action taken by the Corporation or the shareholders thereof, or to receive notice of any meeting of shareholders.

(A) Whenever dividends on any Series A Preferred Shares shall be in arrears for six or more quarterly periods, whether or not such quarterly periods are consecutive, the holders of such Series A Preferred Shares (voting separately as a class with all other series of Preferred Stock of the Corporation upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional

Directors of the Corporation at a special meeting called by the holders of record of at least ten percent (10%) of the Series A Preferred Shares (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the shareholders) or at the next annual meeting of shareholders, and at each subsequent annual meeting until all dividends accumulated on such Series A Preferred Shares for the past Dividend Periods and the then current Dividend Period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In such case, the entire Board of Directors of the Corporation will be increased by two Directors.

(B) So long as any Series A Preferred Shares remain outstanding, the Corporation will not, without the affirmative vote or consent of the holders of at least two-thirds of the Series A Preferred Shares outstanding at the time, given in person or by proxy, either in writing or at a meeting (voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of shares of capital stock ranking senior to the Series A Preferred Shares with respect to the payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the Corporation or reclassify any authorized capital stock of the Corporation into such capital stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such capital stock; or (ii) amend, alter or repeal the provisions of the Corporation's Articles of Incorporation, including these Articles Supplementary, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of the Series A Preferred Shares or the holders thereof; provided, however, with respect to the occurrence of any of the Events set forth in (ii) above, so long as the Series A Preferred Shares remain outstanding with the terms thereof materially unchanged, taking into account that upon the occurrence of an Event, the Corporation may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of Series A Preferred Shares; and provided, further, that (x) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (y) any increase in the amount of authorized Series A Preferred Shares, in each case ranking on a parity with or junior to the Series A Preferred Shares with respect to payment of dividends and the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

The foregoing voting provisions will not apply if, at or prior to the time when the act with respect to which such vote or consent would otherwise be required shall be effected, all outstanding Series A Preferred Shares shall have been redeemed or called for redemption and sufficient funds shall have been deposited in trust to effect such redemption.

(C) On each matter submitted to a vote of the holders of Series A Preferred Shares in accordance with this paragraph (vii), or as otherwise required by law, each Series A Preferred Share shall be entitled to one vote. With respect to each Series A Preferred Share, the holder thereof may designate a proxy, with each such proxy having the right to vote on behalf of the holder.

(viii) CONVERSION. The Series A Preferred Shares are not convertible into or exchangeable for any other property or securities of the Corporation.

(ix) RESTRICTIONS ON OWNERSHIP.

(A) Definitions. The following terms shall have the following meanings:

(1) "Beneficial Ownership" shall mean ownership of the Series A Preferred Shares by a Person who would be treated as an owner of such Series A Preferred Shares either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have the correlative meanings.

(2) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(3) "Constructive Ownership" shall mean ownership of Series A Preferred Shares by a Person who would be treated as an owner of such Series A Preferred Shares either directly or constructively through the application of Section 318 of the Code, as modified by Section 856(d)(5) of the Code. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have the correlative meanings.

(4) "Initial Placement" shall mean the sale of Series A Preferred Shares pursuant to the Corporation's Offering Memorandum dated October 7, 1997.

(5) "Ownership Limit" shall initially mean 7% of the outstanding Series A Preferred Shares of the Corporation.

(6) "Person" shall mean an individual, corporation, partnership, estate, trust, a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended; but does not include an underwriter which participates in a public offering of the Series A Preferred Shares provided that the ownership of Series A Preferred Shares by such underwriter would not result in the Corporation failing to qualify as a REIT.

(7) "REIT" shall mean a Real Estate Investment Trust under Section 856 of the Code.

(8) "Restriction Termination Date" shall mean the first day after the date of the Initial Placement on which the Board of Directors of the Corporation

determines that it is no longer in the best interests of the Corporation to attempt to, or continue to, qualify as a REIT.

(9) "Transfer" shall mean any sale, transfer, gift, assignment, devise or other disposition of Series A Preferred Shares or the right to vote or receive dividends on Series A Preferred Shares (including (A) the granting of any option or entering into any agreement for the sale, transfer or other disposition of Series A Preferred Shares or the right to vote or receive dividends on Series A Preferred Shares or (B) the sale, transfer, assignment or other disposition or grant of any securities or rights convertible into or exchangeable for Series A Preferred Shares, or the right to vote or receive dividends on Series A Preferred Shares), whether voluntary or involuntary, whether of record or Beneficially or Constructively (including transfers of interests in other entities which result in changes in Beneficial or Constructive Ownership of Series A Preferred Shares), and whether by operation of law or otherwise.

(B) Restrictions.

(1) During the period commencing on the date of the Initial Placement and prior to the Restriction Termination Date: (a) no Person shall Beneficially Own any Series A Preferred Shares in excess of the Ownership Limit; (b) no Person shall Beneficially Own any shares of Series A Preferred Shares if, as a result of such Beneficial Ownership, the Series A Preferred Shares and Common Stock of the Corporation would be Beneficially Owned by less than 100 Persons (determined without reference to the rules of attribution under Section 544 of the Code); and (c) no Person shall Beneficially Own any shares if, as a result of such Beneficial Ownership, the Corporation would be "closely held" within the meaning of Section 856(h) of the Code or would otherwise result in the Corporation failing to qualify as a REIT..

(2) Any Transfer that would result in a violation of the restrictions in subparagraph (ix)(B)(1) shall be void ab initio as to the Transfer of such Series A Preferred Shares that would cause the violation of the applicable restriction in subparagraph (ix)(B)(1), and the intended transferee shall acquire no rights in such Series A Preferred Shares.

(C) Remedies for Breach.

(1) If the Board of Directors or a committee thereof shall at any time determine in good faith that a Transfer or other event has taken place in violation of subparagraph (ix)(B)(1) or that a Person intends to acquire or has attempted to acquire Beneficial Ownership of any shares of the Corporation that will result in violation of subparagraph (ix)(B)(1) (whether or not such violation is intended and determined without reference to any rules of attribution), the Corporation shall inform the Purported Transferee of its obligations hereunder, including such Purported Transferee's obligations to pay over to the Charitable Trust any and all dividends received with result to the Trust Shares. In addition, the Board of Directors or a committee thereof shall take such action as it or they deem advisable to refuse to give effect to or to prevent such Transfer, including, but not limited to, refusing to give effect to such Transfer on the books of the Corporation or instituting proceedings to enjoin such Transfer and to receive any dividend erroneously paid and declaring any votes erroneously cast to be retroactively invalid; provided, however, that any Transfers (or, in the case of events other than a Transfer, ownership or Constructive Ownership or Beneficial Ownership) in violation of subparagraph (ix)(B)(1) shall automatically result in a transfer to the Charitable Trust as described in subparagraph (C)(2), irrespective of any action (or non-action) by the Board of Directors or committee.

(2) If, notwithstanding the other provisions contained in subparagraph (ix)(B)(1), at any time after the date of the Initial Placement and prior to the Restriction Termination Date, there is a purported Transfer (whether or not such Transfer is the result of a transaction entered into through the facilities of the NYSE), change in the capital structure of the Corporation, or other event such that one or more of the restrictions on ownership and transfers described in subparagraph (ix)(B)(1) above has been violated, then the Series A Preferred Shares being Transferred (or in the case of an event other than a Transfer, the shares owned or Constructively Owned or Beneficially Owned) (the Person making such Transfer being the "Purported Transferee") which would cause one or more of the restrictions on ownership or transfer to be violated (rounded up to the nearest whole share) (the "Trust Shares"), shall automatically be transferred to the Corporation, as Trustee of a trust (the "Charitable Trust") for the exclusive benefit of The American Cancer Society (the "Designated Charity"), an organization described in Section 170(b)(1)(A) and 170(c) of the Code. The Purported Transferee shall have no rights in such Trust Shares.

(3) The Corporation, as Trustee of the Charitable Trust, may transfer the shares held in such trust to a Person whose ownership of the shares will not result in a violation of the ownership restrictions (a "Permitted Transferee"). If such a transfer is made, the interest of the Designated Charity will terminate and proceeds of the sale will be payable to the Purported Transferee and to the Designated Charity. The Purported Transferee will receive the lesser of (1) the price paid by the Purported Transferee for the shares or, if the Purported Transferee did not give value for the shares, the market price of the shares as determined by the Board of Directors on the day of the event causing the shares to be held in trust, and (2) the price per share received by the Corporation, as Trustee, from the sale or other disposition of the shares held in trust. The Designated Charity will receive any proceeds in excess of the amount payable to the Purported Transferee. The Purported Transferee will not be entitled to designate a Permitted Transferee.

(4) All stock held in the Charitable Trust will be deemed to have been offered for sale to the Corporation or its designee for a 90-day period, at the lesser of the price paid for that stock by the Purported Transferee and the market price on the date that the Corporation accepts the offer. This period will commence on the date of the violative transfer, if the Purported Transferee gives notice to the Corporation of the transfer, or the date that the Board of Directors of the Corporation determines that a violative transfer occurred, if

no such notice is provided.

(5) Any dividend or distribution paid prior to the discovery by the Corporation that Series A Preferred Shares have been transferred in violation of subparagraph (ix)(B)(1) shall be repaid to the Corporation upon demand and shall be held in trust for the Designated Charity. Any dividend or distribution declared but unpaid shall be rescinded as void ab initio with respect to such shares of stock.

(6) Subject to the preferential rights of the Series A Preferred Shares, in the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation, the Designated Charity shall be entitled to receive, ratably with each other holder of Series A Preferred Shares, that portion of the assets of the Corporation available for distribution to its stockholders as the number of Trust Shares bears to the total number of shares of Series A Preferred Shares then outstanding (including the Trust Shares). The Corporation, as Trustee, or if the Corporation shall have been dissolved, any trustee appointed by the Corporation prior to its dissolution, shall distribute to the Designated Charity, when determined (or if not determined, or only partially determined, ratably to the other holders of Series A Preferred Shares who have been determined and the Designated Charity), any such assets received in respect of the Trust Shares in any liquidation, dissolution or winding up of, or any distribution of the assets of, the Corporation.

(7) The Purported Transferee will not be entitled to vote any Series A Preferred Shares it attempts to acquire, and any stockholder vote will be rescinded if a Purported Transferee votes and the stockholder vote would have been decided differently if such Purported Transferee's vote was not counted.

(D) Notice of Restricted Transfer. Any Person who acquires or attempts to acquire shares in violation of subparagraph (ix)(B)(1) or any Person who is a Purported Transferee shall immediately give written notice to the Corporation of such event and shall provide to the Corporation such other information as the Corporation may request in order to determine the effect, if any, of such Transfer or attempted Transfer on the Corporation's status as a REIT.

(E) Owners Required To Provide Information. From the date of the Initial Placement and prior to the Restriction Termination Date each Person who is a Beneficial Owner or Constructive Owner of Series A Preferred Shares and each Person (including the shareholder of record) who is holding Series A Preferred Shares for a Beneficial Owner or Constructive Owner shall provide to the Corporation such information as the Corporation may request, in good faith, in order to determine the Corporation's status as a REIT.

(F) Remedies Not Limited. Except as provided in subparagraph (ix)(M), nothing contained in this paragraph (ix) shall limit the authority of the Board of Directors to take such other action as it deems necessary or advisable to protect the Corporation and the interests of its shareholders in preserving the Corporation's status as a REIT.

(G) Ambiguity. In the case of an ambiguity in the application of any of the provisions of this paragraph (ix), including any definition contained in subparagraph (ix)(A), the Board of Directors shall have the power to determine the application of the provisions of this paragraph (ix) with respect to any situation based on the facts known to it.

(H) Modification of Ownership Limit. Subject to the limitations provided in subparagraph (ix)(I), the Board of Directors may from time to time increase the Ownership Limit and shall file Articles Supplementary with the State Department of Assessments and Taxation of Maryland to evidence such increase.

(I) Limitations on Modifications.

(1) The Ownership Limit may not be increased if, after giving effect to such increase, five Persons who are Beneficial Owners (including ownership of Common Stock for purposes of this subparagraph (ix)(I)(1)), Beneficially Own in the aggregate, more than 49.0% in value of the outstanding shares of stock of the Corporation.

(2) Prior to the modification of the Ownership Limit pursuant to subparagraph (ix)(H), the Board of Directors of the Corporation may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

(J) Legend. Each certificate for Series A Preferred Shares shall bear a legend referring to the restrictions described above.

(K) Termination of REIT Status. The Board of Directors shall take no action to terminate the Corporation's status as a REIT or to amend the provisions of this subparagraph (ix) until such time as (A) the Board of Directors adopts a resolution recommending that the Corporation terminate its status as a REIT or amend this subparagraph (ix), as the case may be, (B) the Board of Directors presents the resolution at an annual or special meeting of the shareholders and (C) such resolution is approved by holders of a majority of the issued and outstanding Series A Preferred Shares.

(L) Severability. If any provision of this paragraph (ix) or any application of any such provision is determined to be invalid by any Federal or state court having jurisdiction over the issues, the validity of the remaining provisions shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

(M) NYSE Settlement. Nothing in these Articles Supplementary shall preclude the settlement of any transaction with respect to the Series A Preferred Shares of the Corporation entered into through the facilities of the

New York Stock Exchange.

(N) Exceptions. (i) The Board of Directors, in its sole discretion, may exempt a Person from the Ownership Limit if such Person is not an individual for purposes of Section 542(a)(2) of the Code and the Board of Directors obtains such representations and undertakings from such Person as are reasonably necessary to ascertain that no individual's Beneficial Ownership of such Series A Preferred Shares will violate the Ownership Limit, and agrees that any violation of such representations or undertaking (or other action which is contrary to the restrictions contained in this paragraph (ix)) or attempted violation will result in such Series A Preferred Shares automatically being transferred to the Charitable Trust.

(ii) Prior to granting any exception pursuant to subparagraph N, the Board of Directors may require a ruling from the IRS, or an opinion of counsel, in either case in form and substance satisfactory to the Board of Directors in its sole discretion, as it may deem necessary or advisable in order to determine or ensure the Corporation's status as a REIT.

THIRD: These Articles Supplementary were adopted on October 7, 1997 without shareholder approval, as such approval was not required.

FOURTH: These Articles Supplementary were duly adopted by the Board of Directors.

IN WITNESS WHEREOF, Chelsea GCA Realty, Inc. has caused these Articles Supplementary to be executed and attested by its duly authorized officers this 13th day of October, 1997.

CHELSEA GCA REALTY, INC.

By:_____
Leslie T. Chao
President

Attest:

By: _____
Denise M. Elmer
Secretary

I Leslie T. Chao, President of Chelsea GCA Realty, Inc., hereby acknowledge the foregoing Articles Supplementary of Chelsea GCA Realty, Inc. to be the act of Chelsea GCA Realty, Inc., and to the best knowledge, information and belief, these matters and facts are true in all material respects, and my statement is made, under the penalties for perjury.

Leslie T. Chao
President

Exhibit 3.4

AMENDMENT NO. 2 TO
AGREEMENT OF LIMITED PARTNERSHIP
OF
CHELSEA GCA REALTY PARTNERSHIP, L.P.

This Amendment No. 2 to Agreement of Limited Partnership (the "Partnership Agreement") of Chelsea GCA Realty Partnership, L.P. (this "Amendment") is entered into as of October 7, 1997, by and among Chelsea GCA Realty, Inc. (the "General Partner") and the Limited Partners of Chelsea GCA Realty Partnership, L.P. (the "Partnership"). All capitalized terms used herein shall have the meanings given to them in the Partnership Agreement.

WHEREAS, the General Partner, on even date herewith, has issued 1,000,000 shares of its 8 3/8% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share, having a liquidation preference equivalent to $50.00 per share (the "Series A Preferred Shares"), and has sold such Series A Preferred Shares in a private placement;

WHEREAS, the General Partner desires to contribute the net proceeds of the sale of the Series A Preferred Shares to the Partnership in exchange for partnership interests in the Partnership as set forth herein;

WHEREAS, the General Partner is authorized to cause the Partnership to issue interests in the Partnership to General Partner in exchange for such contribution;

NOW THEREFORE, in consideration of the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Contribution.

The General Partner hereby contributes to the Partnership the entire net proceeds received by the General Partner from the issuance of the Series A Preferred Shares. As provided in Section 4.5 of the Partnership Agreement, the General Partner shall be deemed to have made a Capital Contribution to the Partnership in the amount of the gross proceeds of such issuance, which is $50,000,000.00, and the Partnership shall be deemed simultaneously to have reimbursed the General Partner pursuant to Section 7.4.B of the Partnership Agreement for the amount of the private placement discounts and commissions and other costs incurred by the General Partner in connection with such issuance.

Section 2. Issuance of Series A Preferred Partnership Units.

In consideration of the contribution to the Partnership made by the General Partner pursuant to Section 1 hereof, the Partnership hereby issues to the General Partner 1,000,000 Series A Preferred Partnership Units (as defined herein).

Section 3. Definitions.

In addition to those terms defined in the Partnership Agreement, the following definitions shall be for all purposes, unless otherwise clearly indicated to the contrary, applied to the terms used in the Partnership Agreement and in this Amendment:

"Common Partnership Unit" means a Partnership Unit that is not a Preferred Partnership Unit.

"Liquidation Preference Amount" means, with respect to any Preferred Partnership Unit, the amount payable with respect to such Preferred Partnership Unit (as established by the instrument designating such Preferred Partnership Unit) upon the voluntary or involuntary dissolution, liquidation or winding up of the Partnership, or upon the earlier redemption of such Preferred Partnership Units, as the case may be.

"Preferred Partnership Unit" means any Partnership Unit issued from time to time pursuant to Section 4.5 of the Partnership Agreement hereof that is designated by the General Partner at the time of its issuance as a Preferred Partnership Unit. Each Preferred Partnership Unit shall have such designations, preferences and relative, participating, optional or other special rights, powers and duties, including rights, powers and duties senior to Limited Partner Interests and Common Partnership Units, all as shall be determined by the General Partner subject to the requirements of Section 4.5 of the Partnership Agreement.

"Series A Preferred Partnership Unit" means a Partnership Unit issued by the Partnership to the General Partner in consideration of the contribution by the General Partner to the Partnership of the entire net proceeds received by the General Partner from the issuance of the Series A Preferred Shares. The Series A Preferred Partnership Units shall constitute Preferred Partnership Units. The Series A Preferred Partnership Units shall have the voting powers, designation, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions as are set forth in Exhibit 1 attached hereto. It is the intention of the General Partner, in establishing the Series A Preferred Partnership Units, that each Series A Preferred Partnership Unit shall be substantially the economic equivalent of a Series A Preferred Share.

"Series A Preferred Shares" means the 8 3/8% Series A Cumulative Redeemable Preferred Stock, par value $0.01 per share, having a liquidation preference equivalent to $50.00 per share, issued by the General Partner.

In addition, the definitions of "Partnership Unit," "Partnership Interest" and "REIT Shares Amount" appearing in Article 1 of the Partnership

Agreement are hereby deleted in their entirety and the following definitions are inserted in their place:

"Partnership Interest" means, as to a Partner, with respect to any class of Partnership Units held by such Partner, an ownership interest in such class of Partnership Units (including any and all benefits to which the holder of such a Partnership Interest may be entitled as provided in the Partnership Agreement, together with all obligations of such Person to comply with the terms and provisions of this Agreement) as determined by dividing the number of Partnership Units in such class owned by such Partner by the total number of Partnership Units in such class then outstanding. A Partnership Interest may be expressed as a number of Partnership Units.

"Partnership Unit" means a fractional, undivided share of the Partnership Interests of all Partners issued pursuant to Sections 4.1, 4.2 and 4.5 of the Partnership Agreement. The ownership of Partnership Units shall be evidenced by such form, if any, of certificate for units as the General Partner adopts from time to time on behalf of the Partnership. Without limitation on the authority of the General Partner as set forth in Section 4.5 of the Partnership Agreement, the General Partner may designate any Partnership Units, when issued, as Common Partnership Units, Special Units or as Preferred Partnership Units, may establish any other class of Partnership Units, and may designate one or more series of any class of Partnership Units.

"REIT Shares Amount" shall mean a number of REIT Shares equal to the product of the number of Common Partnership Units made subject to an Exchange by a Limited Partner, multiplied by the Exchange Factor; provided that in the event the General Partner issues to all holders of REIT Shares rights, options, warrants or convertible or exchangeable securities entitling the shareholders to subscribe for or purchase REIT Shares, or any other securities or property (collectively, the "rights") then the REIT Shares Amount shall also include such rights that a holder of that number of REIT Shares would be entitled to receive.

Section 4. Requirement and Characterization of Distributions.

Section 5.1 of the Partnership Agreement is hereby deleted in its entirety and the following new Section 5.1 is inserted in its place:

"Section 5.1 Requirement and Characterization of Distributions.

The General Partner shall cause the Partnership make quarterly distributions of an amount equal to 100% of Available Cash generated by the Partnership during such quarter to the Partners who are Partners on the Partnership Record Date with respect to such quarter in the following order of priority:

(i) First, to the holders of the Preferred Partnership Units in such amount as is required for the Partnership to pay all distributions with respect to such Preferred Partnership Units due or payable in accordance with the instruments designating such Preferred Partnership Units through the last day of such quarter; such distributions shall be made to such Partners in such order of priority and with such preferences as have been established with respect to such Preferred Partnership Units as of the last day of such calendar quarter; and

(ii) Second, to the Partners in proportion to their respective Percentage Interests in Common Partnership Units on such Partnership Record Date; provided that in no event may a Partner receive a distribution of Available Cash with respect to a Partnership Unit if such Partner is entitled to receive a distribution out of such Available Cash with respect to a REIT Share for which such Partnership Unit has been redeemed or exchanged. The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with its qualification as a REIT, to cause the Partnership to distribute sufficient amounts to enable the General Partner to pay stockholder dividends that will satisfy the requirements for qualifying as a REIT under the Code and Regulations ("REIT Requirements").

Notwithstanding anything to the contrary contained herein, in no event shall any Partner receive a distribution of Available Cash with respect to any Common Partnership Unit with respect to any quarter until such time as the Partnership has distributed to the holders of the Preferred Partnership Units an amount sufficient to pay all distributions payable with respect to such Preferred Partnership Units through the last day of such quarter, in accordance with the instruments designating such Preferred Partnership Units."

Section 5. Tax Provisions.

Section 6.2 of the Partnership Agreement is hereby deleted in its entirety and the following new Section 6.2 is inserted in its place:

"Section 6.2 Allocations of Net Income and Net Loss

For purposes of maintaining the Capital Accounts and in determining the rights of the Partners among themselves, the Partnership's items of income, gain, loss and deduction shall be allocated among the Partners in each taxable year (or portion thereof) as provided herein below.

A. Net Income. After giving effect to the special allocations set forth in Section 6.3, Net Income

shall be allocated in the following manner and order of priority:

(1) First, to the General Partner until the cumulative allocations of Net Income under this Section 6.2.A.(1) equal the cumulative Net Losses allocated to the General Partner under Section 6.1.B.(4) hereof;

(2) Second, to the General Partner until the cumulative allocations of Net Income under this Section 6.2.A.(2) equal the cumulative allocations of Net Loss to the General Partner under Section 6.1.B.(3) hereof;

(3) Third, to those Partners who have received allocations of Net Loss under Section 6.2.B.(3) hereof until the cumulative allocations of Net Income under this Section 6.2.A.(4) equal such cumulative allocations of Net Loss (such allocation of Net Income to be in proportion to the cumulative allocations of Net Loss under such section to each such Partner);

(4) Fourth, to the Partners until the cumulative allocations of Net Income under this Section 6.2.A.(4) equal the cumulative allocations of Net Loss to such Partners under Section 6.2.B.(1) hereof (such allocation of Net Income to be in proportion to the cumulative allocations of Net Loss under such section to each such Partner); and

(5) Fifth any remaining Net Income shall be allocated to the Partners who hold Common Partnership Units in proportion to their respective Percentage Interests as holders of Common Partnership Units.

B. Net Losses. After giving effect to the special allocations set forth in Section 6.3, Net Losses shall be allocated to the Partners as follows:

(1) To the Partners who hold Common Partnership Units in accordance with their respective Percentage Interests as holders of Common Partnership Units, except as otherwise provided in this Section 6.2.B.

(2) To the extent that an allocation of Net Loss under Section 6.2.B.(1) would cause a Partner to have an Adjusted Capital Account Deficit at the end of such taxable year (or increase any existing Adjusted Capital Account Deficit of such Partner), such Net Loss shall instead be allocated to those Partners, if any, for whom such allocation of Net Loss would not cause or increase an Adjusted Capital Account Deficit. Solely for purposes of this Section 6.2.B.(2), the Adjusted Capital Account Deficit, in the case of the General Partner, shall be determined without regard to the amount credited to the General Partner's Capital Account for the aggregate Liquidation Preference Amount attributable to the General Partner's Preferred Partnership Units. The Net Loss allocated under this Section 6.2.B.(2) shall be allocated among the Partners who may receive such allocation in proportion to and to the extent of the respective amounts of Net Loss that could be allocated to such Partners without causing such Partners to have an Adjusted Capital Account Deficit.

(3) Any remaining Net Loss shall be allocated to the General Partner to the extent that such allocation of Net Loss would not cause or increase an Adjusted Capital Account Deficit of the General Partner.

(4) Any remaining Net Loss shall be allocated to the General Partner.

Section 6. Preferred Unit Allocation.

The Partnership Agreement is hereby amended by adding the following new Sections 6.3(C) to the Partnership Agreement, immediately following Section 6.3(B):

"(C) Priority Allocation With Respect To Preferred Partnership Units. After taking into account the special allocation provisions of Section 6.3(A), all or a portion of the remaining items of Partnership gross income or gain for the Partnership Year, if any, shall be specially allocated to the General Partner in an amount equal to the excess, if any, of the cumulative distributions received by the General Partner pursuant to Section 5.1(i) hereof for the current Partnership Year and all prior Partnership Years (other than any distributions that are treated as being in satisfaction of the Liquidation Preference Amount for any Preferred Partnership Units) over the cumulative allocations of Partnership gross income and gain to the General Partner under this Section 6.3(c) for all prior Partnership Years."

Section 7. Exchange Right.

The Partnership Agreement is hereby amended by adding the following new Sections 8.6.E and 8.6.F to the Partnership Agreement, immediately following Section 8.6.D:

"E. Notwithstanding anything contained in Sections 8.6.A, 8.6.B, 8.6.C and 8.6.D, except as set forth in Section 8.6.F, no Partner shall be entitled to exercise the Exchange pursuant to Section 8.6.A with respect to any Preferred Partnership Unit unless (i) such Preferred Partnership Unit has been issued to and is held by a Partner other than the General Partner, and (ii) the General Partner has expressly granted to such Partner the right to exchange such Preferred Partnership Units pursuant to Section 8.6.A.

F. Preferred Partnership Units shall be redeemed, if at all, only in accordance with such redemption rights or options as are set forth with respect to such Preferred Partnership Units (or class or series thereof) in the instruments designating such Preferred Partnership Units (or class or series thereof)."

Section 8. General Amendments to Partnership Agreement.

Notwithstanding anything contained herein, all references to Partnership Units in Sections 7.3.B, 7.5.B and 11.3.C of the Partnership Agreement shall be deemed to refer solely to Common Partnership Units, and not to Preferred Partnership Units. In addition, references in Section 14.2 of the Partnership Agreement to Percentage Interests of the Limited Partners shall be deemed to refer solely to Percentage Interests of Limited Partners with respect to Common Partnership Units. Further, the reference to Partnership Interests appearing in Section 14.2.A shall be deemed to refer only to Partnership Interests held with respect to Common Partnership Units.

Section 8. Exhibits to Partnership Agreement.

The General Partner shall maintain the information set forth in Exhibit A to the Partnership Agreement, as such information shall change from time to time, in such form as the General Partner deems appropriate for the conduct of the Partnership affairs, and Exhibit A shall be deemed amended from time to time to reflect the information so maintained by the General Partner, whether or not a formal amendment to the Partnership Agreement has been executed amending such Exhibit A. In addition to the issuance of Series A Preferred Partnership Units to the General Partner pursuant to this Amendment, such information shall reflect (and Exhibit A shall be deemed amended from time to time to reflect) the issuance of any additional Partnership Units to the General Partner or any other Person, the transfer of Partnership Units and the redemption of any Partnership Units, all as contemplated herein.

In addition, the Partnership Agreement is hereby amended by attaching thereto as Exhibit 1 the Exhibit 1 attached hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 2 to the Partnership Agreement to be executed as of the day and year first above written.

CHELSEA GCA REALTY
PARTNERSHIP, L.P.

By: Chelsea GCA Realty, Inc.
General Partner

By: /s/ Leslie T. Chao

LIMITED PARTNERS

WOODBURY FAMILY ASSOCIATES, L.P.

By: /s/ David C. Bloom
David C. Bloom

/s/ David C. Bloom
David C. Bloom

/s/ Leslie T. Chao
Leslie T. Chao

/s/ Barry M. Ginsburg
Barry M. Ginsburg

/s/ William D. Bloom
William D. Bloom

EXHIBIT 1

CHELSEA GCA REALTY PARTNERSHIP, L.P.

DESIGNATION OF THE VOTING POWERS, DESIGNATIONS, PREFERENCES AND RELATIVE, PARTICIPATING, OPTIONAL OR OTHER SPECIAL RIGHTS AND QUALIFICATIONS, LIMITATIONS OR RESTRICTIONS

OF THE

SERIES A PREFERRED PARTNERSHIP UNITS

The following are the terms of the Series A Preferred Partnership Units established pursuant to this Amendment:

(a) NUMBER. The maximum number of authorized Series A Preferred Partnership Units shall be 1,000,000.

(b) RELATIVE SENIORITY. In respect of rights to receive quarterly distributions and to participate in distributions of payments in the event of any liquidation, dissolution or winding up of the Partnership, the Series A Preferred Partnership Units shall rank senior to the Common Partnership Units and any other class or series of Partnership Units of the Partnership ranking, as to quarterly distributions and upon liquidation, junior to the Series A Preferred Partnership Units (collectively, "Junior Partnership Units").

(c) QUARTERLY DISTRIBUTIONS.

(1) The General Partner, in its capacity as the holder of the then outstanding Series A Preferred Partnership Units, shall be entitled to receive, when and as declared by the General Partner out of any funds legally available therefor, cumulative quarterly distributions at the rate of $4.1875 per Series A Preferred Partnership Unit per year, payable in arrears in equal amounts of $1.046875 per unit quarterly in cash on the 15th day of each January, April, July and October or, if not a Business Day (as hereinafter defined), the next succeeding Business Day beginning on January 15, 1998 (each such day being hereafter called a "Quarterly Distribution Date" and each period ending on the calendar day preceding a Quarterly Distribution Date being hereinafter called a "Distribution Period"). Quarterly distributions on each Series A Preferred Partnership Unit shall accrue and be cumulative from and including the date of original issue thereof, whether or not (i) quarterly distributions on such Series A Preferred Partnership Units are earned or declared or (ii) on any Quarterly Distribution Date there shall be funds legally available for the payment of quarterly distributions.

"Business Day" shall mean any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close.

(2) The amount of any quarterly distributions accrued on any Series A Preferred Partnership Units at any Quarterly Distribution Date shall be the amount of any unpaid quarterly distributions accumulated thereon to but excluding such Quarterly Distribution Date, and the amount of quarterly distributions accumulated on any Series A Preferred Partnership Units at any date other than a Quarterly Distribution Date shall be equal to the sum of the amount of any unpaid quarterly distributions accumulated thereon to but excluding the last preceding Quarterly Distribution Date, plus an amount calculated on the basis of the annual distribution rate of $4.1875 per unit for the period after such last preceding Quarterly Distribution Date to and including the date as of which the calculation is made based on a 360-day year of twelve 30-day months. Quarterly distributions on the Series A Preferred Partnership Units will accumulate whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such quarterly distributions and whether or not such quarterly distributions are authorized or declared.

(3) Except as provided herein, the Series A Preferred Partnership Units shall not be entitled to participate in the earnings or assets of the Partnership, and no interest, or sum of money in lieu of interest, shall be payable in respect of any distribution or distributions on the Series A Preferred Partnership Units which may be in arrears.

(4) Any distribution made on the Series A Preferred Partnership Units shall be first credited against the earliest accrued but unpaid quarterly distribution due with respect to such Partnership Units which remains payable.

(5) No quarterly distributions on the Series A Preferred Partnership Units shall be authorized by the General Partner or be paid or set apart for payment by the Partnership at such

time as the terms and provisions of any agreement of the General Partner or the Partnership, including any agreement relating to its indebtedness, prohibits such authorization, payment or setting apart for payment or provides that such authorization, payment or setting apart for payment would constitute a breach thereof or a default thereunder, or if such authorization or payment shall be restricted or prohibited by law.

(6) No distributions will be declared or paid or set apart for payment on any Partnership Units ranking, as to distributions, on a parity with or junior to the Series A Preferred Partnership Units for any period unless full cumulative distributions have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment therefor set apart for such payment on the Series A Preferred Partnership Units for all past Quarterly Distribution Dates and the then current Quarterly Distribution Date. When distributions are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the Series A Preferred Partnership Units, all distributions declared on the Series A Preferred Partnership Units shall be declared pro rata so that the amount of distributions declared per Series A Preferred Partnership Unit shall in all cases bear to each other the same ratio that accumulated distributions per Series A Preferred Partnership Unit bear to each other.

(7) Except as provided in subparagraph 6, unless full cumulative distributions on the Series A Preferred Partnership Units have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment therefor set apart for such payment on the Series A Preferred Partnership Units for all past Quarterly Distribution Dates and the then current Quarterly Distribution Date, no distributions shall be declared or paid or set aside for payment nor shall any other distribution be declared or made upon the Junior Partnership Units, nor shall any Junior Partnership Units be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid or made available for a sinking fund for the redemption of such units) by the Partnership (except by conversion into or exchange for other Junior Partnership Units).

(d) LIQUIDATION RIGHTS.

(1) Upon the voluntary or involuntary dissolution, liquidation or winding up of the Partnership (a "liquidation"), the General Partner, in its capacity as the holder of the Series A Preferred Partnership Units then outstanding, shall be entitled to receive in cash or property (at its fair market value determined by the General Partner) and to be paid out of the assets of the Partnership available for distribution to its partners, before any payment or distribution shall be made on any Junior Partnership Units, the amount of $50.00 per Series A Preferred Partnership Unit, plus accumulated and unpaid quarterly distributions, if any, thereon to and including the date of liquidation.

(2) After the payment to the holders of the Series A Preferred Partnership Units of the full liquidation amounts provided for herein, the General Partner, in its capacity as the holder of the Series A Preferred Partnership Units as such, shall have no right or claim to any of the remaining assets of the Partnership.

(3) If, upon any voluntary or involuntary dissolution, liquidation, or winding up of the Partnership, the amounts payable with respect to the preference distributions on the Series A Preferred Partnership Units and the Preferred Partnership Units of the Partnership ranking, as to any liquidation rights, on a parity with the Series A Preferred Partnership Units are not paid in full, the holders of the Series A Preferred Partnership Units and any other Preferred Partnership Units ranking, as to liquidation rights, on a parity with the Series A Preferred Units shall share ratably in any such distribution of assets of the Partnership in proportion to the full respective preference amounts to which they would otherwise be respectively entitled.

(4) Neither the sale, lease or conveyance of all or substantially all of the property or business of the Partnership, nor the merger or consolidation of the Partnership into or with any other entity or the merger or consolidation of any other entity into or with the Partnership, shall be deemed to be a dissolution, liquidation or winding up, voluntary or involuntary, for the purposes hereof.

(e) REDEMPTION.

(1) OPTIONAL REDEMPTION. On and after October 15, 2027, the General Partner may, to the extent that it redeems any of its Series A Preferred Shares (subject to the provisions of this paragraph (e)), cause the Partnership to redeem at any time an identical amount of the Series A Preferred Partnership Units at a price per unit (the "Redemption Price"), payable in cash, of $50 per Unit, together with all accumulated and unpaid distributions, if any, to and including the date fixed

for redemption (the "Redemption Date"). The Series A Preferred Partnership Units have no stated maturity and will not be subject to any sinking fund or mandatory redemption provisions.

(2) PROCEDURES OF REDEMPTION.

(i) At any time that the General Partner exercises its right to redeem all or any of the Series A Preferred Shares, the General Partner shall exercise its right to cause the Partnership to redeem an equal number of Series A Preferred Partnership Units in the manner set forth herein.

(ii) No Series A Preferred Partnership Units may be redeemed except from proceeds from the sale of capital stock of the General Partner, including but not limited to common stock, preferred stock, depository shares, interests, participations or other ownership interests (however designated) and any rights (other than debt securities convertible into or exchangeable for equity securities) or options to purchase any of the foregoing. The proceeds of such sale of capital stock of the General Partner shall be contributed by the General Partner to the Partnership pursuant to the requirements of Section 4.5 of the Partnership Agreement.

(f) VOTING RIGHTS. Except as required by law, the General Partner, in its capacity as the holder of the Series A Preferred Partnership Units, shall not be entitled to vote at any meeting of the Partners or for any other purpose or otherwise to participate in any action taken by the Partnership or the Partners, or to receive notice of any meeting of Partners.

(g) CONVERSION. The Series A Preferred Partnership Units are not convertible into or exchangeable for an other property or securities of the Partnership.

(h) RESTRICTIONS ON OWNERSHIP. The Series A Preferred Partnership Units shall be owned and held solely by the General Partner.

(i) GENERAL. The rights of the General Partner, in its capacity as holder of the Series A Preferred Partnership Units, are in addition to and not in limitation on any other rights or authority of the General Partner, in any other capacity, under the Partnership Agreement. In addition, nothing contained herein shall be deemed to limit or otherwise restrict any rights or authority of the General Partner under the Partnership Agreement, other than in its capacity as the holder of the Series A Preferred Partnership Units.

AMENDMENT NO. 1
TO PARTNERSHIP AGREEMENT

Amendment No. 1 dated as of March 31, 1997 by and among Chelsea GCA Realty, Inc., a Maryland corporation, as the General Partner, and the Limited Partners to Agreement of Limited Partnership (the "Partnership Agreement") of Chelsea GCA Realty Partnership, L.P. dated as of October 14, 1993.

W I T N E S S E T H

WHEREAS, the General Partner and the Limited Partners are parties to the Partnership Agreement and desire to amend the Partnership Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Terms defined in the Partnership Agreement shall have the same meaning when used herein.

2. Section 1.1 of the Partnership Agreement is hereby amended to add the following definitions in their appropriate alphabetical place:

"Built-in-Gain Amount" means with respect to the building situated on the Waikele Property (as defined herein) the difference between the Gross Asset Value and the tax basis as set forth on Exhibit 1 to this Amendment.

"Special Units" means partnership units issued in exchange for the contribution of the Waikele Outlet Stores (the "Waikele Property"), each of which unit being identical to a unit of Limited Partnership Interest with all rights, benefits and privileges as are available to the holder thereof except as specifically provided in this Amendment. 3. The following terms contained in Section 1.1 of the Partnership Agreement are hereby amended to read as follows:

"Holder" means either a Partner or Assignee owning a Partnership Unit.

"Valuation Date" means the date of receipt by the General Partner of a Notice of Exchange or Notice of Redemption or, if such date is not a Business Day, the immediately preceding Business Day.

4. The term "Agreed Value" contained in Section 1.1 of the Partnership Agreement is hereby amended by adding at the end thereof the following:

"and (iv) in the case of the Waikele Property an amount equal to the difference between $76.2 million and the amount of the loans on the Waikele Property being assumed and repaid by the Partnership in connection with the conveyance thereof."

5. The term "Gross Asset Value" contained Section 1.1 of the Partnership Agreement is hereby amended by adding at the end of subparagraph (a) thereof the following:

"The initial Gross Asset Value of the Waikele Property shall be as set forth on Exhibit 1 to this Amendment."

6. Article 4 of the Partnership Agreement is hereby amended by adding a new Section 4.6 to read as follows:

Section 4.6. Capital Contribution of Holders of Special Units. Upon Contribution of the Waikele Property, holders of the Special Units shall have initial aggregate Capital Accounts equal to the difference between $76.2 million and the amount of the loans on the Waikele Property being assumed and repaid by the Partnership in connection with the conveyance thereof. If an election is made pursuant to Section 5.5 of this Amendment to receive a Special Distribution then, following such distribution, holders of the Special Units shall have aggregate Capital Accounts of $500,000 and the Special Units shall have an aggregate market value of $500,000, with market value meaning the average of the per share closing prices of a REIT Share on the New York Stock Exchange for the ten consecutive trading days ending on the fifth trading day prior to the acquisition of the Waikele Property. After the Special Distribution, the Capital Account of the Special Units will be subject to all the same adjustments as provided in the Partnership Agreement.

7. Article 5 of the Partnership Agreement is hereby amended to add new Section 5.5 to read as follows:

Section 5.5 Special Distribution to Holders of Special Units.

The holders of Special Units in the aggregate shall have the one time right, at such holders' sole option, to receive a debt financed cash distribution (the "Special Distribution") which is intended to qualify as a distribution under Regulations Section 1.707-5(b) in an amount equal to the difference between $75.7 million and the amount of the loans on the Waikele Property being assumed and repaid by the Partnership in connection with the conveyance thereof. In the event holders of Special Units exercise their option to receive a Special Distribution, the Partnership shall finance such distribution by borrowing the proceeds under a specific loan arrangement in which the holders of Special Units are to either guarantee or indemnify a prior guarantor on a last loss basis.

8. Article 6 of the Partnership Agreement is hereby amended to add new Section 6.3.A(ix) to read as follows:

(ix) Allocation in connection with Special Distribution. There shall be specially allocated to holders of Special Units any interest deduction attributable to the borrowing contemplated by Section 5.5 of this Amendment and a corresponding amount of the Partnership's income.

9. Article 6 of the Partnership Agreement is hereby amended to add new Section 6.4.C to read as follows:

Curative Allocation to holders of Special Units

Notwithstanding Section 6.4.A and 6.4.B, the Partnership shall account for the variation between the Waikele Property's initial Gross Asset Value and its tax basis under the "traditional method with curative allocations" contemplated in Regulations Section 1.704-3(c)(3)(iii)(B). Upon the occurrence of an event (a "Recognition Event") which otherwise would result in an allocation of income or gain to holders of Special Units under Section 704(c) of the Code in respect of the building situated on the Waikele Property assuming, whether or not it is in fact the case, that at the time of such Recognition Event such building's Gross Asset Value exceeds its tax basis, there shall be specially allocated to the holders of Special Units (without regard to the number of Special Units outstanding) an aggregate amount of income or gain from the disposition of the building or other source equal to the Built-in Gain Amount. Notwithstanding any other provisions, the character of any income or gain (as ordinary or capital) recognized by the Partnership and allocated to holders of Special Units shall, to the extent possible, be consistent with the character of income or gain which would have been recognized by holders of Special Units had such holders sold the building situated on the Waikele Property for the Waikele Property's initial Gross Asset Value. Allocations pursuant to this Section 6.4.C are solely for purposes of federal, state, and local taxes and shall not affect, or in any way be taken into account in computing, the Capital Account or share of Profits, Losses, other items, or distributions pursuant to any provision of the other items, or distributions pursuant to any provision of the Partnership Agreement.

10. Article 8 of the Partnership Agreement is hereby amended to add new Section 8.6.C.(3) to read as follows:

(3) A holder of Special Units shall not be entitled to effect an Exchange.

11. Article 8 of the Partnership Agreement is hereby amended by adding a new Section 8.8 to read as follows:

Section 8.8. Redemption Rights. Each holder of a Special Unit shall have the right at any time or from time to time following the second anniversary of the issuance of such Units to require the Partnership to redeem (the "Redemption") for cash all or part of its Special Units at their Value (the "Redeemed Special Units"). Such Redemption shall be exercised pursuant to a notice of redemption (the "Notice of Redemption") substantially in the form of Exhibit 2 to this Amendment delivered to the General Partner by the holder of the Special Units who is exercising the relevant right (the "Tendering Special Partner"). The Tendering Special Partner shall have no right, with respect to any Special Units so redeemed, to receive any distributions paid after the date of receipt by the General Partner of a Notice of Redemption. The Partnership shall pay the Value for the Redeemed Special Units within five business days after receipt of the Notice of Redemption in accordance with the instructions contained in the Notice of Redemption. Upon the Redemption of all Special Units, any indemnity or guarantee given by the holders of Special Units with respect to any debt obligation of the Partnership (whether pursuant to Section 5.5 of this Amendment or otherwise) shall be eliminated and of no further force or effect. For purposes of this Section 8.8, "Value" with respect to a Special Unit shall have the same meaning as the term "Value" is used herein with respect to a REIT share.

12. Section 11.6A of the Partnership Agreement is hereby amended to read as follows:

"A. No Limited Partner may withdraw from the Partnership other than as a result of a permitted transfer of all of such Limited Partner's Partnership Units in accordance with this Article 11, pursuant to the exercise of its right of Exchange of all of its Partnership Units under Section 8.6 or pursuant to the exercise of its Redemption rights under Section 8.8."

13. Section 11.D of the Partnership Agreement is hereby amended by adding the following sentence after the first sentence:

"With respect to the transfer of a Partnership Interest in any Special Unit during any quarterly segment of the Partnership's fiscal year in compliance with the provisions of this Article 11 or redeemed pursuant to Section 8.8, Net Income, Net Losses, each item thereof and all other items attributable to such interest for such fiscal year shall be divided and allocated between the transferor Partner and the transferee Partner by taking into account their varying interests during the fiscal year in accordance with Section 706(c) of the Code, using the interim closing of the books method or any other permissible method selected by the General Partner in the exercise of its reasonable discretion."

14. The holder or holders of Special Units shall be admitted to the

Partnership as Additional Limited Partners and Exhibit A to the Partnership Agreement is hereby amended to add the holders as set forth on Exhibit A to this Amendment.

15. Except as amended hereby, the Partnership Agreement remains unmodified and in full force and effect.

16. This Amendment may be executed in counterparts, all of which taken together shall be deemed to be one and the same document.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to the Partnership Agreement to be executed as of the day and year first above written.

CHELSEA GCA REALTY
PARTNERSHIP, L.P.

By: Chelsea GCA Realty, Inc.
General Partner

By: _____

LIMITED PARTNERS

WOODBURY FAMlLY ASSOCIATES, L.P.

By: _____
David C. Bloom

David C. Bloom

Leslie T. Chao

Barry M. Ginsburg

William D. Bloom

EXHIBIT A

Name and Address	Number of Units
KM Halawa Partners Suite 1050, Pauahi Tower 1001 Bishop Street Honolulu, Hawaii 96813	13,708 (Special Units)

EXHIBIT 1

	Adjusted Tax Basis	Gross Asset Value
Land	$22.8 million	$22.8 million
Personal Property (5&7 Yr Assets)	0.2 million	0.2 million
Land improvements (15 Yrs Assets)	8.2 million	8.2 million
Building (31.5 & 39 Yr Assets)	28.8 million	45 million

EXHIBIT 2
NOTICE OF REPURCHASE

The undersigned hereby irrevocably (i) elects to require Chelsea GCA Realty Partnership, L.P. to repurchase __ Special Units in accordance with the terms of the Limited Partnership Agreement of Chelsea GCA Realty Partnership, L.P., as amended, (ii) surrenders such Special Units and all right, title and interest therein, and (iii) directs that the check deliverable upon such repurchase be delivered to the address specified below, and such check be issued in the name(s) specified below.

Dated: _____
Name of Limited Partner

(Signature of Limited Partner)

(Street Address)

(City) (State) (Zip Code)

Issue Check to:

Please insert social security or identifying number:

Name:

Exhibit 10.2

November 17, 1997

Mr. Robert Frommer

Dear Bob:

This letter agreement sets forth the understanding between us with respect to our engagement of you as a consultant to us. You agree to act as our consultant upon the following terms and conditions:

1. You will use your best reasonable efforts to locate appropriate joint venture partners for us in connection with the development and operation of manufacturers outlet shopping centers in Japan. Your initial efforts shall include, but not be limited to, targeting potential joint venture partners, locating property and negotiating and structuring joint venture agreements. Our goal is to have significant economic interests in multiple manufacturers outlet centers in Japan. In addition, in coordination with Barry M. Ginsburg and Leslie T. Chao (or with such other persons as directed by either of them) you will identify, and negotiate agreements relating to, new sites to be acquired or developed by us in Hawaii.

2. In performing your consulting services, you shall coordinate your efforts with Barry M. Ginsburg and Leslie T. Chao or with such other persons as directed by either of them. Once a joint venture has been organized, you will be responsible for establishing and maintaining ongoing relations with, and directing, the joint venture partners and the financial institutions providing financing to the joint venture. In performing your services hereunder, you shall make up to ten trips per year to Japan as we determine are needed. You shall contact appropriate political and financial entities and seek out potential locations. You shall report regularly to us with respect to your visits and activities, including advising us of local issues and opportunities.

3. Notwithstanding anything to the contrary contained in this agreement, we shall retain the full discretion with respect to any joint venture and we may accept or reject, with or without reason, any joint venture partner or project proposed by you. We shall not be obligated to provide any funds to any joint venture.

4. This agreement shall commence on August 1, 1997 and terminate on December 31, 1999, but shall be automatically extended to December 31, 2001, unless written notice of termination effective December 31, 1999 is given by either you to us or by us to you on or prior to June 30, 1999. This agreement shall also terminate in the event of your disability which prevents you from performing your services under this agreement or upon your death. In addition, we may terminate this agreement at any time for cause. Upon any termination of this agreement, you shall furnish to us a list of projects for which a joint venture partner and/or site have been identified for the purpose of complying with our obligations to you in paragraph 6. As used herein, cause shall mean any of the following actions by you:

(a) failure to comply with any of the material terms of this agreement, which shall not be cured within 30 days after written notice from us;

(b) engagement in gross misconduct injurious to us;

(c) intentional misappropriation of our property to your own use;

(d) the commission by you of an act of fraud or embezzlement;

(e) your conviction for a felony;

(f) your engaging in any activity that is prohibited pursuant to paragraphs 7 or 8 of this agreement.

5. For your services, we shall pay you the amount of $10,000 per month, payable on the first business day of each month. We shall also reimburse you, on presentation of appropriate supporting evidence, for all travel between Hawaii and Japan and reasonable and necessary entertainment and other expenses incurred by you in performing your activities under this agreement in Japan. We will also reimburse for travel and meal expenses incurred by you in performing your activities under this agreement in Hawaii; provided, however, that such expenses relating to Hawaiian assignments shall be applied to, and reduce, the monthly $10,000 consulting fee; provided, further, however, from to time there may be expenses incurred with respect to a Hawaiian assignment that will be reimbursed by us and not deducted from the monthly fee, but only at our sole discretion and with our prior approval. In connection with travel to Japan, we shall reimburse you for business class travel, unless there is no business class on such flights, in which event we shall reimburse you for first class travel. Reimbursement for hotels shall not exceed 30,000 Yen per night, exclusive of service and taxes. If pursuant to paragraph 4, we elect to terminate this agreement effective December 31, 1999, then on January 1, 2000 we shall pay to you the additional amount of $40,000.

6. If at any time during the term of this agreement or within four years after the termination of this agreement (except if we terminate this agreement for cause), with respect to any projects you worked on or developed for us either in Japan or Hawaii, we shall pay to you, within 30 days after the opening of any such project or the later phases of any such project, a fee equal to one percent (1%) of the originally budgeted per square foot total hard and soft development costs of such project or later phases including capitalized value attributable to land (whether purchased, leased or otherwise such as a participation in cash flow) multiplied by the gross leasable area ("GLA") contained in that project or later phases, for all GLA of space at such project or later phases actually constructed and opened within four years after termination of this agreement; provided, however, that we shall only pay you pursuant to this paragraph 6 up to a maximum cumulative amount of five hundred

thousand dollars ($500,000) per project (including all subsequent phases of any project). The terms "worked on" or "developed" as used in the preceding sentence shall include any project for which a site has been targeted by Chelsea for active pursuit, a joint venture agreement has been executed or under active negotiation or at which construction has commenced. Furthermore, for a period of four years after termination (except for cause) a one percent (1%) fee will also be paid on any project (committed to by Chelsea) but not listed pursuant to paragraph 4, in which a joint venture partner from the aforementioned list participates.

7. Subject to written approval by us, which approval shall not be unreasonably withheld, conditioned or delayed, during the term of this agreement and for a period of three years after termination or expiration of this agreement, regardless of the reason for such termination, you shall not anywhere in the world directly or indirectly (a) become engaged in the manufacturers outlet center business or (b) become employed by, act as a consultant to, or otherwise render any services to, any person, corporation, partnership or other entity which is engaged in the manufacturers outlet center business. For purposes of this agreement (x) a company shall be considered engaged in the manufacturers outlet center business if 10% or more of its assets or revenues are derived from such business and (y) the Mills Company shall be deemed to be engaged in the manufacturers outlet center business. You shall be deemed to be directly or indirectly engaged in a business if you participate therein as a director, officer, stockholder, employee, agent, consultant, manager, salesman, partner or individual proprietor, or as an investor who has made advances or loans, contributions to capital or expenditures for the purchase of stock, or in any capacity or manner whatsoever, except for ownership of stock in publicly traded companies and/or interests in mutual funds. You agree that we shall be entitled to injunctive relief, in addition to all remedies permitted by law, to enforce the provisions of paragraphs 7 and 8 hereof. In the event any of the above territorial or time limits are found to be unreasonable, you agree to their reduction to such an area or period as a court may determine to be reasonable.

8. Except as otherwise required by law, you shall not at any time during this agreement or after the termination hereof directly or indirectly divulge, furnish, use, publish or make accessible to any person or entity any Confidential Information (as hereinafter defined). Any records of Confidential Information prepared by you or which come into your possession during this agreement are and remain our property and upon termination of this agreement, all such records and copies thereof shall be either left with or returned to us. The term "Confidential Information" shall mean information disclosed to you or known, learned, created or observed by you as a consequence of or through your consulting for us, not generally known in the relevant trade or industry, about our business activities, services and processes, including but not limited to information concerning advertising, sales promotion, publicity, sales data, research, copy, leasing, other printed matter, artwork, photographs, reproductions, layout, finances, accounting, methods, processes, business plans, contractors, sites, development plans, joint venture issues, tenant information, lessee and supplier lists and records, potential lessee and supplier lists, and contractor, lessee or supplier billing.

9. Notwithstanding the preceding provisions of this agreement, we understand and agree that your primary client is Pacific Gas and Electric Company and its subsidiaries, affiliates and successors from time to time ("PG&E") and nothing contained in this agreement will preempt your time and responsibilities in carrying out your commitments to your primary client. If any conflict should arise relative to your time availability between us and PG&E, we agree that PG&E shall take priority and such use will not be deemed to be a default under this agreement or grounds for termination of this agreement for cause; provided, however, if as a result thereof we notify you in writing that in our reasonable determination you are unable to perform your responsibilities under this agreement, then we shall have the right to terminate this agreement not less than 30 days after such notification unless you can demonstrate to us during such 30 day period your ability to perform under this agreement.

10. This agreement shall be binding upon and inure to the benefit of our successors (whether by merger or otherwise, including joint ventures) and assigns, and upon your heirs, executors, administrators and legal representatives. This agreement shall not be assignable by you, nor shall it be assignable by us, without your prior written consent.

11. This agreement is to be governed by and construed in accordance with the laws of the State of New Jersey, without giving effect to principles of conflicts of law.

If the foregoing correctly sets forth the understanding between you and us concerning the subject matter, please sign and return the enclosed copy of this letter, whereupon this shall be a binding agreement between us.

Very truly yours,

Chelsea GCA Realty Partnership, L.P.

By: Chelsea GCA Realty, Inc.,
General Partner

By:_____

Agreed to:

- ----------
Robert Frommer

Exhibit 10.3

LIMITED LIABILITY COMPANY AGREEMENT

OF

SIMON/CHELSEA DEVELOPMENT CO., L.L.C.

May 16, 1997

TABLE OF CONTENTS

LIMITED LIABILITY COMPANY AGREEMENT
OF
SIMON/CHELSEA DEVELOPMENT CO., L.L.C.

THIS LIMITED LIABILITY COMPANY AGREEMENT ("Agreement") is entered into as of May 16, 1997, by and between SIMON DeBARTOLO GROUP, L.P., a Delaware limited partnership ("Simon"), and CHELSEA GCA REALTY PARTNERSHIP, L.P., a Delaware limited partnership ("Chelsea"). Simon and Chelsea and any other persons or entities who shall in the future execute and deliver this Agreement pursuant to the provisions hereof shall hereinafter collectively be referred to as the "Members."

WHEREAS, the Members have formed a limited liability company pursuant to the provisions of the Delaware Limited Liability Act (the "Act" or the "Delaware LLC Act") under the name "Simon/Chelsea Development Co., L.L.C." (the "Company") pursuant to a Certificate of Formation, dated May __, 1997 (the "Certificate"); and

WHEREAS, the Members desire to continue the Company for the purposes hereinafter set forth, subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing, and of the covenants and agreements hereinafter set forth, it is hereby agreed as follows:

ARTICLE 1
DEFINITIONS; EXHIBITS

SECTION 1.1 Certain Definitions.

Unless the context otherwise specifies or requires, capitalized terms used herein shall have the respective meanings assigned thereto in Exhibit A, attached hereto, and incorporated herein by reference, for all purposes of this Agreement (such definitions to be equally applicable to both the singular and the plural forms of the terms defined). Unless otherwise specified, all references herein to Articles or Sections are to Articles or Sections of this Agreement.

SECTION 1.2 Other Definitions.

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

SECTION 1.3 Exhibits.

Attached hereto and forming an integral part of this Agreement are various exhibits which are listed in the Table of Contents for this Agreement, all of which are incorporated into this Agreement as fully as if the content thereof were set out in full herein at each point of reference thereto.

ARTICLE 2
FORMATION; NAME; PLACE OF BUSINESS

SECTION 2.1 Formation of Company; Certificate of Formation

The Members of the Company hereby:

(a) acknowledge the formation of the Company by the Members as a limited liability company pursuant to the Delaware LLC Act by virtue of the filing of the Certificate with the appropriate public office in Delaware on May 16, 1997;

(b) confirm and agree to their status as Members of the Company;

(c) execute this Agreement for the purpose of continuing the existence of the Company and establishing the rights, duties, and relationship, of the Members; and

(d) (i) agree that if the laws of any jurisdiction in which the Company transacts business so require, the Company also shall cause to be filed, with the appropriate office in that jurisdiction, any documents necessary for the Company to qualify to transact business under such laws; and (ii) agree and obligate themselves to execute, acknowledge, and cause to be filed for record, in the place or places and manner prescribed by law, any amendments to the Certificate as may be required, either by the Delaware LLC Act, by the laws of any jurisdiction in which the Company transacts business, or by this Agreement, to reflect changes in the information contained therein or otherwise to comply with the requirements of law for the continuation, preservation, and operation of the Company as a limited liability company under the Delaware LLC Act.

SECTION 2.2 Name of Company

The name under which the Company shall conduct its business is "Simon/Chelsea Development Co., L.L.C.". The business of the Company may be conducted under any other name permitted by the Delaware LLC Act that is deemed necessary or desirable by the Members. The Company promptly shall cause to be executed, filed, and recorded any assumed or fictitious name certificates required by the laws of the State of Delaware or any state in which the Company conducts business.

SECTION 2.3 Place of Business

The location of the principal place of business of the Company shall be c/o Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068. The Members may hereafter change the principal place of business of the Company to such other place or places within the United States as the Members may from time to time determine, and, if necessary, the Members shall amend the Certificate in accordance with the applicable requirements of the Delaware LLC

Act. The Members may establish and maintain such other offices and additional places of business of the Company, either within or without the State of Delaware, as they deem appropriate.

SECTION 2.4 Registered Office and Registered Agent

The street address of the initial registered office of the Company shall be 1209 Orange Street, Wilmington, Delaware 19801, and the Company's registered agent at such address shall be the Corporation Trust Company.

ARTICLE 3
PURPOSES AND POWERS OF COMPANY

SECTION 3.1 Purposes

Subject to the provisions of this Agreement, the purposes of the Company are limited and include only the following: investing in, acquiring, holding, owning, developing, operating, maintaining, improving, leasing, selling as a means of recovering the Members' investment and a profit thereon, exchanging and otherwise using one or more Projects, for profit and as an investment, and doing any and all other acts or things which may be incidental or necessary to carry on the business of the Company as herein contemplated.

SECTION 3.2 Powers

The Company shall have the power to do any and all acts and things necessary, appropriate, advisable, or convenient for the furtherance and accomplishment of the purposes of the Company, including, without limitation, to engage in any kind of activity and to enter into and perform obligations of any kind necessary to or in connection with, or incidental to, the accomplishment of the purposes of the Company, so long as said activities and obligations may be lawfully engaged in or performed by a limited liability company under the Delaware LLC Act.

SECTION 3.3 Limits of Company

(a) The relationship between and among the Members as members of a limited liability company shall be limited to carrying on the business of the Company in accordance with the terms of this Agreement. Such relationship shall be construed and deemed to be a limited liability company only for such sole and limited purpose.

(b) The Members shall each devote such time to the Company as is reasonably necessary to carry out the provisions of this Agreement. Each of the Members understands that the other Member or its Affiliates may be interested, directly or indirectly, in various other businesses and undertakings not included in the Company. Each Member also understands that the conduct of the business of the Company may involve business dealings with such other businesses or undertakings. The Members hereby agree that the creation of the Company and the assumption by each of the Members of their duties hereunder shall be without prejudice to their rights (or the rights of their Affiliates) to have such other interests and activities and to receive and enjoy profits or compensation therefrom, and except as otherwise expressly agreed in writing by the Members, each Member waives any rights it might otherwise have to share or participate in such other interests or activities of the other Member or its Affiliates. Except as set forth below or as otherwise expressly agreed in writing by the Members, the Members may engage in or possess any interest in any other business of any nature or description independently or with others including, but not limited to, the ownership, financing, leasing, operation, management or development of real property which may compete with the business of the Company, and neither the Company nor the other Member shall have any right by virtue of this Agreement in and to any such other business or the income or profits derived therefrom. Notwithstanding the foregoing, the Members agree:

(i) During the term of this Agreement, each Prospective Project shall be identified by Chelsea and presented to Simon for the benefit of the Company, all as provided in Section 8.8 below; and

(ii) During a term ending on the earlier of (A) six (6) years after the date of this Agreement, or (B) two (2) years after the termination of this Agreement, Simon agrees that it shall not compete with Chelsea in the acquisition, development, leasing, construction or management of manufacturers outlet shopping centers in the United States. The foregoing restriction shall not apply to (C) any "Mills-type" shopping center which the Members agree is not a manufacturers outlet shopping center, (D) Simon's acquisition of a portfolio of shopping centers where 15% or less of the number of such shopping centers so acquired are manufacturers outlet shopping centers, and (E) any conversion by Simon of one or more of its shopping centers to a manufacturers outlet shopping center, it being agreed that with respect to such conversion, Simon shall furnish to Chelsea the plans and budgets therefor, together with such other information as Chelsea may reasonably request, and Chelsea shall have the option, for a thirty (30) day period following receipt of such information, to elect to become a joint

venture partner with Simon in such conversion and treat such conversion as a Project hereunder. For purposes of this Agreement, a "Mills-type" shopping center shall mean a large (900,000 square feet or more of gross leasable area) value and entertainment oriented shopping center, often enclosed, which contains a substantial number of discount or "category killer" big box anchors or mini anchors each containing approximately 20,000 or more square feet of gross leasable area.

SECTION 3.4 No Individual Authority.

Neither Member shall, without the express, prior written consent of the other Member, take any action for or on behalf of or in the name of the Company or other Member, or assume, undertake or enter into any commitment, debt, duty or obligation binding upon the Company, except for (a) actions expressly provided for in this Agreement, (b) actions by either Member within the scope of such authority as may have been granted in this Agreement, and (c) actions Approved by the Members, and any action taken in violation of the foregoing limitation shall be void. Each Member shall indemnify and hold harmless the other Member from and against any and all claims, demands, losses, damages, liabilities, lawsuits and other proceedings, judgments and awards, and costs and expenses (including, but not limited to, reasonable attorneys' fees and all court costs) arising directly or indirectly, in whole or in part, out of any breach of the foregoing provisions by such Member. This provision shall survive dissolution of the Company.

SECTION 3.5 Responsibility of Members.

(a) Except for Project costs previously incurred by a Member which are reflected in the Development Budget, the Company and each Member shall not be responsible or liable for any responsibility, indebtedness, or other obligation of any other Member incurred prior to, on the date of or after the execution of this Agreement, except for those which are undertaken or incurred on behalf of the Company after the date of this Agreement under or pursuant to the terms of this Agreement, or assumed in writing by both Members, and each Member hereby indemnifies and agrees to hold the other Member and the Company harmless from all such obligations and indebtedness except as aforesaid.

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

ARTICLE 4
TERM OF COMPANY

The existence of the Company commenced on May 16, 1997, the date upon which the Certificate was duly filed with the Recording Office, and shall continue until December 31, 2002, or such later date as Approved by the Members (the "Termination Date"), unless dissolved and liquidated before the Termination Date in accordance with the provisions of Article 11.

ARTICLE 5
CAPITAL

SECTION 5.1 Members' Initial Percentage Interests.

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

Member	Initial Percentage Interests
Simon	50%
Chelsea	50%

The Initial Percentage Interests are subject to adjustment as provided herein.

SECTION 5.2 Capital Contributions.

5.2.1 Initial Capital Contributions.

(a) Concurrently with the execution and delivery of this Agreement, Chelsea has contributed $600.00 to the Company ("Chelsea Initial Contribution").

(b) Concurrently with the execution and delivery of this Agreement, Simon has contributed $600.00 to the Company, which amount is equal to the Chelsea Initial Contribution ("Simon Initial Contribution").

5.2.2 Prospective Project Expenditures.

During any period when the Members are examining the feasibility of developing or acquiring a Prospective Project prior to the commencement of the PreConstruction Period, each Member shall

contribute cash capital contributions in an amount sufficient to fund costs incurred by the Company and Approved in advance from time to time by the Members or contained in the Prospective Project Budget. Such costs shall only include third party, out-of-pocket expenditures incurred by the Company or the Members with respect to a Prospective Project.

5.2.3 Pre-Construction Expenditures.

(a) During the Pre-Construction Period of a Project, the Members shall contribute cash capital contributions in an amount sufficient to fund those costs incurred from time to time in advance of the Construction Period pursuant to an applicable Pre-Construction Budget which has been Approved by the Members. Such expenditures, including the net cash equity investment of any Member in any portion of the Land which is contributed to the Company by such Member, shall be credited as cash capital contributions made by the Members to the Company. To the extent that any Member and its Affiliates have contributed less than 50% of such predevelopment expenditures, such Member shall thereafter contribute 100% of necessary costs until the capital contributions made by and credited to Simon and Chelsea are equal. Thereafter, such contributions shall be divided among them pro rata in accordance with their respective Initial Percentage Interests.

(b) In no event shall either party be required to contribute amounts during the Pre-Construction Period in respect of either (A) any fees which may be payable to either party in connection with a Project and which are identified in the Development Budget or (B) any other costs or expenses identified in the Development Budget as being subject to this Section 5.2.2(b)(B), but such costs described in subsections (A) or (B) hereof shall be part of Total Project Costs and shall be reimbursed to the appropriate Member from the initial disbursement of construction financing or from contributions by the Members pursuant to Section 5.2.4 hereof.

5.2.4 Construction Period.

(a) During the Construction Period of a Project, the Members shall contribute cash capital contributions in the aggregate to the Company in the amount of (i) the Total Project Costs incurred from time to time, less (ii) the amount of any construction financing, public finance assistance or other financing sources obtained for the Company, or other sources of funds as to which the Members shall agree, which contributions will be divided among them pro rata in accordance with their respective Initial Percentage Interests. The Operating Member may seek third party construction financing in the amounts and upon the terms and conditions Approved by the Members, which approval shall not be unreasonably withheld so long as such terms and conditions are consistent with the Development Budget. In the event any such construction loan proceeds are less than the balance of the Total Project Costs, the Members shall fund the shortfall by making additional capital contributions to the Company pro rata in accordance with their Initial Percentage Interests. All such amounts contributed to the capital of the Company pursuant to this Section shall be credited to the Capital Account of each Member when and as such contributions are made by such Member.

(b) To the extent that guarantees are required in connection with any such construction financing, Simon and Chelsea shall each be obligated to provide such guarantees on a several basis in accordance with their respective Initial Percentage Interests. Should any such obligations be subject to a joint and several guarantee by the Members or their Affiliates in connection with the construction financing for the Project, or otherwise(it being agreed that no Member shall be required to provide a joint and several guaranty without its prior Approval), Simon and Chelsea shall each agree to indemnify and hold the other and its Affiliates harmless from and against any loss, cost, claim, damage or expense thereunder (including reasonable attorneys' fees) in excess of one-half (2) of the costs so guaranteed and incurred by both Members and/or their respective Affiliates. Any Members failing to perform under such indemnity shall be deemed a Non-Funding Member and a Non-Contributing Member for purposes of this Article 5.

5.2.5 Completion of Construction.

Upon completion of construction of the Project, the Members shall seek to obtain third party non-recourse permanent financing in the amounts and upon the terms and conditions Approved by the Members, which approval shall not be unreasonably withheld so long as such terms and conditions are consistent with the financing assumptions set forth in the Development Budget. The Members shall be obligated to make additional capital contributions to the Company pro rata in accordance with their Initial Percentage Interests in order that the portion of the Total Project Costs which is not financed by such permanent financing shall be funded by equity.

SECTION 5.3 Additional Funds.

(a) In the event additional funds are required to operate the Company in accordance with expenditures delineated in one or more Budgets or for other purposes Approved by the Members, the Members hereby agree to provide on a pro rata basis in accordance with their Initial Percentage Interests additional capital contributions in the amount necessary to satisfy such obligations. If such additional funds are necessary, any Member may send a notice

thereof to the other Member setting forth the purposes for which the additional funds are required and a report stating the amount required as well as the anticipated cash receipts and obligations for the quarter next following the date of the notice with the reasons, if ascertainable, that the available funds of the Company will be insufficient to meet the obligations for which the additional funds have been requested.

(b) If additional funds are needed for the Company as set forth in Section 5.3(a), each Member shall be obligated to contribute additional capital to the Company pursuant to the procedure set forth in Section 5.4 below.

SECTION 5.4 Capital Calls.

5.4.1 General.

If the Members are required to contribute capital under this Agreement the Members shall make additional capital contributions in accordance with the provisions herein and in the same percentages as their respective Initial Percentage Interests and in such amounts which are sufficient to provide such funds. Chelsea and any Affiliate Transferee(s) of part of Chelsea's Percentage Interest, on the one hand, and Simon and any Affiliate Transferee(s) of part of Simon's Percentage Interest, on the other hand, shall be jointly and severally liable for making any of their respective required contributions to the Company under this Article 5.

5.4.2 Notice by Operating Member.

If additional capital contributions are required to be made pursuant to Section 5.3(a), notice shall be given to each Member in the manner provided in Section 12.1. Such notice shall specify in reasonable detail the amount and purpose of any such additional capital contributions. Each Member shall, within ten (10) business days (time being of the essence) after the receipt of such notice, deposit, by wire transfer of immediately available federal funds into the Company's bank account, the additional capital contribution specified in the notice, to be credited to the contributing Member's capital account. If either Member disputes the need for any additional capital contributions requested pursuant to this Section 5.4.2, pending the resolution of such dispute the Member disputing the need for additional capital shall nevertheless contribute its additional capital within the time period specified in this Section 5.4.2 and the Company shall hold the contributions of both Members in an interest-bearing account, or shall otherwise invest such contributions as Approved by the Members, separate from other cash deposits of the Company until such dispute is resolved; provided, however, that the Company shall have the right to use the Members' contributions to the extent necessary, subject to the budgetary limitations which are set forth in Section 8.9 below, to permit the Company to pay its debts and to meet its obligations when due. If and to the extent that it is ultimately determined that such additional capital was not required in whole or in part, the amount of such capital contributed by each Member that was determined to be not required, less each Member's proportionate share (based on such Member's Initial Percentage Interest) of any portion of the Members' contributed capital which was expended in accordance with the foregoing, shall be promptly refunded to each Member, together with a proportionate share of interest, if any, earned thereon while on deposit with the Company.

5.4.3 Dilution.

(a) If a Member fails to fund its pro rata share of any capital contributions and such failure continues for a period of thirty (30) days (the first such failure by either Member, if uncured, being hereinafter referred to as an "Initial Uncured Default"), such Member shall be considered to be a "Non-Funding Member" and the other Member (the "Funding Member") if it has funded its pro rata share of such contribution, shall be entitled to fund the Non-Funding Member's share of such capital contribution. The Percentage Interest of each Member shall thereupon be recalculated as set forth below. The Funding Member is hereby constituted and appointed as attorney-in-fact, such appointment being coupled with an interest, to execute, acknowledge and deliver all instruments and documents necessary to effect such recalculation of Percentage Interests as herein provided.

(b) The recalculation of the Percentage Interests on the Percentage Interest Adjustment Date shall be done as follows: First, the total amount of capital contributions made by each Member as of the Percentage Interest Adjustment Date shall be calculated. Second, the Non-Funding Member's Percentage Interest shall be reduced, and the Funding Member's Percentage Interest shall be increased, to reflect each Member's percentage of the total contributions made by both Members as of the Percentage Interest Adjustment Date.

(c) The Adjusted Percentage Interests of the Members shall be expressed in terms of a decimal rounded to the nearest fourth digit. An example illustrating the operation of this provision is attached hereto as Exhibit C.

(d) (i) If due to the operation of this Section 5.4.3 a Non-Funding Member's Initial Percentage Interest is diluted, the other Member shall have the right and option for a period of 60 days after such dilution occurs to purchase the Non-Funding Member's interest in the Company at a price equal to the total amount of cash capital contributions which had been contributed to the Company by the Non-Funding Member at that point in time, less the amount of any distributions of Cash Flow or Capital Proceeds previously made to the Non-Funding Member.

(ii) In order to elect to purchase the interest in the Company of a Non-Funding Member pursuant to this Section 5.4.3, the Funding Member shall send written notice of election to the Non-Funding Member prior to expiration of such 60-day period. In the event a Funding Member elects to purchase a Non-Funding Member's interest, such election pursuant to this Section 5.4.3 shall create a binding contract for the purchase and sale of the Non-Funding Member's interest in the Company. The closing of such purchase and sale shall take place at the office where the principal place of business of the Company is located on the date specified by the Funding Member in its election notice which date shall not be less than 20 days nor more than 60 days following the date of such notice, unless the Members agree to a different mutually acceptable date. The form and substance of the closing documents shall be reasonably satisfactory to the Funding Member and shall consist of an assignment and bill of sale (both with covenants against grantor's acts) from the Non-Funding Member to the Funding Member (or its nominee or designee), together with such other instruments and documents as may be reasonably necessary or desirable to effectuate the sale. The purchase price shall be payable by federal wire transfer of immediately available funds to an account designated by the Non-Funding Member, against delivery of all the closing documents. At either Member's request, the Company's bank or the title company which issued the owner's title policy to the Company may be appointed as escrow agent to receive all closing documents and the purchase price in escrow in order to make simultaneous delivery of closing documents and disbursement of funds at the closing or the next business day thereafter. The instruments and documents shall be legally sufficient to convey all of the Non-Funding Member's interest in the Company (and the Project) to the Funding Member (or its nominee or designee), free and clear of all deeds of trust, security interests, liens, charges and encumbrances. The provisions of this Section 5.4.3 shall be enforceable by a decree of specific performance and neither Member shall assert in defense thereto that there exists an adequate remedy at law.

5.4.4 Contribution Loans.

(a) If either Member (a "Non-Contributing Member") fails to make any additional capital contribution within the time specified in Section 5.4.2 and such failure continues for a period of thirty (30) days after an Initial Uncured Default, the other Member who makes the requested contribution of additional capital (the "Contributing Member") shall have the right but not the obligation to advance directly to the Company the funds required from the Non-Contributing Member as a loan ("Contribution Loan") to the Non-Contributing Member. If and when a Contribution Loan is made, the Non-Contributing Member shall be deemed to have waived the right to make the requested capital contribution as of the date of such loan. Such Contribution Loan shall bear interest, compounded annually, at a rate equal to the Prime Rate plus four (4) percentage points per annum. Contribution Loans may be prepaid by the Non-Contributing Member at any time after the date the Contribution Loan is made. If not repaid by the Non-Contributing Member, the Contribution Loan shall be repaid pursuant to Section 5.4.5 or other applicable provisions of this Agreement, but otherwise shall be and remain a recourse obligation of the Non- Contributing Member.

(b) If the Contributing Member does not elect to advance the full amount of the additional funds required from the Non-Contributing Member, the Contributing Member may withdraw its additional capital contribution.

(c) Notwithstanding any other provision of this Agreement to the contrary, if as of the date which is one hundred eighty (180) days after the making of a Contribution Loan, such Contribution Loan shall not have been paid in full, the Contributing Member shall have the right for a period of sixty (60) days to have such Contribution Loan (or the portion thereof remaining unpaid) converted on the books of the Company to a capital contribution by the Contributing Member, in which event the Percentage Interest of the Non-Contributing Member shall be adjusted and recalculated in accordance with Section 5.4.3 of this Agreement, and the Contributing Member shall be entitled to exercise all rights and remedies thereunder, including without limitation the purchase option described in Section 5.4.3(d). In order to elect to convert a Contribution Loan to a capital contribution pursuant to this Section 5.4.4(c), the Contributing Member shall send written notice of election to the Non-Contributing Member prior to the expiration of such 60-day period.

(d) The rights set forth in this Section 5.4.4 are in lieu of the exercise of rights set forth in Section 5.4.3 and may not be exercised in addition to such rights.

5.4.5 Repayment through Distributions.

A Contribution Loan shall be repaid on a first priority basis out of any subsequent distributions to which the Non-Contributing Member for whose account the Contribution Loan was made would otherwise be entitled in accordance with this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full. Each

Non-Contributing Member irrevocably assigns its rights to distributions from the Company to the Contributing Member for the purpose of effectuating this repayment. Repayment of either Member's Contribution Loan shall also be secured by the Non-Contributing Member's Percentage Interest in the Company, and the Non-Contributing Member hereby grants a security interest in such Percentage Interest and all distributions related thereto to the Contributing Member who has advanced such Contribution Loan and hereby irrevocably appoints the Contributing Member, and any of its agents, officers or employees, as its attorney- in-fact, such appointment being coupled with an interest, to execute, acknowledge and deliver any documents, instruments and agreements including, but not limited to, any note evidencing the Contribution Loan, and such Uniform Commercial Code financing statements, continuation statements, and other security instruments or documents as may be appropriate to perfect and continue such security interest in favor of the Contributing Member.

5.4.6 Transferees and Assignees.

If there shall be a Transfer of part of the Percentage Interest of either Member pursuant to Article 10 below to an Affiliate of such Member, all of the calculations necessary at any time or from time to time under this Section 5.4 shall be made without regard to any such partial Transfer. Any dilution of the Percentage Interest of either Member pursuant to this Section 5.4 shall be made effective against the aggregate Percentage Interest of the Transferor and any Affiliate Transferee of which the Company has been notified or, failing any such agreement, or notice thereof, as the Funding Member, acting on behalf of the Company, may elect. It is the intent and agreement of the Members that all of the rights and obligations hereunder, including without limitation participation in management, rights to give or receive notices and contribution obligations, and the various consequences arising from the failure of a Member to make a required capital contribution to the Company hereunder are to be interpreted and applied as if Chelsea and any Chelsea Affiliate that owns a part of its Percentage Interest, on the one hand, and Simon and any Simon Affiliate that owns a part of its Percentage Interest, on the other, is a single entity having a Percentage Interest in an amount equal to the aggregate Percentage Interests owned by such Member and its respective Transferees.

5.4.7 No Third Party Rights.

The right of the Company or the Members to require any additional contributions under the terms of this Agreement shall not be construed as conferring any rights or benefits to or upon any party not a party to this Agreement including, but not limited to, any tenant of any part of the Project, or the holder of any obligations secured by a deed of trust or other lien or encumbrance upon or affecting the Company, any Percentage Interest, or the Project, or any part thereof or interest therein, or any other creditor of the Company.

5.4.8 Role in Management.

Notwithstanding any other provision of this Agreement to the contrary, including without limitation Article 8 hereof, a Non-Funding Member or Non-Contributing Member (hereinafter, a "Defaulting Member") shall thereafter have no further approval rights, right to make decisions or role in management of the Company until such funding or contribution default has been cured. Without limitation of the foregoing, in such event (i) if the Defaulting Member is the Operating Member, the other Member (the "Non-Defaulting Member") shall have the right to remove the Defaulting Member as the Operating Member (and to become the Operating Member itself) in accordance with Section 8.9 hereof and to terminate the Management Agreement and Development Agreement with any Affiliate of the Defaulting Member in accordance with Section 8.10(b) and Section 8.11(b), (ii) the Non-Defaulting Member shall have the right to apply any fees payable to the Defaulting Member or its Affiliate in accordance with this Agreement to any amounts owed by the Defaulting Member and (iii) the Non- Defaulting Member shall have the right to make all decisions of the Company and the Members.

5.4.9 The provisions of Sections 5.4.3, 5.4.4, 5.4.5, 5.4.6 and 5.4.8 shall apply only to each individual Project or Prospective Project for which a Member may be a Defaulting Member and the exercise of any remedies hereunder by a Funding Member or Non-Defaulting Member shall be applicable only to a Project for which the other Member is a Defaulting Member.

SECTION 5.5 No Interest on Capital.

Interest earned on Company funds shall inure solely to the benefit of the Company, and except as specifically provided hereinabove, no interest shall be paid upon any contributions or advances to the capital of the Company nor upon any undistributed or reinvested income or profits of the Company.

SECTION 5.6 Reduction of Capital Accounts.

Any distribution to a Member, whether pursuant to Sections 6.5 or 6.6 or any other Section of this Agreement, shall reduce the amount of such Member's Capital Account in accordance with Section 2.A. of the Tax Allocations Exhibit, but no adjustment in the Percentage Interest of any Member shall be made on account of any such distribution, except as otherwise specifically provided in this Agreement.

SECTION 5.7 Negative Capital Accounts.

Any Member having a deficit or negative balance in its Capital Account shall not be required to restore such deficit capital amount or otherwise to contribute capital to the Company to restore its Capital Account.

SECTION 5.8 Limit on Contributions and Obligations of Members.

Except as expressly provided in Sections 5.2, 5.3 and 5.4 hereof and this Section 5.8, the Members shall have no liability or obligation to the Company or to the other Members (i) to make additional capital contributions to the Company, (ii) to make any loans to the Company or (iii) to endorse or

guarantee the payment of any loan to the Company. Each Member shall be personally liable to the other Members (but not to any third parties) for its pro rata share of the Company liabilities (such share to be determined as of the time the liabilities are incurred) based on its Initial Percentage Interest in the Company.

SECTION 5.9 Pre-Construction Period Withdrawals.

Notwithstanding any other provision hereof to the contrary, either Member may elect by notice to the other Member at any time during the Prospective Project Period or Pre-Construction Period, but prior to the development of the Final Project Program (a "Withdrawal Notice"), to withdraw from participation in a Prospective Project by making an additional capital contribution equal to such Member's pro rata share of any accrued obligations under the Pre-Construction Budget as of the date of the Withdrawal Notice plus any penalties or termination fees which would be due and payable to third parties if the remaining Member elects to terminate any existing binding commitments to such third parties within thirty (30) days after receipt of a Withdrawal Notice as a result of such withdrawal and thereafter determines not to go forward with such Prospective Project. In such event, (i) the withdrawing Member's Percentage Interest in such Prospective Project only shall be redeemed in its entirety by the Company, and (ii) the withdrawing Member's aggregate capital contributions through the date of such Withdrawal Notice (including the amount of any capital contributions required to be made pursuant to this Section 5.9) shall be converted to an unsecured, subordinated obligation of the Company, evidenced by a promissory note substantially in the form of Exhibit D hereto (the "Subordinated Member Note"); provided, however, that no Member which is at the time a Defaulting Member shall be entitled to send a Withdrawal Notice and withdraw from the Company pursuant to this Section 5.9.

ARTICLE 6
PROFITS, LOSSES, DISTRIBUTIONS, AND ALLOCATIONS

SECTION 6.1 Net Profit.

All Net Profit of the Company for each Fiscal Year shall be allocated to the Members as follows:

(i) First, to each Member until the cumulative Net Profit allocated to each Member pursuant to this clause (i) is equal to the cumulative Net Loss allocated to such Member pursuant to clause (ii) of Section 6.2 and Section 6.3 (such Net Profits to be allocated first with respect to Net Loss allocated pursuant to Section 6.3 and thereafter in reverse chronological order of the allocation of the Net Loss which has not been previously offset by an allocation under this Section 6.1(i)); and

(ii) Thereafter, among the Members in accordance with their respective Percentage Interests.

SECTION 6.2 Net Loss.

After giving effect to the special allocations set forth in Exhibit B, all Net Loss of the Company for each Fiscal Year shall be allocated to the Members as follows:

(i) First, to each Member until the cumulative Net Loss allocated to each Member pursuant to this clause (i) is equal to the cumulative Net Profit allocated to such Member pursuant to clause (ii) of Section 6.1 (such Net Loss to be allocated in reverse chronological order of the allocation of the Net Profit which has not been previously offset by an allocation under this Section 6.2(i));

(ii) Second, to each Member in accordance with their respective positive Adjusted Capital Account balances until such balances are reduced to zero; and

(iii) Thereafter, among the Members in accordance with their respective Percentage Interests.

SECTION 6.3 Limitation on Net Loss Allocation.

Notwithstanding any provision of this Agreement to the contrary, in no event shall Net Loss be allocated to a Member if such allocation would result in such Member's having a negative Adjusted Capital Account Balance at the end of any Fiscal Year. All Net Loss in excess of the limitation set forth in this Section 6.3 shall be allocated to any remaining Member with a positive Adjusted Capital Account, and if all such Adjusted Capital Account balances are zero or negative to the Members under Section 6.2(iii).

SECTION 6.4 Other Allocation Rules.

Solely for purposes of determining a Member's proportionate share of the "excess nonrecourse liabilities" of the Partnership within the meaning of Regulations Section 1.752- 3(a)(3), the Members' interests in the Net Profits of the Company are the same as the Members' Percentage Interests.

SECTION 6.5 Distribution of Cash Flow.

Except as provided in Section 11.2.4, the Company shall distribute Cash Flow to the Members as and when Approved by the Members, not less frequently than quarterly, in the following order of priority:

(a) First, to pay any accrued but unpaid interest on, and then to pay the unpaid principal balance, if any, of any and all loans made by any Member to the Company (excluding any Subordinated Member Note) in accordance with this Agreement, provided, however, that any Contribution Loans shall not be regarded as loans to the

Company and shall be repaid on a first priority basis out of any Cash Flow to which the Non-Contributing Member for whose account the Contribution Loan was made would otherwise be entitled to in accordance with Section 6.5(b) of this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full; and

(b) Second, to the Members in accordance with their respective Percentage Interests.

SECTION 6.6 Distribution of Capital Proceeds.

Except as provided in Section 11.2.4, the Company shall distribute to the Members Capital Proceeds received by the Company within thirty (30) calendar days after receipt (but not prior to the Percentage Interest Adjustment Date) in the following order of priority:

(a) First, to pay any accrued but unpaid interest on, and then to pay the unpaid principal balance, if any, of any and all loans made by any Member to the Company in accordance with this Agreement, provided, however, that any Contribution Loans shall not be regarded as loans to the Company and shall be repaid on a first priority basis out of any Capital Proceeds to which the Non-Contributing Member for whose account the Contribution Loan was made would otherwise be entitled to in accordance with Sections 6.6(b) through (d) of this Agreement, which amounts shall be applied first to accrued interest and then to principal, until the Contribution Loan is paid in full, and provided further, that any Subordinated Member Note shall be paid in accordance with subsection (c) below;

(b) Second, to the Members in repayment of their respective Capital Contribution Balances, in accordance with their respective Percentage Interests;

(c) Third, to the payment of any Subordinated Member Note; and

(d) Fourth, to the Members in accordance with their respective Percentage Interests.

ARTICLE 7
COMPANY BOOKS; ACCOUNTING/FINANCIAL STATEMENTS

SECTION 7.1 Books and Records.

The Company shall keep books and records at the Company's principal place of business which are usually maintained by persons engaged in similar businesses, in form and substance Approved by the Members and setting forth a true, accurate and complete account of the Company's business and affairs including a fair presentation of all income, expenditures, assets and liabilities thereof. Such books and records shall be maintained, and its income, gain, losses and deductions shall be determined and accounted for on the accrual basis in accordance with generally accepted accounting principles consistently applied. Each Member and its authorized representatives shall have the right at all reasonable times to have access to, inspect, audit and copy the Company's books, records, files, securities, vouchers, canceled checks, employment records, bank statements, bank deposit slips, bank reconciliations, cash receipts and disbursement records, and other documents (the "Documents"). Each Member and its authorized representatives shall also have the right, in connection with an examination and audit of the Documents, to question during normal business hours, upon at least ten (10) days notice, the employees, if any, of the Company and to question any other Person and the employees of such other Person having custody or control of any Documents, or responsibility for preparing the same. The Documents shall also be open for inspection during normal business hours, upon at least ten (10) days notice, by the legal or accounting representatives of a Withdrawing Member or any Member to the extent necessary and relevant to such Member's withdrawal from the Company and the winding up of such Member's affairs with the Company. Each Member shall be entitled to any additional information necessary for the Member to adjust its financial basis statement to a tax basis as the Member's individual needs may dictate.

SECTION 7.2 Tax Returns.

The Independent Accountants shall either prepare or review and sign, as requested by the Members, the federal, state and local income tax returns of the Company, and the Company shall use its reasonable efforts to cause the Independent Accountants to either prepare or review and sign such tax returns by March 31 of each year, and cause such tax returns to be filed on a timely basis with the appropriate governmental authorities. In all events, should tax returns not be filed by March 31, good faith estimates of the information to be provided in such tax returns shall be provided to each Member no later than March 31 of each year. Copies of each such return shall be furnished for review and Approval by the Members prior to filing.

SECTION 7.3 Reports.

(a) The Company shall cause to be prepared and sent to each Member, by the Member designated to undertake such task on behalf of the Company, the following unaudited statements and reports:

(i) within fifteen (15) calendar days after the last day of each calendar month during the term of the Company's existence, a statement of income and expense (x) showing the actual results of the operations of the Company for the calendar month then ended and cumulatively to date for the then elapsed portion of the current Fiscal Year and (y) comparing on an itemized basis,

all costs and expenses incurred during such month and for such Fiscal Year with the Budgets for such month and such Fiscal Year, with a narrative explanation of any variations to such Budgets; and

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

(iii) such other reports as any Member may reasonably request from time to time.

(b) Each monthly report furnished to the Members by such designated Member shall also state, to the best knowledge of such designated Member, whether any default exists with respect to any material obligation of the Company and whether any litigation is pending against the Company or the Project. Such designated Member shall, upon obtaining knowledge of the occurrence of any event which, if not cured or resolved, would be required by the preceding sentence to be described in the next monthly report to be furnished pursuant to this Section 7.3(b), promptly notify each Member of such occurrence.

SECTION 7.4 Audits.

After the end of each Fiscal Year the Operating Member shall cause an audit to be made by the Independent Accountants covering the assets, liabilities and net worth of the Company and its operations during such Fiscal Year, and all other matters customarily included in such audits. By February 20 of each Fiscal Year, the Operating Member shall deliver, or cause to be delivered to each Member the following financial statements with respect to the Company: a balance sheet and statements of income and expense, changes in the financial position of the Company, and the Members' capital position as of the end of and for such Fiscal Year, together with, if requested or required pursuant to the preceding sentence of this Section 7.4, the report of the Independent Accountants covering the results of such audit and certifying such financial statements as having been prepared in accordance with generally accepted accounting principles consistently applied.

SECTION 7.5 Bank Accounts.

All funds of the Company shall be deposited in its name in an account or accounts maintained with a financial institution Approved by the Members. Funds of the Company shall not be commingled with funds of any other Person. Checks shall be drawn upon the Company account or accounts only for the purposes of the Company and shall be signed by either Member or by its duly authorized representative, provided, however, that funds shall only be spent pursuant to applicable Budgets which have been Approved by the Members or otherwise pursuant to the emergency authority granted to a Member pursuant to Section 8.7 of this Agreement.

SECTION 7.6 Tax Elections.

If there is a distribution of any property of the Company within the meaning of Section 734 of the Code, or if there is a Transfer of an interest in the Company within the meaning of Section 743 of the Code, then with the Approval of the Members the Company shall cause to be filed an election under Section 754 of the Code to provide for an optional adjustment to the basis of the property or Company interest as appropriate.

SECTION 7.7 Tax Matters Member.

Pursuant to Section 6231(a)(7)(A) of the Code, the Members hereby designate Chelsea as the Company's "Tax Matters Partner."

ARTICLE 8
MANAGEMENT OF THE COMPANY

SECTION 8.1 Management of the Company.

8.1.1 General.

The overall management and control of the business and affairs of the Company shall be vested in the Members. The Members may, by written resolution, except for those matters specifically required to be Approved by the Members, delegate to one of the Members (hereinafter called the "Operating Member") the authority to manage and administer the affairs of the Company. Upon such delegation and until the same shall have been revoked by the Members or the Member to which such delegation was made shall become a Defaulting Member or a NonContributing Member, all decisions with respect to the management of the Company that are approved by the Operating Member shall be binding on the Company and the Non-Operating Member, except as otherwise provided in this Agreement. At such time as a delegation hereunder shall have been made and so long as it remains outstanding, all actions provided hereunder to be taken by the Company shall be carried out by the Operating Member.

8.1.2 Member Representatives.

The Members shall, by written resolution, each designate in writing from time to time its representative for purposes of all actions, approvals and decisions under this Agreement, plus an alternate. Each representative shall be fully authorized to provide, on behalf of the Member which he or she represents, any consent or approval which may be required hereunder, and any action or decision so taken by a representative shall be binding upon the Member which he or she represents. Each Member may change its authorized representative or alternate at any time by written notice to the other Member.

8.1.3 Actions By the Members.

(a) Either Member may initiate a request that the Members approve any matter or take any other action respecting the business and affairs of the Company which is required for Approval by the Members pursuant to this Agreement. Any such request may be made at a regularly scheduled meeting of the Members or in writing. Any written request must be labeled "REQUEST FOR ACTION BY MEMBERS" and must include a narrative explanation of the approval or action which is being requested. If pursuant to such a request the Member desires to schedule a special meeting of the Members, such request must be received by the other Member at least ten (10) calendar days prior to the proposed date for such special meeting. Conversely, a Member receiving a request for approval or action by the Members which does not request that a special meeting be held may then request a special meeting by written notice to the other Member which must be received at least five (5) calendar days before the date proposed for such special meeting. Each Member shall use its best efforts to comply with a request by the other Member that a special meeting of the Members be held.

If there is a need for any approval or action by the Members and no special meeting therefor is requested by either Member, the representatives of the Members shall use their best efforts to respond within ten (10) days after the date the representatives are notified of the need for such approval or other action either in writing or at a regularly scheduled meeting of the Members. If a representative has not responded within said ten (10) day period or if a special meeting has been properly requested with respect to such proposed approval or other action but has not been held within ten (10) days after the date requested for such special meeting, then the Member requesting such approval or other action may at any time thereafter notify the other Member that failure of such other Member's representative to respond within fourteen (14) calendar days after such notice shall be deemed to be approval by such other Member of the matter or action requested. Such notice must be labeled "FAILURE TO ACT BY MEMBER REPRESENTATIVE" and must include a narrative explanation of the approval or action which is being requested. If the other Member's representative fails to respond within said 14-day period, such matter or action requested shall be Approved.

8.1.4 Meetings.

Regular meetings of the Members shall be held at the Company's principal place of business or at such other place as shall be Approved by the Members and at intervals as may be Approved by the Members, but not less than once each calendar quarter. Dates, times and places of such regular meetings shall be Approved by the Members. No meeting of the Members shall be held unless each Member is represented. Both regular and special meetings may be held by means of a conference telephone or similar equipment if all persons participating in the meeting can hear each other at the same time.

SECTION 8.2 The Operating Member.

(a) The Members shall by written resolution from time to time designate one of the Members as the Operating Member of the Company. Subject to Section 8.11(b), such designated Member shall continue to serve as the Operating Member until (i) the Members mutually agree that such designated Member shall cease to serve as the Operating Member; (ii) the Company is dissolved and wound up in accordance with the provisions of Article 11 hereof; or (iii) such Designated Member is removed as Operating Member pursuant to Section 8.9 below. Upon the removal of such designated Member as the Operating Member in accordance with the foregoing, the other Member shall automatically become the Operating Member of the Company. Subject to the provisions of Sections 8.4, 8.5, and 8.6 of this Agreement, but notwithstanding delegation of certain obligations and responsibilities by the Operating Member pursuant to Section 8.2(b) below, the operation of the Company and management of the Company's business and affairs shall rest with and remain the obligation and responsibility of the Operating Member, subject to such further limitations as may be set forth in the resolution designating such Operating Member.

(b) Without limiting the generality of the foregoing, AND SUBJECT TO THE PROVISIONS OF SECTIONS 8.4 AND 8.6 HEREINBELOW, the Operating Member shall have the following rights and powers, which it may exercise at the cost, expense and risk of the Company:

(i) To protect and preserve the assets of the Company, and to incur liabilities (other than for borrowed money) in the ordinary course of business of the Company consistent with the Budgets which have been Approved by the Members;

(ii) To collect all rentals and all other income accruing to the Company and to pay all construction costs and expenses of operations consistent with the Budgets which have been Approved by the Members;

(iii) With the Approval of the Members, to prepare (or have prepared) and file all tax returns for and on behalf of the Company (but not the tax returns or other reports of the individual Members);

(iv) To administer all matters pertaining to

insurance with respect to a Project, including obtaining and paying for policies of insurance insuring against (1) loss or damage by fire, windstorm, tornado and hail, and against loss or damage by such other, further and additional risks as now are or hereafter may be embraced by the standard extended coverage forms of endorsements, as may be required by the Company's lenders and Approved by the Members, and (2) liability to the public, tenants or any other person and risk to its properties incident to the operation of the Project in such amounts and upon such terms as are customary for the protection against such risks of liability and loss and Approved by the Members;

(v) Subject to the applicable Budgets which have been Approved by the Members, to employ, terminate the engagement of, supervise and compensate such persons, firms or corporations for and in connection with the business of the Company as it may reasonably deem necessary or desirable;

(vi) Subject to the applicable Budgets which have been Approved by the Members, to repair and replace all fixtures and equipment situated on or constituting a part of a Project;

(vii) Subject to the applicable Budgets which have been Approved by the Members, to acquire such tangible personal property and intangible personal property as may be necessary or desirable to carry on the business of the Company and sell, exchange or otherwise dispose of such personal properties in the ordinary course of business;

(viii) To keep all books of account and other records of the Company;

(ix) To negotiate and contract with all utility companies servicing a Project;

(x) To pay all debts and other obligations of the Company, including amounts due under the financing and other loans to the Company and costs of formation of the Company and, subject to the applicable Budgets which have been Approved by the Members, of ownership, improvement, operation and maintenance of a Project;

(xi) To pay all taxes, levies, assessments, rents and other impositions applicable to the Company, paying same before delinquency and prior to the addition thereto of interest or penalties and undertake when appropriate and subject to Approval of the Members any action or proceeding seeking to reduce such taxes, assessments, rents or other impositions; and

(xii) To deposit all monies received by the Operating Member for or on behalf of the Company in such financial institutions as may be Approved by the Members, to invest any excess funds and to disburse and pay all funds on deposit on behalf of and in the name of the Company in such amounts and at such times as the same are required in connection with the ownership, maintenance and operation of a Project.

(c) Documents to which the Company is a party shall be executed and performed on behalf of the Company by all of the Members or by the Operating Member, or by the Non-Operating Member, where the Members or this Agreement give the Operating Member or the Non-Operating Member, as the case may be, the right to do so. No person, firm, partnership, corporation or other entity shall be required to inquire into the authority of the Members or a Member to execute and perform any document on behalf of the Company. Except as otherwise expressly provided in this Agreement, no Member or representative thereof shall have the authority or right to bind or act for the Company or any of the other Members.

(d) The Operating Member shall devote itself to the business and purposes of the Company, as set forth in Section 3.1 above, to the extent reasonably necessary for the efficient carrying on thereof, without compensation except as otherwise provided herein. Whenever requested by the Non- Operating Member, the Operating Member shall render a just and faithful account of all dealings and transactions relating to the business of the Company. The acts of the Operating Member shall bind the Company when within the scope of the Operating Member's authority expressly granted hereunder.

SECTION 8.3 Duties of Operating Member; Chelsea as Initial Operating Member.

The Operating Member, at the expense of and on behalf of the Company, shall implement or cause to be implemented all decisions Approved by the Members and delegated to the Operating Member by the Members, and shall conduct or cause to be conducted the management of the business and affairs of the Company in accordance with and as limited by this Agreement. Chelsea is hereby appointed as the Operating Member of the Company to implement all decisions Approved by the Members and shall have primary responsibility for the development, leasing and management of a Project.

SECTION 8.4 Authorization for Expenditures.

Except for expenditures made and obligations incurred pursuant to a Budget, as revised or exceeded pursuant to Section 8.7 or 8.8, the Operating Member shall not make any expenditure or incur any obligation on behalf of the Company unless previously Approved by the Members, provided that the Operating Member shall have the right, without the prior Approval of the Members, to make expenditures and incur obligations not authorized by a Budget (i) to the extent necessary to pay utilities, taxes, and insurance premiums to the extent such charges exceed the amounts budgeted therefor in the applicable Budget, (ii) to pay for other non-capital expenditures in an amount up to 10% or cumulative expenditures of $25,000 (whichever is less) in excess of the amount authorized under the Applicable Budget for such expenditures or (iii) to pay for annual capital expenditures of up to $50,000 in the aggregate for items not contemplated in, or in excess of amounts reserved for certain line items in, the applicable Budget. The Operating Member will be reimbursed for out of pocket expenses incurred on behalf of the Company. The Operating Member may from time to time seek broader fiscal authority from the Members when it is appropriate to do so in connection with the performance of its duties hereunder. In any event, the Operating Member shall not expend more than the amount the Operating Member in good faith believes to be the fair and reasonable market value at the time and place of contracting for any goods purchased or services engaged on behalf of the Company.

SECTION 8.5 Rights Not Assignable.

Except as provided in Section 10.2.1 or 10.2.2, the rights and obligations of the Operating Member qua Operating Member under this Agreement shall not be assignable voluntarily or by operation of law by the Operating Member without the express prior written Approval of the Members, and any attempted assignment without such Approval shall be void.

SECTION 8.6 Major Decisions.

All Major Decisions with respect to the Company's business and operations shall require the Approval of the Members. As used herein, the term "Major Decisions" shall mean all decisions regarding the acquisition, development, ownership, management, leasing and operation of a Project and the conduct of the Company's business except those matters expressly delegated to the Operating Member and/or its Affiliate pursuant to the terms of this Agreement, the Development Agreement and/or the Management Agreement. Accordingly, neither Member shall have the right or the power to make any commitment or engage in any undertaking on behalf of the Company with respect to a Major Decision unless and until the same has been authorized by Approval of the Members.

SECTION 8.7 Emergency Authority.

Notwithstanding the provisions of Sections 8.4 or 8.6 hereof, the Operating Member shall have the right to take such actions and make such emergency expenditures as it, in its reasonable judgment, deems necessary for the protection of life or health or the preservation of Company assets if, under the circumstances, in the good faith estimation of the Operating Member, there is insufficient time to allow the Operating Member to obtain the Approval of the Members of such action, a good faith attempt has been made to contact the other Member and any delay would materially increase the risk to life or health or materially increase the magnitude or likelihood of property damage or other potential loss involved; provided, however, that the Operating Member shall notify the other Member of such action contemporaneously therewith or as soon as reasonably practicable thereafter.

SECTION 8.8 Identification of Prospective Projects.

During the term hereof, Chelsea shall identify and provide Simon with an opportunity to evaluate each Prospective Project Area and determine whether or not the Company should proceed to review and assess the advisability of developing a Project within the Prospective Project Area. In that regard, Chelsea shall promptly furnish to Simon all information in Chelsea's possession concerning a Prospective Project Area and describe why Chelsea believes the Prospective Project Area may be appropriate for the development of a Project, together, if appropriate, with a Prospective Project Budget. Within thirty (30) days after receipt of such information, Simon shall elect, on notice to Chelsea, whether or not to have the Company proceed with further due diligence concerning a Prospective Project Area which would include, without limitation, the Company's acquisition of right to acquire a site within a Prospective Project Area on which to build a Project, determine the initial interest of prospective tenants for a Project within the Prospective Project Area, determining the land use, zoning and related requirements with respect to a Prospective Project Area and other related terms. Once a site is found by Chelsea within any Prospective Project Area and Chelsea has determined that it wishes to proceed into the Pre-Construction Period, Chelsea shall promptly so notify Simon and provide Simon with information concerning the proposed site, including its acquisition costs, a site plan showing the location and proposed configuration of a Project, a Proposed Development Budget for such Project emphasizing, in particular, those costs and expenses to be incurred in the Pre- Construction Period, proposed tenant commitments or expressions of interest and financial and other related information for such Project. Within thirty (30) days after receipt of such

information, Simon shall elect, on notice to Chelsea whether or not to have the Company proceed for a Pre-Construction Period with such a Prospective Project. If a Prospective Project is instead an acquisition of one or more existing shopping centers, Chelsea shall promptly furnish to Simon all information in Chelsea's possession and reasonably necessary to assist Simon in its determination to proceed including, without limitation, site plans showing the location of said Prospective Project, a proposed Budget for any redevelopment of such Prospective Project, a proposed leasing plan and tenant commitments or expressions of interest, rent rolls, operating statements, budgets and other related financial information for such Prospective Project which is to be acquired, title commitments and related documentation, surveys, engineering and environmental reports. Within thirty (30) days after receipt of such information, Simon shall elect, on notice to Chelsea, whether or not to have the Company proceed to acquire such Prospective Project. Simon's failure to make any election to proceed with a Prospective Project Area or a Prospective Project within the time periods provided above shall be deemed an election to not have the Company proceed therewith, following which Chelsea shall be free, at its election, to proceed with a Prospective Project for its own account. If the Members proceed with a Prospective Project, they may elect to have the ownership thereof held in a separate partnership, limited liability company or other mutually acceptable entity, in which event the organizational documents for such entity shall be substantially identical to this Agreement with such changes thereto as the Members may agree.

SECTION 8.9 Budgets.

(a) The Members shall, by written resolution, Approve a Prospective Project Budget (if appropriate), a Pre-Construction Budget and a Development Budget for a Project, which Budgets the Members acknowledge are subject to change only as Approved by the Members. The Development Budget is intended to cover all expenditures of the Project through the completion of construction of the Project, including, without limitation, those expenditures included in a Pre-Construction Budget and Prospective Project Budget for such Project. No later than sixty (60) calendar days prior to the Project Completion Date, the Operating Member shall submit to the Non-Operating Member a proposed Operating Budget for the then remaining Fiscal Year covering anticipated expenses of the Company in owning, operating and maintaining the Project. No later than sixty (60) days prior to the commencement of each Fiscal Year the Operating Member shall submit to the Non-Operating Member a proposed Operating Budget for such Fiscal Year for the Project. Further, projections of current Fiscal Year expenditures shall be prepared by the Operating Member and submitted to the Non-Operating Member on June 1 and November 1 of each Fiscal Year.

(b) After submission of the proposed Operating Budgets to the Non-Operating Member, the following procedures shall be followed in adopting such Operating Budgets:

(i) Within twenty (20) calendar days after the proposed Operating Budgets are submitted to the Non-Operating Member, the Non-Operating Member shall either approve each such proposed Operating Budget or notify the Operating Member of any proposed revisions therein that it deems necessary. If the Non-Operating Member fails to approve or reject any proposed Operating Budget or to make proposed revisions thereto within thirty (30) calendar days after it is submitted to the Non-Operating Member, such proposed Operating Budget shall be deemed approved and shall thereafter constitute the "Operating Budget" for the Fiscal Year in question for all purposes hereof. Any objections to the proposed Operating Budget must be made on a line item basis, and any line items not objected to shall be deemed approved.

(ii) If the Non-Operating Member approves a proposed Operating Budget, or the Non-Operating Member makes proposed revisions thereto and the Operating Member does not make objections to such proposed revisions within ten (10) calendar days after it receives them, such proposed Operating Budget, and revisions if any, shall be deemed approved and shall be deemed thereafter to constitute the "Budget" for the Fiscal Year in question for all purposes hereof.

(iii) If the Operating Member makes any objection to any proposed revisions to any proposed Operating Budget, the Members shall cooperate with each other to resolve any questions with respect to such proposed revisions and shall use their best efforts to agree upon such Operating Budget for the Fiscal Year in question prior to the beginning of the Fiscal Year to which such Operating Budget relates. If the Members fail to agree upon an Operating Budget for any Fiscal Year prior to the commencement thereof, then, pending final resolution of any dispute in the manner provided herein, the Operating Member shall continue to manage, maintain, supervise, direct, and operate the activities for which such Operating Budget was proposed in accordance with the approved Operating Budget for such activities or asset(s), if any, for the previous

Fiscal Year until a new Operating Budget is approved; except that the Operating Member shall be authorized during any interim period to reasonably exceed the prior year's budgeted amounts for interest payments, taxes, utility charges, insurance and other items not within the reasonable control of the Company as well as for increases in contract services and personnel costs to the extent required to maintain the same level of service provided during the previous Fiscal Year.

(c) The Operating Member may from time to time submit to the Non-Operating Member revisions to an approved Budget for its approval. The Non-Operating Member shall promptly reject or approve the same or make such changes to the proposal as it may deem reasonably necessary and proper. The proposal, as finally approved or changed by the Members, shall be incorporated into and become part of such Budget for the remaining period in question.

SECTION 8.10 Removal of Operating Member.

The Non-Operating Member shall have the right, to be exercised by written notice to the Operating Member, to remove the Operating Member and to appoint itself as the Operating Member of the Company at such time as:

(a) The Operating Member Transfers its Percentage Interest without the consent of the Non-Operating Member, except Transfers permitted as a matter of right under Section 10.2 below;

(b) The Operating Member becomes a Non-Funding Member or Non-Contributing Member pursuant to Section 5.4;

(c) The Operating Member commits a breach of fiduciary duty or an act of gross negligence or willful misconduct;

(d) The Operating Member experiences a Change in Control; or

(e) Grounds exist for discharging any Affiliate of the Operating Member under any Development Agreement or the Management Agreement, pursuant to Section 8.10 or Section 8.11 hereof, including without limitation the conditions described in subsections (a), (b), (c) or (d) hereof.

SECTION 8.11 Development Agreement.

(a) If an Affiliate of a Member or a Member is to render services to the Company in connection with the initial development or redevelopment of a Project, then the Members shall, by written resolution, Approve a Development Agreement with such Affiliate or Member who shall be designated as the "Developer" thereunder. The Member which is not an Affiliate of the Developer shall be responsible for supervising the performance of the Developer under a Development Agreement and for monitoring expenditures incurred by or on behalf of the Company by the Developer to determine whether such expenditures are contemplated in, and within the limits prescribed by, applicable Budgets.

(b) Supplementing the provisions of a Development Agreement which authorize termination thereof, if the Developer thereunder fails to cure an "Event of Default," as such term is defined in a Development Agreement, the Member which is not the Developer or an Affiliate of the Developer shall have the right to exercise the termination rights of the Company, discharge on behalf of the Company the Developer from its duties thereunder and appoint a new Developer for the Project, including the Member or an Affiliate of such non-affiliated Member, under an agreement on the same terms as the Development Agreement. Such non-affiliated Member may exercise such option by giving the other Member notice of its election. If a new Developer appointed pursuant to this Section 8.10 is a Member or an Affiliate of a Member, the other Member shall, if grounds subsequently exist under the new Development Agreement with such new Developer which allow for termination, have the right to exercise the termination rights of the Company, discharge the new Developer from its duties thereunder and appoint a replacement Developer (including an Affiliate) under an agreement on the same terms.

SECTION 8.12 Management Agreement.

(a) If a Member or an Affiliate of a Member is to render services to the Company in connection with the management of a Project, then the Members shall, by written resolution, approve a Management Agreement with such Member or Affiliate who shall be designated as the Manager thereunder. The Member which is the Manager or an Affiliate of the Manager shall be responsible for supervising the performance of the Manager under a Management Agreement and for monitoring expenditures incurred by or on behalf of the Company by the Manager to determine whether such expenditures are contemplated in, and within the limits prescribed by, applicable Budgets.

(b) Supplementing the provisions of any Management Agreement entered into under Section 8.11(a), if grounds exist under the Management Agreement which allow for termination, the Member which is not the Manager or an Affiliate of the Manager shall have the right to exercise the termination rights of the Company, discharge on behalf of the Company the Manager from its duties thereunder and

appoint a new Manager for the Project, including an Affiliate of such Member, under an agreement on the same terms as the Management Agreement. Such non- affiliated Member may exercise such option by giving the other Member notice of its election. If a new Manager appointed pursuant to this Section 8.11(b) is a Member or an Affiliate of a Member, the other Member shall, if grounds subsequently exist under the new Management Agreement with such new Manager which allow for termination, have the right to exercise the termination rights of the Company, discharge the new Manager from its duties thereunder and appoint a replacement Manager (including an Affiliate) under an agreement on the same terms.

SECTION 8.13 Fees and Expense Reimbursements for Members.

While it is contemplated that the Managing Member shall be primarily responsible for implementing the decisions of the Members and carrying out their directives with respect to the acquisition, development, construction, leasing and management of each Project, the Members acknowledge that they or their Affiliates will both render valuable services to the Company in connection with each Project. The Members, or such Affiliates, shall be compensated for such services in the form of fees, cost recoveries, expense reimbursements or other means in amounts and upon such other terms and conditions as are set forth in an approved Budget therefor. In no event shall any fees or cost allocations be paid to any Member during the Prospective Project Period.

ARTICLE 9
COMPENSATION; REIMBURSEMENTS; CONTRACTS WITH AFFILIATES

SECTION 9.1 Compensation, Reimbursements.

9.1.1 Compensation.

Except as may be expressly provided forth in Section 9.1.2 below or in the agreements referred to in Section 9.2, or in another written agreement Approved by the Members, no payment will be made by the Company to either Member for the services of such Member or any member, shareholder, director or employee, or Affiliate of such Member.

9.1.2 Reimbursements.

(a) Subject to the provisions of this Agreement, each of the Members shall be reimbursed promptly by the Company for all reasonable out-of-pocket costs and expenses incurred by each on behalf of the Company in accordance with Budgets which have been Approved by the Members and so long as such costs and expenses are not intended to be paid for from fees otherwise payable to such Member or its Affiliates.

(b) Neither Member shall be entitled to reimbursement of any costs or expenses incurred by such Member in connection with the preparation and negotiation of this Agreement or any of the Exhibits hereto.

(c) Requests for reimbursement hereunder shall be paid within thirty (30) days after submission, subject to necessary third-party approvals.

SECTION 9.2 No Contracts with Affiliates.

Except as provided in Sections 8.10 and 8.11, neither Member shall enter into any agreement or other arrangement for the furnishing to or by the Company of goods or services with any Person who is an Affiliate of such Member unless such agreement or arrangement has been Approved by the other Member after the nature of the relationship or affiliation has been disclosed; provided, however, if an Affiliate of either Member is in the business of providing services of a kind needed by the Company, such Affiliate will have the right to provide those services to the Company at market rates of compensation and terms and conditions Approved by the Members.

ARTICLE 10
SALE, TRANSFER OR MORTGAGE

SECTION 10.1 General.

Except as expressly permitted in this Agreement, no Member shall directly or indirectly sell, assign, transfer, mortgage, convey, charge or otherwise encumber or contract to do or permit any of the foregoing, whether voluntarily or by operation of law (herein sometimes collectively called a "Transfer"), or suffer any Affiliate or other third party to Transfer, any part or all of its Percentage Interest or its share of capital, profits, losses, allocations or distributions hereunder without the express prior written consent of the other Member, which consent may be withheld for any or no reason whatsoever. Any attempt to Transfer in violation of this Article 10 shall be null and void. The giving of consent in any one or more instances of Transfer shall not limit or waive the need for such consent in any other or subsequent instances.

SECTION 10.2 Permitted Transfers by the Members.

10.2.1 Transfers By Chelsea.

Without the consent of Simon, Chelsea may from time to time Transfer its Percentage Interest, in whole or in part (i) to a Chelsea Affiliate or (ii) from a Chelsea Affiliate to another Chelsea Affiliate. Any Transfer under Section 10.2.1(a) shall not relieve Chelsea of its obligations under this Agreement.

10.2.2 Transfers by Simon.

Without the consent of Chelsea, Simon may from time to time Transfer its Percentage Interest, in whole or in part (i) to a Simon Affiliate, or (ii) from a Simon Affiliate to another Simon Affiliate. Any Transfer under Section 10.2.2(a) shall not relieve Simon of its obligations under this Agreement.

10.2.3 Agreements with Transferees.

(a) If pursuant to the provisions of this Section 10.2, any Member (the "Transferor") shall purport to make a Transfer of any part of its Percentage Interest to any Person ("Transferee"), no such Transfer shall entitle the Transferee to any benefits or rights hereunder until:

(i) the Transferee agrees in writing to assume and be bound by all the obligations of the Transferor and be subject to all the restrictions to which the Transferor is subject under the terms of this Agreement and any agreements with respect to the Project to which the Transferor is then subject or is then required to be a party; and

(ii) the Transferor and Transferee enter into a written agreement with the other Member and the Company which provides (x) that the Transferor is irrevocably designated the proxy of the Transferee to exercise all voting and other approval rights appurtenant to the Percentage Interest acquired by the Transferee, (y) that the Transferor shall remain liable for all obligations arising under this Agreement prior to or after such Transfer in respect of the Percentage Interest so transferred, provided, however that as to any Transfer to a non-Affiliate of a Member, the Transferor shall only be liable for all obligations arising under this Agreement and any agreements with respect to the Project to which the Transferor is then subject or is then required to be a party from and after such Transfer in respect of the Percentage Interest so transferred; and (z) that the Transferee shall indemnify the Members from and against all claims, losses, liabilities, damages, costs and expenses (including reasonable attorneys' fees and court costs) which may arise as a result of any breach by the Transferee of its obligations hereunder.

(b) No Transferee of any Percentage Interest shall make any further disposition except in accordance with the terms and conditions hereof.

(c) All costs and expenses incurred by the Company, or the non-transferring Member, in connection with any Transfer of a Percentage Interest, including any filing or recording costs and the fees and disbursements of counsel, shall be paid by the Transferor.

ARTICLE 11
DISSOLUTION

SECTION 11.1 Dissolution and Termination; Continuation of Business.

11.1.1 Causes of Dissolution and Termination.

Except as set forth in this Article 11 and Article 10, neither Member shall have the right and each Member hereby agrees not to withdraw from the Company, nor to dissolve, terminate or liquidate, or to petition a court for the dissolution, termination or liquidation of the Company, except as provided in this Agreement, and neither Member at any time shall have the right to petition or to take any action to subject the Company's assets or any part thereof, including the Project, or any part thereof, to the authority of any court of bankruptcy, insolvency, receivership or similar proceeding. The Company shall be dissolved and terminated only upon the earlier occurrence of any of the following dates or events:

(a) December 31, 2002 or such later date as Approved by the Members;

(b) a dissolution of the Company is Approved by the Members;

(c) one or both of the Members elect to dissolve the Company pursuant to any provision of this Agreement permitting such election to be made;

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

(e) the "Bankruptcy" (as hereinafter defined), dissolution or liquidation of a Member;

(f) the occurrence of any event that, under the Delaware LLC Act, would cause the dissolution of the Company or that would make it unlawful for the business of the Company to be continued; or

(g) if Simon does not elect to have the Company participate in any of the first three (3) Prospective Projects proposed to it by Chelsea under the terms of Section 8.8 hereof.

For the purposes of this Agreement, the term "Bankruptcy" shall mean, and the Member shall be deemed "Bankrupt" upon, (i) the entry of a decree or order for relief of the Member by a court of competent jurisdiction in any involuntary case involving the Member under any bankruptcy, insolvency, or other similar law now or hereafter in effect; (ii) the appointment of a

receiver, liquidator, assignee, custodian, trustee, sequestrator, or other similar agent for the Member or for any substantial part of the Member's assets or property; (iii) the ordering of the winding up or liquidation of the Member's affairs; (iv) the filing with respect to the Member of a petition in any such involuntary bankruptcy case, which petition remains undismissed for a period of 90 days or which is dismissed or suspended pursuant to Section 305 of the Federal Bankruptcy Code (or any corresponding provision of any future United States bankruptcy law); (v) the commencement by the Member of a voluntary case under any bankruptcy, insolvency, or other similar law now or hereafter in effect; (vi) the consent by the Member to the entry of an order for relief in an involuntary case under any such law or to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian, sequestrator, or other similar agent for the Member or for any substantial part of the Member's assets or property; (vii) the making by the Member of any general assignment for the benefit of creditors; or (viii) the failure by the Member generally to pay its debts as such debts become due.

11.1.2 Right to Continue Business of the Company.

Upon an event described in Sections 11.1.1(a), 11.1.1(e) or 11.1.1(f) (but not an event described in 11.1.1(f) that makes it unlawful for the business of the Company to be continued), the Company thereafter shall be dissolved and liquidated unless, within 90 days after the event described in any of such Sections, an election to continue the business of the Company shall be made in writing by the remaining Members holding fifty percent (50%) or more of the Percentage Interests. If such an election to continue the Company is made, then the Company shall continue until another event causing dissolution in accordance with this Article 11 shall occur.

SECTION 11.2 Procedure in Dissolution and Liquidation.

11.2.1 Winding Up.

Upon dissolution of the Company pursuant to Section 11.1 hereof, the Company shall immediately commence to wind up its affairs and the Members shall proceed with reasonable promptness to liquidate the business of the Company and (at least to the extent necessary to pay any debts and liabilities of the Company) to convert the Company's assets into cash. A reasonable time shall be allowed for the orderly liquidation of the business and assets of the Company in order to reduce any risk of loss that might otherwise be attendant upon such a liquidation.

11.2.2 Management Rights During Winding Up.

During the period of the winding up of the affairs of the Company, the Operating Member shall manage the Company and shall make with due diligence and in good faith all decisions relating to the conduct of any business or operations during the winding up period and to the sale or other disposition of Company assets; provided, however, that if the termination of the Company results from an Event of Default of a Member, the Defaulter shall have no further right to participate in the management or affairs of the Company and the Non-Defaulter shall manage the Company during the period of winding up. Each Member hereby waives any claims it may have against the other that may arise out of the management of the Company by the other, pursuant to this Section 11.2.2, so long as such other Member and its representatives act in good faith.

11.2.3 Work in Progress.

If the Company is dissolved for any reason while there is development or construction work in progress, winding up of the affairs and termination of the business of the Company may include completion of the work in progress to the extent the Members or Non- Defaulter, as the case may be, may determine same to be necessary to permit a sale or other disposition of the Project which is most beneficial to the Members.

11.2.4 Distributions in Liquidation.

The assets of Company shall be applied or distributed in liquidation in the following manner and in the following order of priority:

(a) In payment of debts and obligations of the Company owed to third parties, which shall include either Member as the holder of any secured loan, and to the expenses of liquidation in the order of priority as provided by law; then

(b) To the setting up of any reserves for a period of up to twelve (12) months which the Members or the Non-Defaulter, as the case may be, may deem necessary for any contingent or unforeseen liabilities or obligations of the Company; then

(c) In payment of any debts or obligations of the Company to either Member, and then

(d) To the Members pro rata in proportion to the positive balances in their respective Capital Accounts until said Capital Accounts have been reduced to zero.

Losses attributable to the expenditure of funds held under the reserve in Section 11.2.4(b) shall be allocated to each Member to the extent such expenditure will reduce the amount of cash eventually distributed to each Member.

Notwithstanding the foregoing, if there are any outstanding Contribution Loans at the time of any distribution pursuant to this Section 11.2.4, the Member to whom such Contribution Loans are owed shall be entitled to payment of the Contribution Loans on a priority basis out of the distributions to which the Member for whose benefit the Contribution Loans were made is entitled, to be applied to the Contribution Loans in order of priority based on the chronological order in which they were made, the earliest to be paid first

in full, and to each Contribution Loan in payment first of interest and then of principal.

11.2.5 Non-Cash Assets.

Every reasonable effort shall be made to dispose of the assets of the Company so that the distribution may be made to the Members in cash. If at the time of the termination of the Company, the Company owns any assets in the form of work in progress, notes, deeds to secure debt or other non-cash assets, such assets, if any, shall be distributed in kind to the Members, in lieu of cash, proportionately to their right to receive the assets of the Company on an equitable basis reflecting the Fair Market Value of the assets so distributed. In the alternative, the Members may cause the Company to distribute some or all of its non-cash assets to the Members as tenants-in-common subject to such terms, covenants and conditions as the Members may adopt.

SECTION 11.3 Disposition of Documents and Records.

All Documents of the Company shall be retained upon termination of the Company for a period of not less than seven (7) years by a party mutually acceptable to the Members. The costs and expenses of personnel and storage costs associated therewith shall be shared by the Members equally. The Documents shall be available during normal business hours to all Members for inspection and copying at such Member's cost and expense. If either Member for any reason ceases as provided herein to be a Member at any time prior to termination of the Company ("Non-Surviving Member"), and the Company is continued without the Non-Surviving Member, the other Member ("Surviving Member") agrees that the Documents of the Company up to the date of the termination of the Non-Surviving Member's interest shall be maintained by the Surviving Member, its successors and assigns, for a period of not less than seven (7) years thereafter; provided, however, that if there is an Internal Revenue Service examination or audit, or notice thereof, which requires access to the Documents, the Documents shall be retained until the examination or audit is completed and any tax liability finally determined, and provided further, the Non-Surviving Member shall reimburse the Surviving Member for one-half of personnel and storage costs associated herewith. The Documents shall be available for inspection, examination and copying by the Non-Surviving Member or its representatives upon reasonable notice in the same manner as herein provided during said seven (7) year period.

SECTION 11.4 Date of Termination.

The Company shall be terminated when its cash and other assets have been applied and distributed in accordance with the provisions of Section 11.2.4. The establishment of any reserves in accordance with the provisions of Section 11.2.4 shall not have the effect of extending the Termination Date of the Company, but any unexpended reserve amount shall be distributed in the order and priority provided in such Section upon expiration of the period of such reserves.

ARTICLE 12
GENERAL PROVISIONS

SECTION 12.1 Notices.

Any notice, consent, approval, or other communication which is provided for or required by this Agreement must be in writing and may be delivered in person to any party or may be sent by a facsimile transmission, telegram, courier or registered or certified U.S. mail, with postage prepaid, return receipt requested. Any such notice or other written communications shall be deemed received by the party to whom it is sent (i) in the case of personal delivery, on the date of delivery to the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, (ii) in the case of facsimile transmission or telegram, the next business day after the date of transmission, (iii) in the case of courier delivery, the date receipt is acknowledged by the party to whom such notice is addressed as evidenced by a written receipt signed on behalf of such party, and (iv) in the case of registered or certified mail, the earlier of the date receipt is acknowledged on the return receipt for such notice or five (5) business days after the date of posting by the United States Post Office. For purposes of notices, the addresses of the parties hereto shall be as follows, which addresses may be changed at any time by written notice given in accordance with this provision:

If to Simon:

Simon DeBartolo Group, L.P.
c/o Simon DeBartolo Group, Inc.
National City Center
115 West Washington Street
Indianapolis, Indiana 46204
Attention: Chief Executive Officer
Facsimile No.: (317) 263-7177

With a copy to:

Simon DeBartolo Group, L.P.
c/o Simon DeBartolo Group, Inc.
National City Center
115 West Washington Street
Indianapolis, Indiana 46204
Attention: General Counsel
Facsimile No.: (317) 685-7221

If to Chelsea:

Chelsea GCA Realty Partnership, L.P.
103 Eisenhower Parkway
Roseland, New Jersey 07068
Attention: Chief Executive Officer

Facsimile No.: (201) 228-1694

With a copy to:

Chelsea GCA Realty Partnership, L.P.
103 Eisenhower Parkway
Roseland, New Jersey 07068
Attention: General Counsel
Facsimile No.: (201) 228-3891

Failure of, or delay in delivery of any copy of a notice or other written communication shall not impair the effectiveness of such notice or written communication given to any party to this Agreement as specified herein.

SECTION 12.2 Entire Agreement.

This Agreement (including all Exhibits referred to herein and attached hereto, which Exhibits are part of this Agreement for all purposes) contains the entire understanding between the Members with respect to the Project and supersedes any prior understanding and agreements between them respecting the within subject matter. There are no representations, agreements, arrangements or understandings, oral or written, between the Members relating to the subject of this Agreement which are not fully expressed herein.

SECTION 12.3 Severability.

This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable Laws of the State of Delaware. If any provision of this Agreement, or the application thereof to any person or circumstances shall, for any reason and to any extent, be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law; provided, however, that the above-described invalidity or unenforceability does not diminish in any material respect the ability of the Members to achieve the purposes for which this Company was formed.

SECTION 12.4 Successors and Assigns.

Subject to the restrictions on Transfer set forth in Article 10, this Agreement shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto.

SECTION 12.5 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement.

SECTION 12.6 Additional Documents and Acts.

In connection with this Agreement, as well as all transactions contemplated by this Agreement, each Member agrees to execute and deliver such additional documents and instruments and to perform such additional acts as may be necessary or appropriate to effectuate, carry out and perform all of the terms, provisions and conditions of this Agreement, and all such transactions.

SECTION 12.7 Interpretation.

This Agreement and the rights and obligations of the respective parties hereunder shall be governed by and interpreted and enforced in accordance with the Laws of the State of Delaware.

SECTION 12.8 Terms.

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

SECTION 12.9 Amendment.

This Agreement, the Development Agreement and the Management Agreement may not be amended, altered or modified except by instrument in writing and signed by the Members.

SECTION 12.10 References to this Agreement.

Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated. The words "herein," "hereof," "hereunder," "hereby," "this Agreement" and other similar references shall be construed to mean and include this Agreement and all amendments thereof and Exhibits thereto unless the context shall clearly indicate or require otherwise.

SECTION 12.11 Headings.

All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

SECTION 12.12 No Third Party Beneficiary.

This Agreement is made solely and specifically between and for the benefit of the parties hereto, and their respective successors and assigns subject to the express provisions hereof relating to successors and assigns, and no other Person whatsoever shall have any rights, interest, or claims hereunder or be entitled to any benefits under or on account of this Agreement as a third party beneficiary or otherwise.

SECTION 12.13 No Waiver.

No consent or waiver, either expressed or implied, by any Member to or of any breach or default by any other Member in the performance by such other Member of the obligations thereof under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Member of the same or any other obligations of such other Member under this Agreement. Failure on the part of any Member to complain of any act or failure to act of any other Member, failure on the part of any complaining Member to continue to complain or to pursue complaints with respect to any act or failure to act of any other Member, or failure on the part of any Member to declare any other Member in default, irrespective of how long such failure continues, shall not constitute a waiver by such Member of the rights and remedies thereof under this Agreement or otherwise at law or in equity.

SECTION 12.14 Time of Essence.

Time is of the essence of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed under seal by their duly authorized corporate officers, each on the day and year first above written.

Simon: SIMON DeBARTOLO GROUP, L.P.,
a Delaware limited partnership

By: SD PROPERTY GROUP, INC., an
Ohio corporation, managing general partner

By:_____
Title:_____

By: SIMON DeBARTOLO GROUP, INC., a
Maryland corporation, general partner

By:_____
Title:_____

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

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

By: _____
Title:_____

EXHIBIT A.

DEFINITIONS

When used in this Agreement, the following terms will have the meanings set forth below:

(a) "Act" shall mean the Delaware Limited Liability Act.

(b) "Adjusted Percentage Interest" shall mean the aggregate percentage interest(s) in the Company owned by each Member after the calculation made pursuant to Section 5.4.3.

(c) "Affiliate(s)" shall mean a Chelsea Affiliate or a Simon Affiliate, or a Person or Persons directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with the Person(s) in question. The term "control", as used in the immediately preceding sentence, means, (i) with respect to a Person that is a corporation, the right to exercise, directly or indirectly, more than 50% of the rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of the controlled Person, or (ii) owning a majority of the equity interest in such Person.

(d) "Agreement" shall mean this Limited Liability Company Agreement, as amended from time to time.

(e) "Approved by the Members" or "Approval of the Members" shall mean approval by all of the Members acting through their duly authorized representatives.

(f) "Budgets" shall mean the following budgets of the Company from time to time:

(i) "Development Budget", which shall mean the budget of Total Project Costs estimated to be incurred with respect to a Project including, without limitation, that portion of Total Project Costs included in a Pre-Construction Budget which shall be Approved by the Members by written resolution, subject to revision from time to time by Approval of the Members; and

(ii) "Operating Budget", which shall mean the annual budgets of the Company for a Project which shall be Approved by the Members by written resolution, and which shall be comprised of: (A) an estimate of all receipts from and expenditures for the ownership, management, maintenance and operation of a Project and the Company for such Fiscal Year and (B) an estimate of all capital replacements, substitutions and/or additions to a Project, or any component thereof, which are to be accomplished during such Fiscal Year; and

(iii) "Pre-Construction Budget", which shall mean the budget of costs and expenses estimated to be incurred with respect to a Project during the Pre-Construction Period which shall be Approved by the Members by written resolution, subject to revision from time to time by Approval of the Members.

(iv) "Prospective Project Budget", which shall mean costs incurred pursuant to Section 5.2.2 hereof or the maximum amount of costs and expenses estimated to be incurred with respect to a Prospective Project during the Prospective Project Period, which shall be Approved by the Members, subject to revision from time to time by Approval of the Members.

(g) "Capital Account" shall have the meaning specified in Section 1 of the Tax Allocations Exhibit.

(h) "Capital Contribution Balance" shall mean, as to each Member, the amount of the aggregate capital contributions made by such Member from time to time, reduced by all cash distributions to such Member other than (i) distributions of Cash Flow pursuant to Section 6.5 hereof and (ii) the repayment of, or any payment of interest on, any Contribution Loans or any loans to the Company made by such Member.

(i) "Capital Proceeds" shall mean the net proceeds from:

(i) loans to the Company in excess of current or reasonably anticipated Company needs (including reasonable reserves for Company debt obligations and working capital as determined by the Members) or excess funds received from refinancing of any Company indebtedness (x) after the payment of, or provision for the payment of, all costs and expenses incurred by the Company in connection with such refinancing, and (y) after deduction or retention of such sums as are deemed necessary to be retained as a reserve for the conduct of the business of the Company; and

(ii) any sale, exchange, condemnation or other disposition of the Project, or any portion thereof or any interest therein, any equipment used thereon, or any other capital asset of the Company or from claims on

policies of insurance maintained by the Company for damage to or destruction of capital assets of the Company or the loss of title thereto (to the extent that such proceeds exceed the actual or estimated costs of repairing or replacing the assets damaged or destroyed if, pursuant to this Agreement, such assets are repaired or replaced) (x) after the payment of, or provision for the payment of, all costs and expenses incurred by the Company in connection with such sale or other disposition or the receipt of such insurance proceeds, as the case may be, and (y) after deduction or retention of such sums as are deemed necessary to be retained as a reserve for the conduct of the business of the Company.

(j) "Cash Flow" shall mean for any period the Gross Receipts of the Company for such period less Operating Expenses for such period.

(k) "Change in Control" shall mean any event or occurrence, the result of which is that: (i) as to Chelsea only, (A) during the Pre-Construction Period and the Construction Period, none of David Bloom, William Bloom, Leslie Chao or Tom Davis is an executive officer of Chelsea or its general partner with the power and authority to conduct the day- to-day activities of, and make binding decisions for, Chelsea, (B) at any time during the term of this Agreement, there occurs a Transfer of the Percentage Interest of Chelsea or any Chelsea Affiliate, other than a Transfer permitted pursuant to Section 10.2 of this Agreement, or (C) at any time during the term of this Agreement, there occurs a merger, consolidation or other business reorganization of Chelsea or its general partner in which Chelsea or such general partner or a Chelsea Affiliate is not the surviving entity; and (ii) as to Simon only, (A) during the Pre-Construction Period and the Construction Period, none of Melvin Simon, Herbert Simon, David Simon or Richard Sokolov is an executive officer of Simon or its general partner with the power and authority to conduct the day-to-day activities of, and make binding decisions for, Simon, (B) at any time during the term of this Agreement, there occurs a Transfer of the Percentage Interest of Simon or any Simon Affiliate, other than a Transfer permitted pursuant to Section 10.2 of this Agreement, or (C) at any time during the term of this Agreement, there occurs a merger, consolidation or other business reorganization of Simon or its general partner in which Simon or such general partner or a Simon Affiliate is not the surviving entity.

(l) "Chelsea" shall mean Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership whose sole general partner is Chelsea GCA Realty, Inc., a Maryland corporation.

(m) "Chelsea Affiliate" shall mean (i) Chelsea, (ii) Chelsea GCA Realty, Inc., (iii) any other Person which, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with any of the aforesaid specifically identified Chelsea Affiliates. The term "control", as used in the immediately preceding sentence, means, (i) with respect to a Person that is a corporation, the right to the exercise, directly or indirectly, of more than 50% of the rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the controlled Person, or (ii) having a majority of the equity interest in such Person.

(n) "Company" shall mean the limited liability company formed pursuant to the terms hereof for the limited purposes and scope set forth herein.

(o) "Construction Period" shall mean the period commencing upon the earliest to occur of (i) the date of closing of a third-party construction loan in accordance with Section 5.2.4(a) or (ii) the actual start of construction of any portion of the Project's buildings and improvements, or (iii) entry into commitments with third parties for the construction of any portion of the Project's buildings and improvements, and ending on the later to occur of (x) the opening for business with the public of any portion of the Project or (y) the Project Completion Date.

(p) "Contribution Loan" shall have the meaning specified in Section 5.4.4.

(q) "Contributing Member" shall have the meaning specified in Section 5.4.4.

(r) "Developer" shall, collectively, mean a Member or an Affiliate of Member engaged as Developer of a Project pursuant to the Development Agreement.

(s) "Development Agreement" shall mean the agreement entered into by and between the Developer and the Company with respect to the management of the development and construction activities of a Project, as Approved by the Members pursuant to Section 8.10.

(t) "Development Budget" shall have the meaning specified in (f) above.

(u) "Documents" shall have the meaning specified in Section 7.1.

(v) "Fair Market Value" shall have the meaning specified in Section 10.1.

(w) "Final Project Program" shall mean the development of the final project program (which shall include, among other things, the basic terms and conditions for any financing required to complete the development and construction of a Project and evidence reasonably acceptable to the Members, that such financing can be obtained) site plan and schematic building design and final Development Budget and construction schedule, which shall be prepared at least 60 days prior to the commencement of the Construction Period.

(x) "Fiscal Year" shall mean the twelve month period ending December 31 of each

year; provided that the first Fiscal Year shall be the period beginning on the date this Company is formed and ending on December 31, 1997, and the last Fiscal Year shall be the period beginning on January 1 of the calendar year in which the final liquidation and termination of the Company is completed and ending on the date such final liquidation and termination is completed (to the extent any computation or other provision hereof provides for an action to be taken on a Fiscal Year basis, an appropriate proration or other adjustment shall be made in respect of the first or final Fiscal Year to reflect that such period is less than a full calendar year period).

(y) "Gross Receipts" shall mean receipts (other than Capital Proceeds) from the conduct of the business of the Company from all sources.

(z) "Independent Accountants" shall mean Ernst & Young or other nationally recognized accounting firm designated pursuant to this Agreement.

(aa) "Initial Percentage Interest" shall mean the aggregate initial percentage interest(s) in the Company owned by each Member as set forth in Section 5.

(bb) "Land" shall mean the land on which a Project is to be constructed.

(cc) "Laws" shall mean federal, state and local statutes, case law, rules, regulations, ordinances, codes and the like which are in full force and effect from time to time and which affect a Project or the ownership or operation thereof.

(dd) "Major Decisions" shall have the meaning specified in Section 8.6.

(ee) "Management Agreement" shall mean the agreement entered into by and between the Manager and the Company with respect to the management, operation, maintenance and servicing of the Project, as Approved by the Members pursuant to Section 8.11.

(ff) "Manager" shall mean, collectively, a Member or an Affiliate of Member engaged as the Manager of the Project pursuant to the Management Agreement.

(gg) "Member" shall mean Simon, Chelsea or any other Person from time to time owning a Percentage Interest as permitted by this Agreement.

(hh) "Members" shall mean, collectively, Simon, Chelsea and any other Person from time to time owning a Percentage Interest as permitted by this Agreement.

(ii) "Net Profit" or "Net Loss" shall mean for each Fiscal Year the Company's taxable income or taxable loss for such Fiscal Year, determined in accordance with Exhibit B.

(jj) "Non-Contributing Member" shall have the meaning specified in Section 5.4.4(a).

(kk) "Non-Operating Member" shall mean any Member which is not the Operating Member. The initial Non-Operating Member shall be Simon.

(ll) "Operating Budget" shall have the meaning specified in (f) above.

(mm) "Operating Expenses" shall mean all expenditures of any kind made with respect to the operations of the Company in the normal course of business including, but not limited to, debt service (principal and interest) payable on indebtedness of the Company, ad valorem taxes, insurance premiums, repair and maintenance expense, management fees or salaries, advertising expenses, professional fees, wages, and utility costs, plus such sums as are deemed reasonably necessary as a reserve to be retained for the conduct of the business of the Company, and capital expenditures and investments in other assets. Such expenses shall be determined on a cash basis and shall not include any non-cash items such as depreciation or amortization.

(nn) "Operating Member" shall mean the Member designated as such by written resolution of the Members pursuant to Section 8.1.1 and Section 8.2, subject to the provisions of Section 5.4.8 and 8.9 with respect to its removal or withdrawal from such position. (oo) "Percentage Interest" shall mean the Initial Percentage Interest or Adjusted Percentage Interest, as the case may be.

(pp) "Percentage Interest Adjustment Date" shall mean the date of funding of a Non-Funding Member's share of a capital contribution by a Funding Member in accordance with Section 5.4.3(a) hereof.

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

(rr) "Pre-Construction Period" shall mean the period commencing upon the date on which Simon elects to have the Company proceed with a Prospective Project pursuant to this Agreement and ending upon the commencement of the Construction Period.

(ss) "Prime Rate" shall mean the per annum interest rate which is publicly announced (whether or not actually charged in each instance) from time to time (adjusted daily) by The Chase Manhattan Bank, as its "prime rate". In the event such bank discontinues the quotation of such rate or in the event the same ceases to be readily ascertainable, the Operating Member shall designate, subject to the approval of the Non-Operating Member (which approval shall not be unreasonably withheld or delayed), as the Prime Rate, either another bank's quotation of such rate or equivalent rate of interest which is readily ascertainable and is appropriate, as the case may be.

(tt) "Project" shall mean a Prospective Project which the Members determine to proceed with in accordance with this Agreement including, without

limitation, the Land, the manufacturers outlet shopping center constructed thereon, the surface and structural parking facilities, all equipment and personal property necessary or desirable for the operation of the manufacturers outlet shopping center and all other improvements located on such Land and the appurtenances thereto.

(uu) "Project Completion Date" shall mean the date upon which the initial phase of the Project has been substantially completed in accordance with the Plans and Specifications, as certified by the Project's architect.

(vv) "Prospective Project" shall mean (i) a manufacturers outlet shopping center which is proposed to be acquired or developed and which is planned to contain, either initially or through a phased development, approximately 500,000 square feet or more of gross leasable area and (ii) an acquisition of a portfolio of five (5) or more manufacturers outlet shopping centers regardless of size or a portfolio of any size which contains one (1) or more manufacturers outlet shopping centers containing, or which are planned to contain, approximately 500,000 square feet or more of gross leasable area, in each instance to be identified by Chelsea and offered to Simon for the benefit of the Company as provided in this Agreement.

(ww) "Prospective Project Area" shall mean a geographic area identified by Chelsea and agreed to by Simon as one in which a Project may be developed.

(xx) "Prospective Project Period" shall mean the period commencing on the date on which the Members decide to examine a Prospective Project Area and ending on the commencement of the Pre-Construction Period.

(yy) "Simon" shall mean Simon DeBartolo Group, L.P., a Delaware limited partnership whose sole general partners are Simon DeBartolo Group, Inc., a Maryland corporation and SD Property Group, Inc., an Ohio corporation.

(zz) "Simon Affiliate" shall mean (i) Simon; (ii) Simon Property Group, Inc. (or any of its Affiliates), (iii) any successor to Simon in connection with a bona fide reorganization, recapitalization, acquisition or merger, (iv) any Person which acquires all or substantially all of the assets of Simon and (v) any other Person which, directly or indirectly, through one or more intermediaries, controls or is controlled by or is under common control with any of the aforesaid specifically identified Simon Affiliates. The term "control", as used in the immediately preceding sentence, means, (i) with respect to a Person that is a corporation, the right to the exercise, directly or indirectly, of more than 50% of the rights attributable to the shares of the controlled corporation and, with respect to a Person that is not a corporation, the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the controlled Person, or (ii) having a majority of the equity interest in such Person.

(aaa) "Tax Allocations Exhibit" shall mean the provisions on Capital Accounts and special allocations rules attached hereto as Exhibit B.

(bbb) "Termination Date" shall have the meaning specified in Article 4.

(ccc) "Total Project Costs" shall mean all costs which have been or are estimated to be incurred by the Company with respect to the acquisition, design, development, construction, debt financing, leasing, and completion of the Project, which Total Project Costs (including without limitation tenant allowances) are initially estimated on the Development Budget.

(ddd) "Transfer" shall have the meaning specified in Section 10.1.

(eee) "Transferee" shall have the meaning specified in Section 10.2.3.

(fff) "Transferor" shall have the meaning specified in Section 10.2.3.

EXHIBIT B

Capital Accounts; Special Allocation Rules

1. Definitions

The following definitions shall be applied to the terms used in this Exhibit B. Capitalized terms not defined shall have the meaning set forth in the Agreement.

"Adjusted Capital Account" means the Capital Account maintained for each Member as of the end of each Company Year (i) increased by any amounts which such Member is obligated to restore pursuant to any provision of this Agreement or is deemed to be obligated to restore pursuant to the penultimate sentences of Regulations Sections 1.704-2(g)(1) and 1.704-2(i)(5) and (ii) decreased by the items described in Regulations Sections 1.704-1(b)(2)(ii)(d)(4), l.704- l(b)(2)(ii)(d)(5), and 1.704-1(b)(2)(ii)(d)(6). The foregoing definition of Adjusted Capital Account is intended to comply with the provisions of Regulations Section 1.704-1(b)(2)(ii)(d) and shall be interpreted consistently therewith.

"Adjusted Capital Account Deficit" means, with respect to any Member, the deficit balance, if any, in such Member's Adjusted Capital Account as of the end of the relevant Company Year.

"Adjusted Property" means any property the Carrying Value of which has been adjusted pursuant to Section 2.D of this Exhibit B. Once an Adjusted Property is deemed distributed by, and recontributed to, the Company for federal income tax purposes upon a termination thereof pursuant to Section 708 of the Code, such property shall thereafter constitute a Contributed Property until the Carrying Value of such property is further adjusted pursuant to Section 2.D of this Exhibit B.

"Agreed Value" means (i) in the case of any Contributed Property, as of the time of its contribution to the Company, the 704(c) Value of such property, reduced by any liabilities either assumed by the Company upon such contribution or to which such property is subject when contributed, and (ii) in the case of any property distributed to a Member by the Company, the Company's Carrying Value of such property at the time such property is distributed, reduced by any indebtedness either assumed by such Member upon such distribution or to which such property is subject at the time of distribution as determined under Section 752 of the Code and the Regulations thereunder.

"Book-Tax Disparities" means, with respect to any item of Contributed Property or Adjusted Property, as of the date of any determination, the difference between the Carrying Value of such Contributed Property or Adjusted Property and the adjusted basis thereof for federal income tax purposes as of such date.

"Carrying Value" means (i) with respect to a Contributed Property or Adjusted Property, the 704(c) Value of such property, reduced (but not below zero) by all Depreciation with respect to such Property charged to the Members' Capital Accounts following the contribution of or adjustment with respect to such property, and (ii) with respect to any other Company property, the adjusted basis of such property for federal income tax purposes, all as of the time of determination. The Carrying Value of any property shall be adjusted from time to time in accordance with Section 2.D of this Exhibit B, and to reflect changes, additions or other adjustments to the Carrying Value for dispositions and acquisitions of Company properties, as deemed appropriate by the Operating Member.

"Company Minimum Gain" has the meaning set forth in Regulations Section 1.704-2(b)(2) for "partnership minimum gain," and the amount of Company Minimum Gain, as well as any net increase or decrease in a Company Minimum Gain, for a Company Year shall be determined in accordance with the rules of Regulations Section 1.704-2(d).

"Company Year" means the fiscal year of the Company, which shall be the calendar year.

"Contributed Property" means each property or other asset (excluding cash) contributed or deemed contributed to the Company (including deemed contributions to the Company on termination and reconstitution thereof pursuant to Section 708 of the Code). Once the Carrying Value of a Contributed Property is adjusted pursuant to Section 2.D of this Exhibit B, such property shall no longer constitute a Contributed Property, but shall be deemed an Adjusted Property for such purposes.

"Code" means the Internal Revenue Code of 1986, as amended and in effect from time to time, as interpreted by the applicable regulations thereunder. Any reference herein to a specific section or sections of the Code shall be deemed to include a reference to any corresponding provision of future law.

"Depreciation" means, for each fiscal year an amount equal to the federal income tax depreciation, amortization, or other cost recovery deduction allowable with respect to an asset for such year, except that if the Carrying Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Carrying Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such year bears to such beginning adjusted tax basis; provided, however, that if the federal income tax depreciation, amortization, or other cost recovery deduction for such year is zero, Depreciation shall be determined with reference to such beginning Carrying Value using any reasonable method selected

by the Operating Member.

"Member Minimum Gain" means an amount, with respect to each Member Nonrecourse Debt, equal to the Company Minimum Gain that would result if such Member Nonrecourse Debt were treated as a Nonrecourse Liability, determined in accordance with Regulations Section 1.704-2(i)(3).

"Member Nonrecourse Debt" has the meaning set forth Regulations Section 1.704-2(b)(4) for "partner nonrecourse debt."

"Member Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(i)(2) for "partner nonrecourse deductions," and the amount of Member Nonrecourse Deductions with respect to a Member Nonrecourse Debt for a Company Year shall be determined in accordance with the rules of Regulations Section 1.704-2(i)(2).

"Nonrecourse Deductions" has the meaning set forth in Regulations Section 1.704-2(b)(1), and the amount of Nonrecourse Deductions for a Company Year shall be determined in accordance with the rules of Regulations Section 1.704-2(c).

"Nonrecourse Liability" has the meaning set forth in Regulations Section 1.752-1(a)(2).

"Regulations" means the Income Tax Regulations promulgated under the Code, as such regulations may be amended from time to time (including corresponding provisions of succeeding regulations).

"Residual Gain" or "Residual Loss" means any item of gain or loss, as the case may be, of the Company recognized for federal income tax purposes resulting from a sale, exchange or other disposition of Contributed Property or Adjusted Property, to the extent such item of gain or loss is not allocated pursuant to Section 6.B.1(a) or 6.B.2(a) of this Exhibit B to eliminate Book-Tax Disparities.

"704(c) Value" of any Contributed Property means the fair market value of such property at the time of contribution as determined by the Operating Member, using such reasonable method of valuation as it may adopt; provided, however, that the 704(c) Value of any property deemed contributed to the Company for federal income tax purposes upon termination and reconstitution thereof pursuant to Section 708 of the Code shall be determined in accordance with Section 2.D of this Exhibit B.

"Unrealized Gain" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (i) the fair market value of such property (as determined under this Exhibit B) as of such date, over (ii) the Carrying Value of such property (prior to any adjustment to be made pursuant to this Exhibit B) as of such date.

"Unrealized Loss" attributable to any item of Company property means, as of any date of determination, the excess, if any, of (i) the Carrying Value of such property (prior to any adjustment to be made pursuant to this Exhibit B) as of such date, over (ii) the fair market value of such property (as determined under this Exhibit B) as of such date.

2. Capital Accounts of the Members

A. The Company shall maintain for each Member a separate Capital Account in accordance with the rules of Regulations Section l.704-l(b)(2)(iv). Such Capital Account shall be increased by (i) the amount of all Capital Contributions and any other deemed contributions made by such Member to the Company pursuant to this Agreement and (ii) all items of Company income and gain (including income and gain exempt from tax) computed in accordance with Section 2.B hereof and allocated to such Member pursuant to Section 6.1 of the Agreement and/or Section 5 of this Exhibit B, and decreased by (x) the amount of cash or Agreed Value of all actual and deemed distributions of property made to such Member pursuant to this Agreement and (y) all items of Company deduction and loss computed in accordance with Section 2.B hereof and allocated to such Member pursuant to Section 6.2 of the Agreement and/or Section 5 of this Exhibit B.

B. For purposes of computing the amount of any item of income, gain, deduction or loss to be reflected in the Members' Capital Accounts, unless otherwise specified in this Agreement, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for federal income tax purposes determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss or deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss), with the following adjustments:

(1) Except as otherwise provided in Regulations Section 1.704-1(b)(2)(iv)(m), the computation of all items of income, gain, loss and deduction shall be made without regard to any election under Section 754 of the Code which may be made by the Company, provided that the amounts of any adjustments to the adjusted bases of the assets of the Company made pursuant to Section 734 of the Code as a result of the distribution of property by the Company to a Member (to the extent that such adjustments have not previously been reflected in the Members' Capital Accounts) shall be reflected in the Capital Accounts of the Members in the manner, and subject to the limitations, prescribed in Regulations Section l.704-1(b)(2)(iv)(m)(4).

(2) The computation of all items of income, gain, and deduction shall be made without regard to the fact that items described in Sections 705(a)(l)(B) or 705(a)(2)(B) of the Code are not

includable in gross income or are neither currently deductible nor capitalized for federal income tax purposes.

(3) Any income, gain or loss attributable to the taxable disposition of any Company property shall be determined as if the adjusted basis of such property as of such date of disposition were equal in amount to the Company's Carrying Value with respect to such property as of such date.

(4) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing such taxable income or loss, there shall be taken into account Depreciation for such fiscal year.

(5) In the event the Carrying Value of any Company property is adjusted pursuant to Section 2.D hereof, the amount of any such adjustment shall be taken into account as gain or loss from the disposition of such asset.

(6) Any items specially allocated under Section 6 of this Exhibit B hereof shall not be taken into account.

C. Generally, a transferee (including an assignee) of a Company interest shall succeed to a pro rata portion of the Capital Account of the transferor; provided, however, that, if the transfer causes a termination of the Company under Section 708(b)(l)(B) of the Code, the Company's properties shall be deemed solely for federal income tax purposes, to have been distributed in liquidation of the Company to the holders of Company interests (including such transferee) and recontributed by such Persons in reconstitution of the Company. In such event, the Carrying Values of the Company properties shall be adjusted pursuant to Section 2.D (2) hereof immediately prior to such deemed distribution pursuant. The Capital Accounts of such reconstituted Company shall be maintained in accordance with the principles of this Exhibit B.

D. (1) Consistent with the provisions of Regulations Section 1.704-1(b)(2)(iv)(f), and as provided in Section 2.D (2), the Carrying Values of all Company assets shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as of the times of the adjustments provided in Section 2.D (2) hereof, as if such Unrealized Gain or Unrealized Loss had been recognized on an actual sale of each such property and allocated pursuant to Section 6.1 or 6.2 of the Agreement and/or Section 5 of this Exhibit B.

(2) Such adjustments shall be made as of the following times: (a) immediately prior to the acquisition of an additional interest in the Company by any new or existing Member in exchange for more than a de minimis Capital Contribution; (b) immediately prior to the distribution by the Company to a Member of more than a de minimis amount of property as consideration for an interest in the Company; and (c) immediately prior to the liquidation of the Company within the meaning of Regulations Section 1.704-l(b)(2)(ii)(g), provided, however, that adjustments pursuant to clauses (a) and (b) above shall be made only if the Operating Member determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company.

(3) In accordance with Regulations Section 1.704 -l(b)(2)(iv)(e), the Carrying Value of Company assets distributed in kind shall be adjusted upward or downward to reflect any Unrealized Gain or Unrealized Loss attributable to such Company property, as of the time any such asset is distributed.

(4) In determining Unrealized Gain or Unrealized Loss for purposes of this Exhibit B, the aggregate cash amount and fair market value of all Company assets (including cash or cash equivalents) shall be determined by the Operating Member using such reasonable method of valuation as it may adopt.

E. The provisions of this Agreement (including this Exhibit B) relating to the maintenance of Capital Accounts are intended to comply with Regulations Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations. In the event the Operating Member shall determine that it is prudent to modify the manner in which the Capital Accounts, or any debits or credits thereto (including, without limitation, debits or credits relating to liabilities which are secured by contributed or distributed property or which are assumed by the Company and/or one or more of the Members) are computed in order to comply with such Regulations, the Operating Member may make such modification, provided that it is not likely to have a material effect on the amounts distributable to any Member pursuant to the Agreement upon the dissolution of the Company. The Operating Member also shall (i) make any adjustments that are necessary or appropriate to maintain equality between the Capital Accounts of the Members and the amount of Company capital reflected on the Company's balance sheet, as computed for book purposes, in accordance with Regulations Section l.704-l(b)(2)(iv)(q), and (ii) make any appropriate modifications in the event unanticipated events might otherwise cause this Agreement not to comply with Regulations Section l.704-1(b).

3. No Interest

No interest shall be paid by the Company on Capital Contributions or on balances in Members' Capital Accounts.

4. No Withdrawal

No Member shall be entitled to withdraw any part of its Capital Contribution or its Capital Account or to receive any distribution from the Company, except as expressly provided in the Agreement.

5. Special Allocation Rules

Notwithstanding any other provision of the Agreement or this Exhibit B, the following special allocations shall be made in the following order:

A. Minimum Gain Chargeback. Notwithstanding the provisions of Article 6 of the Agreement or any other provisions of this Exhibit B, if there is a net decrease in Company Minimum Gain during any Company Year, each Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Company Minimum Gain, as determined under Regulations Section 1.704-2(g). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(f)(6). This Section 5.A is intended to comply with the minimum gain chargeback requirements in Regulations Section 1.704-2(f).

B. Member Minimum Gain Chargeback. Notwithstanding the provisions of Article 6 of this Agreement or any other provisions of this Exhibit B (except Section 5.A hereof), if there is a net decrease in Member Minimum Gain attributable to a Member Nonrecourse Debt during any Company Year, each Member who has a share of the Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5), shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount equal to such Member's share of the net decrease in Member Minimum Gain attributable to such Member Nonrecourse Debt, determined in accordance with Regulations Section 1.704-2(i)(5). Allocations pursuant to the previous sentence shall be made in proportion to the respective amounts required to be allocated to each Member pursuant thereto. The items to be so allocated shall be determined in accordance with Regulations Section 1.704-2(i)(4). This Section 5.B is intended to comply with the minimum gain chargeback requirement in Regulations Section 1.704 - 2(i)(4) and shall be interpreted consistently therewith.

C. Qualified Income Offset. In the event any Member unexpectedly receives any adjustments, allocations or distributions described in Regulations Sections 1.704-l(b)(2)(ii)(d)(4), l.704-1(b)(2)(ii)(d)(5), or 1.704-l(b)(2)(ii)(d)(6), and after giving effect to the allocations required under Sections 5.A and 5.B hereof, such Member has an Adjusted Capital Account Deficit, items of Company income and gain (consisting of a pro rata portion of each item of Company income, including gross income and gain for the Company Year) shall be specifically allocated to such Member in an amount and manner sufficient to eliminate, to the extent required by the Regulations, its Adjusted Capital Account Deficit created by such adjustments, allocations or distributions as quickly as possible.

D. Nonrecourse Deductions. Nonrecourse Deductions for any Company Year shall be allocated to the Members in accordance with their respective Percentage Interests. If the Operating Member determines in its good faith discretion that the Company's Nonrecourse Deductions must be allocated in a different ratio to satisfy the safe harbor requirements of the Regulations promulgated under Section 704(b) of the Code, the Operating Member is authorized, upon notice to the other Members, to revise the prescribed ratio to the numerically closest ratio for such Company Year which would satisfy such requirements.

E. Member Nonrecourse Deductions. Any Member Nonrecourse Deductions for any Company Year shall be specially allocated to the Member who bears the economic risk of loss with respect to the Member Nonrecourse Debt to which such Member Nonrecourse Deductions are attributable, in accordance with Regulations Section 1.704-2(i).

F. Code Section 754 Adjustments. To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Section 734(b) or 743(b) of the Code is required, pursuant to Regulations Section 1.704-l(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such

adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis), and such item of gain or loss shall be specially allocated to the Members in a manner consistent with the manner in which their Capital Accounts are required to be adjusted pursuant to such Section of the Regulations.

6. Allocations for Tax Purposes

A. Except as otherwise provided in this Section 6, for federal income tax purposes, each item of income, gain, loss and deduction shall be allocated among the Members in the same manner as its correlative item of "book" income, gain, loss or deduction is allocated pursuant to Section 6.1 or 6.2 of the Agreement and/or Section 5 of this Exhibit B.

B. In an attempt to eliminate Book-Tax Disparities attributable to a Contributed Property or Adjusted Property, items of income, gain, loss, and deduction attributable to a Contributed Property or an Adjusted Property shall be allocated for federal income tax purposes among the Members as follows:

(1) (a) In the case of a Contributed Property, such items attributable thereto shall be allocated among the Members consistent with the principles of Section 704(c) of the Code to take into account the variation between the 704(c) Value of such property and its adjusted basis at the time of contribution; and

(b) any item of Residual Gain or Residual Loss attributable to a Contributed Property shall be allocated among the Members in the same manner as its correlative item of "book" gain or loss is allocated pursuant to Section 6.1 or 6.2 of the Agreement and/or Section 5 of this Exhibit B.

(2) (a) In the case of an Adjusted Property, such items shall

(i) first, be allocated among the Members in a manner consistent with the principles of Section 704(c) of the Code to take into account the Unrealized Gain or Unrealized Loss attributable to such property and the allocations thereof pursuant to Section 2 of this Exhibit B, and

(ii) second, in the event such property was originally a Contributed Property, be allocated among the Members in a manner consistent with Section 6.B (1)(a) of this Exhibit B; and

(b) any item of Residual Gain or Residual Loss attributable to an Adjusted Property shall be allocated among the Members in the same manner its correlative item of "book" gain or loss is allocated pursuant to Section 6.1 or 6.2 of the Agreement and/or Section 5 of this Exhibit B.

(3) all other items of income, gain, loss and deduction shall be allocated among the Members in the same manner as their correlative item of "book" gain or loss is allocated pursuant to Section 6.1 or 6.2 of the Agreement and/or Section 5 of the Exhibit B.

C. To the extent Treasury Regulations promulgated pursuant to Section 704(c) of the Code permit the utilization of alternative methods to eliminate the disparity between the agreed value of property and its adjusted basis, the Operating Member shall have the authority to elect the method to be used by the Company and such election shall be binding on all Members.

EXHIBIT C

Adjusted Percentage Interest Calculation

Assume that on the Percentage Interest Adjustment Date Member A has contributed $10 million to the Company and Member B has contributed $6 million to the Company. Member A's percentage of the total contribution is

$$\frac{\$10 \text{ million}}{\$16 \text{ million}} = .625 \ (62.5\%)$$

and the percentage of the total contributions of Member B is

$$\frac{\$6 \text{ million}}{\$16 \text{ million}} = .375 \ (37.5\%)$$

As a result, 37.5% shall be Member B's Adjusted Percentage Interest. Member A's Adjusted Percentage Interest shall be 62.5%.

EXHIBIT D

Form of Subordinated Member Note

$_____ (Maximum) Date: _____

For value received, the undersigned _____, a _____ ("_____"), promises to pay to _____, a _____ ("_____"), having a business address of _____, the principal sum of up to _____ ($_____) together, with interest thereon at __%.

Demand may be made by _____ for the payment of all or any portion hereof upon five (5) days' prior written notice to ____ given at any time after _____, 199__ [Date to follow commencement of Construction Period].

Presentment for payment, notice of dishonor, protest and notice of protest are hereby waived by the undersigned and any and all others who may at any time become liable for the payment of all or any part of this obligation.

No delay or omission on the part of the holder hereof in the exercise of any right or remedy shall operate as a waiver, thereof, and no single or partial exercise by the holder hereof of any right or remedy shall preclude other or further exercise thereof or of any other right or remedy.

If payment of this Note or any portion thereof shall not be made as provided for herein, and any action is brought to enforce collection thereof, the undersigned agrees to pay a reasonable sum as attorneys' fees and costs in such action.

IN WITNESS WHEREOF, ___ has caused this Note to be executed by its duly authorized officers.

By:_____
Printed:_____
Its:_____

Exhibit 10.5

STOCK SUBSCRIPTION AGREEMENT

AGREEMENT made this 16th day of May, 1997, by and between Chelsea GCA Realty, Inc., a Maryland corporation (the "Company"), and Simon DeBartolo Group, L.P. (the "Buyer").

W I T N E S S E T H :

WHEREAS, concurrently herewith Buyer and Chelsea GCA Realty Partnership, L.P. are entering into a Limited Liability Company Agreement of Simon/Chelsea Development Co., L.L.C. (the "Venture Agreement"); and

WHEREAS, the Company, the general partner of Chelsea GCA Realty Partnership, L.P., desires to issue and sell to Buyer shares (the "Shares") of Common Stock of the Company, $.01 par value per share (the "Common Stock"), and the Buyer desires to purchase the Shares from the Company;

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereby agree as follows:

1. Purchase of the Shares. The Company hereby agrees to issue and sell to Buyer, and Buyer hereby agrees to purchase from the Company, an aggregate of 1,408,450 Shares of the Company. The purchase price to be paid by Buyer for the Shares is $35.50 per share, or an aggregate of $49,999,975. The purchase price will be paid by the delivery by Buyer to the Company of a certified or bank cashier's check in such amount payable to the order of the Company or by wire transfer to an account designated by the Company. The purchase price will be payable concurrently with the delivery of the Shares to Buyer, which delivery shall occur as promptly as practicable after such Shares have been listed on the New York Stock Exchange.

2. Representations and Warranties of the Company. The Company represents and warrants to Buyer as follows:

2.1. The Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Maryland.

2.2. All corporate and other proceedings required to be taken by or on the part of the Company to authorize it to carry out this Agreement have been duly and properly taken.

2.3. This Agreement has been duly and validly executed and delivered by the Company and constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

2.4. The Shares, when delivered pursuant to Section 1 hereof, will be validly issued and outstanding, fully paid and nonassessable. The Company agrees to cause the Shares to be issued promptly after such Shares have been listed or approved for listing on the New York Stock Exchange, together with evidence of such listing to Buyer. Promptly after the date hereof, the Company shall apply for listing of the Shares on the New York Stock Exchange.

2.5. Neither the execution and delivery of this Agreement nor the carrying out of the transactions contemplated hereby will result in violation of, or be in conflict with, the Articles of Incorporation or By-Laws of the Company or any agreement or indenture of any kind binding upon the Company.

2.6. The Company has filed with the Securities and Exchange Commission and made available to Buyer its Annual Report on Form 10-K for the fiscal year ended December 31, 1996 and its Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1997 (collectively, the "SEC Documents"). The SEC Documents, when filed (a) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and (b) complied in all material respects with the applicable requirements of the Securities Exchange Act of 1934. Since March 31, 1997, there has not been any material adverse change in the financial condition or operations of the Company.

2.7. The Company has qualified as a Real Estate Investment Trust ("REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), for its taxable year ended December 31, 1996, and the Company is organized and operates in a manner that will enable it to continue to qualify to be taxed as a REIT under the Code.

2.8. Without the Buyer's consent, the Company will not take any action to reduce the number of outstanding shares of Common Stock if such reduction would cause Buyer's ownership of Common Stock to constitute 10% or more of the outstanding Common Stock of the Company.

3. Representations and Warranties of the Buyer. Buyer hereby represents and warrants to the Company as follows:

3.1. All proceedings required to be taken by or on the part of the Buyer to authorize it to carry out this Agreement have been duly and properly taken.

3.2. This Agreement has been duly and validly executed and delivered by Buyer and constitutes the valid and binding obligation of Buyer enforceable against Buyer in accordance with its terms.

3.3. Neither the execution and delivery of this Agreement nor the carrying out of the transactions contemplated hereby will result in violation of, or be in conflict with, the Agreement of Limited Partnership of Buyer or any agreement or indenture of any kind binding upon the Buyer.

Buyer is acquiring the Shares for its own account for investment without any intention of distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"); Buyer will not sell, transfer, assign or pledge any Shares (but may pledge dividends or distributions thereon) except pursuant to an effective registration statement or an exemption from registration under the Securities Act and the rules and regulations thereunder and understands that the certificates for the Shares will bear a legend to such effect. Buyer acknowledges that it is aware that the Shares must be held indefinitely unless subsequently registered under the Securities Act or an exemption from such registration is available; that although the Company now makes publicly available the information required by Rule 144 under the Securities Act, it may not be under an obligation to do so in the future and that any routine sales of any of the Shares made in reliance upon Rule 144 under the Securities Act may be made only in limited quantities in accordance with the terms and conditions of Rule 144.

3.5. Buyer has knowledge and experience in financial and business matters, is capable of evaluating the merits and risks of the investment in the Company and is able to bear the economic risk of such investment. Buyer is an accredited investor as defined under the Securities Act.

4. Investigation by Buyer. Buyer has had and has availed itself of the opportunity to conduct such examination of the business and financial condition of the Company as Buyer has deemed necessary in connection with Buyer's investment in the Company and has had the opportunity to acquire such additional information about the business and financial condition of the Company as Buyer deems appropriate.

5. Subsequent Shares. If at any time and from time to time while the Venture Agreement remains in full force and effect, the Company sells for cash any equity securities (or securities convertible into or exercisable or exchangeable for equity securities) (the "Offered Shares") in a public or private offering either registered pursuant to the Securities Act or exempt from registration under the Securities Act (the "Offering"), then Buyer shall have the right to purchase concurrently with the closing of, and on the same terms as, the Offering a number of Offered Shares equal to the number of Offered Shares multiplied by a fraction, the numerator of which is the number of shares of Common Stock then owned by Buyer and the denominator of which is the total number of issued and outstanding shares of Common Stock of the Company prior to the Offering. The Company shall notify the Buyer of the proposed terms of the Offered Shares (which may consist of the mechanism for establishing the offering price) not less than 30 days prior to the anticipated date of closing of the Offering. If the Buyer desires to purchase any of the Offered Shares, it shall notify the Company within 20 days after receipt of the notice from the Company how many Offered Shares it wishes to purchase. If the Buyer does not so notify the Company, the Company may sell the Offered Shares free from the Buyer's rights under this Section. If at any time Buyer does not elect to purchase Offered Shares in two consecutive Offerings or in a total of three Offerings, the provisions of this Section shall be terminated and of no further force or effect and Buyer shall no longer have rights under this Section 5 to purchase any equity securities in the future. The rights granted to Buyer pursuant to this Section 5 shall not apply to any equity securities (or securities convertible into or exercisable or exchangeable for equity securities) (a) issued pro rata to all holders of Common Stock; (b) upon the conversion or exercise of options, warrants or convertible securities; (c) issued to employees, officers or directors of the Company pursuant to stock option plans or other plans approved by the Board of Directors of the Company; or (d) issued in connection with the acquisition of any property or acquisition (by merger, consolidation, purchase, reorganization or otherwise) of all of the stock or other equity securities of a company or all or substantially all the assets of a business.

6. Restrictions on Certain Actions. During the earlier of (a) five years from the date of this Agreement or (b) two years after the termination of the Venture Agreement, except as permitted pursuant to Section 5 hereof, Buyer, without the prior consent of the Company's Board of Directors will not, nor will it permit any affiliate (as such term is defined in Rule 12b-2 of Regulation 12B under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) of Buyer to:

(a) acquire (other than through stock splits or stock dividends), directly or indirectly or in conjunction with or through any other person, by purchase or otherwise, beneficial ownership of any additional shares of Common Stock or any other securities of the Company entitled to vote generally for the election of directors ("Voting Securities");

(b) directly or indirectly or through any other person, solicit proxies with respect to Voting Securities under any circumstance; or become a "participant" in any "election contest" relating to the election of directors of the Company (as such terms are used in Rule 14a-11 of Regulation 14A under the Exchange Act); provided, however, that the foregoing shall not prohibit Buyer from soliciting proxies for the purpose of opposing any increase in the ownership limitation currently contained in the Company's Articles of Incorporation.

(c) deposit any Voting Securities in a voting trust, or subject any Voting Securities to a voting or similar agreement;

(d) directly or indirectly or through or in conjunction with any other person, engage in a tender or exchange offer for the Company's Voting Securities made by any other person or entity without the prior written approval of the Company, or engage in any proxy solicitation with any person or entity relating to the Company;

(e) take any action alone or in concert with any other person to acquire or change the control of the Company or, directly or indirectly, participate in any group seeking to obtain or take control of the Company; or

(f) sell, transfer, pledge or otherwise dispose of or encumber any Voting Securities except (i) as set forth in Section 7 hereof, (ii) to an affiliate of the Buyer, provided that the transferee agrees to be bound by all the provisions of this Agreement, or (iii) pursuant to a public offering of the Shares registered under the Securities Act.

7. Sale of Voting Securities. Except as otherwise provided in Section 6(f) hereof, if, during the period set forth in Section 6, Buyer desires to sell all or part of its holdings of Voting Securities, such sale shall be made only as follows. Buyer may sell all or part of its holdings of Common Stock: (i) in a public offering registered under the Securities Act or (ii) in accordance with the volume limitations of Rule 144 under the Securities Act or any successor rule. Buyer shall give the Company at least five days' prior written notice of any such proposed sale.

8. Termination of Restrictions. The restrictions contained in Sections 6 and 7 hereof shall terminate in any of the following events:

(a) the Company enters into an agreement calling for the merger or consolidation of the Company with or into any other corporation (other than a wholly-owned subsidiary of the Company) in which the Company shall not be the survivor or in which the Company's outstanding capital stock shall be converted into cash or other property or if the Company enters into an agreement to sell all or substantially all of its assets to another corporation (other than a wholly-owned subsidiary of the Company); provided, however, that this provision shall not apply to a merger, consolidation or sale in which the securities received by the holders of Voting Securities of the Company in such consolidation, merger or sale constitute a majority of such other corporation's Voting Securities immediately after the merger, consolidation or sale (in which event the provisions of this Agreement shall apply to the Voting Securities of such other corporation); provided, further, however, that during the period set forth in Section 6 the Company agrees to notify the Buyer of any of the events described in this subparagraph (a) or subparagraph (c) at least two business days prior to entering into any such agreement;

(b) a person or group of persons unaffiliated with the Buyer shall make an offer to purchase a number of shares of Common Stock of the Company or other Voting Securities which would entitle such person or persons to vote a majority of the Voting Securities of the Company and a majority of the members of the board of directors of the Company does not oppose such offer or recommend against acceptance thereof by the shareholders of the Company; or

(c) the Company shall enter into an agreement with any party providing for an offer to be made to purchase at least a majority of the shares of Common Stock of the Company and a majority of the Board of Directors approves or recommends acceptance of such tender offer.

9. Right to Appoint Director. If during the period set forth in Section 6 Buyer acquires at any time or from time to time equity securities (or securities convertible into or exercisable or exchangeable for equity securities) of the Company for an aggregate purchase price of $100 million or more, then the Company shall use its best efforts to cause a designee of Buyer to be elected as a director of the Company and shall use its best efforts to cause its officers and directors to enter into an agreement promptly after the date hereof agreeing to vote for Buyer's designee as a director.

10. Legends and Stop Transfer Order.

(a) Buyer agrees:

(i) to the placement of the following legends on each certificate representing Voting Securities owned by Buyer or any affiliate:

"THE SHARES EVIDENCED BY THIS CERTIFICATE ARE SUBJECT TO, AND MAY BE SOLD, TRANSFERRED OR OTHERWISE DISPOSED OF ONLY UPON COMPLIANCE WITH THE TERMS AND THE PROVISIONS OF A CERTAIN AGREEMENT DATED MAY, __ 1997 BETWEEN CHELSEA GCA REALTY, INC. AND SIMON DEBARTOLO GROUP, L.P., A COPY OF WHICH AGREEMENT IS ON FILE AND MAY BE EXAMINED AT THE OFFICE OF THE SECRETARY OF CHELSEA GCA REALTY, INC.

THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND MAY NOT BE TRANSFERRED OR SOLD UNLESS (i) A REGISTRATION STATEMENT UNDER SUCH ACT IS THEN IN EFFECT WITH RESPECT THERETO, (ii) A WRITTEN OPINION FROM COUNSEL FOR THE ISSUER, MESSRS. STROOCK & STROOCK & LAVAN LLP, OR COUNSEL FOR THE HOLDER REASONABLY ACCEPTABLE TO THE ISSUER HAS BEEN OBTAINED TO THE EFFECT THAT NO SUCH REGISTRATION IS REQUIRED OR (iii) A 'NO ACTION' LETTER OR ITS THEN EQUIVALENT HAS BEEN ISSUED BY THE STAFF OF THE SECURITIES AND EXCHANGE COMMISSION."

(ii) that the Company may give stop transfer orders to its transfer agent with respect to the Shares.

(b) The transfer of any Voting Securities which are sold in contravention of the provisions of this Agreement shall not be registered on the books of the Company, and no person to whom any such sale is made shall be recognized as the holder of such Voting Securities or acquire any voting, dividend or other rights in respect thereof.

11. Specific Enforcement. The parties hereto recognize and agree that , in the event that any of the terms of Sections 5, 6, 7 or 9 hereof were not performed in accordance with their specific terms or were otherwise breached, immediate irreparable injury would be caused, for which there is no adequate

remedy at law. It is accordingly agreed that in the event of a failure by any party to perform its obligations thereunder, any other party shall be entitled to specific performance through injunctive relief to prevent breaches of the terms of such sections and to specifically enforce such sections and the terms and provisions thereof in any action instituted in any court of the United States or any state thereof having subject matter jurisdiction, in addition to any other remedy to which the party may be entitled, at law or in equity.

12. Miscellaneous.

12.1. Buyer, on the one hand, and the Company, on the other hand, represent and warrant to each other that no brokerage commission or finder's fees have been incurred in connection with the sale of the Shares to the Buyer. Buyer shall be responsible for, and shall hold the Company harmless from and against, any fees or expenses which Merrill Lynch, Pierce, Fenner & Smith Incorporated may allege to be due and owing to it in connection with this Agreement or the Venture Agreement or the transactions contemplated by such agreements.

12.2. All fees and expenses incurred by any party in connection with this Agreement will borne by such party.

12.3. This Agreement will be binding upon, inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that without the consent of the other, neither Buyer nor the Company shall assign its rights or delegate its obligations hereunder to any other person.

12.4. This Agreement contains the entire understanding of the parties and supersedes all prior agreements and understandings between the parties with respect to its subject matter. This Agreement may be amended only by a written instrument duly executed by both parties.

12.5. This Agreement may be executed simultaneously in counterparts, each of which will be deemed to be an original, but all of which together will constitute one and the same instrument.

12.6. All notices hereunder shall be given as provided in the Venture Agreement.

12.7. This Agreement shall be governed by and construed and enforced in accordance with the internal laws of the State of Maryland.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

CHELSEA GCA REALTY, INC.

By:_____

SIMON DEBARTOLO GROUP, L.P.

By: Simon DeBartolo Group, Inc.,
its General Partner

By:_____

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-3 No. 333-36487) of Chelsea GCA Realty Partnership, L.P. and in the related Prospectus of our report dated February 13, 1998, with respect to the consolidated financial statements and schedule of Chelsea GCA Realty Partnership, L.P. included in this Annual Report (Form 10-K) for the year ended December 31, 1997.

Ernst & Young LLP

New York, New York
March 26, 1998

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