

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

BEDFORD PROPERTY INVESTORS INC/MD

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

Annual Report Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998

Commission file number 1-12222

BEDFORD PROPERTY INVESTORS, INC.
(Exact name of Registrant as specified in its charter)

MARYLAND 68-0306514
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification No.)

270 Lafayette Circle, Lafayette, CA 94549
(Address of principal executive offices)

Registrant's telephone number, including area code(925) 283-8910

Securities Registered Pursuant to Section 12(b) of the Act:
Name of each exchange
Title of each class on which registered
Common Stock, par value \$0.02 per share New York Stock Exchange
Pacific Exchange

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 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 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] The aggregate market value
of the voting stock held by non-affiliates of Registrant as of March 11,
1999 was approximately \$338,939,000. The number of shares of
Registrant's Common Stock, par value \$0.02 per share, outstanding as of
March 11, 1999 was 22,252,295.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement to be mailed to stockholders
in connection with the Registrant's annual meeting of stockholders,
scheduled to be held on May 13, 1999, are incorporated by reference in
Part III of this report. Except as expressly incorporated by reference,
the Registrant's Proxy Statement shall not be deemed to be part of this
report.

PART I

When used in this annual report, the words "believes," "anticipates" and
similar expressions are intended to identify forward-looking statements.
Such statements are subject to certain risks and uncertainties which
could cause actual results to differ materially from those projected,
including, but not limited to, those set forth in the section entitled
"Potential Factors Affecting Future Operating Results" below. Readers
are cautioned not to place undue reliance on these forward-looking
statements which speak only as of the date hereof. The Company
undertakes no obligation to publicly release the result of any revisions
to these forward-looking statements which may be made to reflect events
or circumstances after the date hereof or to reflect the occurrence of
unanticipated events.

ITEM 1. BUSINESS

The Company

Bedford Property Investors, Inc. is a self-administered and self-managed
equity REIT engaged in the business of owning, managing, acquiring and
developing industrial and suburban office properties proximate to
metropolitan areas primarily in the Western United States. As of

December 31, 1998, the Company owned and operated, either directly or through wholly-owned subsidiaries, 93 properties aggregating approximately 7.5 million rentable square feet and comprised of 69 industrial properties (the "Industrial Properties") and 24 suburban office properties (the "Suburban Office Properties" and, together with the Industrial Properties, the "Properties"). The portfolio includes 2 properties which were under rehabilitation on December 31, 1998. As of December 31, 1998, the 91 operating Properties were approximately 96% leased with over 540 tenants. The Properties are located in Northern and Southern California, Oregon, Washington, Arizona, Nevada, Utah, Colorado, Texas, Kansas, and Missouri.

The Company seeks to grow its asset base through the acquisition of industrial and suburban office properties and portfolios of such properties, as well as through the development of new industrial and suburban office properties. The Company's strategy is to operate in suburban markets that are experiencing, or are expected by the Company to experience, superior economic growth and that are subject to limitations on the development of similar properties. The Company believes that employment growth is a reliable indicator of future demand for both industrial and suburban office space. In addition, the Company believes that certain supply-side constraints, such as limited availability of undeveloped land in a market, increase a market's potential for higher average rents over time. The Company continues to target selected markets in which the Properties are located as well as selected other markets in which the Company has expertise.

Business Objectives and Growth Plan

Business Objectives

The Company's business objective is to increase stockholders' long-term total return through increases in the dividend and the appreciation in value of the Common Stock. To achieve this objective, the Company seeks to (i) increase cash flow from its existing Properties, (ii) acquire quality industrial and suburban office properties and/or portfolios of such properties, and (iii) develop new industrial and suburban office properties.

Internal Growth

The Company seeks to increase cash flow from existing Properties through (i) the lease-up of vacant space, (ii) the reduction of costs associated with tenant turnover through the retention of existing tenants, (iii) the negotiation of increases in rental rates and of contractual periodic rent increases when market conditions permit, and (iv) the strict containment of operating expenses and capital expenditures.

During 1998, leases for 1,326,200 square feet expired with a weighted average base rental rate of \$7.99 per square foot. Approximately 87% of this space has been re-leased, and the weighted average base rental rate of the new leases is \$9.52 per square foot, an increase of 19%. Changes in average rental rate do not reflect changes in expense recovery rates, if any. In addition, past performance is not necessarily indicative of results that will be obtained in the future, and no assurance can be given in that regard.

Acquisitions

The Company seeks to acquire industrial and suburban office properties and/or portfolios of such properties. The Company believes that (i) the experience of its management team, (ii) its conservative capital structure, and available borrowings under its existing \$175 million credit facility, (iii) its relationships with private and institutional real estate owners, (iv) its strong relationships with real estate brokers, and (v) its integrated asset management program enable it to effectively identify and capitalize on acquisition opportunities. Each acquisition opportunity is reviewed to evaluate whether it meets the following criteria: (i) potential for higher occupancy levels and/or rents as well as for lower turnover and/or operating expenses, (ii) ability to generate returns in excess of the Company's weighted average cost of capital, taking into account the estimated costs associated with tenant turnover (i.e., tenant improvements, leasing commissions and the loss of income due to vacancy), and (iii) availability for purchase at a price at or below estimated replacement cost. The Company has, however, acquired and may in the future acquire properties which do not meet one or more of these criteria. This may be particularly true with the acquisition of a portfolio of properties, which may include individual properties that do not meet one or more of the foregoing criteria.

Following completion of an initial review, the Company may make a purchase offer, subject to satisfactory completion of its due diligence process. The due diligence process enables us to refine our original estimate of a property's potential performance and typically includes a

complete review and analysis of the property's physical structure, systems, environmental status and projected financial performance, as well as an evaluation of the local market and competitive properties and of relevant economic and demographic information. Mr. Bedford (the Chief Executive Officer) and at least one other officer of the Company typically visit each proposed acquisition property before the purchase is closed.

The Company's activities relating to the acquisition of new properties, including the due diligence process, are conducted on an exclusive basis by Bedford Acquisitions, Inc. (BAI), a California corporation wholly-owned by Mr. Bedford. BAI receives fees in amounts equal to the lesser of (i) 1 1/2% of the gross amount of the aggregate purchase price of property acquisitions and dispositions plus 5% of development project costs, or (ii) an amount equal to (a) the aggregate amount of approved expenses funded by BAI through the time of such acquisition, disposition or development minus (b) the aggregate amount of fees previously paid to BAI pursuant to such arrangement. In no event will the aggregate amount of fees paid to BAI exceed the aggregate amount of costs funded by BAI. The agreement with BAI has a term of one year and is renewable at the option of the Company for additional one year terms. The current agreement will expire January 1, 2000.

Development

The Company seeks to develop properties in markets where (i) strong demand for space has caused or is expected to cause occupancy rates to remain high, and (ii) there is a limited supply of land available for new development. The Company's management team has experience in all phases of the development process, including market analysis, site selection, zoning, design, pre-development leasing, construction and permanent financing and construction management. The Company believes that a general decrease in competition in development activity as well as higher occupancy rates in most of the Company's markets will lead to additional attractive development opportunities. The Company is currently in the process of developing properties in Northern California, Arizona and Washington, and is considering developing additional properties in Northern California, Southern California, Arizona, Colorado and Washington. The Company's management team has significant development experience in each of these markets. In 1998 the shell construction of five properties representing 322,000 square feet of industrial space and office space was started.

Corporate Strategies

In pursuing its business objectives and growth plans, the Company intends to:

1. Pursue a Market Driven Strategy.

The Company's strategy is to operate in suburban markets which are experiencing, or are expected by the Company to experience, economic growth, and which are, ideally, subject to supply-side constraints. The Company believes that the metropolitan areas in which it operates have multiple suburban "cores" and that the potential for growth in these metropolitan areas is generally greatest in and around these suburban cores. The Company believes that such suburban cores emerge as jobs move to the suburbs and typically offer a well-trained and well-educated work force, high quality of life and, in many cases, a diversified economic base. The Company focuses on owning, managing, acquiring and developing properties in these suburban cores. Additionally, the Company seeks out real estate markets that are subject to supply-side constraints such as limited availability of undeveloped land and/or geographic, topographic, regulatory and/or infrastructure restrictions. The Company believes that such restrictions limit the supply of new commercial space, which, when combined with a growing employment and population base, enhances the long-term return potential for an investment in real estate assets.

2. Focus its Efforts in the Western United States.

The Company is currently targeting selected suburban markets in the Western United States. The Company believes that due to continued economic improvements in these markets, and related improvements in the commercial property markets, an investment in industrial or suburban office properties in these markets provides the potential for attractive returns through increased occupancy levels, rents and real estate values. The Company believes that this geographic focus, combined with management's market experience, contributes to a more thorough understanding of these industrial and suburban office property markets and allows the Company to anticipate trends and therefore to better identify investment opportunities.

3. Acquire and Develop "Service Center/Flex" Industrial Properties.

One of the Company's targeted property types is "service center/flex" industrial properties. These properties are generally smaller than other industrial buildings and are divisible into units ranging from approximately 1,500 square feet to approximately 20,000 square feet in order to accommodate multiple tenants of various sizes and needs. The buildings generally range in size from 8,000 to 80,000 square feet, have a clear height of 12 to 18 feet and are built using concrete tilt construction with store fronts incorporated in the front elevation and grade level service doors in the back elevation. The Company believes that these properties require more management expertise than other types of industrial properties and that it has developed such expertise. The Company also believes that many potential buyers do not wish or are not well-positioned to undertake such active management. As a result, the Company believes that it often faces fewer competitors for this product and is generally able to acquire these properties at above average yields.

4. Maximize its Capital Structure.

As of December 31, 1998 the Company's total market capitalization was \$612 million. With a debt to total market capitalization ratio of 37%, the Company believes that it is well positioned for future growth. Funding of new acquisitions and development is expected to be provided by a combination of debt and limited asset sales. The Company currently intends to take advantage of the low interest rates by locking in long term debt financing on a portion of its portfolio. At the same time, the Company intends to preserve its financing flexibility through the use of short term debt facilities such as its existing \$175 million bank line of credit.

Transactions and Significant Events During 1998

Acquisitions and Development

During the year, the Company acquired 18 Properties, including ten Industrial Properties, six Suburban Office Properties and two Properties under rehabilitation, aggregating approximately 1.3 million rentable square feet, for a total investment of approximately \$152 million. At acquisition, the Company estimated that these Properties would provide an initial weighted average unleveraged return on cost (computed as annualized property NOI at the date of acquisition divided by the total acquisition cost) of 9.15%. The Company estimates the purchase price of acquisitions completed in 1998 to be approximately 91% of the replacement costs.

The Company also acquired 6 parcels of vacant land aggregating approximately 26 acres for a total investment of approximately \$8.2 million, 3 of which were adjacent to existing Properties. The Company plans to develop industrial or office properties on each of these parcels when market conditions warrant new construction.

Development activity during the year included (i) the initial lease up of the four projects constructed in 1997, adding 107,374 rentable square feet to the available inventory (as of December 31, 1998, these projects were approximately 71% occupied); (ii) completion of construction and occupancy of the 297,228 square foot Adobe project in Seattle, which was under construction at the time of acquisition; and (iii) commencement of construction of five new projects which are expected to add approximately 322,000 rentable square feet to the inventory of available space in 1999. The Company believes that this new leasable space should provide it with a significant opportunity to increase its operating revenue.

The Company's Markets

The Properties are located in select markets proximate to metropolitan areas in Northern and Southern California, Oregon, Washington, Arizona, Nevada, Utah, Colorado, Texas, Kansas and Missouri. From 1994 through the early part of 1998 most of these markets were recovering from the economic recession of the early 1990's. During this recovery, these markets were characterized by strong demand for commercial property without significant increases in supply. The Company believes that this "recovery phase" of the economic cycle for the real estate market came to an end during 1998 and that we are now entering an "equilibrium phase" where supply and demand for properties are more or less in balance. Accordingly, the Company expects commercial property values during this equilibrium phase to be driven less by supply and demand imbalances and more by continuing economic strength in these markets. The Company believes that this continuing economic strength should result in high occupancy levels, increasing rents and potentially increasing real estate values.

In particular, the Company believes that continuing economic growth in

the San Francisco Bay Area (where 35% of the square footage of the Company's Properties is located) and Seattle (where 10% of the square footage of the Company's Properties is located) will result in strong returns on its properties in those markets during the coming year. The Company believes that these markets are particularly attractive as a result of the excellent quality of life they offer and their limited supply of new commercial real estate resulting from environmental concerns and geographic barriers. In fact the 1999 edition of Emerging Trends in Real Estate, a publication of PricewaterhouseCoopers LLP and Lend Lease Real Estate Investments, ranked San Francisco, for the third consecutive year, and Seattle, for the second consecutive year, as the number one and number two investment markets for this equilibrium phase of the real estate cycle.

Despite this positive outlook, the Company's markets (particularly the San Francisco Bay Area) remain susceptible to the current economic downturn in Asia. During the first half of 1998, sources have indicated that California's exports to East Asia fell by 17.5% compared to the first half of 1997. Although the Company believes that the effect of this manufacturing slowdown on the California real estate market has been largely offset by strong demand

for California's products in the U.S. and Europe, there can be no assurance that a more sustained economic downturn in Asia will not have an adverse effect on California's manufacturing sector and accordingly on the California real estate market and the Company's portfolio.

Operating Performance

For the year ended December 31, 1998, the Company reported income before gain on sale of \$31,496,000 or \$1.38 per diluted share, on rental revenues of \$73,451,000, compared with income before gain on sale of \$19,758,000 or \$1.23 per diluted share, on rental revenues of \$46,377,000 for the year ended December 31, 1997. The Company's Funds From Operations ("FFO": see definition under "Selected Financial Data") for the year ended December 31, 1998 was \$42,312,000 as compared to \$25,582,000 for the year ended December 31, 1997.

Increase in Dividends on Common Stock

On December 7, 1998, the Company announced a 9% increase in its quarterly Common Stock dividend from \$.33 to \$.36 per share, which is equal to \$1.44 on an annualized basis. The higher dividend rate commenced with the Company's dividend for the fourth quarter of 1998. The Company previously announced, in May 1998, a 10% increase in its quarterly dividend from \$.30 to \$.33 per share which, together with the December 1998 increase, represents a total increase of 17% in the Company's dividends declared for 1998 when compared with the dividends declared for 1997.

Credit Facility

In June 1998, the Company amended and restated its secured revolving line of credit facility led by Bank of America. Under the facility, which matures June 2001, the Company can borrow up to \$175 million on a secured basis. The facility contains an unsecured sub-line of \$50 million. The secured loans bear interest at a floating rate equal to either the lender's published "reference rate" or LIBOR plus a margin ranging from 1.10% to 1.35% (depending on leverage levels). The unsecured loans bear interest at either the lender's published "reference rate" or LIBOR plus a margin of 1.50%. As of December 31, 1998 the Company was in compliance with the covenants and requirements of its revolving credit facility which had an outstanding balance of \$147,443,000, all of which was secured. During the first quarter of 1999, the Company entered into discussions with Bank of America regarding a bridge facility of \$28 million. This facility would consist of secured loans, bear the same interest rates as the secured loans under the \$175 million facility and have a six-month term with the option to extend for another six months.

Dividends

The Company has made regular quarterly distributions to the holders of the Common Stock in each quarter since the second quarter of 1993, having increased the dividend ten times since that time from \$0.10 per share in the second quarter of 1993 to \$0.36 per share in the fourth quarter of 1998. In March 1999, the Company declared a dividend distribution for the first quarter 1999 to its stockholders in the amount of \$0.36 per share of Common Stock, payable 15 days after the quarter-end.

Tenants

Based on rentable square feet, as of December 31, 1998, the Suburban Office Properties and Industrial Properties were approximately 96% occupied by a total of 546 tenants, of which 112 were Suburban Office Property tenants and 434 were Industrial Property tenants. The Company's tenants include local, regional, national and international companies engaged in a wide variety of businesses.

Financing

The Company expects cash flow from operations to be sufficient to pay operating expenses, real estate taxes, general and administrative expenses, and interest on indebtedness and to make distributions to stockholders required to maintain the Company's REIT qualification.

The Company expects to fund the cost of acquisitions, capital expenditures, costs associated with lease renewals and reletting of space, repayment of indebtedness, and development of properties from (i) cash flow from operations, (ii) borrowings under the credit facility and, if available, other indebtedness (which may include indebtedness assumed in acquisitions), (iii) the sale of real estate investments, and (iv) the sale of equity securities and, possibly, the issuance of equity securities in connection with acquisitions.

The Company does not anticipate that cash flow from operations will be sufficient to enable it to repay amounts then outstanding under the credit facility when it becomes due in 2001. The Company expects to make such payment by refinancing or extending the credit facility or by raising funds through the sale of equity securities or properties.

Insurance

The Company carries commercial general liability coverage with primary limits of \$1 million per occurrence and \$2 million in the aggregate, as well as a \$20 million umbrella liability policy. This coverage protects the Company against liability claims as well as the cost of defense. The Company carries property insurance on a replacement value basis covering both the cost of direct physical damage and the loss of rental income. Separate flood and earthquake insurance is provided with an annual aggregate limit of \$20 million subject to a deductible of 5-10% of total insurable value per building with respect to the earthquake coverage. The Company also carries director and officer liability insurance with an aggregate limit of \$10 million. This coverage protects the Company's directors and officers against liability claims as well as the cost of defense.

Competition, Regulation, and Other Factors

The success of the Company depends upon, among other factors, general economic conditions and trends, including real estate trends, interest rates, government regulations and legislation, income tax laws and zoning laws.

The Company's real estate investments are located in markets in which they face significant competition for the rental revenues they generate. Many of the Company's investments, particularly the office buildings, are located in markets in which there is a significant supply of available space, resulting in intense competition for tenants and low rents.

Government Regulations

The Company's properties are subject to various federal, state and local regulatory requirements such as local building codes and other similar regulations. The Company believes its properties are currently in substantial compliance with all applicable regulatory requirements, although expenditures at its properties may be required to comply with changes in these laws. No material expenditures are contemplated at this time in order to comply with any such laws or regulations.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances released on, above, under, or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of such removal or remediation could be substantial.

Additionally, the presence of such substances or the failure to properly remediate such substances may adversely affect the owner's ability to borrow using such real estate as collateral. The Company believes that it is in compliance in all material respects with all federal, state and local laws regarding hazardous or toxic substances, and the Company has not been notified by any governmental

authority of any non-compliance or other claim in connection with any of its present or former properties. Accordingly, the Company does not currently anticipate that compliance with federal, state and local environmental protection regulations will have any material adverse impact on the financial position, results of operations or liquidity of the Company. There can be no assurance, however, that future discoveries or events at the Company's properties, or changes to current environmental regulations, will not result in such a material adverse impact.

Year 2000 Compliance

In 1997 the Company purchased and put in place new information system hardware and software to accommodate the rapid growth of its real estate portfolio. The Company believes the new information system hardware and software is Year 2000 compliant. In addition, the Company has evaluated Year 2000 compliance risk relative to operations of its rental properties, and retained the services of a team of consultants. Since January 1998, these consultants have been conducting a survey of the Company's outside relationships (e.g., tenants, vendors and creditors) to assess their state of readiness in regards to Year 2000 compliance. The survey indicates that a majority of these parties' information systems are or will be Year 2000 compliant. In addition, the Company is performing a detailed Information Technology review of its key outside relationships. As of December 31, 1998, the Company has spent \$10,000 on surveys and systems reviews and expects to spend approximately \$20,000 in 1999. The Company is in the process of developing a contingency plan in the event of non-compliance. The Company believes that Year 2000 compliance will not have a material impact on the Company's financial position, results of operations, or liquidity.

Other Information

The Company currently employs 34 full time employees. The Company is not dependent upon a single tenant or a limited number of tenants.

ITEM 2. PROPERTIES

Real Estate Summary

As of December 31, 1998, the Company's real estate investments were diversified by property type as follows:

	Number of Properties	Cost	Percent of Total
Industrial properties	68	\$312,911,000	52
Office properties	23	258,479,000	43
Properties under development	9	24,686,000	4
Land held for development	6	3,905,000	1
Total	106	\$599,981,000	100

As of December 31, 1998, the Company's real estate investments (net of accumulated depreciation) were diversified by geographic region as follows:

	Number of Properties	Investment Amount	% of Total Investment
Industrial Properties			
Northern California	33	\$162,691,000	27
Southern California	10	50,908,000	9
Arizona	10	48,431,000	8
Greater Kansas City Area	7	20,456,000	3
Texas	4	14,039,000	2
Greater Portland Area	2	11,192,000	2
Colorado	2	5,194,000	1
Total Industrial Properties	68	312,911,000	52
Suburban Office Properties			
Greater Seattle Area	4	93,948,000	16
Colorado	2	50,821,000	9
Arizona	4	26,393,000	4
Southern California	3	25,427,000	4
Northern California	5	23,689,000	4
Nevada	1	12,635,000	2
Texas	1	9,855,000	2
Greater Kansas City Area	2	8,780,000	1
Salt Lake City	1	6,931,000	1
Total Suburban Office Properties	23	258,479,000	43

Industrial Properties			
Under Development			
Arizona	6	13,500,000	2
Greater Seattle Area	1	8,110,000	1
Greater Kansas City Area	1	2,086,000	1
Northern California	1	990,000	*
Total Industrial Properties			
Under Development	9	24,686,000	4
Land Held for Development			
Northern California	3	2,654,000	*
Southern California	2	1,063,000	*
Texas	1	188,000	*
Total Land held			
for Development	6	3,905,000	1
Total	106	\$599,981,000	100

* Less than 1%.

Percentage Leased and 10% Tenants

The following table sets forth the occupancy rates for each of the last five years, the number of tenants occupying 10% or more of the developed square feet at the Property as of the end of the year and the principal business of the tenants in the Company's properties at December 31, 1998.

Percentage Occupied/Number of Tenants Occupying 10% or more

<S>	<C>		<C>		<C>		<C>		<C>		<C>
	1994	1995	1996	1997	1998	Principal Business at December 31, 1998					
Property	%	#	%	#	%	#	%	#	%	#	
INDUSTRIAL PROPERTIES											
Northern California											
Building #3 at Contra Costa Diablo Ind. Park, Concord	100%	1	100%	1	100%	1	100%	1	100%	1	Production and assembly of robotic parts and machines.
Building #8 at Contra Costa Diablo Ind. Park, Concord	100%	1	100%	1	100%	1	100%	1	100%	1	Warehouse and storage of medical supplies.
Building #18 at Mason Ind. Park, Concord	90%	2	83%	2	83%	2	100%	2	92%	2	Warehouse of scaffolding materials and construction supplies; general contractor.
Milpitas Town Center, Milpitas	100%	4	100%	4	100%	4	100%	4	100%	3	Manufacturing of blood glucose meters, assembly and repair of accelerator systems, light manufacturing of OEM's and assembly and manufacturing of vacuum components.
598 Gibraltar Drive, Milpitas	N/A		N/A		100%	1	100%	1	100%	1	Manufacturing of personal computers.
350 East Plumeria Drive, San Jose	N/A		100%	1	100%	1	100%	1	100%	1	Manufacturer of computer chips.
Auburn Court, Fremont	N/A		100%	4	100%	4	100%	4	100%	4	Manufacturing of computer equipment, assembly of computer and other electronic components, lab engineering, and marketing design.
47650 Westinghouse Drive, Fremont	N/A		100%	1	100%	1	100%	1	100%	1	Electronic personal computer board assembly.
417 Eccles, South San Francisco	N/A		100%	2	100%	2	53%	1	100%	1	Warehousing and delivery of high-end furniture.
INDUSTRIAL PROPERTIES (continued)											
410 Allerton, South San Francisco	N/A		100%	1	100%	1	100%	1	100%	1	Candy manufacturer and distributor.
400 Grandview, South San Francisco	N/A		100%	5	100%	5	100%	4	100%	4	Radiology research and developer, freight forwarding, manufacturing and distribution of point-of-sale marketing products.
342 Allerton, South San Francisco	N/A		100%	4	100%	4	100%	4	100%	4	Freight forwarding.
301 East Grand, South											

San Francisco	N/A	71% 2	100% 3	100% 3	100% 3	Freight forwarding, furniture wholesale, and distributor of MRI equipment.
Fourier Avenue, Fremont	N/A	N/A	100% 1	100% 1	100% 1	Manufacturer of testers and equipment for semi-conductors.
Lundy Avenue, San Jose	N/A	N/A	100% 2	100% 2	82% 1	Testing and distribution of semi-conductors and other related electronic components
115 Mason Circle, Concord	N/A	N/A	100% 5	100% 5	100% 5	Mechanical systems insulation and acoustical contractor, pipeline servicing co., wholesale distributor of coputer peripherals and software, distributor of fluid ceiling products, manufacturer and welder of pipes.
47600 Westinghouse Drive, Fremont	N/A	N/A	100% 1	100% 1	100% 1	Research and development assembly and testing related to the semi-conductor/electronics industry.
860-870 Napa Valley Corporate Way, Napa	N/A	N/A	96% 3	86% 3	100% 3	Winery, engineering company and software developer.
INDUSTRIAL PROPERTIES (continued)						
47633 Westinghouse Drive, Fremont	N/A	N/A	100% 1	100% 1	100% 1	Research and development assembly and testing related to the semi-conductor/electronics industry.
47513 Westinghouse Drive, Fremont	N/A	N/A	N/A	N/A	100% 2	Manufacturing and sales of semi-conductor equipment; manufacture and design of arterial balloon catheters and other related devices.
Bordeaux Centre, Napa	N/A	N/A	N/A	N/A	38% 2	Manufacturing and printing of corks, and light manufacturing, warehousing and distribution of recreational marine accessories.
O'Toole Business Center, San Jose	N/A	N/A	94% 0	90% 0	89% 0	N/A
Doherty Avenue, Modesto	N/A	N/A	100% 1	100% 1	100% 1	Storing canned goods.
6500 Kaiser Drive, Fremont	N/A	N/A	N/A	100% 1	100% 1	Office, research and development, manufacturing of computers.
Bedford Fremont Business Center, Fremont	N/A	N/A	N/A	100% 1	100% 1	Administration and testing of samples for managed care organizations.
Spinnaker Court, Fremont	N/A	N/A	N/A	100% 2	100% 2	Manufacturing and distribution of personal computers, peripherals and related electronic parts and software, transportation of industrial and hazardous wastes.
2277 Pine View Way, Petaluma	N/A	N/A	N/A	100% 1	100% 1	Manufacturer and distributor of plastic and glass eyeglass lenses for world-wide distribution
The Mondavi Building, Napa	N/A	N/A	N/A	100% 1	100% 1	Wine storage and administration.
INDUSTRIAL PROPERTIES (continued)						
Monterey Commerce Center 2, Monterey	N/A	N/A	N/A	100% 1	100% 1	Language interpretation - over seas calls.
Monterey Commerce Center 3, Monterey	N/A	N/A	N/A	100% 3	100% 3	Storage of office and long-distance telephone equipment and medical supplies.
Parkpoint Business Center, Santa Rosa	N/A	N/A	N/A	N/A	100% 3	Customized computer software company, rehabilitation center; mortgage broker.
2180 S. McDowell, Petaluma	N/A	N/A	N/A	N/A	100% 2	Manufacturer of high-end, commercial grade sound equipment; assembly of PC

2190 S. McDowell, Petaluma	N/A	N/A	N/A	N/A	100% 2	boards. Bread distributor; distributor of paper and packaging products.
Southern California Dupont Industrial Center, Ontario	91% 1	100% 1	59% 0	100% 1	97% 1	Distribution of swimming pool supplies.
3002 Dow Business Center, Tustin	N/A	83% 0	99% 0	100% 0	99% 0	N/A
Carroll Tech I, San Diego	N/A	N/A	100% 1	100% 1	100% 1	Manufacturer and distributor of cash registers.
Vista 1, Vista	N/A	N/A	100% 1	100% 1	0% 0	N/A
Vista 2, Vista	N/A	N/A	100% 1	100% 1	100% 1	Manufacturer of graphite golf club shaft.
Signal Systems Building, San Diego	N/A	N/A	100% 1	100% 1	100% 1	Developer and manufacturer of avionic diagnostic equipment.
INDUSTRIAL PROPERTIES (continued) Carroll Tech II, San Diego	N/A	N/A	100% 1	100% 1	100% 1	Bio-technology company.
2230 Oak Ridge Way	N/A	N/A	N/A	100% 1	100% 1	Manufacturer of equipment for circuit board assembly.
5502 Oberlin Drive, San Diego	N/A	N/A	N/A	N/A	100% 1	Manufacturer of micro-circuits.
6960 Flanders Drive, San Diego	N/A	N/A	N/A	N/A	100% 1	Geotechnical and environmental consultant.
Kansas City, Kansas Ninety-Ninth Street #3, Lenexa	100% 2	100% 2	89% 2	100% 2	98% 2	Warehouse for computer cables/wiring and storage of corporate records/supplies.
Lackman Business Center, Lenexa	N/A	98% 2	91% 2	100% 2	98% 3	Network and communications specialists.
Ninety-Ninth Street #1, Lenexa	N/A	100% 2	100% 2	100% 2	100% 2	Tool distribution and surgical instrument manufacturing.
Ninety-Ninth Street #2, Lenexa	N/A	100% 1	100% 1	100% 1	100% 1	Drug testing clinic.
Ninety-Ninth Street #4, Lenexa	N/A	N/A	N/A	N/A	79% 3	Distribution of shrink wrap products, distributor of computers and computer related parts, home nursing and health care administration.
Panorama Business Center, Kansas City	N/A	N/A	100% 2	100% 2	91% 2	Distribution of pharmaceuticals, distribution of appliances.
17725 W. 85th Street, Lenexa	N/A	N/A	N/A	100% 1	100% 1	Manufacturing of plastic containers.
INDUSTRIAL PROPERTIES (continued) Colorado						
Bryant Street Quad, Denver	N/A	97% 3	100% 3	100% 3	100% 3	Health care provider, photo processing lab, and radiator coating plant/distributor.
Bryant Street Annex, Denver	N/A	100% 2	100% 2	100% 2	100% 2	Office supplies distributor and automotive paint distributor.
Greater Portland Area, Oregon Twin Oaks Technology Center, Beaverton	N/A	81% 2	91% 3	96% 2	89% 3	Software developer and telecommunications.
Twin Oaks Business Park, Beaverton	N/A	94% 3	80% 4	81% 4	84% 4	Electronic engineering, electronic equipment assembly, computer equipment distributor and postal service.
Arizona Westech Business Center, Phoenix	N/A	N/A	93% 0	96% 0	95% 0	N/A
Westech II, Phoenix	N/A	N/A	N/A	N/A	100% 3	Healthcare consultants and travel agency.
2601 W. Broadway, Tempe	N/A	N/A	N/A	100% 1	100% 1	Wireless phone service provider.
Phoenix Airport Center #2, Phoenix	N/A	N/A	N/A	100% 1	100% 1	Electronics and customer service.

Phoenix Airport Center #3, Phoenix	N/A	N/A	N/A	100% 1	100% 1	Cosmetic manufacturing and distribution.
Phoenix Airport Center #4, Phoenix	N/A	N/A	N/A	100% 1	100% 1	Package delivery/service call center.
Phoenix Airport Center #5, Phoenix	N/A	N/A	N/A	N/A	100% 1	Healthcare maintenance organization corporate office.
Butterfield Business Center, Tucson	N/A	N/A	N/A	100% 3	100% 3	Sears call center, polish/wax research and development.
Cimmarron Industrial Park, Scottsdale	N/A	N/A	N/A	N/A	98% 2	Printing and sales office.
Expressway Corporate Center, Tempe	N/A	N/A	N/A	N/A	68% 1	Manufacture photographic equipment for wafer circuiting.
Texas Ferrell Drive	N/A	N/A	N/A	100% 5	100% 5	Glass manufacturing (sub-tenant is telecommunications), medical products distribution, hardware distribution, and direct sales of nutritional products.
Austin Braker 2, Austin	N/A	N/A	N/A	N/A	100% 3	Computer technology for television, lottery and gaming association, computer sales and customer service.
Austin Rutland 10, Austin	N/A	N/A	N/A	N/A	100% 5	Service of copier equipment, printing for small businesses, tool distribution, environmental field work, trade show and conference coordination.
Austin Southpark A, B and C, Austin	N/A	N/A	N/A	N/A	100% 4	Spare parts storage for computer chip manufacturer, environmental testing, proto-type testing for computer chip manufacturer and valuable storage for pawn broker.
SUBURBAN OFFICE PROPERTIES Northern California						
Village Green, Lafayette	82% 3	100% 2	100% 1	99% 1	100% 2	Software developer and real estate investment trust.
100 View Street, Mountain View	N/A	N/A	100% 4	100% 3	100% 3	Architectural servicing, designing and marketing of integrated circuits for semi- conductors, research and development of governmental devices.
Canyon Park, San Ramon	N/A	N/A	N/A	100% 2	100% 2	Medical administrative offices and geotechnical lab; soils testing, engineering services.
Monterey Commerce Center 1 Monterey	N/A	N/A	N/A	87% 4	82% 4	Financial services, software development, telecommunications sales, and electronic equipment sales.
3380 Cypress, Petaluma	N/A	N/A	N/A	N/A	100% 1	Manufacture hearing devices.
Southern California Laguna Hills Square, Laguna	N/A	N/A	86% 2	96% 4	93% 4	Medical facility and securities brokerage firm.
Carroll Tech III, San Diego	N/A	N/A	N/A	100% 1	100% 1	Biomedical firm.
Scripps Wateridge, San Diego	N/A	N/A	N/A	100% 2	100% 2	Wireless communications; supplier of digital wireless communication products and technologies.
Greater Kansas City Area 6600 College Blvd., Overland Park	N/A	100% 1	98% 1	100% 1	100% 1	Telecommunication.
Didde Building, Overland Park	N/A	N/A	N/A	N/A	100% 3	Investment firm, printing and packaging technology corporate offices and reinsurance brokerage.
Colorado Oracle Building	N/A	N/A	N/A	100% 2	100% 2	Software company and banking.

Texaco Building	N/A	N/A	N/A	N/A	100% 1	Oil company.
Salt Lake City Woodlands Tower II, Salt Lake City	98% 2	95% 2	100% 2	100% 2	97% 2	Insurance services and health care staffing.
Arizona Executive Center at Southbank, Phoenix	N/A	N/A	N/A	98% 3	98% 3	Appliance sales, travel agency, and customer credit call center.
Troika Building, Tucson	N/A	N/A	N/A	100% 1	100% 1	Architectural services
Phoenix Airport Center #1, Phoenix	N/A	N/A	N/A	100% 5	100% 5	Electronics, banking services, and sales office.
Cabrillo Executive Center, Phoenix	N/A	N/A	N/A	N/A	97% 2	Medical insurance company and software developer.
Greater Seattle Area Kenyon Center, Bellevue	N/A	N/A	100% 1	100% 1	100% 1	Manufacturer of aircraft.
Orillia Office Park, Renton	N/A	N/A	N/A	100% 1	100% 1	Manufacturer of aircraft.
Adobe Systems Bldg. 1, Seattle	N/A	N/A	N/A	N/A	100% 1	Computer software.
Adobe Systems Bldg. II, Seattle	N/A	N/A	N/A	N/A	77% 1	Computer software.
Texas 9737 Great Hills Trail, Austin	N/A	N/A	N/A	100% 1	100% 1	Home mortgage business.
Nevada U. S. Bank Centre, Reno	N/A	N/A	N/A	94% 1	99% 1	Insurance services.

</TABLE>

Lease Expirations - Real Estate Portfolio

The following table presents lease expirations for each of the ten years beginning January 1, 1999. The table presents: (i) the number of leases that expire each year, (ii) the square feet covered by such expiring leases, (iii) the annualized base rent (the "Annualized Base Rent") represented by such expiring leases and (iv) the percentage of total Annualized Base Rent for expiring leases.

Year	Number of Leases Expiring	Rentable Square Feet	Annualized Base Rent	Percentage of Annualized Base Rent
1999	125	749,836	6,867,552	9.7%
2000	134	1,039,117	10,726,704	15.2%
2001	117	1,157,838	10,856,304	15.4%
2002	81	709,617	7,074,012	10.0%
2003	52	826,042	9,710,916	13.7%
2004	14	713,867	6,490,848	9.2%
2005	8	536,605	8,519,916	12.0%
2006	7	513,271	2,990,640	4.2%
2007	6	421,219	2,411,316	3.4%
2008 and thereafter	6	420,114	5,124,516	7.2%
Total	550	7,087,526	\$70,772,724	100.0%

Principal Provisions of Leases

The following table sets forth the principal provisions of leases which represent more than 10% of the gross leasable area ("GLA") of each of the Company's Properties and the realty tax rate for each Property for 1998.

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Property	Annual Property Taxes/Rate	# of Leases with 10% or More of GLA	Project Square Feet	Square Feet of Each Tenant	Contract Rent (\$/Sq/Yr) At End of Year	Lease Expiration	Renewal Options
INDUSTRIAL PROPERTIES Northern California Building #3 at Contra Costa Diablo Ind. Park, Concord	\$15,630 \$1.03/100	1	21,840	21,840	\$6.84	Feb. 00	1-3 yr.

Building #8 at Contra Costa Diablo Ind. Park, Concord	\$22,487 \$1.03/100	1	31,800	31,800	\$6.00	Dec. 00	2-5 yr.
Building #18 at Mason Industrial Park, Concord	\$19,185 \$1.03/100	2	28,836	7,225 4,825	\$6.96 \$7.20	May 00 Feb. 01	None None
Milpitas Town Center, Milpitas	\$67,421 \$1.09/100	4	102,620	23,924 24,426 30,840 23,430	\$9.63 \$11.04 \$13.20 \$8.12	Sep. 99 Apr. 02 Jul. 03 Jan. 00	1-2 yr. 1-2 yr. 1-5 yr. 1-5 yr.
598 Gibraltar Drive, Milpitas	\$44,875 \$1.10/100	1	45,090	45,090	\$10.44	Apr. 01	1-5 yr.
350 East Plumeria Drive, San Jose	\$137,918 \$1.08/100	1	142,700	142,700	\$15.00	Apr. 05	1-5 yr.
Auburn Court, Fremont	\$50,142 \$1.06/100	4	68,030	15,755 16,095 12,060 12,060	\$10.56 \$13.80 \$12.60 \$7.20	Apr. 99 Jul. 01 Apr. 03 Jul. 00	1-3 yr. 1-5 yr. None None
47650 Westinghouse Drive, Fremont	\$15,515 \$1.06/100	1	24,030	24,030	\$9.60	Sep. 04	None
417 Eccles, South San Francisco	\$13,114 \$1.03/100	1	24,624	24,624	\$7.68	Jul. 08	None
410 Allerton, South San Francisco	\$25,383 \$1.03/100	1	46,050	46,050	\$6.60	Apr. 01	None
400 Grandview, South San Francisco	\$79,040 \$1.03/100	4	107,004	21,841 43,642 18,789 18,864	\$7.80 \$7.70 \$7.05 \$6.60	Dec. 03 Jul. 02 May 04 Jan. 03	None 1-5 yr. None None
342 Allerton, South San Francisco	\$53,290 \$1.03/100	4	69,312	19,751 9,720 30,953 8,888	\$7.20 \$8.74 \$7.28 \$9.36	Mar. 00 Mar. 02 M-T-M Aug. 02	None None None None
301 East Grand, South San Francisco	\$32,929 \$1.03/100	3	57,846	26,240 14,400 17,206	\$7.80 \$5.52 \$4.68	Jun. 03 Oct. 99 Dec. 03	None None None
Fourier Avenue, Fremont	\$118,423 \$1.06/100	1	104,400	104,400	\$8.99	Apr. 04	None
Lundy Avenue, San Jose	\$60,020 \$1.09/100	1	60,428	49,342	\$7.02	Dec. 98	1-5 yr.
115 Mason Circle, Concord	\$18,538 \$1.03/100	5	35,000	5,833 5,832 8,154 7,296 7,885	\$5.31 \$6.55 \$7.20 \$7.20 \$6.36	Jan. 00 Dec. 98 Aug. 02 Nov. 98 Apr. 99	None 1-3 yr. None 1-3 yr. None
47600 Westinghouse Drive, Fremont	\$17,800 \$1.06/100	1	24,030	24,030	\$10.56	Oct. 03	1-3 yr.
860-870 Napa Valley Corporate Way, Napa	\$82,667 \$1.03/100	3	67,775	13,111 7,558 8,474	\$10.05 \$10.19 \$9.96	Dec. 00 Sep. 01 Dec. 99	1-5 yr. None None
47633 Westinghouse Drive, Fremont	\$53,524 \$1.06/100	1	50,088	50,088	\$11.83	Oct. 03	1-3 yr.
47513 Westinghouse Drive, Fremont	\$14,495 \$1.06/100	2	65,385	35,132 30,253	\$14.76 \$13.80	Feb. 05 Feb. 04	1-5 yr. 1-5 yr.
Bordeaux Centre, Napa	\$104,379 \$1.03/100	2	150,000	22,075 16,076	\$7.38 \$7.07	Nov. 07 Nov. 07	2-5 yr. 1-5 yr.
O'Toole Business Center, San Jose	\$117,218 \$1.09/100	0	122,320	N/A	N/A	N/A	N/A
Doherty Avenue, Modesto	\$55,734 \$1.06/100	1	251,308	251,308	\$1.89	Dec. 06	None
6500 Kaiser Drive, Fremont	\$155,400 \$1.06/100	1	78,611	78,611	\$9.00	Sep. 04	2-5 yr.
Bedford Fremont Business Center, Fremont	\$205,403 \$1.06/100	1	146,509	71,532	\$14.28	Jul. 03	1-3 yr.

Spinnaker Court, Fremont	\$161,212 \$1.06/100	2	98,500	69,230 29,270	\$8.10 \$8.59	Mar. 00 Mar. 00	None None
2277 Pine View Way, Petaluma	\$115,103 \$1.09/100	1	120,480	120,480	\$6.91	Mar. 07	2-5 yr.
The Mondavi Building, Napa	\$133,256 \$1.03/100	1	120,157	120,157	\$4.92	Sep. 12	1-5 yr.
Monterey Commerce Center 2, Monterey	\$22,667 \$1.00/100	1	28,020	28,020	\$14.64	Dec. 00	1-3 yr.
Monterey Commerce Center 3, Monterey	\$22,367 \$1.00/100	3	24,240	3,817 3,050 17,373	\$13.68 \$12.96 \$15.96	Jul. 01 Nov. 00 Oct. 00	1-5 yr. 2-3 yr. None
Parkpoint Business Center, Santa Rosa	\$64,350 \$1.08/100	3	67,869	8,767 7,894 17,505	\$14.40 \$14.74 \$14.40	Oct. 02 Oct. 01 Mar. 03	1-5 yr. 1-5 yr. 1-5 yr.
2180 McDowell, Petaluma	\$15,841 \$1.09/100	2	43,083	35,014 8,069	\$8.55 \$7.56	Apr. 06 Jul. 05	3-5 yr. None
2190 S. McDowell, Petaluma	\$12,029 \$1.09/100	2	32,719	17,131 15,588	\$8.45 \$7.90	Mar. 04 Apr. 06	1-5 yr. 2-5 yr.
Southern California Dupont Industrial Center, Ontario	\$205,668 \$1.04/100	1	451,192	183,244	\$2.88	Jan. 07	2-5 yr.
3002 Dow Business Center, Tustin	\$184,992 \$1.02/100	0	192,125	N/A	N/A	N/A	N/A
Carroll Tech I, San Diego	\$21,408 \$1.12/100	1	21,936	21,936	\$3.17	Nov. 05	2-3 yr.
Vista 1, Vista	\$34,012 \$1.04/100	0	42,508	N/A	N/A	N/A	N/A
Vista 2, Vista	\$50,781 \$1.04/100	1	47,550	47,550	\$6.88	Sep. 01	2-5 yr.
Signal Systems Building, San Diego	\$97,422 \$1.02/100	1	109,780	109,780	\$10.20	Aug. 06	None
Carroll Tech II, San Diego	\$34,933 \$1.11/100	1	37,586	37,586	\$12.00	Dec. 01	None
2230 Oak Ridge Way, Vista	\$36,381 \$1.01/100	1	44,063	44,063	\$6.36	Aug. 04	2-5 yr.
5502 Oberlin Drive, San Diego	\$13,304 \$1.11/100	1	20,771	20,771	\$9.96	Mar. 03	1-5 yr.
6960 Flanders Drive, San Diego	\$19,049 \$1.11/100	1	33,144	33,144	\$9.60	May 03	1-5 yr.
Greater Kansas City Area Ninety Ninth Street #3, Lenexa	\$51,275 \$1.01/100	2	50,000	13,000 31,250	\$7.35 \$5.38	Dec. 03 May 03	1-5 yr. None
Lackman Business Center, Lenexa	\$54,806 \$1.01/100	3	45,956	5,510 5,132 5,320	\$13.00 \$9.97 \$7.95	Jan. 01 May 01 Jun. 99	1-3 yr. None None
Ninety-Ninth Street #1, Lenexa	\$40,627 \$1.01/100	2	35,516	19,019 13,305	\$8.33 \$7.25	Sep. 00 Oct. 02	1-3 yr. None
Ninety-Ninth Street #2, Lenexa	\$23,674 \$1.01/100	1	12,974	12,974	\$8.62	Oct. 04	None
Ninety Ninth Street #4, Lenexa	\$74,698 \$1.01/100	3	68,831	19,540 19,316 14,751	\$5.75 \$5.85 \$7.37	Feb. 01 Feb. 03 Sep. 02	1-3 yr. 1-3 yr. None
Panorama Business Center, Kansas City	\$111,956 \$9.28/100	2	103,457	12,491 12,951	\$5.95 \$5.15	Jul. 01 Feb. 01	None None
17725 W. 85th Street, Lenexa	\$108,997 \$1.01/100	1	171,642	171,642	\$3.20	Nov. 01	1-5 yr.
Colorado Bryant Street Quad, Denver	\$82,173 \$8.08/100	3	155,536	17,440 20,726	\$4.25 \$3.30	Apr. 02 Feb. 01	None 1-5 yr.

				16,055	\$3.80	Feb. 02	1-3 yr.
Bryant Street Annex, Denver	\$29,241 \$8.08/100	2	55,000	42,148 12,852	\$4.25 \$3.90	Nov. 00 Mar. 00	3-1 yr. None
Greater Portland Area							
Twin Oaks Technology Center, Beaverton	\$63,292 \$1.44/100	3	95,519	11,460 10,069 9,732	\$5.76 \$5.96 \$9.36	Nov. 01 N/A Feb. 03	None None 1-5 yr.
Twin Oaks Business Park, Beaverton	\$40,466 \$1.44/100	4	66,339	7,633 6,702 14,522 11,475	\$9.60 \$9.00 \$10.67 \$7.84	Nov. 02 Feb. 00 Jul. 99 Oct. 00	None None 1-3 yr. 1-3 yr.
Arizona							
Westech Business Center, Phoenix	\$82,013 \$13.30/100	0	143,940	N/A	N/A	N/A	N/A
Westech II, Phoenix	\$67,798 \$9.18/100	3	80,878	14,615 11,819 11,739	\$8.52 \$8.97 \$7.80	Oct. 04 Nov. 02 Nov. 02	None 1-2 yr. 1-2 yr.
2601 W. Broadway, Tempe	\$54,535 \$12.89/100	1	44,244	44,244	\$7.14	Jan. 07	2-5 yr.
Phoenix Airport Center #2, Phoenix	\$55,305 \$13.31/100	1	35,768	35,768	\$7.20	Aug. 01	None
Phoenix Airport Center #3, Phoenix	\$47,307 \$13.31/100	1	55,122	55,122	\$6.36	Jul. 01	None
Phoenix Airport Center #4, Phoenix	\$28,053 \$13.31/100	1	30,504	30,504	\$7.80	Jun. 00	None
Phoenix Airport Center #5, Phoenix	\$70,795 \$13.31/100	1	60,000	60,000	\$8.68	Sep. 02	None
Butterfield Business Center, Tucson	\$77,194 \$12.42/100	3	95,746	50,000 14,982 22,002	\$7.92 \$2.60 \$8.61	Aug. 04 Aug. 04 Jun. 01	3-5 yr. 2-5 yr. None
Cimarron Business Park, Scottsdale	\$129,369 \$12.76/100	2	94,800	13,800 9,510	\$9.93 \$8.76	Mar. 04 Sep. 00	None 1-4 yr.
Expressway Corporate Center	\$63,377.80 \$12.75/100	1	79,331	40,528	\$8.10	Mar. 03	None
Texas							
Ferrell Drive, Dallas	\$42,408 \$8.73/100	5	68,580	11,430 11,430 11,430 11,430 11,430	\$4.50 \$4.50 \$4.20 \$4.50 \$4.50	Jan. 00 M-T-M Feb. 00 Jul. 01 Apr. 99	1-5 yr. None None 1-5 yr. 1-3 yr.
Austin Braker 2, Austin	\$33,263 \$2.51/100	3	27,322	16,522 5,400 5,400	\$9.00 \$7.92 \$9.00	Jan. 03 Jan. 00 Feb. 03	1-3 yr. None None
Austin Rutland 10, Austin	\$50,208 \$2.51/100	5	54,000	7,200 7,200 7,200 7,200 14,400	\$6.96 \$6.84 \$5.40 \$7.20 \$5.40	Nov. 01 May 00 Sep. 02 Aug. 99 Dec. 02	2-3 yr. None None None None
Austin Southpark A, B, and C, Austin	\$95,019 \$2.51/100	4	78,276	13,550 11,957 9,813 8,100	\$8.52 \$7.32 \$8.64 \$8.64	Apr. 01 Feb. 00 Jun. 99 May 03	2-3 yr. None None 1-5 yr.
SUBURBAN OFFICE PROPERTIES							
Northern California							
Village Green, Lafayette	\$26,025 \$1.14/100	2	16,795	2,119 11,062	\$22.33 \$24.12	Aug. 99 Mar. 05	None None
100 View Street, Mountain View	\$58,665 \$1.08/100	3	42,141	5,490 12,112 9,875	\$20.88 \$18.60 \$23.09	Jul. 01 Mar. 99 Oct. 00	1-5 yr. 1-3 yr. None
Canyon Park, San Ramon	\$65,612 \$1.07/100	2	57,667	48,265 9,402	\$15.68 \$20.32	Feb. 00 Jan. 03	None None
Monterey Commerce Center 1, Monterey	\$61,307 \$1.00/100	4	50,031	5,809 7,000 16,088	\$20.64 \$18.96 \$19.80	Aug. 99 Mar. 03 Jul. 03	None 1-5 yr. 1-5 yr.

				5,046	\$19.80	Sep. 99	1-5 yr.
3880 Cypress Dr., Santa Rosa	\$20,584 \$1.09/100	1	35,100	35,100	\$13.08	May 07	1-5 yr.
Southern California Laguna Hills Square, Laguna	\$65,191 \$1.05/100	4	51,734	8,474 7,368 6,391 9,229	\$33.60 \$25.24 \$24.24 \$18.84	Jun. 02 Apr. 00 Sep. 00 Jun. 02	1-5 yr. 1-3 yr. 1-5 yr. 2-3 yr.
Carroll Tech III, San Diego	\$23,045 \$1.11/100	1	29,307	29,307	\$8.52	Dec. 98	1-5 yr.
Scripps Wateridge, San Diego	\$182,552 \$1.11/100	2	123,853	49,295 74,558	\$11.85 \$12.98	Jul. 06 Aug. 05	1-5 yr. 2-3 yr.
Greater Kansas City Area 6600 College Blvd., Overland Park	\$174,815 \$11.23/100	1	79,316	62,441	\$11.80	Dec. 99	None
Didde Building, Overland Park	\$48,745 \$11.23/100	3	20,168	10,962 3,667 2,132	\$19.50 \$15.75 \$17.50	Jan. 08 Jan. 02 Mar. 01	1-5 yr. None None
Colorado Oracle Building, Denver	\$261,122 \$13.32/100	2	90,712	10,043 77,090	\$18.00 \$24.00	Aug. 11 Sep. 03	4 yr. None
Texaco Building, Denver	\$528,534 \$10.56/100	1	237,055	237,055	\$18.05	Jan. 05	2-5 yr.
Salt Lake City Woodlands Tower II, Salt Lake City	\$131,142 \$1.18/100	2	114,352	54,500 17,797	\$16.44 \$17.50	Feb. 02 Jan. 01	1-5 yr. 1-3 yr.
Arizona Executive Center at Southbank, Phoenix	\$165,326 \$17.68/100	4	140,157	38,106 17,910 30,518 21,626	\$9.45 \$8.20 \$10.00 \$10.00	Apr. 02 Sep. 03 Jun. 01 Jul. 02	1-5 yr. 2-5 yr. 2-5 yr. 2-5 yr.
Troika Building, Tucson	\$105,641 \$16.90/100	1	52,000	52,000	\$10.00	Oct. 01	None
Phoenix Airport Center #1, Phoenix	\$32,785 \$13.31/100	5	32,460	11,990 4,527 4,449 4,041 4,502	\$10.95 \$15.00 \$17.55 \$18.33 \$12.00	Aug. 00 Mar. 01 Dec. 02 Jul. 01 Aug. 00	None None None None None
Cabrillo Executive Center, Phoenix	\$113,989 \$13.95/100	2	60,321	12,400 18,267	\$17.50 \$17.00	Aug. 01 Dec. 99	1-5 yr. 1-5 yr.
Greater Seattle Area Kenyon Center, Bellevue	\$171,902 \$1.16/100	1	94,840	94,840	\$11.61	Feb. 00	1-5 yr.
Orillia Office Park, Renton	\$262,365 \$1.32/100	1	334,255	334,255	\$9.35	Feb. 04	None
Adobe Systems Bldg. 1, Seattle	\$22,738 \$1.22/100	1	161,117	161,117	\$15.53	Jul. 10	2-5 yr.
Adobe Systems Bldg. 2, Seattle	\$11,063 \$1.22/100	1	136,111	93,211	\$15.53	Jul. 10	2-5 yr.
Texas 9737 Great Hills Trail, Austin	\$241,500 \$2.51/100	1	82,680	82,680	\$18.00	Dec. 01	1-5 yr.
Nevada U.S. Bank Centre, Reno	\$122,061 \$3.41/100	1	104,324	37,820	\$17.48	Apr. 00	2-5 yr.

</TABLE>

Average Base Rent

The following table sets forth for each of the Properties the average

rent at the end of each year for the last five years.

Average Base Rent (\$/Sq/Yr)		Average Base Rent (\$/Sq/Yr)	
Properties	At End of Year	Properties	At End of Year
INDUSTRIAL PROPERTIES:			
Northern California			
Building #3 at Contra Costa			
Diablo		350 East Plumeria Drive	
1994	\$8.35	1994	N/A
1995	\$4.95	1995	\$7.80
1996	\$6.64	1996	\$7.80
1997	\$6.84	1997	\$8.40
1998	\$6.84	1998	\$15.00
Building #8 at Contra Costa		Auburn Court	
Diablo			
1994	\$7.81	1994	N/A
1995	\$6.00	1995	\$6.54
1996	\$6.00	1996	\$6.78
1997	\$6.00	1997	\$7.80
1998	\$6.00	1998	\$10.62
Building #18 at Mason Industrial		47650 Westinghouse Drive	
Park			
1994	\$6.95	1994	N/A
1995	\$6.63	1995	\$5.52
1996	\$6.78	1996	\$5.52
1997	\$6.88	1997	\$9.00
1998	\$6.93	1998	\$9.60
Milpitas Town Center		417 Eccles	
1994	\$7.11	1994	N/A
1995	\$7.35	1995	\$5.71
1996	\$8.03	1996	\$6.01
1997	\$8.90	1997	\$6.36
1998	\$10.69	1998	\$7.68
598 Gibraltar Drive		410 Allerton	
1994	N/A	1994	N/A
1995	N/A	1995	\$5.16
1996	\$9.48	1996	\$5.16
1997	\$9.48	1997	\$5.16
1998	\$10.44	1998	\$6.60

Average Base Rent (\$/Sq/Yr)		Average Base Rent (\$/Sq/Yr)	
Properties	At End of Year	Properties	At End of Year
INDUSTRIAL PROPERTIES (continued):			
400 Grandview		47600 Westinghouse Drive	
1994	N/A	1994	N/A
1995	\$7.49	1995	N/A
1996	\$7.53	1996	\$5.94
1997	\$7.03	1997	\$10.20
1998	\$7.50	1998	\$10.56
342 Allerton		860-870 Napa Valley Corporate	
1994	N/A	1994	N/A
1995	\$6.88	1995	N/A
1996	\$7.18	1996	\$9.44
1997	\$7.57	1997	\$8.86
1998	\$7.73	1998	\$9.48
301 East Grand		47633 Westinghouse Drive	
1994	N/A	1994	N/A
1995	\$5.92	1995	N/A
1996	\$5.57	1996	\$11.37
1997	\$5.58	1997	\$11.60
1998	\$6.30	1998	\$11.83
Fourier Avenue		47513 Westinghouse Drive	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$8.99	1996	N/A
1997	\$8.99	1997	N/A
1998	\$8.99	1998	\$14.32
Lundy Avenue		Bordeaux Centre	
1994	N/A	1994	N/A

1995	N/A	1995	N/A
1996	\$7.09	1996	N/A
1997	\$7.09	1997	N/A
1998	\$7.36	1998	\$7.33

115 Mason Circle

1994	N/A
1995	N/A
1996	\$6.05
1997	\$6.22
1998	\$6.59

O'Toole Business Center

1994	N/A
1995	N/A
1996	\$8.75
1997	\$10.31
1998	\$13.81

Average Base Rent
(\$/Sq/Yr)

Properties At End of Year

Average Base Rent
(\$/Sq/Yr)

Properties At End of Year

INDUSTRIAL PROPERTIES (continued):

Doherty Avenue

1994	N/A
1995	N/A
1996	\$1.87
1997	\$1.88
1998	\$1.89

Monterey Commerce Center 2

1994	N/A
1995	N/A
1996	N/A
1997	\$14.16
1998	\$14.64

6500 Kaiser Drive

1994	N/A
1995	N/A
1996	N/A
1997	\$9.00
1998	\$9.60

Monterey Commerce Center 3

1994	N/A
1995	N/A
1996	N/A
1997	\$14.70
1998	\$15.22

Bedford Fremont Business Center

1994	N/A
1995	N/A
1996	N/A
1997	\$11.93
1998	\$14.63

Parkpoint Business Center

1994	N/A
1995	N/A
1996	N/A
1997	N/A
1998	\$15.19

Spinnaker Court

1994	N/A
1995	N/A
1996	N/A
1997	\$8.01
1998	\$8.25

2180 S. McDowell

1994	N/A
1995	N/A
1996	N/A
1997	N/A
1998	\$8.37

2277 Pine View Way

1994	N/A
1995	N/A
1996	N/A
1997	\$6.91
1998	\$6.91

2190 S. McDowell

1994	N/A
1995	N/A
1996	N/A
1997	N/A
1998	\$8.19

The Mondavi Building

1994	N/A
1995	N/A
1996	N/A
1997	\$4.92
1998	\$4.92

Average Base Rent
(\$/Sq/Yr)

Properties At End of Year

Average Base Rent
(\$/Sq/Yr)

Properties At End of Year

INDUSTRIAL PROPERTIES (continued):
Southern California

Dupont Industrial Center

1994	\$3.07
1995	\$3.17
1996	\$3.53
1997	\$3.40
1998	\$3.44

Signal Systems Building

1994	N/A
1995	N/A
1996	\$7.80
1997	\$8.11
1998	\$10.20

3002 Dow Business Center

1994	N/A
1995	\$8.88
1996	\$8.55
1997	\$8.32
1998	\$8.86

Carroll Tech II

1994	N/A
1995	N/A
1996	N/A
1997	\$11.52
1998	\$12.00

Carroll Tech I		2230 Oak Ridge Way	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$10.35	1996	N/A
1997	\$11.93	1997	N/A
1998	\$3.17	1998	\$6.49

Vista 1		5502 Oberlin Drive	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$5.16	1996	N/A
1997	\$0.00**	1997	N/A
1998	\$0.00	1998	\$9.96

Vista 2		6960 Flanders Drive	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$6.36	1996	N/A
1997	\$6.61	1997	N/A
1998	\$6.88	1998	\$9.60

**Bankruptcy

Average Base Rent (\$/Sq/Yr)	Average Base Rent (\$/Sq/Yr)
Properties At End of Year	Properties At End of Year

INDUSTRIAL PROPERTIES (continued):

Greater Kansas City Area

Ninety-Ninth Street #3	
1994	\$5.86
1995	\$5.86
1996	\$5.30
1997	\$6.08
1998	\$6.14

Ninety-Ninth Street #4	
1994	N/A
1995	N/A
1996	N/A
1997	N/A
1998	\$6.16

Lackman Business Center

1994	N/A
1995	\$8.36
1996	\$8.59
1997	\$8.77
1998	\$9.36

Panorama Business Center

1994	N/A
1995	N/A
1996	\$6.54
1997	\$6.70
1998	\$6.87

Ninety-Ninth Street #1

1994	N/A
1995	\$7.96
1996	\$8.32
1997	\$7.72
1998	\$7.89

17725 W. 85th Street

1994	N/A
1995	N/A
1996	N/A
1997	\$3.11
1998	\$3.20

Ninety-Ninth Street #2

1994	N/A
1995	\$7.56
1996	\$8.62
1997	\$8.62
1998	\$8.62

Colorado

Bryant Street Quad

1994	N/A
1995	\$3.09
1996	\$3.39
1997	\$3.82
1998	\$3.96

Bryant Street Annex

1994	N/A
1995	\$4.02
1996	\$3.93
1997	\$4.09
1998	\$4.17

Average Base Rent (\$/Sq/Yr)	Average Base Rent (\$/Sq/Yr)
Properties At End of Year	Properties At End of Year

INDUSTRIAL PROPERTIES (continued):

Greater Portland Area, Oregon

Twin Oaks Technology Center

1994	N/A
1995	\$7.27

Twin Oaks Business Park

1994	N/A
1995	\$7.75

1996	\$7.32	1996	\$8.35
1997	\$7.67	1997	\$8.86
1998	\$7.78	1998	\$8.87

Arizona

Westech Business Center		Phoenix Airport Center #4	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$8.85	1996	N/A
1997	\$9.44	1997	\$7.20
1998	\$9.99	1998	\$7.80

Westech II		Phoenix Airport Center #5	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	N/A	1997	\$7.21
1998	\$8.86	1998	\$8.68

2601 W. Broadway		Butterfield Business Center	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$7.14	1997	\$7.08
1998	\$7.14	1998	\$7.11

Phoenix Airport Center #2		Cimarron Business Park	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$7.20	1997	N/A
1998	\$7.20	1998	\$8.94

Phoenix Airport Center #3		Expressway Corporate Center	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$6.36	1997	N/A
1998	\$6.36	1998	\$8.21

	Average Base Rent		Average Base Rent
	(\$/Sq/Yr)		(\$/Sq/Yr)
Properties	At End of Year	Properties	At End of Year

INDUSTRIAL PROPERTIES (continued):

Texas		Austin Rutland 10	
Ferrell Drive			
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$4.55	1997	N/A
1998	\$4.62	1998	\$6.54

Austin Braker 2		Austin Southpark A, B and C	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	N/A	1997	N/A
1998	\$8.79	1998	\$8.38

SUBURBAN OFFICE PROPERTIES:

Northern California		Monterey Commerce Center 1	
Village Green			
1994	\$20.85	1994	N/A
1995	\$18.23	1995	N/A
1996	\$19.99	1996	N/A
1997	\$23.24	1997	\$20.12
1998	\$23.70	1998	\$19.78

100 View Street		3880 Cypress Drive	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$18.82	1996	N/A
1997	\$20.10	1997	N/A
1998	\$21.72	1998	\$13.08

Canyon Park	
1994	N/A
1995	N/A
1996	N/A
1997	\$15.92

1998 \$16.44

Average Base Rent (\$/Sq/Yr)		Average Base Rent (\$/Sq/Yr)	
Properties	At End of Year	Properties	At End of Year
SUBURBAN OFFICE PROPERTIES (continued): Southern California			
Laguna Hills Square		Scripps Wateridge	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$25.38	1996	N/A
1997	\$23.90	1997	\$11.41
1998	\$24.79	1998	\$12.53
Carroll Tech III			
1994	N/A		
1995	N/A		
1996	N/A		
1997	\$8.52		
1998	\$8.52		
Greater Kansas City Area			
6600 College Boulevard		Didde Building	
1994	N/A	1994	N/A
1995	\$12.01	1995	N/A
1996	\$11.99	1996	N/A
1997	\$12.28	1997	N/A
1998	\$12.35	1998	\$18.25
Colorado			
Oracle Building		Texaco Building	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$23.37	1997	N/A
1998	\$23.34	1998	\$18.05
Salt Lake City			
Woodlands Tower II			
1994	\$14.47		
1995	\$14.25		
1996	\$14.58		
1997	\$15.86		
1998	\$16.75		
Average Base Rent (\$/Sq/Yr)		Average Base Rent (\$/Sq/Yr)	
Properties	At End of Year	Properties	At End of Year
Arizona			
Executive Center at Southbank		Phoenix Airport Center #1	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$9.23	1997	\$13.81
1998	\$9.46	1998	\$13.69
Troika Building		Cabrillo Executive Center	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$9.00	1997	N/A
1998	\$10.00	1998	\$16.64
Greater Seattle Area			
Kenyon Center		Adobe Systems Bldg. 1	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	\$11.61	1996	N/A
1997	\$11.61	1997	N/A
1998	\$11.61	1998	\$15.53
Orillia Office Park		Adobe Systems Bldg. 2	
1994	N/A	1994	N/A
1995	N/A	1995	N/A
1996	N/A	1996	N/A
1997	\$9.35	1997	N/A
1998	\$9.35	1998	\$22.04
Texas			
9737 Great Hills Trail			

1994	N/A
1995	N/A
1996	N/A
1997	\$18.00
1998	\$18.00

Nevada

U. S. Bank Centre

1994	N/A
1995	N/A
1996	N/A
1997	\$18.59
1998	\$18.76

Tax Information

The following table sets forth tax information of the Company's real estate investments at December 31, 1998, as follows: (i) Federal tax basis, (ii) annual rate of depreciation, (iii) method of depreciation, and (iv) life claimed, with respect to each property or component thereof for purposes of depreciation (in thousands):

	<C> Federal Tax Basis	<C> Annual Rate of Depreciation	<C> Depreciation Method	<C> Life In Years
<TABLE>				
<S>				
Depreciable assets				
INDUSTRIAL PROPERTIES				
Northern California	3,784	3.18%	Straight Line	31.5
	109,201	2.56%	Straight Line	39.0
	112,985			
Southern California	35,790	2.56%	Straight Line	39.0
Greater Kansas City Area	2,132	3.18%	Straight Line	31.5
	14,286	2.56%	Straight Line	39.0
	16,418			
Colorado	3,283	2.56%	Straight Line	39.0
Greater Portland Area	8,540	2.56%	Straight Line	39.0
Arizona	27,199	2.56%	Straight Line	39.0
Texas	11,015	2.56%	Straight Line	39.0
Total depreciable assets for industrial properties	215,230			
SUBURBAN OFFICE PROPERTIES				
Northern California	17,667	2.56%	Straight Line	39.0
Southern California	18,114	2.56%	Straight Line	39.0
Greater Kansas City Area	5,451	2.56%	Straight Line	39.0
Colorado	45,260	2.56%	Straight Line	39.0
Salt Lake City	6,553	2.56%	Straight Line	39.0
Arizona	26,198	2.56%	Straight Line	39.0
Greater Seattle Area	78,801	2.56%	Straight Line	39.0
Texas	7,089	2.56%	Straight Line	39.0
Nevada	10,533	2.56%	Straight Line	39.0
Total depreciable assets for suburban office properties	215,666			
	430,896			
</TABLE>				

For additional information on the Company's real estate portfolio, see Note 2 to the Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

Not applicable.

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

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Common Stock of the Company trades on the New York Stock Exchange and the Pacific Exchange under the symbol "BED." As of December 31, 1998 the Company had 869 stockholders of record. A significant number of these stockholders are also nominees holding stock in street name for individuals. The following table shows the high and low sale prices per share reported on the New York Stock Exchange and the dividends declared per share by the Company on the Common Stock for each quarterly period during 1997 and 1998.

	High	Low	Dividend Per Share
1997			
First Quarter	\$21 1/4	\$16 5/8	\$.26
Second Quarter	\$20 1/8	\$17	\$.27
Third Quarter	\$22	\$19	\$.30
Fourth Quarter	\$22 7/8	\$19 3/16	\$.30
1998			
First Quarter	\$22	\$19 3/16	\$.30
Second Quarter	\$20	\$17 7/16	\$.33
Third Quarter	\$20 1/8	\$15	\$.33
Fourth Quarter	\$18 3/4	\$15 3/4	\$.36

Credit Facility

In June 1998, the Company amended and restated its secured revolving credit facility with Bank of America. Under this facility, which matures June 15, 2001, the Company can borrow up to \$175 million on a secured basis. The facility contains an unsecured sub-line of \$50 million. Secured loans bear interest at a floating rate equal to either the lender's published "reference rate" or LIBOR plus a margin ranging from 1.10% to 1.35% (depending on leverage levels). The interest rate of the unsecured loans is either the lender's published "reference rate" or LIBOR plus a margin of 1.50%. The credit facility contains various restrictive covenants including, among other things, a covenant limiting quarterly dividends to 95% of average Funds From Operations. During the first quarter of 1999, the Company entered into discussions with Bank of America regarding a bridge facility of \$28 million. This facility would consist of secured loans, bear the same interest rates as the secured loans under the \$175 million facility and have a six-month term with the option to extend for another six months.

ITEM 6. SELECTED FINANCIAL DATA

Following is a table of selected financial data of the Company for the last five years (which should be read in conjunction with the discussion under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes thereto contained herein):

(in thousands of dollars, except per share data)

<TABLE> <S>	<C> 1998	<C> 1997	<C> 1996	<C> 1995	<C> 1994
Operating Data:					
Rental income	\$ 73,451	\$ 46,377	\$ 27,541	\$ 11,695	\$ 9,154
Net income	31,496	31,291	11,021	2,895	3,609
Net income applicable to common stockholders	31,496	27,791	6,516	1,607	3,609
Per common share - assuming dilution					
Income before gain or loss on sale of real estate investments	\$ 1.38	\$ 1.23	\$ 1.09	\$ 1.14	\$ 0.79
Net income	\$ 1.38	\$ 1.94	\$ 1.14	\$ 0.52	\$ 1.17

Balance Sheet Data:						
Real estate investments	\$ 581,458	\$ 423,086	\$ 224,501	\$ 128,964	\$ 55,053	
Bank loan payable	147,443	8,216	46,097	43,250	22,400	
Mortgage loans payable	80,116	60,323	51,850	-	-	
Redeemable preferred shares	-	-	50,000	50,000	-	
Common and other stockholders' equity	347,589	346,426	73,756	32,435	36,932	
Other Data:						
Net cash provided by operating activities	\$ 38,949	\$ 25,041	\$ 14,378	\$ 4,898	\$ 2,716	
Net cash used by investing activities	168,018	180,358	96,964	73,259	19,720	
Net cash provided by financing activities	128,994	155,350	82,887	64,655	16,807	
Funds From Operations(1)	42,312	25,582	13,645	5,021	3,622	
Dividends declared per share	\$ 1.32	\$ 1.13	\$ 1.00	\$ 0.82	\$ 0.71	

(1) Management considers Funds From Operations to be one measure of the performance of an equity REIT. Funds From Operations is used by financial analysts in evaluating REITs and can be one measure of a REIT's ability to make cash distributions. Presentation of this information provides the reader with an additional measure to compare the performance of REITs. Funds From Operations generally is defined by NAREIT as net income (loss) (computed in accordance with generally accepted accounting principles), excluding gains (losses) from debt restructurings, sales of property, and non-recurring items, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Funds From Operations was computed by the Company in accordance with this definition. Funds From Operations does not represent cash generated by operating activities in accordance with generally accepted accounting principles; it is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to net income (loss) as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. Further, Funds From Operations as disclosed by other REITs may not be comparable to the Company's calculation of Funds From Operations.

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

Overview

The following should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto, all of which are included herein.

When used in this annual report, the words "believes," "anticipates" and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties which could cause actual results to differ materially from those projected, including, but not limited to, those set forth in the sections entitled "Potential Factors Affecting Future Operating Results" and "Market Risk" below. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Results of Operations

The Company's operations consist of owning and operating industrial and suburban office properties located primarily in the Western United States.

Increases in revenues, expenses, net income and cash flows in the years compared below were due primarily to the acquisition, development and sale of operating properties as follows:

	1998	1997	1996			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	Number of Properties	Square Feet	Number of Properties	Square Feet	Number of Properties	Square Feet
Acquisitions						
Industrial	10	531,000	13	1,091,000	13	1,251,000
Office	6	650,000	13	1,199,000	3	189,000
	16	1,181,000	26	2,290,000	16	1,440,000

Development						
Industrial	-	-	4	365,000	1	45,000
Sales						
Industrial	-	-	-	-	2	186,000
Office	-	-	2	213,000	-	-
Retail	-	-	1	84,000	-	-
	-	-	3	297,000	2	186,000

</TABLE>

Comparison of 1998 to 1997

Income from Property Operations

Income from property operations (defined as rental income less rental expenses) increased \$16,108,000 or 54% in 1998 compared with 1997. This is due to an increase in rental income of \$27,074,000 offset by an increase in rental expenses (which include operating expenses, real estate taxes and depreciation and amortization) of \$10,966,000.

The increase in rental income and expenses is primarily attributable to the acquisition and development of real estate investments during 1998 and 1997. This acquisition and development activity increased rental income and rental expenses in 1998 by \$24,964,000 and \$10,133,000, respectively, as compared to 1997. The remaining increase in rental income of \$5,226,000 is due primarily to overall increases in property rental rates, while the remaining increase in rental expenses of \$2,113,000 is due primarily to increases in property tax assessments, landscaping costs and other property operating expenses. These increases were partially offset by the sales of two office properties and one retail property in 1997, which resulted in a reduction in rental income and rental expenses in 1998 of \$3,116,000 and \$1,280,000, respectively, as compared to 1997.

Expenses

Interest expense, which includes amortization of loan fees, increased \$3,246,000 or 41% in 1998 compared with 1997. The increase is attributable to the Company's higher level of borrowings to finance the acquisition and development of properties in 1998, and higher financing costs incurred in connection with its credit facility and mortgage loans. The amortization of loan fees was \$1,013,000 and \$816,000 for 1998 and 1997, respectively. General and administrative expense increased \$1,049,000 or 45% from \$2,337,000 in 1997 to \$3,386,000 in 1998. The 1998 general and administrative expenses included costs of \$434,000 related to the Company exploring strategic alternatives including selling its portfolio of properties. Such discussions were terminated in the fourth quarter of 1998. Excluding these costs, general and administrative expenses increased 26% in 1998 compared with 1997, primarily the result of managing a larger real estate portfolio. The 1997 general and administrative expenses included \$250,000 alternative minimum tax expense the Company incurred on the retention and reinvestment of gains on property sales.

Gain on Sale

In July 1997, the Company sold two of its Southern California office properties for a combined sales price of approximately \$25,800,000, which resulted in a gain of \$10,785,000. In October 1997, the Company sold Academy Place Shopping Center in Colorado Springs, Colorado for a sale price of approximately \$7,500,000, which resulted in a gain of approximately \$748,000. Net operating loss carryforward was utilized to offset substantially all of the 1997 taxable income remaining after the deduction of dividends paid in 1997.

Dividends

The 1998 quarterly dividend declared for each share of common stock was \$0.30 for the first quarter, \$0.33 for the second and third quarters, and \$0.36 for the fourth quarter. Consistent with the Company's policy, dividends are paid in the quarter after the quarter in which they are declared.

Comparison of 1997 to 1996

Income from Property Operations

Income from property operations (defined as rental income less rental expenses) increased \$13,268,000 or 80% in 1997 compared with 1996. This is due to an increase in rental income of \$18,836,000, offset by an increase in rental expenses (which include operating expenses, real estate taxes and depreciation and amortization) of \$5,568,000.

The increase in rental income and expenses is primarily attributable to the acquisition of real estate investments during 1997 and 1996. This acquisition activity increased rental income and rental expenses in 1997 by \$21,545,000 and \$7,055,000, respectively, as compared to 1996. This increase was partially offset by the sales of two office properties and one retail property in 1997 and two industrial properties in 1996, which generated a reduction in rental income and rental expenses in 1997 of \$3,256,000 and \$1,779,000, respectively, as compared to 1996.

Expenses

Interest expense, which includes amortization of loan fees, increased \$3,571,000 or 82% in 1997 compared with 1996. The increase is attributable to the Company's higher level of borrowings to finance the acquisition of properties in 1997, and higher financing costs incurred in connection with its credit facility and mortgage loans. The amortization of loan fees was \$816,000 and \$650,000 for 1997 and 1996, respectively. General and administrative expenses increased \$585,000 or 33% in 1997 compared with 1996, as a result of managing a larger real estate portfolio and as a result of the \$250,000 alternative minimum tax expense the Company incurred in 1997 on the retention and reinvestment of gains on property sales.

Gain on Sale

In July 1997, the Company sold two of its Southern California office properties for a combined sales price of approximately \$25,800,000, which resulted in a gain of \$10,785,000. In October 1997, the Company sold Academy Place Shopping Center in Colorado Springs, Colorado for a sale price of approximately \$7,500,000, which resulted in a gain of approximately \$748,000. Net operating loss carryforward was utilized to offset substantially all of the 1997 taxable income remaining after the deduction of dividends paid in 1997. In April 1996, the Company sold 3.6 acres of land adjacent to its suburban office property in Utah for \$1,000,000, receiving \$950,000 in cash and a \$50,000 note. The 10% interest bearing note was paid in April 1997. The sale resulted in a gain of \$359,000. In December 1996, the Company sold two industrial properties in St. Paul, Minnesota for a cash price of \$6,705,000. The sale resulted in a gain of \$47,000.

Dividends

The 1997 quarterly dividend declared for each share of common stock was \$0.26 for the first quarter, \$0.27 for the second quarter, and \$0.30 for the third and fourth quarters. Consistent with the Company's policy, dividends are paid in the quarter after the quarter in which they are declared. In addition, the Company declared a quarterly dividend of \$1,125,000 in each of the first two quarters of 1997 and \$1,250,000 for the third quarter of 1997 on the Series A Convertible Preferred Stock. The preferred shares were converted into 4,166,667 shares of common stock on October 15, 1997.

Financial Condition

Total assets of the Company at December 31, 1998 increased by \$164,421,000 compared with December 31, 1997, primarily as a result of an increase in real estate investments of \$167,910,000. Total liabilities at December 31, 1998 increased by \$163,386,000 compared with December 31, 1997, primarily as a result of the increase in bank and mortgage loan borrowings made in support of property acquisitions and development.

Liquidity and Capital Resources

In June 1998, the Company amended and restated its secured revolving credit facility with Bank of America. Under this facility, which matures June 15, 2001, the Company can borrow up to \$175 million on a secured basis. The facility contains an unsecured sub-line of \$50 million. Secured loans bear interest at a floating rate equal to either the lender's published "reference rate" or LIBOR plus a margin ranging from 1.10% to 1.35%. The interest rate of the unsecured loans is either the lender's published "reference rate" or LIBOR plus a margin of 1.50%. As of December 31, 1998, the Company was in compliance with the covenants and requirements of its revolving credit facility which had an outstanding balance of \$147,443,000 and an effective interest rate of 6.48%. During the first quarter of 1999, the Company entered into discussions with Bank of America regarding a bridge facility of \$28 million. This facility would consist of secured loans, bear the same interest rates as the secured loans under the \$175 million facility and have a six-month term with the option to extend for another six months.

The Company anticipates that the cash flow generated by its real estate investments and funds available under the above credit facility will be sufficient to meet its short-term liquidity requirements.

During the twelve months ended December 31, 1998, the Company's operating activities provided cash flow of \$38,949,000. Investing activities utilized cash of \$168,018,000 for real estate acquisitions. Financing activities provided net cash flow of \$128,994,000 consisting of the proceeds from bank borrowings and mortgage loans of \$179,181,000 and net proceeds from the exercise of stock options of \$1,367,000, offset by repayment of bank borrowings and mortgage loans of \$20,996,000, payment of dividends and distributions of \$28,615,000, and redemption of partnership units of \$128,000. Net cash flow was also offset by the repurchase of 111,375 shares of common stock at an average purchase price of \$16.30 per share during the fourth quarter of 1998.

The Company expects to fund the cost of acquisitions, capital expenditure costs associated with lease renewals and reletting of space, repayment of indebtedness, and development of properties from (i) cash flow from operations, (ii) borrowings under the credit facility and, if available, other indebtedness (which may include indebtedness assumed in acquisitions), (iii) the sale of certain real estate investments, and (iv) the sale of equity securities and, possibly, the issuance of equity securities in connection with acquisitions.

The ability to obtain mortgage loans on income producing property is dependent upon the ability to attract and retain tenants and the economics of the various markets in which the properties are located, as well as the willingness of mortgage-lending institutions to make loans secured by real property. The ability to sell real estate investments is partially dependent upon the ability of purchasers to obtain financing at commercially reasonable rates.

Potential Factors Affecting Future Operating Results

Many factors affect the Company's actual financial performance and may cause the Company's future results to be markedly outside of the Company's current expectations. These factors include the following:

Interest Rate Fluctuations

At the present time, borrowings under the Company's credit facility bear interest at a floating rate. The Company recognizes that its results from operations may be negatively impacted by future increases in interest rates and substantial additional borrowings to finance property acquisitions.

Lease Renewals

While the Company has historically been successful in renewing and reletting space, the Company is subject to the risk that certain leases expiring in 1999 and beyond may not be renewed, or the terms of renewal may be less favorable to the Company than current lease terms. The Company expects to incur costs in making improvements or repairs to its portfolio of properties required by new or renewing tenants and expects to incur expenses associated with brokerage commissions payable in connection with the reletting of space.

Inflation

Most of the leases require the tenants to pay their share of operating expenses, including common area maintenance, real estate taxes and insurance, thereby reducing the Company's exposure to increases in costs and operating expenses resulting from inflation. Inflation, however, could result in an increase in the Company's borrowing costs.

Government Regulations

The Company's properties are subject to various federal, state and local regulatory requirements such as local building codes and other similar regulations. The Company believes its properties are currently in substantial compliance with all applicable regulatory requirements, although expenditures at its properties may be required to comply with changes in these laws. No material expenditures are contemplated at this time in order to comply with any such laws or regulations.

Under various federal, state and local laws, ordinances and regulations, an owner or operator of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances released on, above, under, or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of such removal or remediation could be substantial.

Additionally, the presence of such substances or the failure to properly remediate such substances may adversely affect the owner's ability to borrow using such real estate as collateral.

The Company believes that it is in compliance in all material respects with all federal, state and local laws regarding hazardous or toxic substances, and the Company has not been notified by any governmental authority of any non-compliance or other claim in connection with any of its present or former properties. Accordingly, the Company does not currently anticipate that compliance with federal, state and local environmental protection regulations will have any material adverse impact on the financial position, results of operations or liquidity of the Company. There can be no assurance, however, that future discoveries or events at the Company's properties, or changes to current environmental regulations, will not result in such a material adverse impact.

Financial Performance

Management considers Funds From Operations (FFO) to be one measure of the performance of an equity REIT. FFO during the three and twelve months ended December 31, 1998 amounted to \$11,666,000 and \$42,312,000, respectively. During the same periods in 1997, FFO amounted to \$8,092,000 and \$25,582,000, respectively. Funds From Operations is used by financial analysts in evaluating REITs and can be one measure of a REIT's ability to make cash distributions. Presentation of this information provides the reader with an additional measure to compare the performance of REITs. Funds From Operations generally is defined by the National Association of Real Estate Investment Trusts as net income (loss) (computed in accordance with generally accepted accounting principles), excluding gains (losses) from debt restructurings, sales of property and non-recurring items, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Funds From Operations was computed by the Company in accordance with this definition. Funds From Operations does not represent cash generated by operating activities in accordance with generally accepted accounting principles; it is not necessarily indicative of cash available to fund cash needs and should not be considered as an alternative to net income (loss) as an indicator of the Company's operating performance or as an alternative to cash flow as a measure of liquidity. Further, Funds From Operations as disclosed by other REITs may not be comparable to the Company's calculation of Funds From Operations.

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	1998	1997	1998	1997

Funds From Operations (in thousands):

Net Income	\$ 8,243	\$ 6,995	\$31,496	\$31,291
Add Back:				
Depreciation and Amortization	2,958	1,814	10,265	5,716
Minority Interest	31	29	117	108
Non-recurring Portfolio Disposition Costs (1)	434	-	434	-
Less Gain on Sale	-	(746)	-	(11,533)
Funds From Operations	\$11,666	\$ 8,092	\$42,312	\$25,582

(1) In the second quarter of 1998, the Company engaged Lehman Brothers, Inc. as financial advisor to assist the Company in the exploration of strategic alternatives, which included the potential sale of the Company's operating portfolio. Due to changes in the real estate market, the Company abandoned its plan to sell its operating portfolio and expensed all related costs.

Year 2000 Compliance

In 1997 the Company purchased and put in place new information system hardware and software to accommodate the rapid growth of its real estate portfolio. The Company believes the new information system hardware and software is Year 2000 compliant. In addition, the Company has evaluated Year 2000 compliance risk relative to operations of its rental properties, and retained the services of a team of consultants. Since January 1998, these consultants have been conducting a survey of the Company's outside relationships (e.g., tenants, vendors and creditors) to assess their state of readiness in regards to Year 2000 compliance. The survey indicates that a majority of these parties' information systems are or will be Year 2000 compliant. In addition, the Company is performing a detailed Information Technology review of its key outside relationships. As of December 31, 1998, the Company has spent \$10,000 on surveys and systems reviews and expects to spend approximately \$20,000 in 1999. The Company is in the process of developing a contingency plan in the event of non-compliance. The Company believes that Year 2000 compliance will not have a material impact on the Company's financial statements.

ITEM 7A. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to interest rate changes primarily as a result of its line of credit and long-term debt used to maintain liquidity and fund capital expenditures and expansion of the Company's real estate investment portfolio and operations. The Company's interest rate risk management objective is to limit the impact of interest rate changes on earnings and cash flows and to lower its overall borrowing costs. To achieve its objectives the Company balances its borrowings between fixed and variable rate debt. The Company does not enter into derivative or

interest rate transactions for speculative purposes.

The Company's interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts, weighted average interest rates, fair values and other terms required by year of expected maturity to evaluate the expected cash flows and sensitivity to interest rate changes (in thousands):

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	1999	2000	2001	2002	2003	Thereafter	Total	Fair Value
Fixed rate debt	\$ 1,315	\$ 1,415	\$ 1,524	\$ 24,103	\$ 23,608	\$ 26,354	\$ 78,319	\$ 79,504
Average interest rate	7.37%	7.38%	7.38%	7.49%	7.04%	7.49%	7.35%	7.00%
Variable rate LIBOR debt	-	-	\$147,443	-	-	-	\$ 147,443	\$147,443
Average interest rate	-	-	6.48%	-	-	-	6.48%	6.48%
Variable rate prime debt	\$ 1,797	-	-	-	-	-	\$ 1,797	\$ 1,797
Average interest rate	8.00%	-	-	-	-	-	8.00%	8.00%

As the table incorporates only those exposures that exist as of December 31, 1998, it does not consider those exposures or positions which could arise after that date. Moreover, because firm commitments are not presented in the table above, the information presented therein has limited predictive value. As a result, the Company's ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, the Company's hedging strategies at that time, and interest rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

None.

PART III

The information required by Items 10 through 13 of Part III is incorporated by reference from the Registrant's Proxy Statement which will be mailed to stockholders in connection with the Registrant's annual meeting of stockholders scheduled to be held on May 13, 1999.

PART IV

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

A. 1. Financial Statements

Independent Auditors' Report.

The following consolidated financial statements of the Company and its subsidiaries are included in Item 8 of this report:

Consolidated Balance Sheets as of December 31, 1998 and 1997.

Consolidated Statements of Income for the years ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1997 and 1996.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules

Schedule III - Real Estate and Accumulated Depreciation

All other schedules have been omitted as they are not applicable, or not required or because the information is given in the Consolidated Financial Statements or related Notes to Consolidated Financial Statements.

3. Exhibits

Exhibit No. List of Exhibits

- 3.1 Charter of the Company, as amended, is incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-2, Registration No. 333-921.
- 3.2 Amended and Restated Bylaws of the Company are incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- 10.1 The Company's Automatic Dividend Reinvestment and Share Purchase Plan, as adopted by the Company, is incorporated herein by reference to Exhibit 4.1 to Amendment No. 2 to Registration Statement No. 2-94354 of ICM Property Investors Incorporated.
- 10.4 Second Amended and Restated Credit Agreement dated as of June 26, 1996, by and between the Company, as Borrower, Bank of America National Trust and Savings Association and the several financial institutions (the "Banks") is incorporated herein by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.
- 10.5 Sale and Option Agreement dated as of August 26, 1995, by and between Kemper Investors Life Insurance Company, on behalf of itself and Participants (as defined therein), as Lender, the Company, as Purchaser, and Tustin Properties, as Owner, for 3002 Dow Business Center is incorporated herein by reference to Exhibit 10.19 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- 10.6 BPIA Agreement dated as of January 1, 1995, by and between Westminster Holdings, Inc., a California corporation and the Company is incorporated herein by reference to Exhibit 10.14 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- 10.7 Employment Agreement made as of February 17, 1993, by and between ICM Property Investors Incorporated and Peter B. Bedford is incorporated by reference to Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, as amended by Form 10-K/A filed on May 1, 1995, and Form 10-K/A-2 filed on August 8, 1995.
- 10.8 Amendment No. 1 to Employment Agreement dated as of September 18, 1995, by and between Peter B. Bedford and the Company is incorporated herein by reference to Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995.
- 10.12 Purchase and Sale Agreement dated as of October 19, 1995, between Landsing Pacific Fund, Inc., a Maryland corporation as Seller, and the Company, the Buyer, as amended, is incorporated herein by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on December 27, 1995.
- 10.13 Amended and Restated Promissory Note date May 24, 1996 executed by the Company and payable to the order of Prudential Insurance Company of America is incorporated herein by reference to Exhibit 10.13 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996.

- 10.14 Loan Agreement dated as of December 24, 1996 between Bedford Property Investors, Inc. as Borrower and Union Bank of California, N.A. as Lender is incorporated herein by reference to Exhibit 10.14 to the Company's Form 10-K for the year ended December 31, 1996.
- 10.15 Loan Agreement dated as of January 30, 1998 between Bedford Property Investors, Inc. as Borrower and Prudential Insurance Company of America as Lender is incorporated herein by reference to Exhibit 10.15 to the Company's Form 10-K for the year ended December 31, 1997.
- 10.16 The Company's Amended and Restated Employee Stock Plan is incorporated herein by reference to Exhibit 10.16 to the Company's Form 10-K for the year ended December 31, 1997.
- 10.17 Form of Employee Stock Plan Option Agreement between the Company and the Named Executive Officers under the Company's Amended and Restated Employee Stock Plan is incorporated herein by reference to Exhibit 10.17 to the Company's Form 10-K for the year ended December 31, 1997.
- 10.18 The Company's Amended and Restated 1992 Directors' Stock Option Plan is incorporated herein by reference to Exhibit 10.18 to the Company's Form 10-K for the year ended December 31, 1997.
- 10.19 Form of Retention Agreement is incorporated herein by reference to Exhibit 10.19 to the Company's Form 10-K for the year ended December 31, 1997.
- 10.20 Employment Agreement made as of August 4, 1997, by and between Bedford Property Investors Incorporated and Scott R. Whitney is incorporated herein by reference to Exhibit 10.20 to the Company's Form 10-K for the year ended December 31, 1997.
- 10.21 Employment Agreement made as of November 18, 1997, by and between Bedford Property Investors Incorporated and Dennis Klimmek is incorporated herein by reference to Exhibit 10.21 to the Company's Form 10-K for the year ended December 31, 1997.
- 10.22* Credit Agreement made as of February 26, 1999, by and between Bedford Property Investors Incorporated and Bank of America National Trust and Savings Association and the several financial institutions (the "Banks") as may be party thereto from time to time.
- 10.23* Revolving Note made as of March 5, 1999, by and between Bedford Property Investors Incorporated and Bank of America National Trust and Savings Association.
- 10.24* Revolving Note made as of March 5, 1999, by and between Bedford Property Investors Incorporated and Union Bank of California.
- 12* Ratio of Earnings to Fixed Charges.
- 21.1* Subsidiaries of the Company.
- 23.1* Consent of KPMG LLP, independent auditors.
- 27* Financial Data Schedules

* Filed herewith

B. Reports on Form 8-K

None

Independent Auditors' Report

To the Stockholders and the Board of Directors of
Bedford Property Investors, Inc.:

We have audited the consolidated financial statements of Bedford Property Investors, Inc. and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the

accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bedford Property Investors, Inc. and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG LLP

San Francisco, California
January 29, 1999

BEDFORD PROPERTY INVESTORS, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 1998 AND 1997
(in thousands, except share and per share amounts)

	1998	1997
Assets:		
Real estate investments:		
Industrial buildings	\$312,911	\$237,184
Office buildings	258,479	170,948
Properties under development	24,686	18,227
Land held for development	3,905	5,712
	599,981	432,071
Less accumulated depreciation	18,523	8,985
	581,458	423,086
Cash	1,286	1,361
Other assets	15,580	9,456
	\$598,324	\$433,903
Liabilities and Stockholders' Equity:		
Bank loan payable	\$147,443	\$ 8,216
Mortgage loans payable	80,116	60,323
Accounts payable and accrued expenses	7,574	6,026
Dividends and distributions payable	8,191	6,804
Other liabilities	6,042	4,611
Total liabilities	249,366	85,980
Minority interest in consolidated partnership	1,369	1,497
Stockholders' equity:		
Common stock, par value \$0.02 per share;		
authorized 50,000,000 shares;		
issued and outstanding 22,666,856		
shares in 1998 and 22,583,867 shares in 1997	453	452
Additional paid-in capital	407,760	408,209
Accumulated dividends in		
excess of net income	(60,624)	(62,235)
Total stockholders' equity	347,589	346,426
	\$598,324	\$433,903

See accompanying notes to consolidated financial statements.

BEDFORD PROPERTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 and 1996
(in thousands, except share and per share amounts)

	1998	1997	1996
Property operations:			
Rental income	\$73,451	\$46,377	\$27,541
Rental expenses:			
Operating expenses	11,026	6,852	5,352
Real estate taxes	6,220	3,977	2,595
Depreciation and amortization	10,265	5,716	3,030
Income from property operations	45,940	29,832	16,564
General and administrative expenses	(3,386)	(2,337)	(1,752)
Interest income	223	289	150
Interest expense	(11,164)	(7,918)	(4,347)
Income before gain on sales of real estate investments and minority interest	31,613	19,866	10,615
Gain on sales of real estate investments	-	11,533	406
Minority interest	(117)	(108)	-
Net income	\$31,496	\$31,291	\$11,021
Net income applicable to common stockholders	\$31,496	\$27,791	\$ 6,516
Earnings per share - basic	\$ 1.39	\$ 2.21	\$ 1.21
Weighted average number of shares - basic	22,634,656	12,566,065	5,405,727
Earnings per share - assuming dilution	\$ 1.38	\$ 1.94	\$ 1.14
Weighted average number of shares - assuming dilution	22,929,807	16,166,454	9,702,552

See accompanying notes to consolidated financial statements.

BEDFORD PROPERTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(in thousands, except share and per share amounts)

<TABLE> <S>	<C>	<C>	<C>	<C>
	Common stock	Additional paid-in capital	Accumulated dividends in excess of net income	Total stock- holders' equity
Balance, December 31, 1995	\$ 61	\$107,214	\$ (74,840)	\$ 32,435
Issuance of common stock	70	43,778	-	43,848
Costs of issuance of preferred stock	-	-	(2)	(2)
Costs of issuance of common stock	-	(3,370)	-	(3,370)
Net income	-	-	11,021	11,021
Dividends to common stockholders (\$1.00 per share)	-	-	(5,671)	(5,671)
Distributions to limited partnership unit holders	-	-	(5)	(5)
Dividends to preferred stockholders	-	-	(4,500)	(4,500)

Balance, December 31, 1996	131	147,622	(73,997)	73,756
Issuance of common stock	321	265,622	-	265,943
Costs of issuance of common stock	-	(4,990)	-	(4,990)
Redemption of partnership units	-	(45)	-	(45)
Net income	-	-	31,291	31,291
Dividends to common stockholders (\$1.13 per share)	-	-	(16,029)	(16,029)
Dividends to preferred stockholders	-	-	(3,500)	(3,500)
Balance, December 31, 1997	452	408,209	(62,235)	346,426
Issuance of common stock	1	1,366	-	1,367
Repurchase and retirement of common stock	-	(1,815)	-	(1,815)
Net income	-	-	31,496	31,496
Dividends to common stockholders (\$1.32 per share)	-	-	(29,885)	(29,885)
Balance, December 31, 1998	\$ 453	\$407,760	\$ (60,624)	\$347,589

</TABLE>

See accompanying notes to consolidated financial statements.

BEDFORD PROPERTY INVESTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996
(in thousands)

<TABLE>

<S>

	<C> 1998	<C> 1997	<C> 1996
Operating Activities:			
Net income	\$ 31,496	\$ 31,291	\$ 11,021
Adjustments to reconcile net income to net cash provided by operating activities:			
Minority interest	117	108	-
Depreciation and amortization	11,508	6,697	3,757
Gain on sale of real estate investments	-	(11,533)	(406)
Increase in other assets	(7,259)	(4,655)	(2,118)
Increase in accounts payable and accrued expenses	1,656	1,282	763
Increase in other liabilities	1,431	1,851	1,361
Net cash provided by operating activities	38,949	25,041	14,378
Investing Activities:			
Investments in real estate	(168,018)	(212,267)	(104,483)
Proceeds from sales of real estate investments	-	31,909	7,519
Net cash used by investing activities	(168,018)	(180,358)	(96,964)
Financing Activities:			
Proceeds from bank loan payable	158,097	167,559	101,189
Repayment of bank loan payable	(19,889)	(206,804)	(99,048)
Proceeds from mortgage loans payable	21,084	-	49,384
Repayment of mortgage loans payable	(1,107)	(441)	-
Issuance of common stock	1,367	210,953	40,476
Redemption of partnership units	(128)	(257)	-
Payment of dividends and distributions	(28,615)	(15,660)	(9,114)
Repurchase and retirement of common stock	(1,815)	-	-
Net cash provided by financing activities	128,994	155,350	82,887
Net increase (decrease) in cash	(75)	33	301
Cash at beginning of year	1,361	1,328	1,027
Cash at end of year	\$ 1,286	\$ 1,361	\$ 1,328

Supplemental disclosure of cash flow information

a) Non-cash investing and financing activities:			
Debt incurred with real estate acquired	\$ -	\$ 8,914	\$ 2,283
Issuance of limited partnership units for real estate acquired	-	-	1,709
Note receivable from sale of real estate investment	-	-	50
b) Cash paid during the year for interest, net of amounts capitalized	\$ 9,329	\$ 7,291	\$ 3,380
c) Conversion of Preferred Stock (see footnote 9)	\$ -	\$ 50,000	\$ -

See accompanying notes to consolidated financial statements.

BEDFORD PROPERTY INVESTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Organization and Summary of Significant Accounting Policies and Practices

The Company

Bedford Property Investors, Inc. (the Company) is a Maryland real estate investment trust with investments primarily in industrial and suburban office properties concentrated in the Western United States. The Company's Common Stock trades under the symbol "BED" on both the New York Stock Exchange and Pacific Exchange.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries and Bedford Realty Partners, L.P. All significant inter-entity balances have been eliminated in consolidation.

Use of Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Federal Income Taxes

The Company has elected to be taxed as a real estate investment trust under Sections 856 to 860 of the Internal Revenue Code of 1986, as amended ("the Code"). A real estate investment trust is generally not subject to Federal income tax on that portion of its real estate investment trust taxable income ("Taxable Income") which is distributed to its stockholders, provided that at least 95% of Taxable Income is distributed and other requirements are met. The Company believes it is in compliance with the Code.

Taxable income differs from net income for financial reporting purposes primarily because of the different methods of accounting for depreciation. As of December 31, 1998, for Federal income tax purposes, the Company had an ordinary loss carry forward of approximately \$32 million. As the Company does not expect to incur income tax liabilities, the asset value of these losses has been effectively fully reserved. For Federal income tax purposes, dividend distributions made for 1998 were classified 96% as ordinary income and 4% as return of capital; dividend distributions made for 1997 were classified 88% as ordinary income and 12% as capital gain; all dividend distributions made for 1996 were classified as ordinary income.

Real Estate Investments

Buildings and improvements are carried at cost less accumulated depreciation. Buildings are depreciated on a straight-line basis over 45 years. Upon the acquisition of an investment by the Company, acquisition-related costs are added to the carrying cost of that investment. These costs are being depreciated over the useful lives of the buildings. Leasing commissions and improvements to tenants' space incurred subsequent to the acquisition are amortized over the terms of the respective leases. Expenditures for repairs and maintenance, which do not add to the value or prolong the useful life of a property, are expensed as incurred. When the Company concludes that the recovery of the carrying amount of a real estate investment is impaired, it reduces such carrying amount to the estimated fair value of the investment. Investments which are considered as held for sale are carried at the lower of the carrying amount or fair value less costs to sell and such properties are no longer depreciated.

Income Recognition

Rental income from operating leases is recognized in income on a

straight-line basis over the period of the related lease agreement. Aggregate rental income exceeded contractual rentals by \$2,252,000, \$1,644,000 and \$573,000 for 1998, 1997 and 1996, respectively.

Per Share Data

Per share data are based on the weighted average number of common shares outstanding during the year. Stock options issued under the Company's stock option plans are included in the calculation of diluted per share data if, upon exercise, they would have a dilutive effect. The diluted earnings per share calculation also assumes conversion of the Series A Convertible Preferred Stock of the Company and the limited partnership units of Bedford Realty Partners, L.P., if such conversions would have dilutive effects, as of the beginning of the year. Dividends accrued on the Series A Convertible Preferred Stock and distributions accrued on the limited partnership units are deducted from net income for purposes of determining net income applicable to common stockholders.

Effective December 15, 1997, the Company adopted Statement of Financial Accounting Standard No. 128, Earnings per share (FAS 128). Earnings per share data for previous periods have been restated to conform to FAS 128.

Recent Accounting Pronouncements

In June 1998, the FASB issued Financial Accounting Standard No. 133, Accounting for Derivatives Instruments and Hedging Activities. FAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. Management believes that the adoption of this statement will not have a material impact on the Company's financial statements.

Note 2 - Real Estate Investments

The following table sets forth the Company's real estate investments as of December 31, 1998 (in thousands):

<S>	<C>	<C>	<C>	<C>
	Land	Building	Less Accumulated Depreciation	Total
INDUSTRIAL PROPERTIES				
Northern California	\$ 49,052	\$113,640	\$ 6,084	\$156,608
Southern California	15,327	35,581	2,326	48,582
Greater Kansas City Area	3,917	16,538	1,232	19,223
Colorado	1,911	3,283	250	4,944
Greater Portland Area	2,652	8,540	783	10,409
Arizona	13,275	35,156	1,295	47,136
Texas	2,981	11,058	146	13,893
Total Industrial Properties	89,115	223,796	12,116	300,795
SUBURBAN OFFICE PROPERTIES				
Northern California	6,023	17,667	644	23,046
Southern California	7,312	18,115	803	24,624
Greater Kansas City Area	3,330	5,451	329	8,452
Colorado	5,560	45,260	755	50,065
Salt Lake City	359	6,572	976	5,955
Arizona	9,149	17,244	556	25,837
Greater Seattle Area	15,116	78,831	1,687	92,260
Texas	2,766	7,089	248	9,607
Nevada	2,102	10,533	409	12,226
Total Suburban Office Properties	51,717	206,762	6,407	252,072
PROPERTIES UNDER DEVELOPMENT				
Northern California	-	990	-	990
Greater Seattle Area	-	8,110	-	8,110
Arizona	-	13,500	-	13,500
Colorado	2,086	-	-	2,086
Total Properties Under Development	2,086	22,600	-	24,686
LAND HELD FOR DEVELOPMENT				
Northern California	2,654	-	-	2,654
Southern California	1,063	-	-	1,063
Texas	188	-	-	188
Total Land Held for Development	3,905	-	-	3,905

Total	\$146,823	\$453,158	\$ 18,523	\$581,458
-------	-----------	-----------	-----------	-----------

</TABLE>

The Company internally manages all but 8 of its properties from its regional offices in Lafayette, CA; Tustin, CA; Phoenix, AZ; Lenexa, KS; Denver, CO; and Seattle, WA. For the 8 properties located in markets not served by a regional office, the Company has subcontracted on-site management to local firms. All financial record-keeping is centralized at the Company's corporate office in Lafayette, CA.

In December 1998, an industrial property located in Northern California was identified for sale. Proceeds from the sale will be reinvested in further property acquisitions.

During 1998 and 1997, the Company capitalized interest costs relating to properties under development totaling \$2,177,000 and \$627,000, respectively.

The Company has remaining construction commitments of \$12.5 million at December 31, 1998 relating to five of its properties under development.

Note 3 - Consolidated Partnership

In December 1996, the Company formed Bedford Realty Partners, L.P. (the "Operating Partnership"), with the Company as the sole general partner, for the purpose of acquiring real estate. In exchange for contributing a property into the Operating Partnership, the owners of the property receive limited partnership units ("OP Units"). A limited partner can seek redemption of the OP Units at any time. The Company, at its option, may redeem the OP Units by either (i) issuing common stock at the rate of one share of common stock for each OP Unit, or (ii) paying cash to a limited partner based on the average trading price of its common stock. Each OP Unit is allocated partnership income and cash flow at a rate equal to the dividend being paid by the Company on a share of common stock. Additional partnership income and cash flow is allocated 99% to the Company and 1% to the limited partners.

This acquisition strategy is referred to as a "Down REIT" transaction; as long as certain tax attributes are maintained, the income tax consequences to a limited partner are generally deferred until such time as the limited partner redeems their OP Units.

On December 17, 1996, the Company acquired a \$3.6 million industrial property located in Modesto, California utilizing the Operating Partnership. The sellers of the property received 108,495 OP Units. A director of the Company was a 9% owner of the property, but did not participate in the approval of the acquisition. As of December 31, 1998 the Company has redeemed 21,607 OP units for cash.

Note 4 - Leases

Minimum future lease payments to be received as of December 31, 1998 are as follows (in thousands):

1999	\$ 72,490
2000	64,478
2001	56,010
2002	44,663
2003	36,291
Thereafter	74,023
	\$347,955

The total minimum future lease payments shown above do not include tenants' obligations for reimbursement of operating expenses or taxes as provided by the terms of certain leases.

Note 5 - Related Party Transactions

Due to the Company's limited financial resources existing in prior years, its activities relating to the acquisition of new properties and debt and equity financings have been performed by Bedford Acquisitions, Inc. (BAI) pursuant to a written contract dated January 1, 1995. The contract provides that BAI is obligated to provide services to the Company with respect to the Company's acquisition and financing activities, and that BAI is responsible for the payment of its expenses incurred in connection therewith. The contract provides that BAI is to be paid a fee in an amount equal to the lesser of (i) 1 1/2% of the gross amount of the aggregate purchase price of the property for acquisitions and dispositions plus 5% of development project costs, or (ii) an amount equal to (a) the aggregate amount of approved expenses funded by BAI through the time of such acquisition, disposition or development minus (b) the aggregate amount of fees previously paid to BAI pursuant to such

arrangement. In no event will the aggregate amount of fees paid to BAI exceed the aggregate amount of costs funded by BAI. The agreement with BAI has a term of one year and is renewable at the option of the Company for additional one-year terms. The current agreement will expire on January 1, 2000.

For 1998, 1997 and 1996, the Company paid BAI \$2,272,000, \$3,156,000, and \$1,808,000, respectively, for acquisition and financing activities performed pursuant to the foregoing arrangements. The Company believes that since the fees charged under the foregoing arrangements (i) have been and continue to be comparable to those charged by other sponsors of real estate investment entities or other third party service providers and (ii) have been and continue to be charged only for services on acquired properties or completed financings, such fees are properly includable in direct acquisition costs and capitalized as part of the asset or financing activities.

Note 6 - Stock Option Plans

Initially 900,000 shares of the Company's Common Stock were reserved for issuance under the Employee Stock Option Plan (the "Employee Plan"). In May 1998, the shareholders approved an additional 2,100,000 shares. The Employee Plan expires in 2003. The Employee Plan provides for non-qualified stock options and incentive stock options.

The Employee Plan is administered by the Compensation Committee of the Board of Directors, which determines the terms of options granted, including the exercise price, the number of shares subject to the option, and the exercisability of the options. Options granted to employees are exercisable upon vesting, and typically vest over a four-year period.

The Employee Plan requires that the exercise price of incentive stock options be at least equal to the fair market value of such shares on the date of grant and that the exercise price of non-qualified stock options be equal to at least 85% of the fair market value of such shares on the date of the grant. The maximum term of options granted is ten years.

Initially 250,000 shares of the Company's Common Stock were reserved for issuance under the Directors' Stock Option Plan (the "Directors' Plan"). In May 1996 and 1997, the shareholders approved an additional 250,000 shares and 500,000 shares, respectively. The Directors' Plan expires in 2002. The Directors' Plan provides for the grant of non-qualified stock options to directors of the Company. The Directors' Plan contains an automatic grant feature whereby a director receives a one-time "initial option" to purchase 25,000 shares upon a director's appointment to the Board of Directors and thereafter receives automatic annual grants of options to purchase 10,000 shares upon re-election to the Board of Directors. Options granted are generally exercisable six months from the date of grant.

The Directors' Plan requires that the exercise price of options be equal to the fair market value of the underlying shares on the date of grant. The maximum term of options granted is ten years.

In September 1995, the Company established a Management Stock Acquisition program. Under the program, options exercised by key members of management shortly after the grant date may be exercised either in cash or with a note payable to the Company. Such note bears interest at 7.5% or the Applicable Federal Rate as defined by the Internal Revenue Service, whichever is higher. The note is due in five years or within ninety days from termination of employment, with interest payable quarterly. During 1996 and 1995, options for 155,000 shares of Common Stock were exercised in exchange for notes payable to the Company. The notes bear interest at 7.5%. The unpaid balance of the notes was \$1,021,000 and \$1,466,000 at December 31, 1998 and 1997, respectively, and is included in the accompanying consolidated balance sheet as a reduction of additional paid-in capital.

In addition, the Company may grant restricted stock to key employees. These shares generally vest over five years and are subject to forfeiture under certain conditions. As of December 31, 1998, the Company has granted 105,200 shares.

The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, compensation costs have not been recognized for either the Employee or the Directors' Plan. Had compensation costs for the plans been determined consistent with FASB Statement No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

	1998	1997	1996
Net income:			
As reported	\$31,496,000	\$31,291,000	\$11,021,000
Pro forma	31,158,000	31,045,000	10,831,000

Earnings per share - basic:			
As reported	\$ 1.39	\$ 2.21	\$ 1.21
Pro forma	1.38	2.19	1.17
Earnings per share - assuming dilution:			
As reported	\$ 1.38	\$ 1.94	\$ 1.14
Pro forma	1.36	1.92	1.12

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants in 1998, 1997 and 1996, respectively: dividend yield of 7.3%, 5.8% and 6.9%; expected volatility of 17.0%, 16.8%, and 18.1%; risk-free interest rates of 4.6%, 5.7% and 6.3%. The expected life for the director's options is five years for each period. The expected life for the employee's options is ten years for 1998, and five years each for 1997 and 1996.

A summary of the status of the Company's plans as of December 31, 1998, 1997 and 1996 and changes during the years ended on those dates is presented below:

	1998		1997		1996	
	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price	Shares	Weighted Avg. Exercise Price
Employee Plan						
Outstanding at beginning of year	713,750	\$16.52	242,250	\$12.94	93,750	\$12.78
Granted	619,000	19.67	483,000	18.25	267,000	13.00
Exercised	(29,625)	13.03	(7,125)	13.37	(106,000)	12.96
Forfeited	(185,875)	18.05	(4,375)	14.99	(12,500)	12.92
Outstanding at end of year	1,117,250	\$18.10	713,750	\$16.52	242,250	\$12.94
Options exercisable	239,250		118,750		45,063	
Weighted average fair value of options granted during the year		\$ 1.12		\$ 1.94		\$ 1.37
Directors' Plan						
Outstanding at beginning of year	365,000	\$11.65	295,000	\$ 9.94	250,000	\$ 8.28
Granted	70,000	19.56	70,000	18.82	70,000	14.22
Exercised	(125,000)	5.81	-	-	(25,000)	5.33
Outstanding at end of year	310,000	\$15.79	365,000	\$11.65	295,000	\$ 9.94
Options exercisable	310,000		365,000		295,000	
Weighted average fair value of options granted during the year		\$ 1.32		\$ 1.59		\$ 1.06

The following table summarizes information about stock options outstanding on December 31, 1998:

Range of Exercise Price	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted Avg. Remaining Contractual Life	Weighted Avg. Exercise Price	Number Exercisable	Weighted Avg. Exercise Price
Employee Plan					
\$ 8.50	2,750	4.4	\$ 8.50	2,750	\$ 8.50
13.75 to 14.00	48,000	1.4	13.95	48,000	13.95
11.50	31,625	6.7	11.50	23,625	11.50
13.00	100,750	7.3	13.00	53,750	13.00
17.63 to 20.75	405,125	8.3	18.31	111,125	18.31
16.28 to 19.56	529,000	9.3	19.67	-	-

\$ 8.50 to 20.75	1,117,250	8.3	\$18.10	239,250	\$15.45
Directors' Plan					
\$ 12.97	25,000	0.8	12.97	25,000	12.97
11.82 to 11.85	75,000	2.2	11.84	75,000	11.84
14.22	70,000	7.8	14.22	70,000	14.22
18.82	70,000	8.8	18.82	70,000	18.82
19.56	70,000	9.8	19.56	70,000	19.56
\$11.82 to 19.56	310,000	6.6	\$15.79	310,000	\$15.79

</TABLE>

Note 7 - Bank Loan Payable

In June 1998, the Company amended and restated its secured revolving credit facility with Bank of America. Under this facility, which matures June 15, 2001, the Company can borrow up to \$175 million on a secured basis. The facility contains an unsecured sub-line of \$50 million. Secured loans bear interest at a floating rate equal to either the lender's published "reference rate" or LIBOR plus a margin ranging from 1.10% to 1.35%. The interest rate of the unsecured loans is either the lender's published "reference rate" or LIBOR plus a margin of 1.50%. The credit facility contains various restrictive covenants including, among other things, a covenant limiting quarterly dividends to 95% of average Funds From Operations. As of December 31, 1998, the Company was in compliance with the covenants and requirements of its revolving credit facility which had an outstanding balance of \$147,443,000. The credit facility is secured by mortgages on 47 properties (which properties collectively accounted for approximately 52% of the Company's Annualized Base Rent and approximately 43% of the Company's total assets as of December 31, 1998), together with the rental proceeds from such properties. During the first quarter of 1999, the Company entered into discussions with Bank of America regarding a bridge facility of \$28 million. This facility would consist of secured loans, bear the same interest rates as the secured loans under the \$175 million facility and have a six-month term with the option to extend for another six months.

The daily weighted average amount owed to the bank was \$94,338,000 and \$45,642,000 in 1998 and 1997, respectively. The weighted average interest rates in these periods were 6.81% and 7.42%, respectively. The effective interest rate at December 31, 1998 was 6.48%.

Note 8 - Mortgage Loans Payable

Mortgage loans payable at December 31, 1998 consist of the following (in thousands):

Floating rate note due December 15, 1999, current rate of 8.00%	\$ 1,797
7.5% note due January 1, 2002	24,297
7.02% note due March 15, 2003	24,717
8.9% note due July 31, 2006	8,674
6.91% note due July 31, 2006	20,631
	\$80,116

The mortgage loans are collateralized by 21 properties (which Properties collectively accounted for approximately 27% of the Company's Annualized Base Rent and approximately 21% of the Company's total assets as of December 31, 1998).

The following table presents scheduled principal payments on mortgage loans as of December 31, 1998 (in thousands):

1999	\$ 3,112
2000	1,415
2001	1,524
2002	24,103
2003	23,608
Thereafter	26,354
	\$80,116

Note 9 - Redeemable Preferred Stock

On September 18, 1995, the Company issued and sold 8,333,334 shares of Series A Convertible Preferred Stock (the "Convertible Preferred Stock") for \$6.00 per share. Holders of the Convertible Preferred Stock were entitled to cumulative quarterly dividends in cash in an amount equal to the greater of (i) \$0.135 per share or (ii) the dividends payable on the Common Stock into which the Convertible Preferred Stock is convertible plus, in both cases, the accumulated but unpaid dividends on the Convertible Preferred Stock. Dividends may be declared and paid on shares of Common Stock only if full cumulative dividends have been paid

or authorized and set apart on all shares of Convertible Preferred Stock. On October 14, 1997, the 8,333,334 shares of the Series A Convertible Preferred Stock were converted to 4,166,667 shares of common stock.

Note 10 - Sales of Common Stock

The Company completed the sale of 4,600,000 shares of common stock at \$17 3/8 per share in February 1997 and 7,245,000 shares of common stock at \$19 5/8 per share in November 1997. Net cash proceeds from these offerings were used to pay off the outstanding borrowings under the Company's credit facility.

Note 11 - Comprehensive Income

There are no adjustments necessary to net income as presented in the accompanying consolidated statements of income to derive comprehensive income in accordance with FASB Statement No. 130, Reporting Comprehensive Income.

Note 12 - Segment Disclosure

The Company has six reportable segments organized by the region in which they operate: Northern California (Northern California, Utah and Nevada), Southwest (Arizona and greater Austin, Texas area), Southern California, Northwest (greater Portland, Oregon and greater Seattle, Washington areas), Colorado and Midwest (greater Kansas City, Kansas/Missouri and greater Dallas, Texas areas).

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based upon income from real estate from the combined properties in each segment.

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	Northern California	Southwest	Southern California	Northwest	Colorado	Midwest	Corporate & Other	Consolidated
	1998 (in thousands)							
Rental income	\$ 30,759	\$ 11,900	\$ 10,274	\$ 9,281	\$ 6,317	\$ 4,943	\$ (23)	\$ 73,451
Operating expenses and real estate taxes	6,954	3,200	2,142	1,345	1,935	1,326	344	17,246
Depreciation and amortization	3,939	1,629	1,495	1,586	837	779	-	10,265
Income from property operations	\$ 19,866	\$ 7,071	\$ 6,637	\$ 6,350	\$ 3,545	\$ 2,838	\$ (367)	\$ 45,940
Percent of income from property operations	43%	15%	15%	14%	8%	6%	(1)%	100%
Interest income(1)	15	-	-	16	-	-	192	223
Interest expense	-	-	-	-	-	-	(11,164)	(11,164)
General and administrative expenses	-	-	-	-	-	-	(3,386)	(3,386)
Minority interest	-	-	-	-	-	-	(117)	(117)
Net Income	\$ 19,881	\$ 7,071	\$ 6,637	\$ 6,366	\$ 3,545	\$ 2,838	\$ (14,842)	\$ 31,496
Real estate investments	\$209,589	\$109,432	\$ 77,398	\$113,250	\$58,101	\$32,211	\$ -	\$599,981
Additions to real estate investments	\$ 24,182	\$ 41,420	\$ 6,349	\$ 56,852	\$36,179	\$ 2,928	\$ -	\$167,910
Total Assets	\$210,867	\$103,637	\$ 81,708	\$109,471	\$57,068	\$30,602	\$ 4,971	\$598,324

</TABLE>

(1) The interest income in the Northern California and Northwest segments represents interest earned from tenant notes receivable.

1997 (in thousands)

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	Northern California	Southwest	Southern California	Northwest	Colorado	Midwest	Corporate & Other	Consolidated
Rental income	\$ 20,614	\$ 5,367	\$ 8,637	\$ 4,112	\$ 1,410	\$ 3,129	\$ 3,108	\$ 46,377
Operating expenses and real estate taxes	4,551	1,336	1,859	415	310	970	1,388	10,829
Depreciation and amortization	2,799	603	1,105	698	140	371	-	5,716

Income from property operations	\$ 13,264	\$ 3,428	\$ 5,673	\$ 2,999	\$ 960	\$ 1,788	\$ 1,720	\$ 29,832
Percent of income from property operations	44%	12%	19%	10%	3%	6%	6%	100%
Interest income(1)	9	-	-	2	-	-	278	289
Interest expense	-	-	-	-	-	-	(7,918)	(7,918)
General and administrative expenses	-	-	-	-	-	-	(2,337)	(2,337)
Gain on sale of real estate investments	-	-	-	-	-	-	11,533	11,533
Minority interest	-	-	-	-	-	-	(108)	(108)
Net Income	\$ 13,273	\$ 3,428	\$ 5,673	\$ 3,001	\$ 960	\$ 1,788	\$ 3,168	\$ 31,291
Real estate investments	\$185,407	\$ 68,012	\$ 71,049	\$ 56,398	\$ 21,922	\$29,283	\$ -	\$432,071
Additions to real estate investments	\$ 82,792	\$ 58,764	\$ 6,559	\$ 33,233	\$ 10,589	\$10,720	\$ -	\$202,657
Total Assets	\$183,714	\$ 65,925	\$ 73,491	\$ 57,005	\$ 22,090	\$26,952	\$ 4,726	\$433,903

</TABLE>

(1) The interest income in the Northern California and Northwest segments represents interest earned from tenant notes receivable.

Note 13 - Fair Value of Financial Instruments

The carrying value of trade accounts payable and receivable approximate fair value due to the short-term maturity of these instruments. Management has determined that the carrying amount of debt approximates market value.

Note 14 - Earnings per Share

Following is a reconciliation of earnings per share:

<TABLE> <S>	Year Ended December 31,		
	<C> 1998	<C> 1997	<C> 1996
Basic:			
Net income	\$ 31,496	\$ 31,291	\$ 11,021
Less:Dividends on the Series A Convertible Preferred Stock	-	(3,500)	(4,500)
Distributions to Operating Partnership Unit Holders	-	-	(5)
Net income applicable to common stockholders	31,496	27,791	6,516
Weighted average number of shares	22,634,656	12,566,065	5,405,727
Earnings per share - basic	\$ 1.39	\$ 2.21	\$ 1.21
Diluted:			
Net income (from above)	\$ 31,496	\$ 31,291	\$ 11,021
Add: Minority interest	117	108	-
Net income - assuming dilution	31,613	31,399	11,021
Weighted average number of shares (from above)	22,634,656	12,566,065	5,405,727
Weighted average shares issuable upon conversion of the Series A Convertible Preferred Stock	-	3,264,840	4,166,667
Weighted average shares of dilutive stock options using average period stock price under the treasury stock method	205,522	237,185	125,711
Weighted average shares issuable upon the conversion of operating partnership units	89,629	98,364	4,447
Weighted average number of shares - assuming dilution	22,929,807	16,166,454	9,702,552
Earnings per share - assuming dilution	\$ 1.38	\$ 1.94	\$ 1.14

</TABLE>

Note 15 - Quarterly Financial Data-Unaudited

The following is a summary of quarterly results of operations for 1998 and 1997 (in thousands of dollars, except per share data):

<S>	<C>	<C>	<C>	<C>
1998 Quarters Ended	3/31	6/30	9/30	12/31
Rental income	\$15,361	\$17,118	\$20,156	\$20,816
Income from property operations	9,880	10,939	12,191	12,930
Income before gain on sales of real estate investments and minority interest	7,486	7,896	7,957	8,274
Net income	\$ 7,457	\$ 7,868	\$ 7,928	\$ 8,243
Earnings per share- basic	\$ 0.33	\$ 0.35	\$ 0.35	\$ 0.36
Earnings per share - assuming dilution	\$ 0.33	\$ 0.34	\$ 0.35	\$ 0.36
1997 Quarters Ended	3/31	6/30	9/30	12/31
Rental income	\$ 9,056	\$10,627	\$12,789	\$13,905
Income from property operations	5,642	6,929	8,295	8,966
Income before gain on sales of real estate investments and minority interest	3,680	4,886	5,022	6,278
Net income	\$ 3,655	\$ 4,860	\$15,781	\$ 6,995
Net income applicable to common stockholders(1)	\$ 2,530	\$ 3,735	\$14,531	\$ 6,995
Earnings per share - basic	\$ 0.28	\$ 0.34	\$ 1.30	\$ 0.37
Earnings per share - assuming dilution	\$ 0.27	\$ 0.31	\$ 1.01	\$ 0.35

(1) Reflects reduction for dividends and distributions of \$1,125 each for the first and second quarter of 1997 and \$1,250 for the third quarter of 1997.

BEDFORD PROPERTY INVESTORS, INC.
 SCHEDULE III - REAL ESTATE AND ACCUMULATED DEPRECIATION
 December 31, 1998
 (in thousands of dollars)

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Description	Land	Initial Cost to Company Buildings & Improvement	Cost Capitalized Subsequent to Acquisition	Gross Amount Carried at Close of Period	Land	Building	Total	Accumulated Depreciation	Date Constructed	Date Acquired	Depreciable Life (Years)
INDUSTRIAL PROPERTIES:											
Northern California											
Building #3 at Contra Costa Diablo Industrial Park, Concord	\$ 495	\$ 1,159	\$ 89	\$ 495	\$ 1,248	\$ 1,743	\$ 276	1983	12/90	45	
Building #8 at Contra Costa Diablo Industrial Park, Concord	877	1,548	142	877	1,690	2,567	363	1981	12/90	45	
Building #18 at Mason Industrial Park, Concord	610	1,265	138	610	1,403	2,013	272	1984	12/90	45	
Milpitas Town Center, Milpitas	1,400	4,421	86	1,400	4,507	5,907	440	1983	8/94	45	
598 Gibraltar Drive, Milpitas	535	2,522	-	535	2,522	3,057	233	1996	5/96	45	
350 E. Plumeria Drive, San Jose	3,621	4,704	202	3,683	4,844	8,527	346	1983	9/95	45	
Auburn Court, Fremont	1,391	2,473	268	1,415	2,717	4,132	183	1983	12/95	45	
47650 Westinghouse Drive, Fremont	267	893	59	271	948	1,219	63	1982	12/95	45	
417 Eccles, South San Francisco	649	510	41	661	539	1,200	36	1964	12/95	45	

410 Allerton, South San Francisco	1,333	889	40	1,356	906	2,262	61	1970	12/95	45
400 Grandview, South San Francisco	3,246	3,517	253	3,300	3,716	7,016	260	1976	12/95	45
342 Allerton, South San Francisco	2,516	1,542	329	2,558	1,829	4,387	125	1969	12/95	45
301 East Grand, South San Francisco	2,036	959	160	2,070	1,085	3,155	89	1974	12/95	45
Fourier Avenue, Fremont	2,120	7,018	-	2,120	7,018	9,138	403	1982	5/96	45
Lundy Avenue, San Jose	2,055	2,184	192	2,055	2,376	4,431	131	1982	7/96	45
115 Mason Circle, Concord	697	854	40	697	894	1,591	50	1971	9/96	45
47600 Westinghouse Drive, Fremont	356	1,067	43	356	1,110	1,466	57	1982	9/96	45
860-870 Napa Valley Corporate Way, Napa	933	3,515	312	933	3,827	4,760	222	1984	9/96	45
47633 Westinghouse Drive, Fremont	1,051	3,239	251	1,051	3,490	4,541	168	1983	10/96	45
47513 Westinghouse Drive, Fremont	1,624	-	3,596	1,624	3,596	5,220	143	N/A	10/96	45
Bordeaux Centre, Napa	1,151	-	6,091	1,151	6,091	7,242	193	N/A	12/96	45
O'Toole Business Center, San Jose	3,934	5,748	394	3,934	6,142	10,076	280	1984	12/96	45
Doherty Avenue, Modesto	464	3,178	266	470	3,438	3,908	150	1963-71	12/96	45
6500 Kaiser Drive, Fremont	1,556	6,411	29	1,556	6,440	7,996	286	1990	1/97	45
Bedford Fremont Business Center, Fremont	3,598	9,004	102	3,598	9,106	12,704	400	1990	3/97	45
Spinnaker Court, Fremont	2,548	5,989	35	2,548	6,024	8,572	223	1986	5/97	45
2277 Pine View Way, Petaluma	1,861	7,074	3	1,862	7,076	8,938	249	1989	6/97	45
Mondavi Building, Napa	1,315	5,214	-	1,315	5,214	6,529	145	1985	9/97	45
Building #2 at Monterey Commerce Center, Monterey	611	1,833	1	611	1,834	2,445	44	1990	12/97	45
Building #3 at Monterey Commerce Center, Monterey	604	1,812	(14)	604	1,798	2,402	44	1990	12/97	45
Parkpoint Business Center, Santa Rosa	1,975	4,474	448	1,976	4,921	6,897	89	1981	2/98	45
2180 S. McDowell, Petaluma	773	3,006	1	774	3,006	3,780	33	1990	7/98	45
2190 S. McDowell, Petaluma	587	2,283	1	588	2,283	2,871	25	1996	7/98	45
Southern California										
Dupont Industrial Center, Ontario	3,588	6,162	239	3,588	6,401	9,989	770	1989	5/94	45
3002 Dow Business Center, Tustin	4,209	7,291	978	4,305	8,173	12,478	750	1987-89	12/95	45
Building #1 at Carroll Tech Center, San Diego	511	1,372	157	511	1,529	2,040	70	1984	10/96	45
Building #1 at Oak Ridge Business Center, Vista	646	2,135	64	646	2,199	2,845	104	1990	10/96	45
Building #2 at Oak Ridge Business Center, Vista	566	1,832	-	566	1,832	2,398	88	1990	10/96	45
Signal Systems Building, San Diego	2,228	7,264	-	2,228	7,264	9,492	323	1990	12/96	45
Building #2 at Carroll Tech Center, San Diego	1,022	2,129	-	1,022	2,129	3,151	106	1984	10/96	45
2230 Oak Ridge Way, Vista	684	2,191	-	684	2,191	2,875	64	1997	10/97	45
5502 Oberlin Drive, San Diego	911	1,274	3	912	1,276	2,188	21	1982	3/98	45
6960 Flanders Drive, San Diego	864	2,591	(3)	864	2,588	3,452	29	1989	6/98	45
Greater Kansas City Area										
Ninety-Ninth Street #3, Lenexa	360	2,167	179	360	2,346	2,706	436	1990	12/90	45
Lackman Business Center, Lenexa	619	1,631	240	628	1,862	2,490	181	1985	9/95	45
Ninety-Ninth Street #1, Lenexa	404	1,547	40	408	1,583	1,991	117	1988	9/95	45
Ninety-Ninth Street #2, Lenexa	180	555	13	183	565	748	41	1988	9/95	45
Ninety-Ninth Street #4, Lenexa	519	-	3,086	519	3,086	3,605	195	N/A	6/96	45
Panorama Business Center, Kansas City	675	3,098	276	675	3,374	4,049	180	1984	12/96	45
17725 W. 85th Street, Lenexa	1,144	3,722	-	1,144	3,722	4,866	83	1972	12/97	45
Colorado										
Bryant Street Quad, Denver	1,394	2,181	139	1,416	2,298	3,714	174	1971-73	12/95	45
Bryant Street Annex, Denver	487	866	127	495	985	1,480	75	1968	12/95	45
Greater Portland Area, Oregon										
Twin Oaks Technology Center, Beaverton	1,444	4,836	514	1,469	5,325	6,794	513	1984	12/95	45
Twin Oaks Business Center, Beaverton	1,163	2,847	388	1,183	3,215	4,398	270	1984	12/95	45
Arizona										
Westech Business Center, Phoenix	3,531	4,422	366	3,531	4,788	8,319	360	1985	4/96	45
Westech II, Phoenix	1,033	-	3,890	1,033	3,890	4,923	294	N/A	7/96	45
2601 W. Broadway, Tempe	1,127	2,348	91	1,127	2,439	3,566	76	1977	7/97	45
Building #2 at Phoenix Airport Center, Phoenix	723	3,278	-	723	3,278	4,001	103	1990	7/97	45
Building #3 at Phoenix Airport										

Center, Phoenix	682	3,163	-	682	3,163	3,845	100	1990	7/97	45
Building #4 at Phoenix Airport Center, Phoenix	517	1,732	-	517	1,732	2,249	55	1990	7/97	45
Building #5 at Phoenix Airport Center, Phoenix	1,507	3,860	3	1,507	3,863	5,370	122	1990	7/97	45
Butterfield Business Center, Tucson	909	4,230	54	910	4,283	5,193	111	1986	11/97	45
Cimarron Business Park, Scottsdale	1,776	4,471	75	1,778	4,544	6,322	75	1979-85	3/98	45
Expressway Corporate Center	1,467	3,175	1	1,468	3,175	4,643	-	N/A	11/98	45
Texas										
Ferrell Drive, Dallas	1,105	1,639	43	1,106	1,681	2,787	38	1984	12/97	45
Austin Braker 2, Austin	413	1,864	(32)	414	1,831	2,245	21	1982	6/98	45
Austin Rutland 10, Austin	389	2,854	12	390	2,865	3,255	33	1979	6/98	45
Austin Southpark A, B and C	1,070	4,647	36	1,072	4,681	5,753	55	1981	6/98	45
SUBURBAN OFFICE PROPERTIES:										
Northern California										
Village Green, Lafayette	547	1,245	530	743	1,579	2,322	188	1983	7/94	45
100 View Street, Mountain View Canyon Park, San Ramon	1,020	3,144	281	1,020	3,425	4,445	203	1985	5/96	45
1,933	3,098	512	1,933	3,610	5,543	80	1971-72	12/97	45	
Building #1 at Monterey Commerce Center, Monterey	616	5,302	(10)	616	5,292	5,908	131	1990	12/97	45
3380 Cypress, Petaluma	1,709	3,760	1	1,710	3,760	5,470	42	1989	7/98	45
Southern California										
Laguna Hills Square, Laguna Building #3 at Carroll Tech Center, San Diego	2,436	3,655	583	2,436	4,238	6,674	317	1983	3/96	45
716	1,400	2	716	1,402	2,118	71	1984	10/96	45	
Scripps Wateridge, San Diego	4,160	12,472	3	4,160	12,475	16,635	416	1990	6/97	45
Kansas City, Kansas										
6600 College Blvd., Overland Park Didde Building, Overland Park	2,480	3,880	213	2,518	4,055	6,573	300	1982-83	10/95	45
810	1,344	53	811	1,396	2,207	29	1981	1/98	45	
Colorado										
Oracle Building, Denver	1,860	13,249	13	1,860	13,262	15,122	344	1996	10/97	45
Texaco Building, Denver	3,699	31,631	368	3,700	31,998	35,698	412	1981	5/98	45
Salt Lake City, Utah										
Woodlands II, Salt Lake City	359	5,805	767	359	6,572	6,931	976	1990	8/93	45
Arizona										
Executive Center at Southbank, Phoenix	4,943	7,134	69	4,943	7,203	12,146	294	1989	3/97	45
Troika Building, Tucson	1,332	2,631	35	1,332	2,666	3,998	93	1985	6/97	45
Building #1 at Phoenix Airport Center, Phoenix	944	1,541	36	944	1,557	2,521	49	1990	7/97	45
Phoenix Airport Center Parking, Phoenix	1,450	-	-	1,450	-	1,450	3	1990	7/97	45
Cabrillo Executive Center, Phoenix	480	5,614	186	481	5,799	6,280	117	1983	2/98	45
Greater Seattle Area										
Kenyon Center, Bellevue	5,095	7,250	46	5,095	7,296	12,391	376	1987	9/96	45
Orillia Office Park, Renton	10,021	22,975	-	10,021	22,975	32,996	766	1986	7/97	45
Adobe Systems Bldg. 1, Seattle	-	22,403	3,903	-	26,306	26,306	292	1998	3/98	45
Adobe Systems Bldg. 2, Seattle	-	18,931	3,323	-	22,254	22,254	252	1998	3/98	45
Texas										
9737 Great Hills Trail, Austin	2,766	7,028	61	2,766	7,089	9,855	248	1984	5/97	45
Nevada										
U.S. Bank Centre, Reno	2,102	10,264	269	2,102	10,533	12,635	409	1989	5/97	45
INDUSTRIAL PROPERTIES UNDER DEVELOPMENT										
Belleview Corporate Plaza II, CO	1,645	-	441	2,086	-	2,086	-	N/A	10/98	45
Mountain Pointe Office Park, AZ	837	-	2,041	-	2,878	2,878	-	N/A	2/98	45
Rio Salado Corporate Centre, AZ	1,723	2,882	301	-	4,906	4,906	-	1982-84	7/98	45
West Tempe Lots 30 and 31 (Wells Fargo), AZ	551	-	21	-	572	572	-	N/A	7/98	45
10232 S. 51st Street (Calsonic Building), AZ	1,322	945	101	-	2,368	2,368	-	1985	8/98	45
Highlands Land, WA	5,474	-	2,636	-	8,110	8,110	-	1984	6/98	45
LAND HELD FOR DEVELOPMENT										
Napa Lot 10A, Napa, CA	961	-	25	986	-	986	-	N/A	12/96	45
Oak Ridge Way Lot, Vista, CA	359	-	10	369	-	369	-	N/A	10/97	45
Scripps Land, San Diego, CA	622	-	72	694	-	694	-	N/A	6/97	45
Butterfield Land, Tucson, AZ	102	-	1,077	-	1,179	1,179	-	N/A	11/97	45
Canyon Park Land, San Ramon, CA Greystone Business Park,	778	-	212	-	990	990	-	N/A	12/97	45

Tempe, AZ	1,232	-	365	-	1,597	1,597	-	N/A	12/97	45
Mondavi Land, Napa Lot 12G, Northern CA	1,150	-	7	1,154	3	1,157	-	N/A	3/98	45
Ferrell Drive Land, TX	185	-	3	186	2	188	-	N/A	5/98	45
210 Lafayette Circle, Northern CA	511	-	-	511	-	511	-	N/A	11/98	45
	\$157,586	\$399,262	\$43,133	\$146,820	\$453,161	\$599,981	\$18,523			
								(A)	(B)	

</TABLE>

NOTES TO SCHEDULE III
(in thousands of dollars)

(A) An analysis of the activity in real estate investments for the years ended December 31, 1998, 1997 and 1996 is presented below:

<S>	<C>			<C>		
	1998	Investment 1997	1996	Accumulated 1998	Depreciation 1997	1996
BALANCE AT BEGINNING OF PERIOD	\$432,071	\$229,414	\$131,183	\$ 8,985	\$ 4,913	\$ 2,219
Add (deduct):						
Acquisition of Laguna Hills Square	-	-	6,091	-	-	-
Acquisition of Westech Business Center	-	-	7,953	-	-	-
Acquisition of 100 View Street	-	-	4,164	-	-	-
Acquisition of Fourier Avenue	-	-	9,138	-	-	-
Acquisition of 598 Gibraltar	-	-	1,743	-	-	-
Acquisition of Lundy Avenue	-	-	4,239	-	-	-
Acquisition of Kenyon Center	-	-	12,345	-	-	-
Acquisition of 47600 Westinghouse Drive	-	-	1,423	-	-	-
Acquisition of 860-870 Napa Valley Corp. Way	-	-	4,448	-	-	-
Acquisition of 115 Mason Circle	-	-	1,551	-	-	-
Acquisition of Oak Ridge Business Center	-	-	5,179	-	-	-
Acquisition of Carroll Tech Center	-	-	7,151	-	-	-
Acquisition of 47633 Westinghouse Drive	-	-	4,290	-	-	-
Acquisition of Panorama Business Center	-	-	3,774	-	-	-
Acquisition of Signal Systems Building	-	-	9,492	-	-	-
Acquisition of O'Toole Business Center	-	-	9,681	-	-	-
Acquisition of Doherty Avenue	-	-	3,642	-	-	-
Acquisition of Westinghouse Land	-	-	1,625	-	-	-
Acquisition of Napa Lot 10A	-	-	961	-	-	-
Acquisition of Napa Lots 12J & K	-	-	1,151	-	-	-
Acquisition of Lenexa Land	-	-	518	-	-	-
Acquisition of Phoenix Land	-	-	1,033	-	-	-
Sale of Woodland Land (E)	-	-	(614)	-	-	-
Sale of St. Paul East (F)	-	-	(2,792)	-	-	(45)
Sale of St. Paul West (F)	-	-	(3,839)	-	-	(36)
Acquisition of 6500 Kaiser Drive	-	7,967	-	-	-	-
Acquisition of Bedford Fremont Business Center	-	12,602	-	-	-	-
Acquisition of Spinnaker Court	-	8,537	-	-	-	-
Acquisition of 2277 Pine View Way	-	8,935	-	-	-	-
Acquisition of Mondavi Building	-	6,529	-	-	-	-
Acquisition of Building #2 at Monterey Commerce Center	-	2,444	-	-	-	-
Acquisition of Building #3 at Monterey Commerce Center	-	2,416	-	-	-	-
Acquisition of 2230 Oak Ridge Way	-	2,875	-	-	-	-
Acquisition of 2601 W. Broadway	-	3,475	-	-	-	-
Acquisition of Building #3 at Phoenix Airport Center	-	3,845	-	-	-	-
Acquisition of Continental Can	-	4,866	-	-	-	-
Acquisition of Butterfield Business Center	-	5,139	-	-	-	-
Acquisition of Ferrell Drive	-	2,744	-	-	-	-
Acquisition of Scripps Wateridge	-	16,632	-	-	-	-
Acquisition of Canyon Park	-	5,031	-	-	-	-
Acquisition of Building #1 at Monterey Commerce Center	-	5,918	-	-	-	-
Acquisition of Orillia Office Park	-	32,996	-	-	-	-
Acquisition of Executive Center At Southbank	-	12,077	-	-	-	-
Acquisition of Building #1 at Phoenix Airport Center	-	2,485	-	-	-	-
Acquisition of Building #2 at Phoenix Airport Center	-	4,001	-	-	-	-
Acquisition of Building #4 at Phoenix Airport Center	-	2,249	-	-	-	-
Acquisition of Building #5 at Phoenix Airport Center	-	5,367	-	-	-	-
Acquisition of Phoenix Airport Center	-	-	-	-	-	-

Parking	-	1,450	-	-	-	-
Acquisition of Troika Building	-	3,963	-	-	-	-
Acquisition of U.S. Bank Centre	-	12,366	-	-	-	-
Acquisition of 9737 Great Hills Trail	-	9,794	-	-	-	-
Acquisition of Oracle Building	-	15,109	-	-	-	-
Acquisition of Scripps Land	-	622	-	-	-	-
Acquisition of Oak Ridge Way Lot	-	359	-	-	-	-
Acquisition of Oracle Land	-	1,645	-	-	-	-
Acquisition of Butterfield Land	-	102	-	-	-	-
Acquisition of Canyon Park Land	-	778	-	-	-	-
Acquisition of Eaton Freeway Land	-	1,232	-	-	-	-
Sale of 1000 Town Center Drive (G)	-	(6,622)	-	-	(780)	-
Sale of Mariner Court (G)	-	(7,864)	-	-	(419)	-
Sale of Academy Place Shopping Center (H)	-	(6,281)	-	-	(110)	-
Acquisition of Didde Building	2,207	-	-	-	-	-
Acquisition of El Caro Executive Center	6,279	-	-	-	-	-
Acquisition of Park Point Business Center	6,897	-	-	-	-	-
Acquisition of Mountain Pointe Office Park	2,878	-	-	-	-	-
Acquisition of Mondavi Land, Napa Lot 12G	1,157	-	-	-	-	-
Acquisition of Adobe I	26,306	-	-	-	-	-
Acquisition of Adobe II	22,254	-	-	-	-	-
Acquisition of 5502 Oberlin Drive	2,188	-	-	-	-	-
Acquisition of Cimarron Business Park	6,322	-	-	-	-	-
Acquisition of Ferrell Drive Land	188	-	-	-	-	-
Acquisition of Texaco Building	35,698	-	-	-	-	-
Acquisition of Geocon Building	3,452	-	-	-	-	-
Acquisition of Austin Braker	22,245	-	-	-	-	-
Acquisition of Austin Rutland 10	3,255	-	-	-	-	-
Acquisition of Austin Southpark A, B and C	5,753	-	-	-	-	-
Acquisition of Highlands Campus Land	8,110	-	-	-	-	-
Acquisition of Rio Salado Corporate Centre	4,906	-	-	-	-	-
Acquisition of West Tempe Land Lots 30 and 31	572	-	-	-	-	-
Acquisition of 3880 Cypress Drive	5,470	-	-	-	-	-
Acquisition of 2180 S. McDowell Blvd.	3,780	-	-	-	-	-
Acquisition of 2190 S. McDowell Blvd.	2,870	-	-	-	-	-
Acquisition of 10232 S. 51st Street	2,368	-	-	-	-	-
Acquisition of 210 Lafayette Circle	511	-	-	-	-	-
Acquisition of Expressway Corporate Center	4,644	-	-	-	-	-
Capitalized costs	7,600	16,874	3,884	-	-	-
Depreciation	-	-	-	9,538	5,381	2,775
BALANCE AT END OF PERIOD	\$599,981	\$432,071	\$229,414	\$18,523	\$8,985	\$4,913

</TABLE>

- (E) The property was sold in April 1996.
(F) The properties were sold in December 1996.
(G) The properties were sold in July 1997.
(H) The property was sold in October 1997.

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.

BEDFORD PROPERTY INVESTORS, INC.

By: /s/ Peter B. Bedford
Peter B. Bedford
Chairman of the Board and
Chief Executive Officer

Dated: March 25, 1999

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following person on behalf of the Registrant and in the capacity and on the date indicated.

/s/ Peter B. Bedford March 25, 1999
Peter B. Bedford, Chairman of the Board
and Chief Executive Officer

/s/ Claude M. Ballard March 25, 1999
Claude M. Ballard, Director

/s/ Anthony Downs March 25, 1999
Anthony Downs, Director

/s/ Anthony M. Frank March 25, 1999
Anthony M. Frank, Director

/s/ Martin I. Zankel March 25, 1999
Martin I. Zankel, Director

/s/ Thomas H. Nolan, Jr.
Thomas H. Nolan, Jr., Director

March 25, 1999

/s/ Thomas G. Eastman
Thomas G. Eastman, Director

March 25, 1999

/s/ Hanh Kihara
Hanh Kihara
Senior Vice President and
Chief Financial Officer

March 25, 1999

/s/ Krista K. Rowland
Krista K. Rowland, Controller

March 25, 1999

Exhibit 12

Bedford Property Investors, Inc.
Computation of Ratio of Earnings to Fixed Charges and Preferred
Dividends and Limited Partner Distributions
(in thousands, except for ratio)

<S>	<C>	<C>	<C>			<C>
			Year Ended December 31,			
	1998	1997	1996	1995	1994	
Net income	\$31,496	\$31,291	\$ 11,021	\$ 2,895	\$3,609	
Fixed charges - interest and amortization of loan fees	11,164	7,918	4,347	1,594	955	
Fixed charges - interest capitalized	2,177	627	-	-	-	
Net income including fixed charges	44,837	39,836	15,368	4,489	4,564	
Preferred dividends and limited partner distributions	117	3,608	4,505	1,288	-	
Net income including fixed charges, preferred dividends and limited partner distributions	\$44,954	\$43,444	\$ 19,873	\$ 5,777	\$4,564	
Ratio of earnings to fixed charges, including preferred dividends and limited partner distributions	3.34	3.57	2.25	2.00	4.78	
Ratio of earnings to fixed charges, excluding preferred dividends and limited partner distributions	3.36	4.66	3.54	2.82	4.78	

Exhibit 21.1

Subsidiaries of Bedford Property Investors, Inc.

<S>	<C>	<C>
Subsidiary Name	State of Incorporation	Name Under Which Subsidiary is doing Business
1. ICMPI (Concord Diablo 3), Inc.	Delaware	ICMPI (Concord Diablo 3), Inc.
2. ICMPI (Concord Diablo 8), Inc.	Delaware	ICMPI (Concord Diablo 8), Inc.
3. ICMPI (Concord Mason 18), Inc.	Delaware	ICMPI (Concord Mason 18), Inc.
4. ICMPI (Overland Park), Inc.	Delaware	ICMPI (Overland Park), Inc.
5. ICMPI (Lenexa), Inc.	Delaware	ICMPI (Lenexa), Inc.

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors
Bedford Property Investors, Inc.:

We consent to incorporation by reference in the registration
statements on Form S-3 (No.'s 33-15233, 333-23687,
333-33643 and 333-33795) and the registration statements on Form S-8

(No.'s 333-52375, 333-18215, 333-70681 and 333-74707) of Bedford Property Investors, Inc. of our report dated January 29, 1999, relating to the consolidated balance sheets of Bedford Property Investors, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1998, and the related financial statement schedule as of December 31, 1998, which report appears in the December 31, 1998 annual report on Form 10-K of Bedford Property Investors, Inc.

KPMG LLP

San Francisco, California
March 25, 1999

<TABLE> <S> <C>

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<PERIOD-TYPE>	3-MOS
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EXHIBIT 10.22

CREDIT AGREEMENT

This CREDIT AGREEMENT is entered into as of February 26, 1999, among BEDFORD PROPERTY INVESTORS, INC., a Maryland corporation (the "Company"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, a national banking association, and the several additional financial institutions from time to time party to this Agreement (collectively, the "Banks"; individually a "Bank"), BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION, as administrative agent for the Banks.

Factual Background

WHEREAS, the Company has requested that the Banks make available to the Company a secured revolving line of credit; and

WHEREAS, the Banks have agreed to make available to the Company a secured revolving line of credit on the terms and subject to the conditions set forth in this Agreement.

Agreement

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties agree as follows:

1. Definitions.

1.1 Defined Terms. In addition to the terms defined elsewhere in this Agreement, the following terms have the following meanings:

"Administrative Agent" means Bank of America in its capacity as administrative agent for the Banks hereunder, and any successor administrative agent designated under Section 9.4.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract or otherwise. In no event shall any of the Banks be deemed an "Affiliate" of the Company or of any Subsidiary of the Company.

"Agent-Related Persons" means Bank of America and any successor administrative agent designated under Section 9.4, together with their respective Affiliates and the officers, directors, employees

and agents of such Persons.

"Agent's Payment Office" means the address for payments set forth herein for the Administrative Agent, or such other address as the Administrative Agent may from time to time specify.

"Agreement" means this Credit Agreement, as amended, supplemented or modified from time to time.

"Applicable Margin" means (a) with respect to Reference Rate Loans, zero (0) basis points; and (b) with respect to LIBOR Rate Loans, (i) 110 basis points when Leverage is less than or equal to 0.30, (ii) 120 basis points when Leverage is greater than 0.30 but less than or equal to 0.40, or (iii) 135 basis points when Leverage is greater than 0.40.

"Appraisal" means a real estate appraisal conducted in accordance with the Uniform Standards of Professional Appraisal Practice (as promulgated by the Appraisal Standards Board of the Appraisal Foundation), all Requirements of Law applicable to the Banks and all applicable internal policies of the Banks, prepared by the Administrative Agent or undertaken by an independent appraisal firm satisfactory to the Administrative Agent, and providing an assessment of fair market value of a parcel of property, taking into account any and all Estimated Remediation Costs.

"Appraised Value" means, for an Approved Parcel at any time, an amount equal to the "as is" fair market value of such Approved Parcel (excluding any portion of such Approved Parcel consisting of undeveloped land, including excess land, to which no value will be assigned) established by the Administrative Agent's most recently completed Appraisal of such Approved Parcel. The Appraised Value of an Approved Parcel shall be adjusted upon the completion and review by the Banks of each Appraisal of such Approved Parcel (and, in the event of a disagreement among the Banks, with the approval of the Administrative Agent and the Majority Banks).

"Approved Parcel" means a Parcel satisfying all of the conditions set forth in Section 4.1.

"Approved Parcel Value" means, for any Approved Parcel at any time, the lesser of (a) the Collateral Value of such Approved Parcel at such time and (b) the Cash Flow Value of such Approved Parcel at such time.

"Assignee" has the meaning specified in subsection 10.8.1.

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external legal counsel, the allocated cost of internal legal services and all disbursements of internal counsel.

"Availability" means, at any time, the difference between (a) the lesser of (i) the Total Approved Parcel Value at such time and (ii) the Maximum Commitment Amount at such time, and (b) the principal amount outstanding under this Agreement at such time.

"Average Unused" has the meaning specified in Section 2.9.

"Bank" has the meaning specified in the introductory sentence of this Agreement; Bank of America in its capacity as a lender hereunder is one of the Banks. Unless the context otherwise clearly requires, any reference to a "Bank" includes any such institution in its capacity as Swap Provider, and also includes any of such institution's Affiliates that may, at the time of determination, be Swap Providers.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978, as amended from time to time (11 U.S.C. 101, et seq.).

"Bank of America" means Bank of America National Trust and Savings Association, a national banking association.

"Borrowing" means a borrowing hereunder consisting of Loans of the same Type made to the Company on the same day by the Banks under Article 2 and, other than in the case of Reference Rate Loans, having the same Interest Period, but does not include (a) a conversion of Loans of one Type to another Type or (b) a continuation of a Loan as a Loan of the same Type, but with a new Interest Period.

"Borrowing Base" means, at any time, the lesser of (i) the Total Approved Parcel Value at such time and (ii) the Maximum Commitment Amount at such time.

"Borrowing Notice" means a notice substantially in the form of Exhibit A given by the Company to the Administrative Agent pursuant to Section 2.3.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in San Francisco, California, are authorized or required by law to close and, if the applicable Business Day relates to any LIBOR Rate Loan, means such a day on which dealings are carried on in the applicable offshore dollar interbank market.

"Capital Adequacy Regulation" means any guideline, request or directive of any Governmental Authority, or any other law, rule or regulation, whether or not having the force of law, in each case, regarding capital adequacy of any Bank or of any corporation controlling any Bank.

"Cash Flow" means, as of any calendar quarter, four (4) times the sum of (i) the quarterly consolidated income from property operations for the Company and all of the Permitted Partnerships (excluding income

from minority interests in Persons other than Permitted Partnerships), and (ii) the consolidated depreciation and amortization of the Company and all of the Permitted Partnerships (excluding depreciation and amortization from minority interests in Persons other than Permitted Partnerships) for such quarter, as evidenced by the most recently delivered financial statements of the Company and the Permitted Partnerships.

"Cash Flow Value" means, for any Approved Parcel at any time, the maximum amount for which 74.074% of the Net Operating Income for such Approved Parcel at such time would be sufficient to amortize such amount in twenty-five (25) equal annual installments of principal and interest at a per annum rate equal to the greater of (i) 1.75% per annum above the average yield on seven-year United States treasury bonds maturing approximately seven (7) years from the date of determination (as reported by the Administrative Agent's Funding and Interest Rate Desk, or any other recognized source of treasury yield quotations acceptable to the Administrative Agent in its sole and absolute discretion, on the determination date) or (ii) 8.0%, computed on the basis of a year of 365 or 366 days, as applicable, and actual day months.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act of 1980, as amended from time to time.

"Closing Date" means the date on which all conditions precedent set forth in Section 4.2 are satisfied or waived by the Administrative Agent.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

"Collateral" means all property and interests in property and proceeds thereof now owned or hereafter acquired by the Company or one of its Subsidiaries in or upon which a Lien securing the Obligations now or hereafter exists in favor of the Banks or the Administrative Agent on behalf of the Banks, whether under this Agreement or under any other Collateral Documents executed by any such Persons and delivered to the Administrative Agent.

"Collateral Documents" means, collectively, (i) the Mortgages, Assignments of Leases, and all other security agreements, mortgages, deeds of trust, lease assignments and other similar agreements between the Company or its Subsidiaries and the Banks or the Administrative Agent, for the benefit of the Banks, now or hereafter delivered to the Administrative Agent pursuant to or in connection with the transactions contemplated hereby, and all financing statements (or comparable documents) now or hereafter filed in accordance with the UCC (or comparable law) naming the Company or any Subsidiaries as debtor in favor of the Banks or the Administrative Agent, for the benefit of the Banks, as secured party in connection therewith, and (ii) any amendments, supplements, modifications, renewals, replacements, consolidations,

substitutions and extensions of any of the foregoing.

"Collateral Value" means, for any Approved Parcel at any time, 65% of the Appraised Value of such Approved Parcel at such time.

"Commitment" means the amount of the credit and the outstanding Loans for which each Bank is obligated.

"Contingent Obligation" means, as to any Person, (a) any Guaranty Obligation of that Person, and (b) any direct or indirect obligation or liability, contingent or otherwise, of that Person in respect of (i) any letter of credit or similar instrument issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings or (ii) any Swap Contract. The amount of any Contingent Obligation shall (subject, in the case of Guaranty Obligations, to the last sentence of the definition of "Guaranty Obligation") be deemed equal to the maximum reasonably anticipated liability in respect thereof.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its property is bound.

"Controlled Group" means the Company and all Persons (whether or not incorporated) under common control or treated as a single employer with the Company pursuant to Section 414(b), (c), (m) or (o) of the Code.

"Conversion Date" means any date on which the Company elects to convert a Reference Rate Loan to a LIBOR Rate Loan or a LIBOR Rate Loan to a Reference Rate Loan.

"Conversion/Continuation Notice" means a notice substantially in the form of Exhibit B given by the Company to the Administrative Agent pursuant to Section 2.4.

"Covenant Debt Service" means, at any time, the amount necessary to amortize the sum of (a) total consolidated liabilities (excluding (i) accounts payable and accrued expenses, (ii) dividends and distributions payable, and (iii) other liabilities) of the Company and all of the Permitted Partnerships (as evidenced by the most recently received consolidated balance sheets for the Company and the Permitted Partnerships), and (b) the aggregate amount of all then-outstanding but undrawn letters of credit issued for the Company's account, in twenty-five (25) equal annual installments of principal and interest at a per annum rate equal to the greater of (i) 1.75% per annum above the average yield on seven-year United States treasury bonds maturing approximately seven (7) years from the date of determination (as reported by the Administrative Agent's Funding and Interest Rate Desk, or any other recognized source of treasury yield quotations acceptable to the

Administrative Agent in its sole and absolute discretion, on the determination date) or (ii) 8.0%, computed on the basis of a year of 365 or 366 days, as applicable, and actual day months.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied) constitute an Event of Default.

"Designated Representative" means Stephen M. Silla, Krista K. Rowland, Dennis M. Klimmek, Hanh Kihara or James R. Moore, or any other person designated from time to time in writing by the Company, with the consent of the Administrative Agent, as a Designated Representative.

"Disposition" means the sale, lease, conveyance or other disposition of any Approved Parcel, other than (i) leases of an Approved Parcel to third-party tenants in the ordinary course of business or (ii) sales or other dispositions expressly permitted under Section 7.2.

"Eligible Assignee" means (i) a commercial bank organized under the laws of the United States, or any state thereof, and having a combined capital and surplus of at least \$100,000,000; (ii) a Person that is primarily engaged in the business of commercial banking and is an Affiliate of a Bank, or (iii) any Person approved by Majority Banks and the Administrative Agent.

"Entitled Land" means unimproved real Property satisfying all of the following conditions: (a) the Company's intended use of such real Property is permissible under the applicable general plan or its equivalent, (b) such intended use is permissible under any applicable specific plan, zoning classification and development agreement, (c) such real Property has access to roads and utilities adequate for the Company's intended use, and (d) the Company intends to improve such real property within twenty-four (24) months of its acquisition.

"Environmental Claims" means all claims, however asserted, by any Governmental Authority or other Person alleging potential liability or responsibility for violation of any Environmental Laws or for injury to the environment or threat to public health, personal injury (including sickness, disease or death), property damage, natural resources damage, or otherwise alleging liability or responsibility for damages (punitive or otherwise), cleanup, removal, remedial or response costs, restitution, civil or criminal penalties, injunctive relief, or other type of relief, resulting from or based upon (a) the presence, placement, discharge, emission or release (including intentional and unintentional, negligent and non-negligent, sudden or non-sudden, accidental or non-accidental placement, spills, leaks, discharges, emissions or releases) of any Hazardous Material at, in or from an Approved Parcel, or (b) any other circumstances forming the basis of any violation, or alleged violation, of any Environmental Laws.

"Environmental Indemnity" means the unsecured environmental

indemnity executed by the Borrower and delivered to the Administrative Agent, for the benefit of the Banks, pursuant to Section 4.2.1(a).

"Environmental Laws" means all federal, state or local laws, statutes, common law duties, rules, regulations, ordinances and codes, together with all administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authorities, in each case relating to environmental, health, safety and land use matters; including CERCLA, the Clean Air Act, the Federal Water Pollution Control Act of 1972, the Solid Waste Disposal Act, the Federal Resource Conservation and Recovery Act, the Toxic Substances Control Act, the Emergency Planning and Community Right-to-Know Act, the California Hazardous Waste Control Law, the California Solid Waste Management, Resource, Recovery and Recycling Act, the California Water Code and the California Health and Safety Code.

"Environmental Permits" has the meaning specified in subsection 5.12(b).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and regulations promulgated thereunder.

"ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Company within the meaning of Section 414(b), 414(c) or 414(m) of the Code.

"ERISA Event" means (a) a Reportable Event with respect to a Qualified Plan or a Multi-employer Plan; (b) withdrawal by the Company or any ERISA Affiliate from a Qualified Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA); (c) a complete or partial withdrawal by the Company or any ERISA Affiliate from a Multi-employer Plan; (d) the filing of a notice of intent to terminate, the treatment of a plan amendment as a termination under Section 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to terminate a Qualified Plan or Multi-employer Plan subject to Title IV of ERISA; (e) failure by the Company or any member of the Controlled Group to make required contributions to a Qualified Plan or Multi-employer Plan; (f) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Qualified Plan or Multi-employer Plan; (g) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon the Company or any ERISA Affiliate; (h) an application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code with respect to any Plan; (i) a non-exempt prohibited transaction occurs with respect to any Plan for which the Company or any Subsidiary of the Company may be directly or indirectly liable; or (j) a violation of the applicable requirements of Section 404 or 405 of ERISA or the exclusive benefit rule under

Section 401(a) of the Code by any fiduciary or disqualified person with respect to any Plan for which the Company or any member of the Controlled Group may be directly or indirectly liable.

"Estimated Remediation Costs" means all costs associated with performing work to remediate contamination of real property or groundwater, including engineering and other professional fees and expenses, costs to remove, transport and dispose of contaminated soil, costs to "cap" or otherwise contain contaminated soil, and costs to pump and treat water and monitor water quality.

"Event of Default" means any of the events or circumstances specified in Section 8.1.

"Event of Loss" means, with respect to any Approved Parcel, any of the following: (a) any loss or damage to, or destruction of, such Approved Parcel; (b) any pending or threatened institution of any proceedings for the condemnation or seizure of such Approval Parcel or for the exercise of any right of eminent domain; or (c) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such Approved Parcel, or confiscation of such Approved Parcel or the requisition of the use of such Approved Parcel.

"Federal Funds Rate" means, for any day, the rate published by the Federal Reserve Bank of New York for the preceding Business Day as "Federal Funds (Effective)"; (or, if not published, the arithmetic mean of the rates for overnight Federal funds arranged prior to 9:00 a.m. (New York City time) on that day quoted by three brokers of Federal Funds in New York City as determined by the Administrative Agent).

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System or any successor thereof.

"Fee Letter" means the fee letter of even date herewith among the Company, Bank of America and the Administrative Agent.

"Funds from Operations" means, for any fiscal quarter, the net income of the Company for such quarter, excluding gains or losses from debt restructuring and sales of property, plus depreciation and amortization, after adjustments for unconsolidated ventures.

"GAAP" means generally accepted accounting principles set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), or in such other statements by such other entity as may be in general use by significant segments of the U.S. accounting profession, which are applicable to the circumstances as of the date of determination.

"Governmental Authority" means any nation or government, any state or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"Gross Assets" means, at any time, the sum of (a) the total consolidated assets of the Company and all Permitted Partnerships at such time, and (b) the total consolidated accumulated depreciation of the Company and all Permitted Partnerships at such time, as evidenced by the most recently delivered financial statements of the Company and the Permitted Partnerships.

"Guaranty Obligation" means, as applied to any Person, any direct or indirect liability of that Person with respect to any Indebtedness, lease, dividend, letter of credit or other obligation (the "primary obligations") of another Person. The amount of any Guaranty Obligation shall be deemed equal to the stated or determinable amount of the primary obligation in respect of which such Guaranty Obligation is made or, if not stated or if indeterminable, the maximum reasonably anticipated liability in respect thereof.

"Hazardous Materials" means all those substances which are regulated by, or which may form the basis of liability under, any Environmental Law, including all substances identified under any Environmental Law as a pollutant, contaminant, hazardous waste, hazardous constituent, special waste, hazardous substance, hazardous material or toxic substance, or petroleum or petroleum derived substance or waste.

"Indebtedness" of any Person means, without duplication, (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of property or services; (c) all reimbursement obligations with respect to surety bonds, letters of credit and similar instruments (in each case, to the extent material or non-contingent); (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to property acquired by the Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property); (f) all indebtedness referred to in clauses (a) through (e) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness; and (g) all Guaranty Obligations in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (e) above.

"Indemnified Liabilities" has the meaning specified in Section 10.5.

"Indemnified Person" has the meaning specified in Section 10.5.

"Insolvency Proceeding" means (a) any case, action or proceeding before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors or other similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case (a) and (b) undertaken under U.S. federal, state or foreign law, including the Bankruptcy Code.

"Interest Payment Date" means the first day of each month following disbursement of the initial Loan.

"Interest Period" means, with respect to any LIBOR Rate Loan, the period commencing on the Business Day the Loan is disbursed or continued or on the Conversion Date on which the Loan is converted to a LIBOR Rate Loan and ending on the date thirty (30) or sixty (60) days thereafter, as selected by the Company in its Borrowing Notice or Conversion/Continuation Notice; provided that:

(a) if any Interest Period pertaining to a LIBOR Rate Loan would otherwise end on a day that is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period pertaining to a LIBOR Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period for any LIBOR Rate Loan shall extend beyond the Maturity Date.

"Lead Arranger" means NationsBanc Montgomery Securities LLC.

"Lending Office" means, as to any Bank, the office specified as its "Lending Office" opposite its name on the signature pages hereto, or such other office as such Bank may specify to the Company and the Administrative Agent from time to time.

"Leverage" means, at any time, the ratio of (a) the sum of (i) the total consolidated liabilities of the Company and all Permitted Partnerships at such time (including as liabilities all then-outstanding but undrawn letters of credit issued for the Company's account) and (ii) all Contingent Obligations of the Company and all Permitted Partnerships at such time, to (b) the sum of (i) the total consolidated assets of the Company and all Permitted Partnerships at such time and (ii) the total consolidated accumulated depreciation of the Company and all Permitted Partnerships at such time, as evidenced by the most recent certificate of a Responsible Officer of the Company delivered to the Administrative Agent pursuant to Section 6.2(a) (for purposes of determining the Applicable Margin, the Leverage calculation set forth in such certificate shall be effective during the period from the first day of the first month after the month in which such certificate is delivered to the Administrative Agent through and including the last day of the month in which the next such certificate is delivered to the Administrative Agent pursuant to Section 6.2(a)).

"LIBOR" means the per annum rate of interest, rounded upward, if necessary, to the nearest 1/16th of one percent (0.0625%), at which the Administrative Agent's London Branch, London, England, would offer U.S. dollar deposits in amounts and for periods comparable to those of the applicable LIBOR Rate Loan and Interest Period to major banks in the London U.S. dollar inter-bank market at approximately 11:00 a.m., London time, on the first Business Day after the Company's rate election.

"LIBOR Rate" means, for each Interest Period in respect of any LIBOR Rate Loan, the per annum rate of interest, rounded upward, if necessary, to the nearest 1/100th of one percent, determined by the following formula:

$$\text{LIBOR Rate} = \frac{\text{LIBOR}}{(1.00 - \text{Reserve Percentage})}$$

"LIBOR Rate Borrowing" means a Borrowing consisting of LIBOR Rate Loans.

"LIBOR Rate Loan" means a Loan that bears interest based on the LIBOR Rate.

"Lien" means any mortgage, deed of trust, pledge, hypothecation, assignment, charge or deposit arrangement, encumbrance, lien (statutory or other) or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the lessor's interest under a capital lease (determined in accordance with GAAP), any financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement under the UCC or any comparable law naming the owner of the asset to which such lien

relates as debtor) and any contingent or other agreement to provide any of the foregoing, but not including the interest of a lessor under an operating lease (determined in accordance with GAAP).

"Loan" means an extension of credit by a Bank to the Company pursuant to Article 2, and may be a Reference Rate Loan or a LIBOR Rate Loan.

"Loan Documents" means this Agreement, the Revolving Notes, the Collateral Documents, and all documents (except for the Environmental Indemnity) delivered to the Administrative Agent, on behalf of the Banks, in connection therewith.

"Major Tenant" means, with respect to any Parcel, a tenant occupying ten percent (10%) or more of the net rentable area of the improvements located on such Parcel.

"Majority Banks" means at any time at least two (2) Banks then holding at least 66-2/3% of the then aggregate unpaid principal amount of the Loans (or, if no principal amount is then outstanding, at least two (2) banks then having at least 66-2/3% of the unborrowed Commitments); provided, however, that if at any time there is only one Bank, then such one Bank shall constitute Majority Banks.

"Margin Stock" means "margin stock" as such term is defined in Regulation G, T, U or X of the Federal Reserve Board.

"Material Adverse Effect" means a material adverse change in, or a material adverse effect upon, any of (a) the operations, business, properties, condition (financial or otherwise) or prospects of the Company, the Company and its Subsidiaries taken as a whole, or the Company, its Subsidiaries and the Permitted Partnerships taken as a whole; (b) the ability of the Company to perform under any Loan Document and avoid any Event of Default; (c) the legality, validity, binding effect or enforceability of any Loan Document; or (d) the perfection or priority of any Lien granted to the Administrative Agent under any of the Collateral Documents.

"Maturity Date" means September 1, 1999, as the same may be extended pursuant to Section 2.7.

"Maximum Commitment Amount" means, at any time, an amount equal to (i) \$30,000,000.00 less (ii) the aggregate amount of Net Refinancing Proceeds and Net Issuance Proceeds paid to the Administrative Agent, for the account of the Banks, prior to such time, subject to the provisions of Section 2.5.

"Mortgage" means any deed of trust, mortgage or other document creating a Lien on real property or any interest in real property as security for the Obligations.

"Multi-employer Plan" means a "multi-employer plan" (within the meaning of Section 4001(a)(3) of ERISA) to which any member of the Controlled Group (i) makes, is making, or is obligated to make contributions, or (ii) during the preceding three calendar years has made, or has been obligated to make, contributions.

"Net Issuance Proceeds" means, in respect of any issuance of debt (including secured debt) or equity of the Company or any of its Subsidiaries, cash proceeds and non-cash proceeds received or receivable in connection therewith, net of reasonable out-of-pocket costs and expenses paid or incurred in connection therewith (excluding amounts payable to the Company or any Affiliate of the Company).

"Net Operating Income" means, for any Approved Parcel as of any calendar quarter:

either (a) if such Approved Parcel has been owned by either the Company or any Subsidiary of the Company for at least three (3) consecutive calendar quarters for which quarterly operating statements have been delivered to the Banks, the sum of (i) two (2) times the quarterly gross income (before capital expenditures) for such Approved Parcel, as evidenced by the most recently received quarterly operating statements for such Approved Parcel, and (ii) the quarterly gross income (before capital expenditures) for such Approved Parcel for the two (2) consecutive quarters immediately preceding the quarter for which the most recently received quarterly operating statements relate, as evidenced by the quarterly operating statements for such quarters,

or (b) if such Approved Parcel has been owned by either the Company or any Subsidiary of the Company for at least two (2) consecutive calendar quarters for which quarterly operating statements have been delivered to the Banks but fewer than three (3) consecutive calendar quarters for which quarterly operating statements have been delivered to the Banks, the sum of (i) the quarterly gross income (before capital expenditures) for such Approved Parcel for the two (2) most recent consecutive calendar quarters, as evidenced by the quarterly operating statements for such Approved Parcel for such quarters, and (ii) one-half (1/2) of the annual gross income for such Approved Parcel for the year in which the determination is made, based on the proforma cash flow statement set forth in the Appraisal for such Approved Parcel,

or (c) if such Approved Parcel has been owned by either the Company or any Subsidiary of the Company for fewer than two (2) full calendar quarters for which quarterly operating statements have been delivered to the Banks, the annual gross income for such Approved Parcel for the year in which the determination is made, based on the pro forma cash flow statement set forth in the Appraisal for such Approved Parcel,

less either (d) if such Approved Parcel has been owned by either the Company or any Subsidiary of the Company for at least four (4) consecutive calendar quarters for which quarterly operating statements have been delivered to the Banks, the aggregate amount of actual operating expenses other than capital expenditures relating to such Approved Parcel for the immediately preceding four (4) consecutive calendar quarters, as evidenced by the most recently received quarterly operating statements for such Approved Parcel and the quarterly operating statements for the three (3) immediately preceding quarters,

or (e) if such Approved Parcel has been owned by either the Company or any Subsidiary of the Company for fewer than four (4) full calendar quarters for which quarterly operating statements have been delivered to the Banks, the aggregate amount of annual operating expenses other than capital expenditures relating to such Approved Parcel for the year in which the determination is made, based on the pro forma cash flow statement set forth in the Appraisal for such Approved Parcel,

less (f) if the Administrative Agent has determined that some or all of the improvements located on such Approved Parcel consist of office space, \$2.00 per square foot of net rentable area of space in such Approved Parcel that the Administrative Agent has determined to constitute office space and that is actually under lease on the last day of the last calendar quarter for which the Administrative Agent has received a certificate of a Responsible Officer pursuant to Section 6.2(a), representing capital expenditures for office space,

less (g) if the Administrative Agent has determined that some or all of the improvements located on such Approved Parcel consist of retail space, \$0.80 per square foot of net rentable area of space in such Approved Parcel that the Administrative Agent has determined to constitute retail space and that is actually under lease on the last day of the last calendar quarter for which the Administrative Agent has received a certificate of a Responsible Officer pursuant to Section 6.2(a), representing capital expenditures for retail space,

less (h) if the Administrative Agent has determined that some or all of the improvements located on such Approved Parcel consist of research and development (other than office) space, \$0.40 per square foot of net rentable area of space in such Approved Parcel that the Administrative Agent has determined to constitute research and development (other than office) space and that is actually under lease on the last day of the last calendar quarter for which the Administrative Agent has received a certificate of a Responsible Officer pursuant to Section 6.2(a), representing capital expenditures for research and development (other than office) space,

less (i) if the Administrative Agent has determined that some or all of the improvements located on such Approved Parcel consist of flexible industrial (other than research and development or warehouse) space, \$0.25 per square of space in such Approved Parcel that the Administrative Agent has determined to constitute flexible industrial (other than research and development or warehouse) space and that is actually under lease on the last day of the last calendar quarter for which the Administrative Agent has received a certificate of a Responsible Officer pursuant to Section 6.2(a), representing capital expenditures for flexible industrial (other than research and development or warehouse) space,

less (j) if the Administrative Agent has determined that some or all of the improvements located on such Approved Parcel consist of warehouse space, \$0.07 per square foot of net rentable area of space in such Approved Parcel that the Administrative Agent has determined to constitute warehouse space and that is actually under lease on the last day of the last calendar quarter for which the Administrative Agent has received a certificate of a Responsible Officer pursuant to Section 6.2(a), representing capital expenditures for warehouse space.

"Net Proceeds" means proceeds in cash, checks or other cash equivalent financial instruments as and when received by the Person making a Disposition, net of: (a) the reasonable direct costs relating to such Disposition (excluding amounts payable to the Company or any Affiliate of the Company), (b) sale, use or other transaction taxes paid or payable as a result thereof, and (c) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on Indebtedness secured by a Lien encumbering the asset that is the subject of such Disposition. "Net Proceeds" shall also include proceeds paid on account of any Event of Loss, net of (i) all money actually applied to repair or reconstruct the damaged property or property affected by the condemnation or taking, (ii) all of the costs and expenses reasonably incurred in connection with the collection of such proceeds, award or other payments, and (iii) any amounts retained by or paid to parties having superior rights to such proceeds, awards or other payments.

"Net Refinancing Proceeds" means, in respect of any refinancing of any Indebtedness (including secured Indebtedness) of the Company or any of its Subsidiaries or any Permitted Partnership, cash proceeds and non-cash proceeds received or receivable in connection therewith, net of (i) reasonable out-of-pocket costs and expenses paid or incurred in connection therewith (excluding amounts payable to the Company or any Affiliate of the Company) and (ii) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on the Indebtedness refinanced.

"Notice of Lien" means any "notice of lien" or similar document intended to be filed or recorded with any court, registry, recorder's office, central filing office or other Governmental Authority

for the purpose of evidencing, creating, perfecting or preserving the priority of a Lien securing obligations owing to a Governmental Authority.

"Obligations" means all Loans and other Indebtedness, advances, debts, liabilities, obligations, covenants and duties owing from the Company to the Administrative Agent, any Bank or any other Person required to be indemnified under any Loan Document, of any kind or nature, present or future, whether or not evidenced by any note, guaranty or other instrument, and arising under this Agreement or under any other Loan Document, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired.

"Ordinary Course of Business" means, in respect of any transaction involving the Company, any Subsidiary of the Company or any Permitted Partnership, the ordinary course of such Person's business, substantially as conducted by any such Person prior to or as of the Closing Date, and undertaken by such Person in good faith and not for purposes of evading any covenant or restriction in any Loan Document.

"Organization Documents" means, (a) for any corporation, the certificate or articles of incorporation, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, and all applicable resolutions of the board of directors (or any committee thereof) of such corporation, and (b) for any partnership, the partnership agreement, statement or certificate of partnership and any fictitious business name or other filing relating to such partnership.

"Parcel" means (a) a parcel of real property (i) that is owned in fee by the Company or (ii) that is ground leased by the Company and (b) any parcel of real property that is owned in fee by any wholly-owned Subsidiary of the Company or any Permitted Partnership.

"Participant" has the meaning specified in subsection 10.8.3.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Encumbrances" means, with respect to any Parcel, all matters to which the Administrative Agent consents in writing as exceptions to the Title Policy covering such Parcel.

"Permitted Liens" has the meaning specified in Section 7.1.

"Permitted Partnership" means a limited partnership formed to acquire one or more parcels of real property in which (i) the Company is the sole general partner, (ii) the Company has sole management control

of such limited partnership and its properties, (iii) such limited partnership has acquired all of its real property assets from one or more of its limited partners, and the limited partners have received only limited partnership interests in such limited partnership in exchange for their contributions of real property to such limited partnership, and (iv) distributions on interests in such limited partnership at any time are based solely on the amount of dividends payable on the Company's common stock at such time. Bedford Realty Partners, L.P., a California limited partnership, is a Permitted Partnership.

"Person" means an individual, partnership, corporation, business trust, joint stock company, limited liability company, trust, unincorporated association, joint venture or Governmental Authority.

"Plan" means an employee benefit plan (as defined in Section 3(3) of ERISA) which the Company or any member of the Controlled Group sponsors or maintains or to which the Company or any member of the Controlled Group makes, is making or is obligated to make contributions, and includes any Multi-employer Plan or Qualified Plan.

"Property" means any estate or interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Pro Rata Share" means, as to any Bank at any time, the percentage equivalent (expressed as a decimal rounded to the ninth decimal place) at such time of such Bank's share of the credit and the outstanding Loans.

"Qualified Plan" means a pension plan (as defined in Section 3(2) of ERISA) intended to be tax-qualified under Section 401(a) of the Code and which any member of the Controlled Group sponsors, maintains, or to which it makes, is making or is obligated to make contributions, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding period covering at least five (5) plan years, but excluding any Multi-employer Plan.

"Reference Rate" means the per annum rate of interest publicly announced from time to time by the Administrative Agent at San Francisco, California, as its "Reference Rate." The Reference Rate is set by the Administrative Agent based on various factors, including the Administrative Agent's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing loans. The Administrative Agent may price loans at, above or below the Reference Rate. Any change in the Reference Rate shall take effect on the day specified in the public announcement of such change.

"Reference Rate Borrowing" means a Borrowing consisting of Reference Rate Loans.

"Reference Rate Loan" means a Loan that bears interest based on the Reference Rate.

"Release Price" means, with respect to an Approved Parcel, the amount, if any, necessary to reduce the aggregate principal amount outstanding on the Loans to the Borrowing Base (computed without regard to the Approved Parcel for which the Company is seeking release), determined on the date of the Company's request to the Administrative Agent that the Banks release their Lien on such Approved Parcel.

"Reportable Event" means, as to any Plan, (a) any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, other than any such event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the PBGC, (b) a withdrawal from a Plan described in Section 4063 of ERISA, or (c) a cessation of operations described in Section 4062(e) of ERISA.

"Requirement of Law" means, as to any Person, any law (statutory or common), treaty, rule or regulation, or any determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Reserve Percentage" means the total of the maximum reserve percentages for determining the reserves to be maintained by member banks of the Federal Reserve System for "eurocurrency liabilities," as defined in Federal Reserve Board Regulation D. The Reserve Percentage shall be expressed in decimal form and rounded upward, if necessary, to the nearest 1/100th of one percent, and shall include marginal, emergency, supplemental, special and other reserve percentages.

"Responsible Officer" means the chief executive officer or the president of the Company, or any other officer having substantially the same authority and responsibility or, with respect to financial matters, the chief financial officer or the treasurer of the Company, or any other officer having substantially the same authority and responsibility.

"Revolving Note" means a promissory note of the Company payable to the order of a Bank in substantially the form of Exhibit C, and any amendments, supplements, modifications, renewals, replacements, consolidations and extensions thereof, evidencing the aggregate indebtedness of the Company to a Bank resulting from Loans made by such Bank pursuant to this Agreement; "Revolving Notes" means, at any time, all of the Revolving Notes executed by the Company in favor of a Bank outstanding at such time.

"SEC" means the Securities and Exchange Commission, or any successor thereto.

"Secured Loan Agreement" means that certain Fourth Amended and Restated Credit Agreement dated as of June 15, 1998, among the Company,

the banks party thereto, and Bank of America, as administrative agent for the Banks.

"Solvent" means, as to any Person at any time, that (a) the fair value of the Property of such Person is greater than the amount of such Person's liabilities (including disputed, contingent and unliquidated liabilities) as such value is established and liabilities evaluated for purposes of Section 101(32) of the Bankruptcy Code and, in the alternative, for purposes of the California Uniform Fraudulent Transfer Act and any other applicable fraudulent conveyance statute; (b) the present fair saleable value of the Property of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person is able to realize upon its Property and pay its debts and other liabilities (including disputed, contingent and unliquidated liabilities) as they mature in the normal course of business; (d) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (e) such Person is not engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute unreasonably small capital.

"Specified Swap Contract" means any Swap Contract made or entered into at any time, or in effect at any time, whether as a result of assignment or transfer or otherwise, between the Company and any Swap Provider, which Swap Contract is entered into for the purpose of mitigating interest rate or currency exchange risk relating to any Loan and as to which the Company's final scheduled payment is not later than the Maturity Date.

"Specified Swap Exposure" means, at any time, an amount equal to the sum of (a) ten percent (10%) of the notional amount of each interest rate Specified Swap Contract outstanding at such time, and (b) three percent (3%) of the notional amount of each interest rate floor or interest rate collar Specified Swap Contract outstanding at such time.

"Specified Swap Obligations" has the meaning specified in Section 8.5.

"Subsidiary" of a Person means any corporation, association, partnership, joint venture or other business entity of which more than 50% of the voting stock, membership interests or other equity interests (in the case of Persons other than corporations), is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof.

"Swap Contract" means any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap or option, bond, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor

transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing.

"Swap Provider" means any Bank, or any Affiliate of any Bank, that is at the time of determination a party to a Swap Contract with the Company.

"Tangible Net Worth" means, at any time, the total consolidated stockholders' equity of the Company at such time, plus the amount of minority interests in all Permitted Partnerships at such time (valuing preferred stock at face value and excluding as assets (i) any loans to tenants for tenant improvements and (ii) goodwill and other intangible assets, and valuing all real property at the lower of book or market value (where market value is based on the most recent Appraisal for each Approved Parcel)), as evidenced by the Company's most recently delivered financial statements.

"Title Policy" means any policy of title insurance required pursuant to this Agreement.

"Total Approved Parcel Value" means, at any time, the sum of the Approved Parcel Values for all of the Approved Parcels at such time; provided, however, that the aggregate Approved Parcel Values of all of the Approved Parcels owned by Permitted Partnerships shall not, at any time, exceed ten percent (10%) of the Total Approved Parcel Value at such time.

"Transferee" has the meaning specified in subsection 10.8.5.

"Type" means, in connection with a Loan, the characterization of such loan as a Reference Rate Loan or a LIBOR Rate Loan.

"UCC" means the Uniform Commercial Code as in effect in any jurisdiction, as the same may be amended, modified or supplemented from time to time.

"Unfunded Pension Liabilities" means the excess of a Plan's benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Plan's assets, determined in accordance with the assumptions used by the Plan's actuaries for funding the Plan pursuant to section 412 of the Code for the applicable plan year.

"Unsecured Loan Agreement" means that certain Line of Credit Loan Agreement (Unsecured Loan) dated as of June 15, 1998, among the Company, the banks party thereto, and Bank of America, as administrative agent for the Banks.

1.2 Other Interpretive Provisions.

1.2.1 Use of Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant to this Agreement. The meaning of defined terms shall be equally applicable to the singular and plural forms of the defined terms. Terms (including uncapitalized terms) not otherwise defined herein and that are defined in the UCC shall have the meanings therein described.

1.2.2 Certain Common Terms.

(a) The Agreement. The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and section, schedule and exhibit references are to this Agreement unless otherwise specified.

(b) Documents. The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced.

(c) Including. The term "including" is not limiting, and means "including without limitation."

(d) Performance. Whenever any performance obligation hereunder (other than a payment obligation) shall be stated to be due or required to be satisfied on a day other than a Business Day, such performance shall be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including". If any provision of this Agreement refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision shall be interpreted to encompass any and all means, direct or indirect, of taking or not taking such action.

(e) Contracts. Unless otherwise expressly provided in this Agreement, references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications thereto, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document.

(f) Laws. References to any statute or regulation are to be construed as including all statutory and regulatory provisions consolidating, amending or replacing the statute or regulation.

(g) Captions. The captions and headings of this Agreement are for convenience of reference only, and shall not

affect the construction of this Agreement.

(h) Independence of Provisions. The parties acknowledge that this Agreement and the other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters, and that such limitations, tests and measurements are cumulative and must each be performed, except as expressly stated to the contrary in this Agreement.

(i) Exhibits and Schedules. All of the exhibits and schedules attached to this Agreement are incorporated herein by this reference.

1.2.3 Accounting Principles.

(a) Accounting Terms. Unless the context otherwise clearly requires, all accounting terms not expressly defined herein shall be construed, and all financial computations required under this Agreement shall be made, in accordance with GAAP, consistently applied.

(b) Fiscal Periods. References herein to "fiscal year" and "fiscal quarter" refer to such fiscal periods of the Company.

2. The Credit.

2.1 Amount and Terms of Commitment. Each Bank severally agrees, on the terms and subject to the conditions hereinafter set forth, to make Loans to the Company from time to time on any Business Day during the period from the Closing Date to the Maturity Date (as it may be extended from time to time pursuant to Section 2.7) for the purpose of (i) facilitating the Company's acquisition of improved real property, and (ii) financing the Company's operations, including development activities (subject to the provisions of Sections 7.15 and 7.16), in an aggregate amount not to exceed at any time outstanding such Bank's Pro Rata Share of the Availability. Notwithstanding any contrary provision of this Agreement, the aggregate principal amount of all outstanding Loans shall not at any time exceed the Borrowing Base at such time. Within the limits of the Availability, and subject to the other terms and conditions hereof, the Company may borrow under this Section 2.1 prior to the then-applicable Maturity Date, repay pursuant to Section 2.6 and reborrow pursuant to this Section 2.1 prior to the then-applicable Maturity Date.

2.2 Loan Accounts.

2.2.1 The Loans made by each Bank shall be evidenced by one or more loan accounts or records maintained by such Bank and the Administrative Agent in the ordinary course of business. The loan accounts or records maintained by the Administrative Agent and each Bank shall be conclusive absent manifest error of the amounts of the Loans

made by the Banks to the Company and the interest and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of the Company hereunder to pay any amount owing with respect to the Loans.

2.2.2 The Loans made by each Bank shall be evidenced by a Revolving Note payable to the order of such Bank in an amount equal to such Bank's Pro Rata Share of the Maximum Commitment Amount on the Closing Date. Such Bank may endorse on the schedule annexed to its Revolving Note(s) the date, amount and maturity of each Loan that it makes, the purpose of the Loan, the amount of each payment of principal that the Company makes with respect thereto and the source of the funds from which each principal payment is made. The Company irrevocably authorizes each Bank to endorse its Revolving Note(s), and such Bank's record shall be conclusive absent manifest error; provided, however, that any Bank's failure to make, or its error in making, a notation thereon with respect to any Loan shall not limit or otherwise affect the Company's obligations to such Bank hereunder or under its Revolving Note(s).

2.3 Procedure for Obtaining Credit. Each Borrowing shall be made upon the irrevocable written notice (including notice via facsimile confirmed immediately by a telephone call) of the Company in the form of a Borrowing Notice signed by a Designated Representative (which notice must be received by the Administrative Agent prior to 9:30 a.m., San Francisco time, (i) three (3) Business Days prior to the requested borrowing date, in the case of LIBOR Rate Loans, or (ii) on the requested borrowing date, in the case of Reference Rate Loans), specifying:

(a) the amount of the Borrowing, which in the case of a Borrowing shall be in an aggregate minimum principal amount of (i) Two Hundred Fifty Thousand dollars (\$250,000) for Reference Rate Borrowings, and (ii) One Million dollars (\$1,000,000) for any LIBOR Rate Borrowings;

(b) the requested borrowing date, which shall be a Business Day;

(c) the Type of Loans comprising the Borrowing; and

(d) in the case of a LIBOR Rate Borrowing, the duration of the Interest Period applicable to the Loans comprising such LIBOR Rate Borrowing. If the Borrowing Notice fails to specify the duration of the Interest Period for the Loans comprising a LIBOR Rate Borrowing, such Interest Period shall be thirty (30) days.

Unless the Majority Banks otherwise agree, during the existence of a Default or Event of Default, the Company may not elect to have a Loan made as, or converted into or continued as, a LIBOR Rate Loan. After giving effect to any Loan, there shall not be more than five (5) different Interest Periods in effect.

2.4 Conversion and Continuation Elections.

2.4.1 The Company may, upon irrevocable written notice to the Administrative Agent in accordance with subsection 2.5.2:

(a) elect to convert, on any Business Day, any Reference Rate Loans (or any part thereof in an amount not less than \$1,000,000.00) into LIBOR Rate Loans;

(b) elect to convert on any Interest Payment Date any LIBOR Rate Loans maturing on such Interest Payment Date (or any part thereof in an amount not less than \$1,000,000.00) into Reference Rate Loans; or

(c) elect to renew on any Interest Payment Date any LIBOR Rate Loans maturing on such Interest Payment Date (or any part thereof in an amount not less than \$1,000,000.00);

provided, that if the aggregate amount of LIBOR Rate Loans in respect of any Borrowing shall have been reduced, by payment, prepayment or conversion of part thereof, to less than \$1,000,000.00, such LIBOR Rate Loans shall automatically convert into Reference Rate Loans, and on and after such date the right of the Company to continue such Loans as, and convert such Loans into, LIBOR Rate Loans shall terminate.

2.4.2 The Company shall deliver by telex, cable or facsimile, confirmed immediately in writing, a Notice of Conversion/Continuation signed by a Designated Representative (which notice must be received by the Administrative Agent not later than 9:30 a.m. San Francisco time, (i) at least three (3) Business Days prior to the Conversion Date or continuation date, if the Loans are to be converted into or continued as LIBOR Rate Loans, or (ii) on the Conversion Date, if the Loans are to be converted into Reference Rate Loans) specifying:

(a) the proposed Conversion Date or continuation date;

(b) the aggregate amount of Loans to be converted or continued;

(c) the nature of the proposed conversion or continuation; and

(d) if the Company elects to convert a Reference Rate Loan into a LIBOR Rate Loan or elects to continue a LIBOR Rate Loan, the duration of the Interest Period applicable to such Loan. If the Conversion/Continuation Notice fails to specify the duration of the Interest Period for a LIBOR Rate Loan, such Interest Period shall be thirty (30) days.

2.4.3 If upon the expiration of any Interest Period applicable to LIBOR Rate Loans the Company has failed to select a new Interest Period to be applicable to LIBOR Rate Loans, or if any Default or Event of Default shall then exist, the Company shall be deemed to have elected to convert LIBOR Rate Loans into Reference Rate Loans effective as of the expiration date of such current Interest Period.

2.4.4 Notwithstanding any other provision contained in this Agreement, after giving effect to any conversion or continuation of any Loans, there shall not be more than five (5) different Interest Periods in effect.

2.5 Voluntary Termination or Reduction of Commitment. The Company may, upon not less than ninety (90) days' prior written notice to the Administrative Agent, terminate the Banks' commitment to make Loans to the Company or permanently reduce the Maximum Commitment Amount by a minimum amount of \$1,000,000.00 or any multiple of \$1,000,000.00 in excess thereof, unless, after giving effect thereto and to any prepayments of Loans made on the effective date thereof, the aggregate principal amount of the then-outstanding Loans would exceed the Borrowing Base at such time. Once reduced in accordance with this Section 2.6, the Maximum Commitment Amount may not be increased. Any reduction of the commitment amounts shall be applied to each Bank according to its Pro Rata Share. No commitment or extension fees paid prior to the effective date of any reduction of the Maximum Commitment Amount or termination of the Bank's commitment to make Loans to the Company shall be refunded.

2.6 Principal Payments.

2.6.1 Optional Repayments. Subject to Section 3.4, the Company may, at any time or from time to time, upon at least one (1) Business Day's prior written notice to the Administrative Agent signed by a Designated Representative, ratably prepay Loans in part in an amount not less than \$250,000.00; provided, however, that subject to the provisions of Sections 2.5 and 2.12, the Company shall not repay the Loans in full prior to the Maturity Date, and there shall be deemed outstanding at all times prior to the Maturity Date principal in the amount of at least \$10.00 to the extent necessary to maintain the liens granted in the Collateral Documents. Such notice of prepayment shall specify the date and amount of such prepayment and the Type(s) of Loans to be repaid. The Administrative Agent will promptly notify each Bank of its receipt of any such notice, and of such Bank's Pro Rata Share of such prepayment. If the Company gives a prepayment notice to the Administrative Agent, such notice is irrevocable and the prepayment amount specified in such notice shall be due and payable on the date specified therein, together with accrued interest to such date, if required by the Administrative Agent, on the amount prepaid and all amounts required to be paid pursuant to Section 3.4.

2.6.2 Mandatory Repayments.

(a) Borrowing Base Limit. Should the aggregate principal amount of the outstanding Loans at any time exceed the Borrowing Base at such time, the Company shall immediately repay such excess to the Administrative Agent, for the account of the Banks.

(b) Approved Parcel Dispositions. If the Company or any of its Subsidiaries or any Permitted Partnership shall at any time or from time to time agree to enter into a Disposition, or shall suffer an Event of Loss in which the anticipated Net Proceeds exceed \$250,000.00, then (i) the Company shall promptly notify the Administrative Agent of such proposed Disposition or such Event of Loss (including the amount of the estimated Net Proceeds to be received by the Company or its Subsidiary in respect thereof) and (ii) promptly upon receipt by the Company or its Subsidiary or the Permitted Partnership of the Net Proceeds of such Disposition or Event of Loss, the Company shall ratably repay the Loans in an aggregate amount equal to the Release Price, in the case of a Disposition, or the amount of such Net Proceeds, in the case of an Event of Loss.

(c) Net Refinancing Proceeds. If the Company or any of its Subsidiaries or any Permitted Partnership shall at any time or from time to time agree to refinance any real Property, then (i) the Company shall promptly notify the Administrative Agent of such proposed refinancing (including the amount of the estimated Net Refinancing Proceeds to be received by the Company or its Subsidiary or Permitted Partnership in respect thereof) and (ii) promptly upon receipt by the Company or its Subsidiary or Permitted Partnership of such Net Refinancing Proceeds, the Company shall ratably repay the Loans in an aggregate amount equal to the amount of such Net Refinancing Proceeds.

(d) Net Issuance Proceeds. If the Company or any of its Subsidiaries shall at any time or from time to time agree to issue any new debt or equity securities (whether in a public or a private transaction), then (i) the Company shall promptly notify the Administrative Agent of such proposed securities issuance (including the amount of the estimated Net Issuance Proceeds to be received by the Company or its Subsidiary in respect thereof) and (ii) promptly upon receipt by the Company or its Subsidiary of such Net Issuance Proceeds, the Company shall ratably repay the Loans in an aggregate amount equal to the amount of such Net Issuance Proceeds.

(e) Application of Repayments. Any repayments pursuant to this subsection 2.6.2 shall be (i) subject to Section 3.4, and (ii) applied first to any Reference Rate Loans then outstanding and then to LIBOR Rate Loans with the shortest Interest Periods remaining. Notwithstanding any contrary provision of this subsection 2.6.2, but subject to the provisions of Section 2.5, there shall be deemed outstanding on the Loans at all times prior to the Maturity Date principal in the amount of at least \$10.00 to the extent necessary to maintain the liens granted in the Collateral Documents.

2.6.3 Repayment at Maturity. The Company shall repay the principal amount of all outstanding Loans on the Maturity Date or, if earlier, upon termination of the Banks' commitment pursuant to Section 2.5.

2.7 Extension of Maturity Date. At the Company's option, the Maturity Date may be extended for two (2) periods of three (3) months each, to December 1, 1999, if the initial extension is exercised, or to March 1, 2000, if both extensions are exercised, provided that all of the following conditions are satisfied as to each requested extension:

(a) The Administrative Agent shall have received a written extension request from the Company signed by a Responsible Officer (i) at least thirty (30) days and not more than sixty (60) days prior to the initial Maturity Date or (ii) at least ten (10) days and not more than thirty (30) days prior to the first extended Maturity Date;

(b) No Default or Event of Default shall have occurred, and the Administrative Agent shall have received a certificate to that effect signed by a Responsible Officer;

(c) The representations and warranties set forth in this Agreement and the other Loan Documents shall be correct as of the applicable Maturity Date as though made on and as of that date, and the Administrative Agent shall have received a certificate to that effect signed by a Responsible Officer;

(d) As of the applicable Maturity Date, the Maximum Commitment Amount is not less than Ten Million Dollars (\$10,000,000.00);

(e) The Company shall have paid to the Administrative Agent, for the account of the Banks, an extension fee in the amount set forth in the Fee Letter; and

(f) The conditions set forth in subsections 4.3.6 and 4.3.7 shall have been satisfied to the extent necessary to evidence the extension of the Maturity Date and to maintain and insure the validity and the priority of the Liens securing the Obligations.

2.8 Interest.

2.8.1 Accrual Rate. Subject to subsection 2.8.3, each Loan shall bear interest on the outstanding principal amount thereof from the date when made until it becomes due at a rate per annum equal to the LIBOR Rate or the Reference Rate, as the case may be, plus the Applicable Margin.

2.8.2 Payment. Interest on each Loan shall be

payable in arrears on each Interest Payment Date. Interest shall also be payable on the date of any repayment of Loans pursuant to subsections 2.6.1 and 2.6.2 for the portion of the Loans so repaid and upon payment (including prepayment) in full thereof, if required by the Administrative Agent, and, during the existence of any Event of Default, interest shall be payable on demand.

2.8.3 Default Interest. Commencing (i) ten (10) Business Days after the occurrence of any Event of Default under subsection 8.1.3 or (ii) upon the occurrence of any other Event of Default, and continuing thereafter while such Event of Default exists, or after maturity or acceleration, the Company shall pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the principal amount of all Obligations due and unpaid, at a rate per annum which is determined by adding 3% per annum to the Applicable Margin then in effect for such Loans and, in the case of Obligations not subject to an Applicable Margin, at a rate per annum equal to the Reference Rate plus 3.00%; provided, however, that, on and after the expiration of any Interest Period applicable to any LIBOR Rate Loan outstanding on the date of occurrence of such Event of Default or acceleration, the principal amount of such Loan shall, during the continuation of such Event of Default or after acceleration, bear interest at a rate per annum equal to the Reference Rate plus 3.00%.

2.8.4 Maximum Legal Rate. Notwithstanding any contrary provision this Agreement, the Company's obligations to any Bank hereunder shall be subject to the limitation that payments of interest shall not be required, for any period for which interest is computed hereunder, to the extent (but only to the extent) that such Bank's contracting for or receiving such payment would be contrary to the provisions of any law applicable to such Bank limiting the highest rate of interest that such Bank may lawfully contract for, charge or receive, and in such event the Company shall pay such Bank interest at the highest rate permitted by applicable law.

2.9 Fees. The Company shall pay to the Administrative Agent, for the account of the Banks (based on the allocations set forth below or such other allocations as may be agreed to by or among the Banks, or any of them, in writing from time to time): (a) on the Closing Date a one-time commitment fee equal to the amount set forth in the Fee Letter; and (b) an unused commitment fee equal to (i) 0.200% per annum of the average during a calendar quarter of the daily difference between the Maximum Commitment Amount and the principal amount outstanding hereunder (the "Average Unused"), if the weighted average principal amount outstanding hereunder during such calendar quarter is less than fifty percent (50%) of the weighted average Maximum Commitment Amount during such calendar quarter, or (ii) 0.125% per annum of the Average Unused if the weighted average principal amount outstanding hereunder during such calendar quarter is greater than or equal to fifty percent (50%) of the weighted average Maximum Commitment Amount during such calendar quarter, in each case measured quarterly and payable quarterly in arrears on each

January 1, April 1, July 1, and October 1, commencing April 1, 1999 (for the portion of the calendar quarter ending March 31, 1999). In addition, the Company shall pay to the Administrative Agent, for its own account, an agency fee in an amount and at the times set forth in the Fee Letter.

2.10 Computation of Fees and Interest. All computations of interest and fees under this Agreement shall be made on the basis of a 360-day year and actual days elapsed, which results in more interest or fees being paid than if computed on the basis of a 365-day year. Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof. Any change in the interest rate on a Loan resulting from a change in the Reference Rate or the Reserve Percentage shall become effective as of the opening of business on the day on which such change in the Reference Rate or the Reserve Percentage becomes effective. Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Company and the Banks in the absence of manifest error.

2.11 Payments by the Company.

2.11.1 All payments (including prepayments) to be made by the Company on account of principal, interest, fees and other amounts required hereunder shall be made without set off or counterclaim and shall, except as otherwise expressly provided herein, be made to the Administrative Agent for the account of the Banks at the Administrative Agent's Payment Office, in dollars and in immediately available funds, no later than 10:00 a.m. San Francisco time on the date specified herein. The Administrative Agent will promptly distribute to each Bank its Pro Rata Share (or other applicable share as provided herein) of such payment in like funds as received. Any payment received by the Administrative Agent later than 10:00 a.m. San Francisco time shall be deemed to have been received on the immediately succeeding Business Day and any applicable interest or fee shall continue to accrue.

2.11.2 Subject to the provisions set forth in the definition of the term "Interest Period," whenever any payment hereunder is stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

2.11.3 Unless the Administrative Agent receives notice from the Company prior to the date on which any payment is due and payable to the Banks that the Company will not make such payment in full as and when required, the Administrative Agent may assume that the Company has made such payment in full to the Administrative Agent on such date in immediately available funds and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, distribute to each Bank on such date an amount equal to the amount then due and payable to such Bank. If and to the extent the Company has not made such

payment in full to the Administrative Agent, each Bank shall repay to the Administrative Agent on demand the amount distributed to such Bank, together with interest thereon at the Federal Funds Rate for each day from the date such amount is distributed to such Bank until the date repaid.

2.12 Payments by the Banks to the Administrative Agent.

2.12.1 With respect to any Borrowing, unless the Administrative Agent receives notice from a Bank at least one (1) Business Day prior to the date of such Borrowing, that such Bank will not make available to the Administrative Agent, for the account of the Company, the amount of that Bank's Pro Rata Share of the Borrowing as and when required hereunder, the Administrative Agent may assume that each Bank has made such amount available to the Administrative Agent in immediately available funds on the borrowing date and the Administrative Agent may (but shall not be so required), in reliance upon such assumption, make available to the Company on such date a corresponding amount. If and to the extent any Bank shall not have made its full amount available to the Administrative Agent in immediately available funds and the Administrative Agent in such circumstances has made available to the Company such amount, that Bank shall, on the Business Day following such borrowing date, make such amount available to the Administrative Agent, together with interest at the Federal Funds Rate for each day during such period. A notice of the Administrative Agent submitted to any Bank with respect to amounts owing under this Section 2.12 shall be conclusive absent manifest error. If such amount is so made available, such payment to the Administrative Agent shall constitute such Bank's Loan on the date of Borrowing for all purposes of this Agreement. If such amount is not made available to the Administrative Agent on the Business Day following the Borrowing Date, the Administrative Agent will notify the Company of such failure to fund and, upon demand by the Administrative Agent, the Company shall pay such amount to the Administrative Agent for the Administrative Agent's account, together with interest thereon for each day elapsed since the date of such Borrowing, at a rate per annum equal to the interest rate applicable at the time to the Loans comprising such Borrowing.

2.12.2 The failure of any Bank to make any Loan on any Borrowing Date shall not relieve any other Bank of any obligation hereunder to make a Loan on such Borrowing Date, but no Bank shall be responsible for the failure of any other Bank to make the Loan to be made by such other Bank on any borrowing date.

2.13 Sharing of Payments, Etc. If, other than as expressly provided elsewhere herein, any Bank shall obtain on account of the Obligations owing to it any payment (whether voluntary, involuntary, or otherwise) in excess of its ratable share (or other share contemplated hereunder), such Bank shall immediately (a) notify the Administrative Agent of such fact, and (b) purchase from the other Banks such participations in the Loans made by them as shall be necessary to cause

such purchasing Bank to share the excess payment pro rata with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from the purchasing Bank, such purchase shall to that extent be rescinded, and each other Bank shall repay to the purchasing Bank the purchase price paid therefor, together with an amount equal to such paying Bank's ratable share (according to the proportion of (i) the amount of such paying Bank's required repayment to (ii) the total amount so recovered from the purchasing Bank) of any interest or other amount paid or payable by the purchasing Bank in respect of the total amount so recovered. The Company agrees that any Bank so purchasing a participation from another Bank may, to the fullest extent permitted by law, exercise all its rights of payment (other than the right of set-off) with respect to such participation as fully as if such Bank were the direct creditor of the Company in the amount of such participation. The Administrative Agent will keep records (which shall be conclusive and binding in the absence of manifest error) of participations purchased under this Section and will in each case notify the Banks following any such purchases or repayments.

2.14 Security; Appraisal of Approved Parcels. All obligations of the Company under this Agreement, the Revolving Notes and all other Loan Documents (but not including the Environmental Indemnity) shall be secured in accordance with the Collateral Documents.

2.15 Release of Lien on Approved Parcel.

2.15.1 Release Conditions. The Administrative Agent shall reconvey and release its Lien on an Approved Parcel upon the Company's satisfaction of all of the following conditions precedent:

(a) The Company shall have submitted to the Administrative Agent a written request that the Administrative Agent reconvey and release its Lien on such Approved Parcel;

(b) The Company shall have paid to the Administrative Agent, for the account of the Banks, the lesser of (i) the Release Price for such Approved Parcel, or (ii) the then-outstanding aggregate principal amount of the Loans;

(c) There shall have occurred no Default or Event of Default that remains uncured, and the Administrative Agent shall have received a certificate to that effect signed by a Responsible Officer;

(d) The Approved Parcel to be reconveyed constitutes a legally separable and transferable lot or parcel under all applicable laws, ordinances, rules and regulations relating to the subdivision or parceling of real property and the transfer thereof; and

(e) Upon the Administrative Agent's request, the

Administrative Agent has been furnished, at the Company's sole cost, with a CLTA form 111 indorsement or such other indorsements to any Title Policy as the Administrative Agent may require, assuring the Administrative Agent that the reconveyance will not result in the subordination of the lien of any Mortgage as to the remaining Approved Parcels to any other lien or claim affecting any such Approved Parcels.

The foregoing conditions precedent are solely for the benefit of the Administrative Agent and the Banks, any may be waived in a writing signed by the Administrative Agent, with the consent of the Majority Banks, and in no other manner.

2.15.2 Application of Release Price. The Release Price of each Approved Parcel shall be applied, in the Administrative Agent's sole discretion, first to any amounts due hereunder other than interest or principal then due and payable, then to interest then due, and then to the prepayment of principal (first to any Reference Rate Loans then outstanding and then to LIBOR Rate Loans with the shortest Interest Periods remaining).

2.16 Collateral Documents. If (a) any provision of any Collateral Document shall for any reason cease to be valid and binding on or enforceable against the Company or any Subsidiary of the Company party thereto, or the Company or any Subsidiary of the Company shall so state in writing or bring an action to limit its obligations or liabilities thereunder or (b) any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in the Collateral purported to be covered thereby or such security interest shall for any reason cease to be a perfected and first priority security interest subject only to Permitted Liens and Permitted Encumbrances, the Parcel encumbered by such Collateral Document shall, at the option of the Majority Banks, immediately cease to be an Approved Parcel, the Borrowing Base and the Availability shall immediately be adjusted to reflect such change and the Company shall repay to the Administrative Agent, for the benefit of the Banks, within thirty (30) days after notice from the Administrative Agent, any amounts payable pursuant to Section 2.6.2(a).

3. Taxes, Yield Protection and Illegality.

3.1 Taxes. If any taxes (other than taxes on a Bank's net income) are at any time imposed on any payments under or in respect of this Agreement or any instrument or agreement required hereunder, including payments made pursuant to this Section 3.1, the Company shall pay all such taxes and shall also pay to the Administrative Agent, for the account of the applicable Bank, at the time interest is paid, all additional amounts which such Bank specifies as necessary to preserve the yield, after payment of such taxes, that such Bank would have received if such taxes had not been imposed.

3.2 Illegality.

(a) If any Bank determines that (i) the introduction of any Requirement of Law, or any change in any Requirement of Law or in the interpretation or administration thereof, has made it unlawful, or (ii) any central bank or other Governmental Authority has asserted that it is unlawful, for such Bank or its applicable Lending Office to make LIBOR Rate Loans, then, on notice thereof by such Bank to the Company and the Administrative Agent, the obligation of such Bank to make LIBOR Rate Loans shall be suspended until such Bank shall have notified the Company and the Administrative Agent that the circumstances giving rise to such determination no longer exist.

(b) If any Bank determines that it is unlawful to maintain any LIBOR Rate Loan, the Company shall, upon its receipt of notice of such fact and demand from such Bank (with a copy to the Administrative Agent), prepay in full all LIBOR Rate Loans of that Bank then outstanding, together with interest accrued thereon and any amounts required to be paid in connection therewith pursuant to Section 3.4, either on the last day of the Interest Period thereof, if such Bank may lawfully continue to maintain such LIBOR Rate Loans to such day, or immediately, if such Bank may not lawfully continue to maintain such LIBOR Rate Loans.

(c) Notwithstanding any contrary provision of Section 2.1, if the Company is required to prepay any LIBOR Rate Loan immediately as provided in subsection 3.2(b), then concurrently with such prepayment the Company shall borrow a Reference Rate Loan from the affected Bank in the amount of such repayment.

(d) If the obligation of any Bank to make or maintain LIBOR Rate Loans has been terminated, the Company may elect, by giving notice to such Bank through the Administrative Agent, that all Loans which would otherwise be made by such Bank as LIBOR Rate Loans shall instead be Reference Rate Loans.

(e) Before giving any notice to the Administrative Agent or the Company pursuant to this Section 3.2, the affected Bank shall designate a different Lending Office with respect to its LIBOR Rate Loans if such designation would avoid the need for giving such notice or making such demand and would not, in the judgment of such Bank, be illegal or otherwise disadvantageous to such Bank.

3.3 Increased Costs and Reduction of Return.

(a) If any Bank determines that, due to either (i) the introduction of, or any change (other than a change by way of imposition of, or increase in, reserve requirements included in the Reserve Percentage) in or in the interpretation of, any law or regulation or (ii) the compliance by such Bank (or its Lending

Office) or any Corporation controlling such Bank with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), there shall be any increase in the cost to such Bank of agreeing to make or making, funding or maintaining any LIBOR Rate Loans, then the Company shall be liable for, and shall from time to time, upon demand therefor by such Bank with a copy to the Administrative Agent, pay to the Administrative Agent for the account of such Bank such additional amounts as are sufficient to compensate such Bank for such increased costs.

(b) If any Bank determines that (i) the introduction of any Capital Adequacy Regulation, (ii) any change in any Capital Adequacy Regulation, (iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof, or (iv) compliance by such Bank (or its Lending Office), or any corporation controlling such Bank, with any Capital Adequacy Regulation affects or would affect the amount of capital that such Bank or any corporation controlling such Bank is required or expected to maintain, and such Bank (taking into consideration such Bank's or such corporation's policies with respect to capital adequacy and such Bank's desired return on capital) determines that the amount of such capital is increased as a consequence of any of its loans, credits or obligations under this Agreement, then, upon demand of such Bank to the Company through the Administrative Agent, the Company shall immediately pay to the Administrative Agent, for the account of such Bank, from time to time as specified by such Bank, additional amounts sufficient to compensate such Bank for such increase.

3.4 Funding Losses. The Company agrees to pay to the Administrative Agent, from time to time, for the account of the Banks, any amount that would be necessary to reimburse the Banks for, and to hold the Banks harmless from, any loss or expense which the Banks may sustain or incur as a consequence of:

(a) the failure of the Company to make any payment or prepayment of principal of any LIBOR Rate Loan (including payments made after any acceleration thereof);

(b) the failure of the Company to borrow, continue or convert a Loan after the Company has given (or is deemed to have given) a Borrowing Notice or a Conversion/Continuation Notice;

(c) the failure of the Company to make any prepayment after the Company has given a notice in accordance with Section 2.6;

(d) the prepayment (including pursuant to Section 2.6.2) of a LIBOR Rate Loan on a day which is not the last day of the Interest Period with respect thereto;

(e) the conversion pursuant to subsection 2.4 of any LIBOR Rate Loan to a Reference Rate Loan on a day that is not the last day of the respective Interest Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained to maintain the LIBOR Rate Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. Solely for purposes of calculating amounts payable by the Company to the Administrative Agent, for the account of the Banks, under this Section 3.4, each LIBOR Rate Loan (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBOR used in determining the LIBOR Rate for such LIBOR Rate Loan by a matching deposit or other borrowing in the applicable offshore dollar interbank market for a comparable amount and for a comparable period, whether or not such LIBOR Rate Loan is in fact so funded.

3.5 Inability to Determine Rates. If any Bank determines that for any reason adequate and reasonable means do not exist for ascertaining the LIBOR Rate for any requested Interest Period with respect to a proposed LIBOR Rate Loan or that the LIBOR Rate applicable pursuant to subsection 2.8.1 for any requested Interest Period with respect to a proposed LIBOR Rate Loan does not adequately and fairly reflect the cost to such Bank of funding such Loan, such Bank will forthwith give notice of such determination to the Company through the Administrative Agent. Thereafter, the obligation of such Bank to make or maintain LIBOR Rate Loans hereunder shall be suspended until such Bank revokes such notice in writing. Upon receipt of such notice, the Company may revoke any Borrowing Notice or Conversion/Continuation Notice then submitted by it. If the Company does not revoke such notice, the affected Bank shall make, convert or continue the Loans, as proposed by the Company, in the amount specified in the applicable notice submitted by the Company, but such Loans shall be made, converted or continued as Reference Rate Loans instead of LIBOR Rate Loans.

3.6 Certificate of Bank. Any Bank, if claiming reimbursement or compensation pursuant to this Article 3, shall deliver to the Company through the Administrative Agent a certificate setting forth in reasonable detail the amount payable to such Bank hereunder, and such certificate shall be conclusive and binding on the Company in the absence of manifest error.

3.7 Survival. The agreements and obligations of the Company in this Article 3 shall survive the payment and performance of all other Obligations.

4. Conditions Precedent.

4.1 Conditions to Approving Parcels. Subject to the provisions of Section 10.18, a Parcel shall be considered an Approved

Parcel for purposes of this Agreement upon satisfaction of all of the following conditions precedent:

4.1.1 Fee Ownership. Except for the Parcel located in King County, Washington subleased by the Company from The Quadrant Corporation, the Company or a wholly-owned Subsidiary of the Company owns fee title to such Parcel; provided, however, that notwithstanding its satisfaction of all of the conditions set forth in this Section 4.1, no Parcel owned by a Permitted Partnership shall become an Approved Parcel if it would cause the aggregate Approved Parcel Values of all of the Approved Parcels owned by Permitted Partnerships to exceed ten percent (10%) of the Total Approved Parcel Value at such time.

4.1.2 Satisfactory Parcel. Such Parcel is satisfactory to Majority Banks in their sole and absolute discretion.

4.1.3 No Hazardous Materials. Such Parcel is free from all Hazardous Materials, including asbestos, other than commercially reasonable quantities of Hazardous Materials typically used in properties similar to such Parcel and permitted by all applicable Environmental Laws, and the Administrative Agent shall have received evidence in form and substance satisfactory to all of the Banks of such Parcel's compliance with this condition.

4.1.4 Appraised Value. An Appraised Value shall have been established for such Parcel.

4.1.5 No Liens. Such Parcel and all related personal property is (or at the time a Mortgage is recorded against such Parcel it shall be) free and clear of all Liens other than Liens securing nondelinquent taxes or assessments.

4.1.6 Deliveries to the Administrative Agent. The Administrative Agent shall have received each of the following in form and substance satisfactory to the Administrative Agent:

(1) a current ALTA survey of such Parcel and Surveyor's Certification, including a complete legal description;

(2) copies of all exceptions to title with respect to such Parcel;

(3) at the Administrative Agent's request, copies of any available plans and specifications for any improvements located on such Parcel;

(4) an environmental site assessment for such Parcel, dated as of a recent date, prepared by a qualified firm acceptable to the Administrative Agent, stating, among other things, that such Parcel is free from Hazardous Materials other than commercially reasonable quantities of Hazardous Materials typically

used in properties similar to such Parcel, and that any such Hazardous Materials located thereon and all operations conducted thereon are in compliance with all Environmental Laws and showing any Estimated Remediation Costs;

(5) at the Administrative Agent's request, copies of all leases and contracts not cancelable on thirty (30) days' notice and a rent roll relating to all or any portion of such Parcel;

(6) At the Administrative Agent's request, financial statements for any Major Tenant that are available to the Company;

(7) an operating report for such Parcel for not less than the four (4) most recent consecutive quarters, together with a projection of the operating results for such Parcel for the following twelve (12) months;

(8) a certificate concerning the amount of space at such Parcel devoted to office, industrial, research and development (other than office) and flexible industrial (other than research and development or warehouse) uses signed by the Company and, if such Parcel is owned by a Person other than the Company, such other Person, substantially in the form of Exhibit D;

(9) at the Administrative Agent's request, a cost budget for any anticipated renovation of such Parcel;

(10) if such Parcel is owned by a Person other than the Company, copies of all of such Person's Organization Documents;

(11) a duly executed Mortgage, financing statement(s) and assignment of contracts covering such Parcel;

(12) such certificates relating to the authority of the Persons signing the documents required under Section 4.1.6(11) as the Administrative Agent may reasonably request;

(13) at the Administrative Agent's request, a written opinion of counsel to the Company and the Person signing the documents required under Section 4.1.6(11) practicing in the jurisdiction in which such Parcel is located (which counsel shall be acceptable to the Administrative Agent) covering such matters relating to the Company, such other Person, the Loans and such Parcel as the Administrative Agent may require;

(14) estoppel certificates executed by each tenant whose lease covers at least fifteen percent (15%) of the net rentable area of the improvements located on such Parcel; and

estoppel certificates and/or subordination, nondisturbance and attornment agreements executed by such additional tenants as the Administrative Agent, by written notice to the Company prior to the recording of the Mortgage encumbering such Parcel, may require;

(15) such consents, subordination agreements and other documents and instruments executed by tenants and other Persons party to material contracts relating to such Parcel as the Administrative Agent may request;

(16) certificates of insurance and loss payable endorsements for all policies required pursuant to Section 6.6, showing the same to be in full force and effect with respect to such Parcel; and

(17) all other documents reasonably required by the Administrative Agent.

4.1.7 Recording of the Mortgage. The Mortgage relating to such Parcel shall have been duly recorded in the official records of the jurisdiction in which such Parcel is located.

4.1.8 Title Insurance. The Company shall, at its sole expense, have delivered to the Administrative Agent an ALTA form extended coverage lender's policy of title insurance, or evidence of a commitment therefor satisfactory to the Administrative Agent, in form, substance and amount, and issued by one or more insurers, reasonably satisfactory to the Administrative Agent, together with all indorsements and binders thereto reasonably required by the Administrative Agent, naming the Administrative Agent as the insured, insuring the Mortgage relating to such Parcel to be a valid first priority lien upon such Parcel, and showing such Parcel subject only to such Mortgage and the Permitted Encumbrances.

4.1.9 Filing of Financing Statements. Financing statement(s) shall have been filed with all of the officials necessary, in the Administrative Agent's sole judgment, to perfect the security interests created by the Mortgage relating to such Parcel and all related personal property.

4.1.10 Perfection of Liens. The Administrative Agent shall have received satisfactory evidence that all other actions necessary, or in the Administrative Agent's sole judgment desirable, to perfect and protect the first priority security interests for the benefit of the Administrative Agent created by the Collateral Documents have been taken.

4.1.11 Tax Reporting Service. The Company shall, at its sole expense, have delivered to the Administrative Agent evidence of a contract with a property tax reporting service for such Parcel for a period of not less than two (2) years.

4.1.12 Costs. The Company shall have paid to the Administrative Agent all amounts payable pursuant to Section 10.4 in connection with such Parcel and the Mortgage relating to such Parcel.

4.1.13 Expenses. The Administrative Agent shall have received satisfactory evidence that the Company has paid all title insurance premiums, tax service charges, documentary stamp or intangible taxes, recording fees and mortgage taxes payable in connection with such Parcel, the recording of the Mortgage relating to such Parcel or the issuance of the Title Policy (whether due on the recording date of the Mortgage or in the future) including sums due in connection with any future advances.

4.2 Conditions of Initial Loan. The obligation of the Banks to make the initial Loan after the Closing Date is subject to the satisfaction of all of the following conditions precedent:

4.2.1 Deliveries to the Administrative Agent. The Administrative Agent shall have received, on or before the Closing Date, all of the following in form and substance satisfactory to the Administrative Agent and its counsel:

(a) this Agreement, the Revolving Notes and the Environmental Indemnity executed by the Company;

(b) copies of the resolutions of the board of directors of the Company approving and authorizing the execution, delivery and performance by the Company of this Agreement, the other Loan Documents to be delivered hereunder, and the Environmental Indemnity, and authorizing the borrowing of the Loans, certified as of the Closing Date by the Secretary or an Assistant Secretary of the Company;

(c) a certificate of the Secretary or Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to execute and deliver, as applicable, this Agreement, all other Loan Documents to be delivered hereunder, and the Environmental Indemnity;

(d) the articles or certificate of incorporation of the Company as in effect on the Closing Date, certified by the Secretary of State of the state of incorporation of the Company as of a recent date and by the Secretary or Assistant Secretary of the Company as of the Closing Date; and

(e) a good standing certificate for the Company from the Secretary of State of (i) its state of incorporation and (ii) each state in which an Approved Parcel is situated, evidencing that the Company is qualified to do business as a foreign corporation in said state as of a recent date, together with bringdown certificates

by telex or telefacsimile dated the Closing Date;

(f) an opinion of counsel to the Company acceptable to the Administrative Agent, addressed to the Administrative Agent, substantially in the form of Exhibit E;

(g) a certificate signed by a Responsible Officer, dated as of the Closing Date, stating that (i) the representations and warranties contained in Article 5 are true and correct on and as of such date, as though made on and as of such date; (ii) no Default or Event of Default exists or would result from the initial Loan; and (iii) there has occurred since September 30, 1998, no event or circumstance that could reasonably be expected to result in a Material Adverse Effect;

(h) a certified copy of financial statements of the Company and its Subsidiaries referred to in Section 5.11; and

(i) such other approvals, opinions or documents as the Administrative Agent may request.

4.2.2 Initial Approved Parcel. All of the conditions of Section 4.1 shall have been satisfied for each Parcel described in Section 10.18.

4.2.3 Payment of Expenses. The Company shall have paid all costs, accrued and unpaid fees and expenses incurred by the Administrative Agent, to the extent then due and payable, on the Closing Date, including Attorney Costs incurred by the Administrative Agent, to the extent invoiced prior to or on the Closing Date, together with such additional amounts of Attorney Costs as shall constitute a reasonable estimate of Attorney Costs incurred or to be incurred through the closing proceedings, provided that such estimate shall not thereafter preclude final settling of accounts between the Company and the Administrative Agent, including any such costs, fees and expenses arising under or referenced in Section 10.4.

4.2.4 Payment of Fees. The Company shall have paid to the Administrative Agent, for the account of the Banks, the commitment fee owing pursuant to Section 2.9.

4.3 Conditions to All Borrowings. The obligation of the Banks to make any Loan (including the initial Loan) is subject to the satisfaction of all of the following conditions precedent on the relevant borrowing date:

4.3.1 Initial Approved Parcel. At least one (1) Parcel shall have become an Approved Parcel by satisfying all of the conditions of Section 4.1.

4.3.2 Notice of Borrowing. The Administrative Agent

shall have received a Borrowing Notice.

4.3.3 Continuation of Representations and Warranties. The representations and warranties made by the Company contained in Article 5 shall be true and correct on and as of such borrowing date with the same effect as if made on and as of such borrowing date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they shall be true and correct as of such earlier date).

4.3.4 No Existing Default. No Default or Event of Default shall exist or shall result from such Loan.

4.3.5 No Future Advance Notice. The Administrative Agent shall not have received from the Company any notice that any Collateral Document will no longer secure future advances or future Loans to be made or extended under this Agreement.

4.3.6 Further Assurances. The Company shall have executed and acknowledged (or caused to be executed and acknowledged) and delivered to the Administrative Agent all documents and taken all actions, reasonably required by the Administrative Agent or the Banks from time to time to confirm the rights created or now or hereafter intended to be created by the Loan Documents or the Environmental Indemnity, or otherwise to carry out the purposes of the Loan Documents and the transactions contemplated thereunder.

4.3.7 Title Insurance. The Administrative Agent shall have received, in form and substance satisfactory to the Banks, from any title insurer who issued a Title Policy, all indorsements, binders and modifications to such policy or policies reasonably required by the Banks.

Each Borrowing Notice submitted by the Company hereunder shall constitute a representation and warranty by the Company hereunder, as of the date of each such Borrowing Notice and as of the date of each Loan, that the conditions in Section 4.3 are satisfied.

5. Representations and Warranties. The Company represents and warrants to the Administrative Agent and each of the Banks that:

5.1 Existence and Power. The Company and each of its Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation; and (b) is duly qualified as a foreign corporation, licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification. Each Permitted Partnership (c) is a limited partnership duly organized, validly existing and in good standing under the laws of the jurisdiction of its creation; and (d) is duly qualified as a foreign

limited partnership, licensed and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification. The Company, each of its Subsidiaries and each Permitted Partnership (e) has the power and authority, and has obtained all governmental licenses, and all authorizations, consents and approvals needed, to own its assets, to carry on its business and to execute, deliver and perform its obligations under the Loan Documents to which it is a party and the Environmental Indemnity; and (f) is in compliance with all Requirements of Law; except, in each case referred to in clause (b), clause (d) or clause (f), to the extent that failure to do so could not reasonably be expected to have a Material Adverse Effect.

5.2 Corporate Authorization; No Contravention. The execution, delivery and performance by the Company of this Agreement, any other Loan Document and the Environmental Indemnity have been duly authorized by all necessary corporate action, and do not and will not:

(a) contravene the terms of any of the Company's Organization Documents;

(b) conflict with or result in any breach or contravention of, or the creation of any Lien under, any Contractual Obligation to which the Company is a party or any order, injunction, writ or decree of any Governmental Authority to which the Company or its Property is subject; or

(c) violate any Requirement of Law.

5.3 Governmental Authorization. No approval, consent, exemption, authorization or other action by, or notice to or filing with, any Governmental Authority (except for recordings or filings in connection with the Liens granted to the Administrative Agent under the Collateral Documents) is necessary or required in connection with the execution, delivery or performance by, or enforcement against, the Company of this Agreement, any other Loan Document to which the Company is a party, or the Environmental Indemnity.

5.4 Binding Effect. This Agreement, each other Loan Document and the Environmental Indemnity constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

5.5 Litigation. Except as specifically disclosed in Schedule 5.5, there are no actions, suits, proceedings, claims or disputes pending, or to the best knowledge of the Company threatened or contemplated, at law, in equity, in arbitration or before any Governmental Authority, against the Company, any of its Subsidiaries or

any Permitted Partnership, or any of their respective Properties, which (a) purport to affect or pertain to this Agreement, any other Loan Document or the Environmental Indemnity, or any of the transactions contemplated hereby or thereby, or (b) if determined adversely to the Company, one or more of its Subsidiaries or one or more Permitted Partnerships would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement, any other Loan Document or the Environmental Indemnity, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

5.6 No Default. No Default or Event of Default exists or would result from the incurring of any Obligations by the Company. Neither the Company nor any of its Subsidiaries nor any Permitted Partnership is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, could reasonably be expected to have a Material Adverse Effect.

5.7 ERISA Compliance. Each Plan and Multi-employer Plan is in full compliance with applicable Requirements of Law, including ERISA, and no ERISA Events or accumulated funding deficiencies within the meaning of ERISA have occurred with respect to any Qualified Plan or Multi-employer Plan that, in the aggregate, could result in a Material Adverse Effect.

5.8 Use of Proceeds; Margin Regulations. The proceeds of the Loans are intended to be and shall be used solely for the purposes set forth in and permitted by Section 6.11, and are intended to be and shall be used in compliance with Section 7.6.

5.9 Title to Properties. The Company, each of its Subsidiaries and each Permitted Partnership has good record and marketable title in fee simple to all real Property necessary or used in the ordinary conduct of its business, except for such defects in title as could not, individually or in the aggregate, have a Material Adverse Effect. As of the Closing Date, the Property of the Company, its Subsidiaries and each Permitted Partnership is subject to no Liens that are not disclosed in the most recent financial statements delivered to the Administrative Agent other than Permitted Liens and, with respect to a Property that does not serve as Collateral for any of the Obligations (i) Liens securing the performance of obligations under recorded covenants, conditions and restrictions, easements or other agreements among adjoining landowners, and (ii) Liens securing purchase money financing of fixtures and equipment, or securing other indebtedness that in the aggregate does not exceed \$100,000.

5.10 Taxes. The Company, its Subsidiaries and each Permitted Partnership have filed all federal and other material tax returns and reports required to be filed, and have paid all federal and other

material taxes, assessments, fees and other governmental charges levied or imposed upon them or their Properties, income or assets otherwise due and payable, except those which are being contested in good faith by appropriate proceedings and for which adequate reserves have been provided in accordance with GAAP, and no Notice of Lien has been filed or recorded. There is no proposed tax assessment against the Company, any of its Subsidiaries or any Permitted Partnership that would, if the assessment were made, have a Material Adverse Effect.

5.11 Financial Condition.

(a) The audited consolidated financial statements of the Company dated December 31, 1997, the related consolidated statements of operations, shareholders' equity and cash flows for the quarter ended on that date, and the quarterly consolidated financial statements of the Company dated September 30, 1998:

(i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein;

(ii) are complete, accurate and fairly present the financial condition of the Company and its consolidated subsidiaries as of the date thereof and results of operations for the period covered thereby; and

(iii) except as specifically disclosed in Schedule 5.11, show all material Indebtedness and other liabilities, direct or contingent, of the Company and its consolidated subsidiaries as of the dates thereof, including liabilities for taxes, material commitments and Contingent Obligations.

(b) Since December 31, 1997, there has been no Material Adverse Effect.

(c) The letter dated February 19, 1999, from Dennis Klimmek of the Company to Laurence C. Hughes of the Administrative Agent attached a true and complete copy of the signed letter of terms and conditions dated February 19, 1999, from Ernest Fair, Jr. of Teachers Insurance and Annuity Association ("TIAA") to Dennis Klimmek of the Company relating to TIAA's proposed financing of three (3) separate portfolios of the Company's properties.

5.12 Environmental Matters.

(a) Except as specifically disclosed in Schedule 5.12, to the best knowledge of the Company the on-going operations of the Company, each of its Subsidiaries and each Permitted Partnership comply in all respects with all Environmental Laws, except such non-compliance which would not (if enforced in accordance with applicable law) result in liability in excess of \$50,000 in the aggregate.

(b) Except as specifically disclosed in Schedule 5.12, the Company, each of its Subsidiaries and each Permitted Partnership has obtained all licenses, permits, authorizations and registrations required under any Environmental Law ("Environmental Permits") and necessary for its ordinary course operations, all such Environmental Permits are in good standing, and the Company and each of its Subsidiaries is in compliance with all material terms and conditions of such Environmental Permits.

(c) Except as specifically disclosed in Schedule 5.12, none of the Company, any of its Subsidiaries, any Permitted Partnership or any of their respective present Property or operations is subject to any outstanding written order from, or agreement with, any Governmental Authority, or subject to any judicial or docketed administrative proceeding, respecting any Environmental Law, Environmental Claim or Hazardous Material.

(d) Except as specifically disclosed in Schedule 5.12, to the best knowledge of the Company there are no Hazardous Materials or other conditions or circumstances existing with respect to any Parcel, or arising from operations of the Company, any of its Subsidiaries or any Permitted Partnership prior to the Closing Date, that would reasonably be expected to give rise to Environmental Claims with a potential liability of the Company and its Subsidiaries in excess of \$50,000 in the aggregate for any such condition, circumstance or Parcel. In addition, (i) neither the Company nor any of its Subsidiaries nor any Permitted Partnership has any underground storage tanks (x) that are not properly registered or permitted under applicable Environmental Laws, or (y) that are leaking or disposing of Hazardous Materials off-site, and (ii) the Company, its Subsidiaries and each Permitted Partnership have notified all of their employees of the existence, if any, of any health hazard arising from the conditions of their employment and have met all notification requirements under Title III of CERCLA and all other Environmental Laws.

5.13 Regulated Entities. Neither the Company nor any Person controlling the Company is (a) an "Investment Company" within the meaning of the Investment Company Act of 1940; or (b) subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other federal or state statute or regulation limiting its ability to incur Indebtedness.

5.14 No Burdensome Restrictions. The Company is not a party to, or bound by, any Contractual Obligation, or subject to any charter or corporate restriction or any Requirement of Law, which could reasonably be expected to have a Material Adverse Effect.

5.15 Solvency. The Company is Solvent, each of its

Subsidiaries is Solvent and each Permitted Partnership is Solvent.

5.16 Subsidiaries; Equity Investments. As of the Closing Date, the Company has no Subsidiaries other than those specifically disclosed in part (a) of Schedule 5.16, and has no equity investments in any (i) Permitted Partnership other than those specifically disclosed in part (b) of Schedule 5.16 or (ii) other corporation, partnership or other entity other than those specifically disclosed in part (c) of Schedule 5.16.

5.17 Brokers; Transaction Fees. Neither the Company nor any of its Subsidiaries has any obligation to any Person in respect of any finder's, broker's or investment banker's fee in connection with the transactions contemplated hereby.

5.18 Insurance. The Properties of the Company, its Subsidiaries and each Permitted Partnership are insured with financially sound and reputable insurance companies in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar Properties in localities where the Company, such Subsidiary or such Permitted Partnership operates.

5.19 Full Disclosure. None of the representations or warranties made by the Company or any of its Subsidiaries in the Loan Documents or the Environmental Indemnity, as of the date such representations and warranties are made or deemed made, and none of the statements contained in any exhibit, report, statement or certificate furnished by or on behalf of the Company or any of its Subsidiaries in connection with the Loan Documents, contains any untrue statement of a material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading.

5.20 Year 2000 Compliance. The Company has developed and budgeted for a comprehensive program to address the "Year 2000" problem (that is, the inability of computers, as well as embedded microchips in non-computing devices, to perform properly date-sensitive functions with respect to certain dates prior to and after December 31, 1999). The Company has implemented that program substantially in accordance with its timetable and budget and reasonably anticipates that it will substantially avoid the Year 2000 problem as to all computers, as well as embedded microchips in non-computing devices, that are material to the Company's business, properties or operations. The Company has developed feasible contingency plans adequate to ensure uninterrupted and unimpaired business operation in the event of failure of its own or a third party's systems or equipment due to the Year 2000 problem, including those of vendors, customers and suppliers, as well as a general failure of or interruption in its communications and delivery infrastructure.

6. Affirmative Covenants. The Company covenants and agrees that, so long as any Bank shall have any obligation hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, unless the Administrative Agent, on behalf of the Majority Banks, waives compliance in writing:

6.1 Financial Statements. The Company shall deliver to each of the Banks, in form and detail satisfactory to the Administrative Agent:

(a) as soon as publicly available, but not later than 120 days after the end of each calendar year, a copy of the audited consolidated balance sheets of the Company and each unconsolidated Permitted Partnership as at the end of such year and the related consolidated statements of income, shareholders' equity and cash flows for such calendar year, setting forth in each case in comparative form the figures for the previous year, and accompanied by the opinion of a nationally recognized independent public accounting firm stating that such consolidated financial statements present fairly the financial positions of the Company and such Permitted Partnerships for the periods indicated in conformity with GAAP applied on a basis consistent with prior years;

(b) as soon as publicly available, but not later than 60 days after the end of each of the first three (3) calendar quarters of each year, a copy of the unaudited consolidated balance sheets of the Company and each unconsolidated Permitted Partnership as of the end of such quarter and the related consolidated statements of income, shareholders' equity and cash flows for the period commencing on the first day and ending on the last day of such quarter, certified by an appropriate Responsible Officer as being complete and correct and fairly presenting the financial position and results of operations of the Company and such Permitted Partnerships in accordance with GAAP;

(c) as soon as available, but not later than 45 days after the end of each calendar quarter of each year, operating statements and rent rolls for each Property securing the Loans, certified by an appropriate Responsible Officer as being complete and correct and fairly presenting the financial position and the results of operations of the Approved Parcel to which it relates, together with any additional information relating to any such Property reasonably requested by the Administrative Agent;

(d) as soon as available, but not later than 120 days after the end of each calendar year, rolling two-year consolidated cash flow projections for the Company and each unconsolidated Permitted Partnership, certified by an appropriate Responsible Officer of the Company as being complete and correct in all material respects; and

(e) not later than 45 days after the end of each calendar quarter of each year, a report in form and substance satisfactory to the Administrative Agent concerning the status of all development activity of the Company, each of its Subsidiaries and each Permitted Partnership, certified by an appropriate Responsible Officer of the Company as being complete and correct in all material respects.

6.2 Certificates; Other Information. The Company shall furnish to the Administrative Agent, with sufficient copies for each Bank:

(a) concurrently with the delivery of the financial statements referred to in subsections 6.1(a) and (b) above, a certificate of a Responsible Officer in form and detail substantially similar to the certificate delivered to the Administrative Agent for the period ending March 31, 1998 (with the Leverage and Total Approved Parcel Value calculations required by clause (iii), below, added), (i) stating that, to the best of such officer's knowledge, the Company, during such period, has observed and performed all of its covenants and other agreements, and satisfied every condition contained in this Agreement to be observed, performed or satisfied by it, and that such officer has obtained no knowledge of any Default or Event of Default except as specified (by applicable subsection reference) in such certificate, (ii) showing in detail the calculations supporting such statement in respect of Sections 2.6.2(a), 7.10, 7.11, 7.14, 7.15, 7.16 and 7.17, and (iii) showing in detail the calculations supporting the calculations of Leverage and Total Approved Parcel Value;

(b) promptly after the same are sent, copies of all financial statements and reports which the Company sends to its shareholders; and promptly after the same are filed (but in the case of the Company's (i) Form 10-K filing, in no event later than 120 days after the end of the calendar year to which it relates, and (ii) Form 10-Q filing, in no event later than 60 days after the end of the calendar quarter to which it relates), copies of all financial statements and regular, periodical or special reports which the Company may make to, or file with, the SEC or any successor or similar Governmental Authority; and

(c) promptly, such additional business, financial, corporate affairs and other information as the Administrative Agent may from time to time reasonably request.

6.3 Notices. The Company shall promptly notify the Administrative Agent:

(a) upon, but in no event later than ten (10) days after, becoming aware of (i) the occurrence of any Default or Event of Default, and (ii) the occurrence or existence of any event or

circumstance that foreseeable will become a Default or Event of Default;

(b) of (i) any breach or non-performance of, or any default under, any Contractual Obligation of the Company, any of its Subsidiaries or any Permitted Partnership which could result in a Material Adverse Effect; and (ii) any dispute, litigation, investigation, proceeding or suspension which may exist at any time between the Company or any of its Subsidiaries or any Permitted Partnership and any Governmental Authority;

(c) of the commencement of, or any material development in, any litigation or proceeding affecting the Company, any Subsidiary of the Company or any Permitted Partnership (i) in which the amount of damages claimed is \$500,000 or more, (ii) in which injunctive or similar relief is sought and which, if adversely determined, would reasonably be expected to have a Material Adverse Effect, or (iii) in which the relief sought is an injunction or other stay of the performance of this Agreement, any Loan Document or the Environmental Indemnity;

(d) upon, but in no event later than ten (10) days after, becoming aware of (i) any and all enforcement, cleanup, removal or other governmental or regulatory actions instituted, completed or threatened against the Company, any Subsidiary of the Company or any Permitted Partnership or any of their respective Properties pursuant to any applicable Environmental Laws, (ii) all other Environmental Claims, and (iii) any environmental or similar condition on any real property adjoining or in the vicinity of any real Property of the Company, any Subsidiary of the Company or any Permitted Partnership that could reasonably be anticipated to cause such Property or any part thereof to be subject to any restrictions on the ownership, occupancy, transferability or use of such Property under any Environmental Laws;

(e) of any of the following ERISA events affecting the Company or any member of its Controlled Group (but in no event more than ten (10) days after such event), together with a copy of any notice with respect to such event that may be required to be filed with a Governmental Authority and any notice delivered by a Governmental Authority to the Company or any member or its Controlled Group with respect to such event:

(i) an ERISA Event;

(ii) the adoption of any new Plan that is subject to Title IV of ERISA or section 412 of the Code by any member of the Controlled Group;

(iii) the adoption of any amendment to a Plan that is subject to Title IV of ERISA or section 412 of the Code, if such

amendment results in a material increase in benefits or Unfunded Pension Liabilities; or

(iv) the commencement of contributions by any member of the Controlled Group to any Plan that is subject to Title IV of ERISA or section 412 of the Code;

(f) any Material Adverse Effect subsequent to the date of the most recent audited financial statements of the Company delivered to the Administrative Agent pursuant to subsection 6.1(a);

(g) of any change in accounting policies or financial reporting practices by the Company, any of its Subsidiaries or any Permitted Partnership within ten (10) days of their adoption; and

(h) of any notice of redemption given with respect to any or all of the Company's preferred shares, within ten (10) days of the date of such notice.

Each notice pursuant to this Section shall be accompanied by a written statement by a Responsible Officer of the Company setting forth details of the occurrence referred to therein, and stating what action the Company proposes to take with respect thereto and at what time. Each notice under subsection 6.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been breached or violated.

6.4 Preservation of Corporate Existence, Etc. Subject to the provisions of Section 7.2, the Company shall, and shall cause each of its Subsidiaries and each Permitted Partnership to:

(a) preserve and maintain in full force and effect its corporate or partnership existence and good standing under the laws of its state or jurisdiction of incorporation;

(b) preserve and maintain in full force and effect all rights, privileges, qualifications, permits, licenses and franchises necessary or desirable in the normal conduct of its business;

(c) use its reasonable efforts, in the Ordinary Course of Business, to preserve its business organization; and

(d) in the case of each Permitted Partnership, preserve and maintain in full force and effect, without amendment or modification, such Permitted Partnership's agreement of limited partnership and certificate of limited partnership, and otherwise at all times continue to satisfy all of the requirements set forth in the definition of the term "Permitted Partnership".

6.5 Maintenance of Property. The Company shall maintain, and shall cause each of its Subsidiaries and each Permitted Partnership to

maintain, and preserve all of its Property which is used or useful in its business in good working order and condition, ordinary wear and tear excepted and make all necessary repairs thereto and renewals and replacements thereof except where the failure to do so could not reasonably be expected to have a Material Adverse Effect.

6.6 Insurance. In addition to insurance requirements set forth in the Collateral Documents, the Company shall maintain, and shall cause each of its Subsidiaries and each Permitted Partnership to maintain, with financially sound and reputable independent insurers, insurance with respect to its Properties and business against loss or damage of the kinds customarily insured against by Persons engaged in the same or similar business, of such types and in such amounts as are customarily carried under similar circumstances by such other Persons, including workers' compensation insurance, public liability insurance, property and casualty insurance and rental interruption insurance, the amount of which shall not be reduced by the Company, any Subsidiary of the Company or any Permitted Partnership in the absence of thirty (30) days' prior notice to the Administrative Agent. All casualty insurance covering an Approved Parcel maintained by the Company and its Subsidiaries shall name the Administrative Agent, as administrative agent for the Banks, as loss payee, and all liability, rental interruption and other insurance covering an Approved Parcel maintained by the Company and its Subsidiaries shall name the Administrative Agent, as administrative agent for the Banks, as additional insured as its interest may appear. Upon request of the Administrative Agent, the Company shall furnish the Administrative Agent at reasonable intervals (but not more often than once per calendar year) a certificate of a Responsible Officer of the Company (and, if requested by the Administrative Agent any insurance broker for the Company) setting forth the nature and extent of all insurance maintained by the Company, its Subsidiaries and the Permitted Partnership in accordance with this Section 6.6 or any Collateral Documents (and which, in the case of a certificate of a broker, were placed through such broker).

6.7 Payment of Obligations. The Company shall, and shall cause its Subsidiaries and each Permitted Partnership to, pay and discharge as the same shall become due and payable, all their respective obligations and liabilities, including:

(a) all tax liabilities, assessments and governmental charges or levies upon it or its properties or assets, unless the same are being contested in good faith by appropriate proceedings (which proceedings have the effect of preventing the imposition of a Lien on, or the forfeiture or sale of, any Property of the Company, any of its Subsidiaries or any Permitted Partnership) and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary or Permitted Partnership;

(b) all lawful claims which, if unpaid, would by law become a Lien upon its Property unless the same are being contested

in good faith by appropriate proceedings (which proceedings have the effect of preventing the imposition of a Lien on, or the forfeiture or sale of, any Property of the Company, any of its Subsidiaries or any Permitted Partnership) and adequate reserves in accordance with GAAP are being maintained by the Company or such Subsidiary or Permitted Partnership; and

(c) all Indebtedness, as and when due and payable, but subject to any subordination provisions contained in any instrument or agreement evidencing such Indebtedness.

6.8 Compliance with Laws. The Company shall comply, and shall cause each of its Subsidiaries and each Permitted Partnership to comply, in all material respects with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business or any of its Property, except such as may be contested in good faith or as to which a bona fide dispute may exist.

6.9 Inspection of Property and Books and Records. The Company shall maintain, and shall cause each of its Subsidiaries and each Permitted Partnership to maintain, proper books of record and account in which full, true and correct entries in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of the Company and such Subsidiaries and Permitted Partnerships. The Company shall permit, and shall cause each of its Subsidiaries and each Permitted Partnership to permit, representatives of the Administrative Agent or any Bank to visit and inspect any of their respective Properties, to examine their respective corporate, financial and operating records, and make copies thereof or abstracts therefrom, and to discuss their respective affairs, finances and accounts with their respective directors, officers and independent public accountants, all at the expense of the Company (which shall include all internal or outside legal and other consultant fees and other out-of-pocket expenses incurred by the Administrative Agent or any of the Banks in connection with any such inspection, but shall not include the Administrative Agent's or any Bank's normal overhead or employee costs of administering the Loans) and at such reasonable times during normal business hours and as often as may be reasonably desired, upon reasonable advance notice to the Company; provided, however, that when an Event of Default exists the Administrative Agent or any Bank may do any of the foregoing at the expense of the Company at any time during normal business hours and without advance notice. No actions by the Administrative Agent or any Bank pursuant to this Section 6.9 shall unreasonably interfere with (a) the performance by the Company's employees of their duties or (b) the occupancy of any of the Company's tenants.

6.10 Environmental Laws. The Company shall, and shall cause each of its Subsidiaries and each Permitted Partnership to, conduct its operations and keep and maintain its Property in compliance with all Environmental Laws whose violation could, individually or in the

aggregate, result in liability in excess of \$250,000. Upon the written request of the Administrative Agent or any Bank, the Company shall submit, and cause each of its Subsidiaries and each Permitted Partnership to submit, to the Administrative Agent, with sufficient copies for each Bank, at the Company's sole cost and expense, at reasonable intervals, a report providing an update of the status of any environmental, health or safety compliance, hazard or liability issue identified in any notice or report required pursuant to subsection 6.3(d), that could, individually or in the aggregate, result in liability in excess of \$250,000.

6.11 Use of Proceeds. Subject to the provisions of Section 3.2(c), the Company shall use the proceeds of the Loans solely for the purpose of (i) facilitating the Company's acquisition of improved real property (subject to the provisions of Section 7.12), and (ii) financing the Company's operating expenses, including development activities (subject to the provisions of Sections 7.15 and 7.16).

6.12 Solvency. The Company shall at all times be, and shall cause each of its Subsidiaries and each Permitted Partnership to be, Solvent.

6.13 Further Assurances. Promptly upon request by the Administrative Agent, the Company shall (and shall cause any of its Subsidiaries or any Permitted Partnership to) do such further acts, and execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all deeds, conveyances, security agreements, deeds of trust, mortgages, assignments, estoppel certificates, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments, as the Administrative Agent may reasonably require from time to time in order to (i) carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) subject to the Liens created by any of the Collateral Documents any of the Properties, rights or interests covered by any of the Collateral Documents, (iii) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Liens intended to be created thereby, and (iv) better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Administrative Agent and the Banks the rights granted or now or hereafter intended to be granted to the Administrative Agent or the Banks under any Loan Document or under any other document executed in connection therewith.

7. Negative Covenants. The Company hereby covenants and agrees that, so long as any Bank shall have any obligation hereunder, or any Loan or other Obligation shall remain unpaid or unsatisfied, unless the Administrative Agent, on behalf of the Majority Banks, waives compliance in writing:

7.1 Limitation on Liens. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership

to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of the Collateral, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien created under any Loan Document;

(b) Liens for taxes, fees, assessments or other governmental charges which are not delinquent or remain payable without penalty, or to the extent that non-payment thereof is permitted by Section 6.7, provided that no Notice of Lien has been filed or recorded; or

(c) carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the Ordinary Course of Business which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the Property subject thereto.

7.2 Consolidations and Mergers. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, merge, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person, except:

(a) any Subsidiary of the Company or any Permitted Partnership may merge with (i) the Company, provided that the Company shall be the continuing or surviving Person, or (ii) any one or more subsidiaries of the Company, provided that (A) if any transaction shall be between a Permitted Partnership and a Subsidiary, the Subsidiary shall be the continuing or surviving Person and (B) if any transaction shall be between a Subsidiary or any Permitted Partnership and a wholly-owned Subsidiary, the wholly-owned Subsidiary shall be the continuing or surviving Person; and

(b) any Subsidiary of the Company or any Permitted Partnership may sell all or substantially all of its assets (upon voluntary liquidation or otherwise) to the Company or a wholly-owned Subsidiary of the Company;

provided, however, that so long as the continuing or surviving Person remains liable for all of the Company's obligations to the Banks under the Loan Documents, the Administrative Agent and the Banks shall not unreasonably withhold their consent to any merger or consolidation of the Company or any of its Subsidiaries or any Permitted Partnership with or into any other Person.

7.3 Loans and Investments. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, make any advance, loan, extension of credit or capital contribution to any Person, including any Affiliate of the Company, or enter into any partnership, joint venture, limited liability company or similar entity with any non-Affiliate of the Company, except for (a) advances, loans, extensions of credit or capital contributions to Permitted Partnerships whose assets, in the aggregate, do not exceed twenty percent (20%) of the consolidated assets of the Company, its Subsidiaries and any Permitted Partnerships, (b) loans to tenants for tenant improvements in a maximum principal amount of \$1,500,000 for any such loan, and (c) loans to employees of the Company to finance their purchase of Company stock, where such employee loans are reported on the Company's financial statements in a manner that does not affect the Company's total assets, total liabilities or net worth.

7.4 Limitation on Indebtedness. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, create, incur, assume, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to any unsecured Indebtedness in an aggregate principal amount in excess of \$2,500,000.00, except (a) accounts payable to trade creditors for goods and services and current operating liabilities (not the result of the borrowing of money) incurred in the Ordinary Course of Business of the Company or such Subsidiary or Permitted Partnership in accordance with customary terms and paid within the specified time, and (b) a loan from the Banks to the Company pursuant to the Unsecured Loan Agreement.

7.5 Transactions with Affiliates. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, enter into any transaction with any Affiliate of the Company or of any such Subsidiary or Permitted Partnership, except (a) as expressly permitted by this Agreement, or (b) in the Ordinary Course of Business and pursuant to the reasonable requirements of the business of the Company or such Subsidiary or Permitted Partnership; in each case (a) and (b), upon fair and reasonable terms no less favorable to the Company or such Subsidiary or Permitted Partnership than would obtain in a comparable arm's-length transaction with a Person not an Affiliate of the Company or such Subsidiary or Permitted Partnership .

7.6 Use of Proceeds. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, use any portion of the Loan proceeds, directly or indirectly, (i) to purchase or carry Margin Stock (other than shares of the Company's common or preferred stock), (ii) to repay or otherwise refinance indebtedness of the Company or others incurred to purchase or carry Margin Stock (other than shares of the Company's common or preferred stock), (iii) to extend credit for the purpose of purchasing or carrying any Margin Stock, or (iv) to acquire any security in any transaction that is subject to Section 13 or 14 of the Securities and Exchange Act of 1934 or any regulations promulgated thereunder.

7.7 Contingent Obligations. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, create, incur, assume or suffer to exist any Contingent Obligations except endorsements for collection or deposit in the Ordinary Course of Business.

7.8 Creation of Subsidiaries. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, (i) form any additional Subsidiaries other than wholly-owned Subsidiaries, or (ii) enter into any additional partnership, joint venture or similar business arrangement with any Person except a Permitted Partnership whose assets, when combined with the aggregate assets of all other Permitted Partnerships, do not exceed twenty percent (20%) of the consolidated assets of the Company and any Permitted Partnerships.

7.9 Compliance with ERISA. The Company shall not, and shall not suffer or permit any of its Subsidiaries to, (i) terminate any Plan subject to Title IV of ERISA so as to result in any material (in the opinion of the Administrative Agent) liability to the Company or any ERISA Affiliate, (ii) permit to exist any ERISA Event, or any other event or condition, which presents the risk of a material (in the opinion of the Administrative Agent) liability to any member of the Controlled Group, (iii) make a complete or partial withdrawal (within the meaning of ERISA Section 4201) from any Multi-employer Plan so as to result in any material (in the opinion of the Administrative Agent) liability to the Company or any ERISA Affiliate, (iv) enter into any new Plan or modify any existing Plan so as to increase its obligations thereunder which could result in any material (in the opinion of the Administrative Agent) liability to any member of the Controlled Group, or (v) permit the present value of all nonforfeitable accrued benefits under any Plan (using the actuarial assumptions utilized by the PBGC upon termination of a Plan) materially (in the opinion of the Administrative Agent) to exceed the fair market value of Plan assets allocable to such benefits, all determined as of the most recent valuation date for each such Plan.

7.10 Debt to Gross Assets Ratio. The Company shall not at any time permit the ratio of (a) its total consolidated liabilities (including as liabilities the aggregate amount of all then-outstanding but undrawn Letters of Credit, all other Contingent Obligations of the Company and its consolidated subsidiaries, and all liabilities (including all Contingent Obligations) of unconsolidated Permitted Partnerships) to (b) its Gross Assets, to be greater than 0.55 at any time.

7.11 Debt Service Coverage Ratio. The Company shall not permit the ratio of (a) its Cash Flow to (b) its Covenant Debt Service at any time to be less than 1.50 at any time.

7.12 Change in Business. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to,

engage in any material line of business substantially different from those lines of business carried on by it on the date hereof.

7.13 Accounting Changes. The Company shall not, and shall not suffer or permit any of its Subsidiaries or any Permitted Partnership to, make any significant change in accounting treatment or reporting practices, except as required by GAAP, or change the fiscal year of the Company or of any of its consolidated Subsidiaries or any Permitted Partnership.

7.14 Limitation on Dividends. The Company shall not, during any fiscal quarter, declare or pay dividends to its shareholders (including the holders of any of its preferred shares) in an amount that would cause the aggregate amount of dividends paid to such shareholders during such fiscal quarter and the three (3) immediately preceding fiscal quarters to exceed ninety-five percent (95%) of the Company's Funds From Operations during the four (4) consecutive fiscal quarters immediately preceding the declaration date of any such dividend; provided, however, that the Company may declare or pay dividends to its shareholders (including the holders of any of its preferred shares) in any fiscal quarter in an amount that exceeds ninety-five percent (95%) of the Company's Funds From Operations during the fiscal quarter immediately preceding the declaration date of such dividend only to the extent necessary to preserve the Company's status as a real estate investment trust for federal income tax purposes; and provided further, however, that for the calendar quarter in which any equity offering is completed and the next two (2) consecutive calendar quarters, the Company may pay dividends to its shareholders that exceed, in the aggregate, the foregoing limitations so long as (i) the portion of such dividend payments that relate to the Company's common and preferred shares issued and outstanding prior to such equity offering satisfy the foregoing limitations, (ii) such dividend payments on any new issue of common stock do not exceed the rate at which the Company pays dividends on its other common stock and (iii) such dividend payments on any new issue of preferred stock do not exceed the minimum amount needed to pay the required dividend on such preferred stock.

7.15 Development Activity. The Company shall not, and shall not permit any of its Subsidiaries or any Permitted Partnership to, engage in real estate development activity other than projects involving at any time aggregate acquisition, development and construction costs, determined on a GAAP basis before depreciation, not to exceed at any time an amount equal to twenty percent (20%) of the consolidated assets of the Company and any Permitted Partnerships at such time; provided, however, that no individual project shall involve at any time aggregate acquisition, development and construction costs, determined on a GAAP basis before depreciation, in excess of five percent (5%) of the amount of the consolidated assets of the Company and any Permitted Partnerships. For purposes of this Section 7.15, real estate development activity begins when the Company, any Subsidiary or any Permitted Partnership first incurs costs relating to a project, and ends when (i) such project

has received a certificate of occupancy or equivalent approval for the shell and core and (ii) more than eighty percent (80%) of the net rentable area of such project is covered by signed leases with third-party tenants having remaining terms of three (3) years or longer.

7.16 Undeveloped Land. The Company will not, and will not permit any of its Subsidiaries or any Permitted Partnership to, purchase undeveloped land, whether it is excess land adjacent to a Parcel or otherwise, that (a) is not Entitled Land, or (b) is encumbered by any Lien (other than a Lien for the benefit of (i) the Banks to secure the Obligations if such undeveloped land is tied to an Approved Parcel that is encumbered with a Mortgage, or (ii) the seller of such undeveloped land to secure a nonrecourse obligation in an amount not to exceed the purchase price of such undeveloped land), or (c) causes the aggregate value of undeveloped land owned by the Company, its Subsidiaries and the Permitted Partnerships, determined on a GAAP basis, to exceed fifteen percent (15%) of the amount of the consolidated assets of the Company and any Permitted Partnerships.

7.17 Tangible Net Worth. The Company shall not at any time permit its Tangible Net Worth to be less than the sum of (a) Two Hundred Ninety-four Million Four Hundred Sixty-two Thousand Dollars (\$294,462,000.00) plus (b) seventy-five percent (75%) of the proceeds of any equity offering of the Company (net of the reasonable expenses of such equity offering) occurring after December 31, 1997.

8. Events of Default and Remedies.

8.1 Event of Default. Any of the following shall constitute an Event of Default:

8.1.1 Non-Payment. The Company fails to pay, (i) when and as required to be paid herein, any amount of principal of any Loan, or (ii) within ten (10) days after the same shall become due, any interest, fee or any other amount payable hereunder or pursuant to any other Loan Document; or

8.1.2 Representation or Warranty. Any representation or warranty by the Company, any of its Subsidiaries or any Permitted Partnership made or deemed made in this Agreement or any other Loan Document, or which is contained in any certificate, document or financial or other statement by the Company, any of its Subsidiaries, any Permitted Partnership, or their respective Responsible Officers, furnished at any time under this Agreement or in or under any other Loan Document, shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

8.1.3 Specific Defaults. The Company fails to perform or observe any term, covenant or agreement contained in Sections 6.1, 6.2, 6.3, 6.6, 6.9, 7.10, 7.11 or 7.17; or

8.1.4 Other Defaults. The Company fails to perform or observe any other term or covenant contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of twenty (20) days after the earlier of (i) the date upon which a Responsible Officer of the Company knew of such failure or (ii) the date upon which written notice thereof is given to the Company by the Administrative Agent; or

8.1.5 Cross-Default. The occurrence of an "Event of Default" under and as defined in the Secured Loan Agreement or the Unsecured Loan Agreement; or

8.1.6 Insolvency; Voluntary Proceedings. The Company or any of its Subsidiaries or any Permitted Partnership (i) ceases or fails to be Solvent, or generally fails to pay, or admits in writing its inability to pay, its debts as they become due, subject to applicable grace periods, if any, whether at stated maturity or otherwise; (ii) voluntarily ceases to conduct its business in the ordinary course; (iii) commences any Insolvency Proceeding with respect to itself; or (iv) takes any action to effectuate or authorize any of the foregoing; or

8.1.7 Insolvency; Involuntary Proceedings. (i) Any involuntary Insolvency Proceeding is commenced or filed against the Company, any Subsidiary of the Company or any Permitted Partnership, or any writ, judgment, warrant of attachment, execution or similar process, is issued or levied against a substantial part of the Company's or any of its Subsidiaries' or any Permitted Partnership's Properties, and any such proceeding or petition shall not be dismissed, or such writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or fully bonded within sixty (60) days after commencement, filing or levy; (ii) the Company or any of its Subsidiaries or any Permitted Partnership admits the material allegations of a petition against it in any Insolvency Proceeding, or an order for relief (or similar order under non-U.S. law) is ordered in any Insolvency Proceeding; or (iii) the Company or any of its Subsidiaries or any Permitted Partnership acquiesces in the appointment of a receiver, trustee, custodian, conservator, liquidator, mortgagee in possession (or agent therefor), or other similar Person for itself or a substantial portion of its Property or business; or

8.1.8 ERISA Plans. The occurrence of any one or more of the following events with respect to the Company, provided such event or events could reasonably be expected, in the judgment of the Administrative Agent, to subject the Company to any tax, penalty or liability (or any combination of the foregoing) which, in the aggregate, could have a material adverse effect on the financial condition of the Company with respect to a Plan:

(a) A Reportable Event shall occur with respect to a Plan which is, in the reasonable judgment of the Administrative

Agent likely to result in the termination of such Plan for purposes of Title IV of ERISA; or

(b) Any Plan termination (or commencement of proceedings to terminate a Plan) or the Company's full or partial withdrawal from a Plan; or

8.1.9 Monetary Judgments. One or more final (non-interlocutory) judgments, orders or decrees shall be entered against the Company or any of its Subsidiaries or any Permitted Partnership involving in the aggregate a liability (not fully covered by insurance) as to any single or related series of transactions, incidents or conditions of \$1,000,000 or more, and the same shall remain unvacated and unstayed pending appeal for a period of sixty (60) days after the entry thereof; or

8.1.10 Adverse Change. There shall occur, or be reasonably likely to occur, a Material Adverse Effect that continues unremedied for a period of thirty (30) days after the earlier of (i) the date upon which a Responsible Officer of the Company knew or should have known of such Material Adverse Effect or (ii) the date upon which written notice thereof is given to the Company by the Bank; or

8.1.11 Management Changes. The Chairman of the Board or the chief executive officer of the Company resigns, is terminated or otherwise ceases to act for any reason, and such officer of the Company is not replaced with a person reasonably satisfactory to the Majority Banks within six (6) months after he ceases to hold such position.

8.1.12 Preferred Dividend Defaults. The Company fails to pay in full any two (2) consecutive quarterly dividend payments owing to holders of the Company's preferred shares.

8.1.13 Early Termination of a Specified Swap Contract. There occurs under any Specified Swap Contract an Early Termination Date (as defined in such Specified Swap Contract) resulting from (i) any event of default under such Specified Swap Contract as to which the Company is the Defaulting Party (as defined in such Specified Swap Contract) or (ii) any Termination Event (as defined in such Specified Swap Contract) as to which the Company is an Affected Party (as defined in such Specified Swap Contract), the occurrence of such Early Termination Date gives rise to a monetary obligation owing from the Company to the Swap Provider under the Specified Swap Contract, and the Company fails to pay such monetary obligation within five (5) days of such Swap Provider's demand.

8.2 Remedies. If any Event of Default occurs, the Administrative Agent shall, at the request of, or may, with the consent of, the Majority Banks:

8.2.1 Termination of Commitment to Lend. Declare the

commitment of each Bank to make Loans to be terminated, whereupon such commitment shall forthwith be terminated; and

8.2.2 Acceleration of Loans. Declare the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by the Company; and

8.2.3 Exercise of Rights and Remedies. Exercise all rights and remedies available to it under the Loan Documents or applicable law; provided, however, that upon the occurrence of any event specified in subsections 8.1.6 or 8.1.7 above (in the case of clause (i) of subsection 8.1.7 upon the expiration of the 60-day period mentioned therein), the obligation of each Bank to make Loans shall automatically terminate, and the unpaid principal amount of all outstanding Loans and all interest and other amounts as aforesaid shall automatically become due and payable without further act of the Administrative Agent or any Bank. Notwithstanding any contrary provision of any Loan Document, the Administrative Agent shall not incur any trustee or other foreclosure fees or expenses for which it will seek reimbursement from the Company under Section 10.4(b) until at least five (5) Business Days after the occurrence of an Event of Default under subsection 8.1.3; provided, however, that this restriction shall not apply to any other Event of Default. Notwithstanding any contrary provision of applicable law, not less than thirty (30) days shall elapse between the occurrence of an Event of Default and the actual sale of any Property securing the Loans, but the Administrative Agent may give any notices, commence any actions, obtain the appointment of receivers and other provisional remedies, sequester any rents, issues and profits, or exercise any of its other rights or remedies during such thirty (30) day period;

provided, however, that upon the occurrence of an Event of Default under Section 8.1.12, the Administrative Agent may not exercise any of its remedies under Sections 8.2.2 or 8.2.3 until the earlier of (i) the first date on which a notice of redemption is given with respect to any or all of the Company's preferred shares or (ii) ninety (90) days after the occurrence of such Event of Default, unless the Company cures such Event of Default during such ninety (90) day period.

8.3 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

8.4 Specified Swap Contract Remedies. Notwithstanding any contrary provision of this Article 8 (other than Section 8.5), but

subject to the provisions of Section 8.5, each Swap Provider shall have with respect to any Specified Swap Contract of such Swap Provider the right, to the extent so provided in the applicable Specified Swap Contract or any master agreement relating thereto, and after notice to the Administrative Agent, but without the approval or consent of the Administrative Agent or the other Banks, to (a) declare an event of default, termination event or other similar event thereunder and to create an Early Termination Date, and (b) to determine net termination amounts in accordance with the terms of such Specified Swap Contract and to set-off amounts between Specified Swap Contracts.

8.5 Subordination of Swap Obligations.

8.5.1 Each Swap Provider agrees that (a) any and all present and future obligations or liabilities of the Company to a Swap Provider under any Specified Swap Contract, whether fixed or contingent, matured or unmatured, or liquidated or unliquidated, including any net termination amounts payable to the Swap Provider under any such Specified Swap Contract (collectively, the "Specified Swap Obligations"), shall be at all times junior and subordinate to the Obligations, including any claim for interest or expenses accruing after the commencement of an Insolvency Proceeding by or against the Company, and (b) all of the Specified Swap Obligations owing from the Company to each Swap Provider shall have the same priority, and each Swap Provider shall share equally and ratably (based on the relative amounts of the Specified Swap Obligations owing from the Company to each such Swap Provider) in any payment from the Company or in the proceeds of any Collateral after all of the Obligations have been paid or otherwise satisfied in full and the obligations of the Banks to make Loans hereunder have been terminated.

8.5.2 Notwithstanding any contrary provision of any Specified Swap Contract, upon the occurrence of any event of default, a "Termination Event" or an "Early Termination Date" under a Specified Swap Contract, the Swap Provider shall have no right to exercise any of its rights or remedies against the Company under the Specified Swap Contract, and the Swap Provider's sole rights and remedies against the Company shall be limited to those of a "Bank" under the Loan Documents, until all of the Collateral has been exhausted. In particular, a Swap Provider shall have no right to commence or prosecute any action against the Company under the Specified Swap Contract, to realize upon any of the Collateral or to set off against any deposit account of the Company with the Swap Provider. Upon the occurrence and during the continuance of any Event of Default, any payment by the Company to a Swap Provider pursuant to a Specified Swap Contract, including any payment on any claim filed by such Swap Provider in any Insolvency Proceeding commenced by or against the Company, shall be considered to be a payment on account of the Obligations that is subject to the provisions of Section 2.13, until all of the Obligations have been paid or otherwise satisfied in full, and shall thereafter be considered to be a payment on account of all of the Specified Swap Obligations, and shall be shared by all of the Swap Providers pursuant to this Section 8.5 in the manner set forth in

Section 2.13. Each Swap Provider agrees that the provisions of this Section 8.5.2 relating to restrictions on the exercise of remedies shall not apply to Bank of America acting in its capacity as Administrative Agent for the Banks.

8.5.3 Upon the occurrence of an Event of Default, including an Event of Default under Section 8.1.13, the proceeds of any Collateral shall first be applied to the Obligations, until all of the Obligations have been paid or otherwise satisfied in full, and then to the Specified Swap Obligations, until all of the Specified Swap Obligations have been paid or otherwise satisfied in full.

8.5.4 Each Swap Provider agrees that its issuance of a Specified Swap Contract shall not alter any of its rights, duties or liabilities, or the rights, duties or liabilities of the Administrative Agent or any other Bank, under the Loan Documents, and each Swap Provider agrees that the Administrative Agent's or any Bank's exercise of any of its rights under the Loan Documents, with or without the consent of such Swap Provider, shall not alter, waive or otherwise prejudice the Administrative Agent's or any Bank's rights with respect to such Swap Provider under this Section 8.5.

8.5.5 The provisions of this Section 8.5 shall survive the full repayment or satisfaction of the Obligations, and shall continue in force until all of the Specified Swap Obligations owing from the Company to each Swap Provider have been paid or otherwise satisfied in full.

9. The Administrative Agent.

9.1 Appointment and Authorization of the Administrative Agent. Each Bank hereby irrevocably appoints, designates and authorizes the Administrative Agent to take such action on its behalf under the provisions of this Agreement, each other Loan Document and the Environmental Indemnity, and to exercise such powers and perform such duties, as are expressly delegated to it by the terms of this Agreement, any other Loan Document or the Environmental Indemnity, together with such powers as are reasonably incidental thereto and as further provided in any co-lender agreement among the Administrative Agent and the Banks.

9.2 The Administrative Agent's Powers. Subject to the limitations set forth in the Loan Documents, the Environmental Indemnity and any co-lender agreement, the Administrative Agent's powers include but are not limited to the power: (a) to administer, manage and service the Loans; (b) to enforce the Loan Documents and/or the Environmental Indemnity; (c) to make all decisions under the Loan Documents or the Environmental Indemnity in connection with the day-to-day administration of the Loans, any inspections required by the Loan Documents or the Environmental Indemnity, and other routine administration and servicing matters; (d) to collect and receive from the Company or any third persons all payments of amounts due under the terms of the Loan Documents and to

distribute the amounts thereof to the Banks; (e) to collect and distribute or disburse all other amounts due under the Loan Documents or the Environmental Indemnity; (f) to grant or withhold consents, approvals or waivers, and make any other determinations in connection with the Loan Documents or the Environmental Indemnity; and (g) to exercise all such powers as are incidental to any of the foregoing matters. The Administrative Agent shall furnish to the Banks copies of material documents, including confidential ones, received from the Company regarding the Loans, the Loan Documents, the Environmental Indemnity and the transactions contemplated thereby. The Administrative Agent shall have no responsibility with respect to the authenticity, validity, accuracy or completeness of the information provided.

9.3 Limitation on the Administrative Agent's Duties.

Notwithstanding any contrary provision of any Loan Document or the Environmental Indemnity, the Administrative Agent shall not have any duties or responsibilities except those expressly set forth in the Loan Documents, the Environmental Indemnity or any co-lender agreement, nor shall the Administrative Agent have any fiduciary relationship with any Bank, and no implied covenants, responsibilities, duties, obligations or liabilities shall be read into this Agreement, any other Loan Document, the Environmental Indemnity or any co-lender agreement against the Administrative Agent.

9.4 Successor Administrative Agent. The Administrative Agent may, and at the request of the Majority Banks shall, resign as Administrative Agent upon thirty (30) days' notice to the Banks. If the Administrative Agent resigns under this Agreement, the Majority Banks shall appoint from among the Banks a successor administrative agent. If no successor administrative agent is appointed prior to the effective date of the resignation of the Administrative Agent, the Administrative Agent may appoint, after consulting with the Banks, a successor administrative agent which would qualify as an Eligible Assignee. Upon its acceptance of the appointment as successor administrative agent hereunder, such successor shall succeed to all of the rights, powers and duties of the retiring Administrative Agent, the term "Administrative Agent" shall mean such successor, and the appointment, powers and duties of such retiring Administrative Agent shall terminate. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Agreement or the Environmental Indemnity regarding payment of costs and expenses and indemnification of the Administrative Agent shall inure to its benefit as to any actions that such retiring Administrative Agent took or omitted to take while it was Administrative Agent under this Agreement. If no successor administrative agent has accepted appointment as Administrative Agent by the date which is thirty (30) days following a retiring Administrative Agent's notice of resignation, the retiring Administrative Agent's resignation shall nevertheless thereupon become effective, and the Banks shall perform all of the duties of the Administrative Agent hereunder until such time, if any, as the Majority Banks appoint a successor administrative agent in the manner set forth above. Upon replacement of

the Administrative Agent as provided in this Agreement, the former Administrative Agent shall promptly deliver to the new Administrative Agent an assignment of all beneficial interest in any Mortgage and any other Collateral Documents (if before acquisition of title to the Collateral encumbered thereby), or a quitclaim deed to and assignment of any such Property (if after acquisition of the Collateral encumbered thereby) and copies of any books, records and documents related to the Loans and the Collateral to which the Banks are entitled and which is then in the former Administrative Agent's possession.

10. Miscellaneous.

10.1 Amendments and Waivers. No amendment or waiver of any provision of this Agreement or any other Loan Document, and no consent with respect to any departure by the Company therefrom, shall be effective unless the same shall be in writing and signed by the Administrative Agent at the written request of the Majority Banks, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given; provided however, that no such amendment or waiver shall do any of the following unless it is in writing and signed by the Administrative Agent at the written request of all the Banks:

- (a) Increase the Commitment of any Bank;
- (b) Postpone or delay any date fixed by this Agreement or any other Loan Document for any payment of principal, interest, fees or other amounts due to the Banks (or any one of them) hereunder or under any other Loan Document;
- (c) Reduce the rate of interest or any fees or other amounts payable in connection with the Loan;
- (d) Change the voting percentage of the Commitments or of the aggregate unpaid principal amount of the Loans that is required for the Banks, or any of them, to take any action hereunder;
- (e) Amend this or any provision requiring consent of all Banks for action by the Banks or the Administrative Agent;
- (f) Discharge the Company or any guarantor, or release any of the Collateral, except as otherwise may be provided in the Loan Documents or except where the consent of only the Majority Banks is expressly required by any Loan Document;
- (g) Amend Section 7.10, Section 7.11, Section 7.15, Section 7.16, Section 7.17 or Section 8 of the Loan Agreement, or the definitions of the terms "Collateral Value" or "Cash Flow Value" set forth in Section 1.1 of the Loan Agreement.

10.2 Notices.

(a) All notices, requests and other communications provided for hereunder shall be in writing (including, unless the context expressly otherwise provides, facsimile transmission) and mailed (by certified mail, postage prepaid, return receipt requested), delivered or telecopied to the address or number specified for notices on the applicable signature page hereof, or to such other address as shall be designated by such party in a written notice to the other parties.

(b) All such notices and communications shall, when transmitted by overnight delivery or telecopied by facsimile, be effective when delivered for overnight delivery or transmitted by telecopier, respectively, or if delivered, upon delivery, except that notices pursuant to Article 2 shall not be effective until actually received by the Administrative Agent. All notices and communications telecopied by facsimile will also be mailed by ordinary first class mail, postage prepaid. All such notices and communications delivered by mail shall be effective upon the earlier of (i) two (2) Business Days after deposit in the United States mail, or (ii) actual receipt, as evidenced by the return receipt.

(c) The Company acknowledges and agrees that any agreement of the Administrative Agent at Article 2 herein to receive certain notices by telephone and facsimile is solely for the convenience and at the request of the Company. The Administrative Agent and the Banks shall be entitled to rely on the authority of any Person purporting to be a Person authorized by the Company to give such notice, and the Administrative Agent and the Banks shall not have any liability to the Company or any other Person on account of any action taken or not taken by the Administrative Agent or the Banks in reliance upon such telephonic or facsimile notice. The obligation of the Company to repay the Loans shall not be affected in any way or to any extent by any failure by the Administrative Agent or the Banks to receive written confirmation of any telephonic or facsimile notice or the receipt by the Administrative Agent or the Banks of a confirmation which is at variance with the terms understood by the Administrative Agent or the Banks to be contained in the telephonic or facsimile notice.

10.3 No Waiver; Cumulative Remedies. No failure on the part of the Administrative Agent or any Bank in exercising, and no delay in its exercising, any right, remedy, power or privilege hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

10.4 Costs and Expenses. The Company shall, whether or not the transactions contemplated hereby shall be consummated:

(a) pay or reimburse the Administrative Agent (or, as to Attorney Costs, pay directly to the attorneys for the Administrative Agent) within fifteen (15) Business Days after demand (subject to subsections 4.1.12 and 4.2.3) for all costs and expenses incurred by them in connection with the development, preparation, delivery, administration (other than normal overhead costs of administering the Loans), execution and syndication of, and any amendment, supplement, waiver or modification to, this Agreement, any other Loan Document and any other documents prepared in connection herewith or therewith, and the consummation of the transactions contemplated hereby and thereby, including Attorney Costs incurred by Bank of America (including in its capacity as the Administrative Agent) with respect thereto;

(b) pay or reimburse the Administrative Agent (or, as to Attorney Costs, pay directly to the attorneys for the Administrative Agent) within fifteen (15) Business Days after demand (subject to subsections 4.1.12 and 4.2.3) for all costs and expenses incurred in connection with the enforcement, attempted enforcement or preservation of any rights or remedies (including in connection with any workout or restructuring regarding the Loans or any Insolvency Proceeding) under this Agreement, any other Loan Document, and any such other documents, including Attorney Costs incurred by the Administrative Agent; and

(c) pay or reimburse Bank of America (including in its capacity as the Administrative Agent) within thirty (30) days after demand (subject to subsections 4.1.12 and 4.2.3) for all appraisal (including the allocated cost of internal appraisal services), audit, environmental inspection and review (including the allocated cost of such internal services), search and filing costs, fees and expenses incurred or sustained by Bank of America (including in its capacity as the Administrative Agent) in connection with the matters referred to under paragraphs (a) and (b) of this Section.

10.5 Indemnity. Whether or not the transactions contemplated hereby shall be consummated, the Company shall pay, indemnify, and hold the Agent-Related Persons, and each Bank and each of their respective officers, directors, employees, counsel, agents and attorneys-in-fact (each, an "Indemnified Person") harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, charges, expenses or disbursements (including Attorney Costs) of any kind or nature whatsoever which may be incurred by or asserted against any such Indemnified Person arising out of relating to the execution, delivery, enforcement, performance or administration of this Agreement or any other Loan Documents, or the transactions contemplated hereby and thereby, and with respect to any investigation, litigation or proceeding related to this Agreement or the Loans or the use of the proceeds thereof, whether or not any Indemnified Person is a party thereto (all the foregoing, collectively, the "Indemnified

Liabilities"); provided, that the Company shall have no obligation hereunder to any Indemnified Person with respect to Indemnified Liabilities arising solely from the negligence or willful misconduct of such Indemnified Person. The obligations in this Section 10.5 shall survive payment or satisfaction of all other Obligations. At the election of any Indemnified Person, the Company shall defend such Indemnified Person using legal counsel satisfactory to such Indemnified Person in such Person's sole discretion, at the sole cost and expense of the Company. All amounts owing under this Section 10.5 shall be paid within thirty (30) days after demand.

10.6 Marshaling; Payments Set Aside. Neither the Administrative Agent nor the Banks shall be under any obligation to marshal any assets in favor of the Company or any other Person, including any Swap Provider, or against or in payment of any or all of the Obligations. To the extent that the Company makes a payment or payments to the Administrative Agent or the Banks, or the Administrative Agent or the Banks enforce their Liens, and such payment or payments or the proceeds of such enforcement or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party in connection with any Insolvency Proceeding, or otherwise, then to the extent of such recovery the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement had not occurred.

10.7 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Company may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Administrative Agent and each Bank.

10.8 Assignments, Participations, Confidentiality.

10.8.1 Assignments. Each Bank may at any time assign and delegate to one or more Eligible Assignees (each, an "Assignee"), without the consent of the Company, all or a portion of the Loans, the Commitment and the other rights and obligations of such Bank hereunder, under the other Loan Documents and under the Environmental Indemnity; provided, however, that any assignment of a Bank's interest in the Loans, the Commitment and the other rights and obligations of such Bank hereunder and under the other Loan Documents shall be in the minimum amount of Ten Million Dollars (\$10,000,000.00) and multiples of One Million Dollars (\$1,000,000.00) in excess thereof; and provided further, however, that the Company may continue to deal solely and directly with the assignor Bank in connection with the interest so assigned to an Assignee until (i) written notice of such assignment, substantially in the form of Schedule 1 to the attached Exhibit G, shall have been given to the Company and the Administrative Agent by such Bank and the

Assignee, (ii) such Bank and its Assignee shall have delivered to the Administrative Agent and the Company an Assignment and Assumption Agreement substantially in the form of the attached Exhibit G ("Assignment and Assumption Agreement") (together with any Note(s) subject to such assignment), and (iii) the Assignee shall have paid to the Administrative Agent a processing fee in the amount of \$2,500. In the event that the Company elects to permanently reduce the Maximum Commitment Amount pursuant to Section 2.5, the minimum required hold amounts and the minimum amount of any assignment of a Bank's interest in the Loans, the Commitment and the other rights and obligations of such Bank hereunder and under the other Loan Documents shall be reduced pro rata.

10.8.2 Effect of Assignment. From and after the date on which the Administrative Agent notifies the assigning Bank that all conditions and requirements of the assignment have been met, then to the extent that rights and obligations hereunder have been assigned (a) the Assignee thereunder shall be a party hereto and shall have the rights and obligations of a Bank under the Loan Documents, the Environmental Indemnity and any co-lender agreement among the Administrative Agent and the Banks, (b) the assigning Bank shall relinquish such assigned rights and be released from such assigned obligations under the Loan Documents, (c) this Agreement shall be deemed to be amended to the extent necessary to reflect the addition of the Assignee and the resulting adjustment of the Pro Rata Shares of the Loans arising therefrom, and (d) the Pro Rata Share allocated to an Assignee shall reduce the Pro Rata Share of the assigning Bank.

10.8.3 Participations. Subject to the limitations set forth in Section 10.8.1, which apply equally to participations and assignments, any Bank (the "originating Bank") may at any time sell to one or more Persons that are not Affiliates of the Company (each, a "Participant") participating interests in any Loans, the Commitment and the other interests of such originating Bank hereunder and under the other Loan Documents; provided, however, that (a) the originating Bank's obligations under this Agreement shall remain unchanged, (b) the originating Bank shall remain solely responsible for the performance of such obligations, (c) the Company and the Administrative Agent shall continue to deal solely and directly with the originating Bank in connection with the originating Bank's rights and obligations under this Agreement and the other Loan Documents, (d) the Participant shall, together with the originating Bank, be entitled to the non-exclusive protections of Sections 3.1 and 3.3 as though it were also the originating Bank hereunder, and (e) no Bank shall transfer or grant any participating interest under which the Participant has rights to approve any amendment, consent or waiver with respect to any Loan Document, except to the extent such amendment, consent or waiver would require unanimous consent of the Banks. A Participant shall not have any rights under the Loan Documents or any co-lender agreement, and all amounts payable by the Company hereunder shall be determined as if the originating Bank had not sold such participation.

10.8.4 Pledge to Federal Reserve Bank. Notwithstanding any other provision, a Bank may pledge its interest in the Commitment, in the Loans and under the Loan Documents in favor of any Federal Reserve Bank in accordance with Federal law.

10.8.5 Confidentiality. Each Bank agrees to take normal and reasonable precautions and exercise due care to maintain the confidentiality of all non-public information provided to it by the Company or any Subsidiary of the Company in connection with this Agreement or any other Loan Document, and the Banks and any of its Affiliates shall not use any such information for any purpose or in any manner other than pursuant to the terms contemplated by this Agreement, except to the extent such information (i) was or becomes generally available to the public other than as a result of a disclosure by such Bank, or (ii) was or becomes available on a non-confidential basis from a source other than the Company (provided that such source is not bound by a confidentiality agreement with the Company known to such Bank); provided, however, that such Bank may disclose such information (A) at the request or pursuant to any requirement of any Governmental Authority to which such Bank is subject or in connection with an examination of such Bank by any such authority; (B) pursuant to subpoena or other court process; (C) when required to do so in accordance with the provisions of any applicable Requirement of Law; (D) to such Bank's independent auditors and other professional advisors; and (E) to any Affiliate of such Bank (including, in the case of Bank of America, the Lead Arranger). Notwithstanding the foregoing, the Company authorizes each Bank to disclose to any Participant or Assignee (each, a "Transferee"), and to any prospective Transferee, such financial and other information in such Bank's possession concerning the Company or its Subsidiaries which has been delivered to such Bank pursuant to this Agreement or which has been delivered to such Bank by the Company in connection with the Bank's credit evaluation of the Company prior to entering into this Agreement; provided that, unless otherwise agreed by the Company, such Transferee agrees in writing with such Bank to keep such information confidential to the same extent required of such Bank hereunder.

10.9 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement in any number of separate counterparts, each of which, when so executed, shall be deemed an original, and all of said counterparts taken together shall be deemed to constitute but one and the same instrument.

10.10 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

10.11 No Third Parties Benefitted. This Agreement is made and entered into for the sole protection and legal benefit of the

Company, the Banks, the Administrative Agent and the Agent-Related Persons, and their permitted successors and assigns, and no other Person (other than an Indemnified Person under Section 10.5) shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. The Administrative Agent shall have no obligation to any Person not a party to this Agreement or the other Loan Documents.

10.12 Time. Time is of the essence as to each term or provision of this Agreement and each of the other Loan Documents.

10.13 Governing Law. This Agreement and the Revolving Notes shall be governed by, and construed in accordance with, the laws of the State of California (without regard to conflicts of law rules); provided that the Administrative Agent and the Banks shall retain all rights arising under federal law.

10.14 Arbitration; Reference.

(a) Mandatory Arbitration. Any controversy or claim between or among the parties, including but not limited to those arising out of or relating to this Agreement or any agreements or instruments relating hereto or delivered in connection herewith and any claim based on or arising from an alleged tort, shall at the request of any party be determined by arbitration. The arbitration shall be conducted in accordance with the United States Arbitration Act (Title 9, U.S. Code), notwithstanding any choice of law provision in this Agreement, and under the Commercial Rules of the American Arbitration Association ("AAA"). The arbitrator(s) shall give effect to statutes of limitation in determining any claim. Any controversy concerning whether an issue is arbitrable shall be determined by the arbitrator(s). Judgment upon the arbitration award may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(b) Real Property Collateral. Notwithstanding the provisions of subparagraph 10.14(a), no controversy or claim shall be submitted to arbitration without the consent of all parties if, at the time of the proposed submission, such controversy or claim arises from or relates to an obligation to the Banks which is secured by real property collateral. If all parties do not consent to submission of such a controversy or claim to arbitration, the controversy or claim shall be determined as provided in subparagraph 10.14(c).

(c) Judicial Reference. At the request of any party, a controversy or claim which is not submitted to arbitration as

provided and limited in subparagraphs 10.14(a) and 10.14(b) shall be determined by a reference in accordance with California Code of Civil Procedure Section 638 et seq. If such an election is made, the parties shall designate to the court a referee or referees selected under the auspices of the AAA in the same manner as arbitrators are selected in AAA-sponsored proceedings. The presiding referee of the panel, or the referee if there is a single referee, shall be an active attorney or retired judge. Judgment upon the award rendered by such referee or referees shall be entered in the court in which such proceeding was commenced in accordance with California Code of Civil Procedure Sections 644 and 645.

(d) Provisional Remedies, Self-Help and Foreclosure. No provision of this Section 10.14 shall limit the right of any party to this Agreement to exercise self-help remedies such as set-off, foreclosure against or sale of any real or personal property collateral or security, or obtaining provisional or ancillary remedies from a court of competent jurisdiction before, after or during the pendency of any arbitration or other proceeding. The exercise of a remedy does not waive the right of either party to resort to arbitration or reference. At Bank's option, foreclosure under a deed of trust or mortgage may be accomplished either by exercise of a power of sale under the deed of trust or mortgage or by judicial foreclosure.

10.15 Notice of Claims; Claims Bar. THE COMPANY HEREBY AGREES THAT IT SHALL GIVE PROMPT WRITTEN NOTICE OF ANY CLAIM OR CAUSE OF ACTION IT BELIEVES IT HAS, OR MAY SEEK TO ASSERT OR ALLEGE, AGAINST THE BANK, WHETHER SUCH CLAIM IS BASED IN LAW OR EQUITY, ARISING UNDER OR RELATED TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, OR TO THE LOANS (OR THE COLLATERAL THEREFOR), OR ANY ACT OR OMISSION TO ACT BY THE ADMINISTRATIVE AGENT OR ANY BANK WITH RESPECT HERETO OR THERETO, AND THAT IF IT SHALL FAIL TO GIVE SUCH PROMPT NOTICE TO THE ADMINISTRATIVE AGENT OR SUCH BANK WITH REGARD TO ANY SUCH CLAIM OR CAUSE OF ACTION, IT SHALL BE DEEMED TO HAVE WAIVED, AND SHALL BE FOREVER BARRED FROM BRINGING OR ASSERTING, SUCH CLAIM OR CAUSE OF ACTION IN ANY SUIT, ACTION OR PROCEEDING IN ANY COURT OR BEFORE ANY GOVERNMENTAL AGENCY.

10.16 Entire Agreement. This Agreement, together with the other Loan Documents and the Environmental Indemnity, embodies the entire Agreement and understanding among the Company, on the one hand, and the Administrative Agent and the Banks, on the other, and supersedes all prior or contemporaneous agreements and understandings of such Persons, verbal or written, relating to the subject matter hereof and thereof, except for any prior arrangements made with respect to the payment by the Company of (or any indemnification for) any fees, costs or expenses payable to or incurred (or to be incurred) by or on behalf of the Administrative Agent or any of the Banks.

10.17 Interpretation. This Agreement is the result of negotiations between, and has been reviewed by counsel to, the Company

and the Administrative Agent, and is the product of all parties hereto. Accordingly, this Agreement and the other Loan Documents shall not be construed against the Administrative Agent or the Banks merely because of their involvement in the preparation of such documents and agreements.

10.18 Existing Approved Parcels. The Administrative Agent and each Bank acknowledges that, as of the date of this Agreement, each of the Parcels identified on Exhibit F is an Approved Parcel having the Appraised Value set forth therein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

"Company"

BEDFORD PROPERTY INVESTORS, INC.,
a Maryland corporation

By /s/Hanh Kihara

Hanh Kihara, Chief Financial Officer
[Printed Name and Title]

Notice Address:

270 Lafayette Circle
Lafayette, California 94549
Attention: General Counsel
Telephone No.: (925) 283-8910
Telecopier No.: (925) 283-5697

"Administrative Agent"

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION, as Administrative Agent

By /s/Laurence C. Hughes

Laurence C. Hughes, Vice President
[Printed Name and Title]

Notice Address:

600 Montgomery Street, 37th Floor
San Francisco, California 94111
Attention: Laurence Hughes
Telephone No.: (415) 913-3554

Telecopier No.: (415) 913-3445

"Banks"

BANK OF AMERICA NATIONAL TRUST
AND SAVINGS ASSOCIATION

By /s/Laurence C. Hughes

Laurence C. Hughes, Vice President
[Printed Name and Title]

Commitment: \$30,000,000

Lending Office/Notice Address:

600 Montgomery Street, 37th Floor
San Francisco, California 94111
Attention: Laurence Hughes
Telephone No.: (415) 913-3554
Telecopier No.: (415) 913-3445

EXHIBIT A

[Form of Borrowing Notice]

(Date)

Bank of America National Trust and Savings
Association, as Administrative Agent
50 California Street, 11th Floor
San Francisco, California 94111
Attention: Rebecca Koch

Re: \$30,000,000 Secured Revolving Loan to Bedford Property
Investors, Inc.; Loan No. _____;
Borrowing Notice No. _____

Ladies and Gentlemen:

Bedford Property Investors, Inc. (the "Company") hereby requests a Borrowing on the terms set forth below pursuant to Sections 2.1 and 2.3 of that certain Credit Agreement (Secured Loan) dated as of February 26, 1999, among the Company, the Banks party thereto and Bank of America National Trust and Savings Association, as Administrative Agent for the Banks (the "Agreement"). Capitalized terms used herein and not defined herein shall have the meanings given to them in the Agreement.

1. The amount of the Borrowing is U.S.\$ _____ (minimum principal amount of \$250,000 for Reference Rate Borrowings and \$1,000,000 for LIBOR Rate Borrowings).

2. The borrowing date will be _____, 19__.

3. The Borrowing will be a Reference Rate/LIBOR Rate Loan.

4. If the Borrowing is to consist of LIBOR Rate Loans, the Interest Period will be _____ [days] [year], and will begin on _____, 19__, and will end on _____, 19__.

The Company hereby represents and warrants to the Administrative Agent and the Banks that (i) the representations and warranties made by the Company contained in Article 5 of the Agreement are true and correct on and as of the borrowing date with the same effect as if made on and as of such borrowing date (except to the extent such representations and warranties expressly refer to an earlier date, in which case they were true and correct as of such earlier date); (ii) no Default or Event of Default has occurred and remains uncured and no Default or Event of Default shall result from the making of the requested Loan; and (iii) with respect to the requested Loan, all of the conditions of Section 4.3 of the Agreement have been satisfied (and will be satisfied on the date such Loan is made).

BEDFORD PROPERTY INVESTORS, INC.,
a Maryland corporation,

By _____
Designated Representative

EXHIBIT B

[Form of Conversion/Continuation Notice]

(Date)

Bank of America National Trust and Savings
Association, as Administrative Agent
50 California Street, 11th Floor
San Francisco, California 94111
Attention: Rebecca Koch

Re: \$30,000,000 Revolving Loan to Bedford Property Investors,
Inc.; Loan No. _____; Conversion/Continuation
Notice No. _____

Ladies and Gentlemen:

Pursuant to Section 2.4 of that certain Credit Agreement (Secured Loan) dated as of February 26, 1999, among Bedford Property Investors, Inc., a Maryland corporation (the "Company"), the Banks party thereto and Bank of America National Trust and Savings Association, as Administrative Agent for the Banks (the "Agreement"), the Company hereby elects to [convert the [Reference Rate Loan/expiring LIBOR Rate Loan] described below into [a LIBOR Rate Loan/a Reference Rate Loan] having the terms described below] [continue the expiring LIBOR Rate Loan described below as a LIBOR Rate Loan having the terms described below]. Capitalized terms used herein and not defined herein shall have the meanings given to them in the Agreement.

1. The [conversion/continuation] date is _____, 19__.

2. The aggregate amount of Loans to be [converted to [LIBOR Rate Loans] [Reference Rate Loans]/continued as LIBOR Rate Loans] is U.S.\$ _____.

3. The Company requests [conversion of U.S.\$ _____ of [Reference Rate Loans] [LIBOR Rate Loans] to [a LIBOR Rate Loan having an Interest Period of _____ [days] [year], beginning on _____, 19__, and ending on _____, 19__] [a Reference Rate Loan] [continuation of U.S.\$ _____ of LIBOR Rate Loans as a LIBOR Rate Loan having an Interest Period of _____ [days] [year], beginning on _____, 19__, and ending on _____, 19__.]

BEDFORD PROPERTY INVESTORS, INC.,
a Maryland corporation,

By _____
Designated Representative

EXHIBIT C

[Form of Revolving Note]

REVOLVING NOTE

\$ _____ San Francisco, California
_____, 199_

FOR VALUE RECEIVED, BEDFORD PROPERTY INVESTORS, INC., a Maryland corporation (the "Company"), promises to pay to the order of _____ (the "Bank"), at the offices of Bank of America National Trust and Savings Association,

Administrative Agent for the Bank, at 50 California Street, 11th Floor (Real Estate Structured Debt Group), San Francisco, California 94111, or at such other place as the Bank may designate from time to time, the sum of _____ (\$ _____), or the aggregate unpaid principal amount outstanding hereunder, whichever may be the lesser, in immediately available funds and lawful money of the United States of America.

Interest shall accrue on amounts outstanding hereunder in accordance with that certain Credit Agreement (Secured Loan) dated as of February 26, 1999 (the "Agreement") among the Company, the Banks party thereto and Bank of America National Trust and Savings Association, as Administrative Agent for the Banks. (Capitalized term used in this Revolving Note and not defined herein shall have the meanings given to them in the Agreement.) Pursuant thereto, interest shall accrue on amounts outstanding hereunder from time to time: (a) at a fluctuating per annum rate equal to the Reference Rate; or (b) at the Company's option, subject to the terms of the Agreement, at a per annum rate equal to the LIBOR Rate plus the Applicable Margin. A change in the interest rate for Reference Rate Loans shall take effect on the day specified in the public announcement of the change in the Reference Rate. Interest shall be computed on the basis of a 360-day year and actual days elapsed. Interest shall become due and payable in accordance with the terms of the Agreement.

Subject to the provisions of Section 2.7 of the Agreement, all unpaid principal and interest outstanding hereunder shall be due and payable on September 1, 1999; provided that prepayments of principal shall be made as provided in the Agreement.

This Revolving Note is one of the Revolving Notes referred to in the Agreement, and is issued in conjunction with, and is entitled to all of the rights, benefits and privileges provided in, the Agreement, as now existing or as the same may from time to time be supplemented, modified or amended. The Agreement, among other things, provides that amounts outstanding hereunder from time to time may be repaid pursuant to the Agreement and reborrowed from time to time pursuant to the Agreement, and contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Bank may endorse on the schedule annexed to this Revolving Note the date, amount and maturity of each Loan that it makes pursuant to the Agreement, the purpose of the Loan, the amount of each payment of principal that the Company makes with respect thereto and the source of the funds from which each principal payment is made. The Company irrevocably authorizes the Bank to endorse this Revolving Note, and the Bank's record shall be conclusive absent manifest error; provided, however, that the Bank's failure to make, or its error in making, a notation on the attached schedule with respect to any Loan shall not limit or otherwise affect the Company's obligations to the Bank hereunder or under the Agreement.

Except as otherwise expressly provided in any Collateral Document, this Revolving Note is secured by (1) each of the Mortgages executed from time to time pursuant to the Agreement and covering an Approved Parcel and (2) each of the Assignments of Leases and other Collateral Documents executed from time to time pursuant to the Agreement.

The Company waives presentment, demand, protest, notice of protest, notice of nonpayment or dishonor and all other notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Note. Time is of the essence hereof.

This Revolving Note has been executed by the undersigned in the State of California, and shall be governed by, and construed in accordance with, the laws of the State of California.

BEDFORD PROPERTY INVESTORS, INC.,
a Maryland corporation

By _____

[Printed Name and Title]

EXHIBIT D

[Form of Property Use Certificate]

PROPERTY USE CERTIFICATE

To: Bank of America National Trust and Savings Association, as
Administrative Agent (the "Administrative Agent")

Pursuant to Section 4.1.6(8) of that certain Credit Agreement (Secured Loan) (the "Agreement") dated as of February 26, 1999, between Bedford Property Investors, Inc., a Maryland corporation (the "Company"), the Banks that are parties thereto, and the Administrative Agent, the Company hereby represents, warrants and certifies to the Administrative Agent and the Banks that the improvements located on the Parcel commonly known as _____ [property address] contain the following amounts of net rentable area devoted to, or available for, the following uses:

Office: _____ square feet of net rentable area

Retail: _____ square feet of net rentable area

Flexible
Industrial: _____ square feet of net rentable area

Industrial
or Warehouse
(other than
Flexible
Industrial): _____ square feet of net rentable area

Research and
Development: _____ square feet of net rentable area
(not including office space)

Total: _____ square feet of net rentable area

Capitalized terms used in this Certificate and not defined herein have the meanings given to them in the Agreement.

Dated: _____

BEDFORD PROPERTY INVESTORS, INC.,
a Maryland corporation

By _____

[Printed Name and Title]

EXHIBIT E

[Form of Opinion of Counsel]

_____, 1999

The Banks Party to the Credit
Agreements Described Below

Bank of America National Trust and
Savings Association, as Administrative Agent
600 Montgomery Street, 37th Floor
San Francisco, California 94111
Attention: Laurence Hughes

Re: \$30,000,000 Secured Revolving Line of Credit (the "Credit Line") from the several financial institutions from time to time party to the Credit Agreement (as defined below) (collectively, the "Banks") to Bedford Property Investors, Inc., a Maryland corporation (the "Company")

Gentlemen:

We have acted as counsel to the Company in connection with the negotiation and execution of the documents evidencing the Credit Line, and we are delivering this opinion to you at the Company's request. In connection with our representation of the Company, we have examined all of the following documents (collectively, the "Loan Documents"):

1. Credit Agreement (Secured Loan) dated as of February 26, 1999, among the Company, the Banks, and Bank of America National Trust and Savings Association, as administrative agent for the Banks (in such capacity, the "Administrative Agent") (the "Credit Agreement");
2. Revolving Note dated February 26, 1999, made by the Company and payable to the order of Bank of America National Trust and Savings Association ("Bank of America") in the maximum principal amount of \$30,000,000.00;
3. Deed of Trust With Assignment of Rents, Assignment of Non-Disturbance Agreements, Security Agreement and Fixture Filing dated as of February 26, 1999, executed by the Company for the benefit of the Administrative Agent encumbering certain real property located in King County, Washington;
4. Assignment of Leases dated as of February 26, 1999, executed by the Company, as assignor, for the benefit of the Administrative Agent, as assignee, assigning the leases relating to certain real property located in King County, Washington;
5. Unsecured Indemnity Agreement dated as of February 26, 1999, made by the Company for the benefit of the Administrative Agent and the Banks;
6. Secretary's Certificate executed by the Company's secretary.

The documents referred to in numbered paragraphs 1 through 4, above are hereinafter collectively referred to as the "Credit Documents."

We have also reviewed such other documents, certificates and instruments as we deemed relevant, appropriate or necessary in rendering the opinions contained herein. In rendering the opinions set forth below, we have assumed the truth of the facts stated in the foregoing

documents, the genuineness of the signatures thereon and the completeness thereof.

Based upon the foregoing, but subject to the limitations and qualifications expressed below, we are of the opinion that:

1. The Company is a corporation duly organized, existing and in good standing under the laws of the State of Maryland, and is duly qualified to do business in the State of California. The Company has the full right, power and authority to execute, deliver and perform its obligations under the Credit Documents and all other documents and agreements it may execute concurrently with the Credit Documents.

2. The Company's execution, delivery and performance of the Credit Documents (i) have been duly authorized by all necessary corporate action, (ii) do not conflict with any term or provision of the Company's articles of incorporation or bylaws, and (iii) do not require the consent or approval of any governmental authority or any other person or entity to the extent such consent or approval is required by any provision of the Company's articles of incorporation or bylaws.

3. The Credit Documents constitute legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

The opinions expressed herein are subject to the effect of bankruptcy, insolvency and other similar laws affecting the rights of creditors generally, and general principles of equity.

Very truly yours,

EXHIBIT F

Approved Parcels

Washington Property

1. Adobe: Ground subleased real property located in King County, Washington consisting of approximately 7.18 acres improved with two office buildings containing approximately 297,228 square feet of net rentable area. Appraised Value is \$47,700,000.

EXHIBIT G

ASSIGNMENT AND ASSUMPTION AGREEMENT

This ASSIGNMENT AND ASSUMPTION AGREEMENT (this ("Assignment

and Assumption") dated as of _____, 199__ is made between (the "Assignor") and _____ (the "Assignee").

RECITALS

WHEREAS, the Assignor is party to that certain Credit Agreement (Secured Loan) dated as of February 26, 1999 (as amended, amended and restated, modified, supplemented or renewed, the "Credit Agreement"), among Bedford Property Investors, Inc., a Maryland corporation (the "Company"), the several financial institutions from time to time party thereto (including the Assignor, the "Banks"), and Bank of America National Trust and Savings Association, as administrative agent for the Banks, (the "Administrative Agent"). Any capitalized terms defined in the Credit Agreement and not defined in this Assignment and Assumption are used herein as defined in the Credit Agreement;

[WHEREAS, the Assignor is also a party to that certain Co-Lender Agreement dated as of _____ (as amended, amended and restated, modified, supplemented or renewed, the "Co-Lender Agreement"), between the Banks and the Administrative Agent;]

WHEREAS, as provided under the Credit Agreement, the Assignor has committed to making Loans (the "Committed Loans") to the Company in an aggregate amount not to exceed \$_____ (the "Commitment");

WHEREAS, [the Assignor has made Committed Loans in the aggregate principal amount of \$_____ to the Company] [no Committed Loans are outstanding under the Credit Agreement]; and

WHEREAS, the Assignor wishes to assign to the Assignee [part of the] [all] rights and obligations of the Assignor under the Credit Agreement in respect of its Commitment, in an amount equal to \$_____ (the "Assigned Amount") on the terms and subject to the conditions set forth herein and the Assignee wishes to accept assignment of such rights and to assume such obligations from the Assignor on such terms and subject to such conditions;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

1. Assignment and Assumption.

1.1 Subject to the terms and conditions of this Assignment and Assumption, (i) the Assignor hereby sells, transfers and assigns to the Assignee, and (ii) the Assignee hereby purchases, assumes and undertakes from the Assignor, without recourse and without representation or warranty (except as provided in this Assignment and Assumption) ___% (the "Assignee's Percentage Share") of (A) the Commitment of the Assignor and (B) all related rights, benefits, obligations, liabilities and indemnities of the Assignor under and in connection with the Credit

Agreement, the Loan Documents and the Co-Lender Agreement.

1.2 With effect on and after the Effective Date (as defined in Section 5 hereof), the Assignee shall be a party to the Credit Agreement [and the Co-Lender Agreement] and succeed to all of the rights and be obligated to perform all of the obligations of a Bank under the Credit Agreement [and the Co-Lender Agreement], including the requirements concerning confidentiality and the payment of indemnification, with a Commitment in an amount equal to the Assigned Amount. The Assignee agrees that it will perform in accordance with their terms all of the obligations which it is required to perform as a Bank under the Credit Agreement [or the Co-Lender Agreement]. It is the intent of the parties hereto that the Commitment of the Assignor shall, as of the Effective Date, be reduced by an amount equal to the Assigned Amount and the Assignor shall relinquish its rights and be released from its obligations under the Credit Agreement [and the Co-Lender Agreement] to the extent such obligations have been assumed by the Assignee; provided, however, the Assignor shall not relinquish its rights under Section 10.5 of the Credit Agreement [or Section 9.4 of the Co-Lender Agreement] to the extent such rights relate to the time prior to the Effective Date.

1.3 After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignor's Commitment will be \$ _____.

1.4 After giving effect to the assignment and assumption set forth herein, on the Effective Date the Assignee's Commitment will be \$ _____.

2. Payments.

(a) As consideration for the sale, assignment and transfer contemplated in Section 1 hereof, the Assignee shall pay to the Assignor on the Effective Date in immediately available funds an amount equal to \$ _____, representing the Assignee's Pro Rata Share of the Principal amount of all Committed Loans.

(b) The [Assignor] [Assignee] further agrees to pay to the Administrative Agent a processing fee in the amount specified in Section 10.8.1 of the Credit Agreement.

(c) Notwithstanding anything to the contrary contained in Sections 2.8, 2.9 or 2.13 of the Credit Agreement, for purposes of this Assignment and Assumption, (i) the Assignee shall be entitled to \$ _____ as its Pro Rata Share of the one-time commitment fee paid by the Company pursuant to Section 2.9 of the Credit Agreement, and (ii) the Administrative Agent shall remit interest payments on Committed Loans outstanding to the Company with respect to the Assignee's Commitment on the basis of an interest rate whose Applicable Margin (as defined in the Credit Agreement) shall be defined as follows:

(i) with respect to Reference Rate Loans, ____ basis points; and

(ii) with respect to LIBOR Rate Loans, ____ basis points.

The Administrative Agent shall retain all additional amounts paid by the Company as a commitment fee or as interest on the Committed Loans outstanding to the Company with respect to the Assignee's Commitment.

3. Reallocation of Payments.

Any interest, fees and other payments accrued to the Effective Date with respect to the Commitment shall be for the account of the Assignor. Subject to the provisions of Section 2(c) hereof, any interest, fees and other payments accrued on and after the Effective Date with respect to the Assigned Amount shall be for the account of the Assignee. Each of the Assignor and the Assignee agrees that it will hold in trust for the other party any interest, fees and other amounts which it may receive to which the other party is entitled pursuant to the preceding sentence and pay to the other party any such amounts which it may receive promptly upon receipt.

4. Independent Credit Decision.

The Assignee (a) acknowledges that it has received a copy of the Credit Agreement and the Schedules and Exhibits thereto, together with copies of the most recent financial statements referred to in Section 6.1 of the Credit Agreement, and such other documents and information as it has deemed appropriate to make its own credit and legal analysis and decision to enter into this Assignment and Assumption; (b) acknowledges its familiarity with, and approves of, each of the Approved Parcels (as defined in the Credit Agreement); and (c) agrees that it will, independently and without reliance upon the Assignor, the Administrative Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit and legal decisions in taking or not taking action under the Credit Agreement [or the Co-Lender Agreement].

5. Effective Date; Notices.

(a) As between the Assignor and the Assignee, the effective date for this Assignment and Assumption shall be _____, 199_ (the "Effective Date"); provided that the following conditions precedent have been satisfied on or before the Effective Date:

(i) this Assignment and Assumption shall be executed and delivered by the Assignor and the Assignee;

(ii) the consent of the Company and the Administrative Agent required for an effective assignment of the Assigned Amount by the Assignor to the Assignee under Section 10.8.1 of the Credit Agreement shall have been duly obtained and shall be in full force and effect as of the Effective Date;

(iii) the Assignee shall pay to the Assignor all amounts due to the Assignor under this Assignment and Acceptance;

(iv) the Assignee shall have complied with Section 10.8.1 of the Credit Agreement (if applicable);

(v) the processing fee referred to in Section 2(b) hereof and in Section 10.8.1 of the Credit Agreement shall have been paid to the Administrative Agent; and

(vi) the Assignor shall have assigned and the Assignee shall have assumed a percentage equal to the Assignee's Percentage Share of the rights and obligations of the Assignor under the Credit Agreement.

(b) Promptly following the execution of this Assignment and Assumption, the Assignor shall deliver to the Company and the Administrative Agent for acknowledgment by the Administrative Agent, a Notice of Assignment substantially in the form attached hereto as Schedule 1.

6. Administrative Agent.

(a) The Assignee hereby appoints and authorizes the Assignor to take such action as administrative agent on its behalf and to exercise such powers under the Credit Agreement [and the Co-Lender Agreement] as are delegated to the Administrative Agent by the Banks pursuant to the terms of the Credit Agreement [or the Co-Lender Agreement].

(b) The Assignee shall assume no duties or obligations held by the Assignor in its capacity as Administrative Agent under the Credit Agreement.

7. Withholding Tax.

The Assignee (a) represents and warrants to the Banks, the Administrative Agent and the Company that under applicable law and treaties no tax will be required to be withheld by the Banks with respect to any payments to be made to the Assignee hereunder, (b) agrees to furnish (if it is organized under the laws of any jurisdiction other than the United States or any state thereof) to the Administrative Agent and the Company prior to the time that the Administrative Agent or Company is required to make any payment of principal, interest or fees hereunder, duplicate executed originals of either U.S. Internal Revenue Service Form 4224 or U.S. Internal Revenue Service Form 1001 (wherein the Assignee

claims entitlement to the benefits of a tax treaty that provides for a complete exemption from U.S. federal income withholding tax on all payments hereunder) and agrees to provide new Forms 4224 or 1001 upon the expiration of any previously delivered form or comparable statements in accordance with applicable U.S. law and regulations and amendments thereto, duly executed and completed by the Assignee, and (c) agrees to comply with all applicable U.S. laws and regulations with regard to such withholding tax exemption.

8. Representations and Warranties.

(a) The Assignor represents and warrants to the Assignee that (i) it is the legal and beneficial owner of the interest being assigned by it hereunder and that such interest is free and clear of any Lien or other adverse claim; (ii) it is duly organized and existing and it has the full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Assumption and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Assumption and to fulfill its obligations hereunder; (iii) no notices to, or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Assumption, and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; and (iv) this Assignment and Assumption has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignor, enforceable against the Assignor in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles.

(b) The Assignor makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Credit Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Credit Agreement or any other instrument or document furnished pursuant thereto. The Assignor makes no representation or warranty in connection with, and assumes no responsibility with respect to, the solvency, financial condition or statements of the Company, or the performance or observance by the Company, of any of its respective obligations under the Credit Agreement or any other instrument or document furnished in connection therewith.

(c) The Assignee represents and warrants to the Assignor that (i) it is duly organized and existing and it has full power and authority to take, and has taken, all action necessary to execute and deliver this Assignment and Assumption and any other documents required or permitted to be executed or delivered by it in connection with this Assignment and Assumption, and to fulfill its obligations hereunder; (ii) no notices to,

or consents, authorizations or approvals of, any Person are required (other than any already given or obtained) for its due execution, delivery and performance of this Assignment and Assumption; and apart from any agreements or undertakings or filings required by the Credit Agreement, no further action by, or notice to, or filing with, any Person is required of it for such execution, delivery or performance; (iii) this Assignment and Assumption has been duly executed and delivered by it and constitutes the legal, valid and binding obligation of the Assignee, enforceable against the Assignee in accordance with the terms hereof, subject, as to enforcement, to bankruptcy, insolvency, moratorium, reorganization and other laws of general application relating to or affecting creditors' rights and to general equitable principles; and (iv) it is an Eligible Assignee.

9. Further Assurances.

The Assignor and the Assignee each hereby agree to execute and deliver such other instruments, and to take such other action, as either party may reasonably request in connection with the transactions contemplated by this Assignment and Assumption, including the delivery of any notices or other documents or instruments to the Company or the Administrative Agent, which may be required in connection with the assignment and assumption contemplated hereby.

10. Miscellaneous.

(a) Any amendment or waiver of any provision of this Assignment and Assumption shall be in writing and signed by the parties hereto. No failure or delay by either party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof and any waiver of any breach of the provisions of this Assignment and Assumption shall be without prejudice to any rights with respect to any other or further breach thereof.

(b) All payments made hereunder shall be made without any set-off or counterclaim.

(c) The Assignor and the Assignee shall each pay its own costs and expenses incurred in connection with the negotiation, preparation, execution and performance of this Assignment and Assumption.

(d) This Assignment and Assumption may be executed in any number of counterparts, and all of such counterparts taken together shall be deemed to constitute one and the same instrument.

(e) THIS ASSIGNMENT AND ASSUMPTION SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA. The Assignor and the Assignee each irrevocably submits to the non-exclusive jurisdiction of any State or Federal court sitting in California over any suit, action or proceeding arising out of or relating to this Assignment and Assumption and irrevocably agrees that all claims in respect of such

action or proceeding may be heard and determined in such California State or Federal court. Each party to this Assignment and Assumption hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding.

(f) THE ASSIGNOR AND THE ASSIGNEE EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH THIS ASSIGNMENT AND ASSUMPTION, THE CREDIT AGREEMENT, THE CO-LENDER AGREEMENT, ANY RELATED DOCUMENTS AND AGREEMENTS OR ANY COURSE OF CONDUCT, COURSE OF DEALING OR STATEMENTS (WHETHER ORAL OR WRITTEN).

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Assignment and Assumption to be executed and delivered by their duly authorized officers as of the date first above written.

[ASSIGNOR]

By: _____

Title: _____

By: _____

Title: _____

Address:

[ASSIGNEE]

By: _____

Title: _____

By: _____

Title: _____

Address:

SCHEDULE 1
TO EXHIBIT H

NOTICE OF ASSIGNMENT AND ASSUMPTION

_____, 199_

Bank of America National Trust
and Savings Association, as Administrative Agent
600 Montgomery Street, 37th Floor
San Francisco, California 94111
Attention: Laurence Hughes

Bedford Property Investors, Inc.
270 Lafayette Circle
Lafayette, California 94549
Attention: _____

Gentlemen:

We refer to the Credit Agreement (Secured Loan) dated as of February 26, 1999 (as amended, amended and restated, modified, supplemented or renewed from time to time the "Credit Agreement" among Bedford Property Investors, Inc., a Maryland corporation (the "Company"), the Banks referred to therein and Bank of America National Trust and Savings Association, as administrative agent for the Banks (the "Administrative Agent"). Terms defined in the Credit Agreement are used herein as therein defined.

1. We hereby give you notice of, and request your consent to, the assignment by _____ (the "Assignor") to _____ (the "Assignee") of ___% of the right, title and interest of the Assignor in and to the Credit Agreement (including, without limitation, the right, title and interest of the Assignor in and to the Commitments of the Assignor and all outstanding Loans made by the Assignor) pursuant to the Assignment and Assumption Agreement attached hereto (the "Assignment and Assumption"). Before giving effect to such assignment the Assignor's Commitment is \$ _____ [.] [and the aggregate amount of its outstanding Loans is \$ _____.]

2. The Assignee agrees that, upon receiving the consent of the Administrative Agent and, if applicable, the Company to such assignment, the Assignee will be bound by the terms of the Credit Agreement as fully and to the same extent as if the Assignee were the Bank originally holding such interest in the Credit Agreement.

3. The following administrative details apply to the Assignee:

(A) Notice Address:

Assignee name: _____
Address: _____

Attention: _____
Telephone: _____
Telecopier: _____

(B) Assignee's Payment Instructions to the Administrative Agent:

Account Number: _____
At: _____

Reference: _____
Attention: _____

4. You are entitled to rely upon the representations, warranties and covenants of each of the Assignor and the Assignee contained in the Assignment and Assumption.

IN WITNESS WHEREOF, the Assignor and the Assignee have caused this Notice of Assignment and Assumption to be executed by their respective duly authorized officials, officers or agents as of the date first above mentioned.

Very truly yours,

[NAME OF ASSIGNOR]

By _____

[Printed Name and Title]

By _____

[Printed Name and Title]

[NAME OF ASSIGNEE]

By _____

[Printed Name and Title]

By _____

[Printed Name and Title]

ACKNOWLEDGED AND ASSIGNMENT
CONSENTED TO:

BEDFORD PROPERTY INVESTORS, INC.,
a Maryland corporation

By _____

[Printed Name and Title]

BANK OF AMERICA NATIONAL TRUST AND
SAVINGS ASSOCIATION, as Administrative Agent

By _____

[Printed Name and Title]

Schedule 5.5

Litigation

None, outside of ordinary litigation related to the collection of
delinquent rent.

Schedule 5.11

Material Indebtedness Not Disclosed
on 12/31/97 or 9/30/98 Financial Statements

None.

Schedule 5.12

Environmental Disclosures

None.

Schedule 5.16

(a) List of Subsidiaries

ICMPI (Scottsdale), Inc., a Delaware corporation
ICMPI (Irvine), Inc., a Delaware corporation
ICMPI (Concord Diablo 3), Inc., a Delaware corporation
ICMPI (Concord Diablo 8), Inc., a Delaware corporation
ICMPI (Concord Mason 18), Inc., a Delaware corporation
ICMPI (Overland Park), Inc., a Delaware corporation
ICMPI (Lenexa), Inc., a Delaware corporation
ICMPI (Jackson), Inc., a Delaware corporation
ICMPI (San Antonio), Inc., a Delaware corporation

(b) Permitted Partnerships

Bedford Realty Partners, L.P., a California limited partnership

(c) Other Equity Investments

ICMPI (Scottsdale), Inc., a Delaware corporation
ICMPI (Irvine), Inc., a Delaware corporation
ICMPI (Concord Diablo 3), Inc., a Delaware corporation
ICMPI (Concord Diablo 8), Inc., a Delaware corporation
ICMPI (Concord Mason 18), Inc., a Delaware corporation
ICMPI (Overland Park), Inc., a Delaware corporation
ICMPI (Lenexa), Inc., a Delaware corporation
ICMPI (Jackson), Inc., a Delaware corporation
ICMPI (San Antonio), Inc., a Delaware corporation

CREDIT AGREEMENT
(Secured Loan)

Among

BEDFORD PROPERTY INVESTORS, INC.,

THE BANKS PARTY HERETO,

and

BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION,
as Administrative Agent for the Banks

NATIONSBANC MONTGOMERY SECURITIES LLC
Lead Arranger

Dated as of February 26, 1999

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EXHIBIT 10.23

REVOLVING NOTE

\$15,000,000.00

San Francisco, California
March 5, 1999

FOR VALUE RECEIVED, BEDFORD PROPERTY INVESTORS, INC., a Maryland corporation (the "Company"), promises to pay to the order of BANK OF AMERICA NATIONAL TRUST AND SAVINGS ASSOCIATION (the "Bank"), at the offices of Bank of America National Trust and Savings Association, Administrative Agent for the Bank, at 50 California Street, 11th Floor (Real Estate Structured Debt Group), San Francisco, California 94111, or at such other place as the Bank may designate from time to time, the sum of Fifteen Million and No/100 Dollars (\$15,000,000.00), or the aggregate unpaid principal amount outstanding hereunder, whichever may be the lesser, in immediately available funds and lawful money of the United States of America.

Interest shall accrue on amounts outstanding hereunder in accordance with that certain Credit Agreement (Secured Loan) dated as of February 26, 1999 (the "Agreement") among the Company, the Banks party thereto and Bank of America National Trust and Savings Association, as Administrative Agent for the Banks. (Capitalized term used in this Revolving Note and not defined herein shall have the meanings given to them in the Agreement.) Pursuant thereto, interest shall accrue on amounts outstanding hereunder from time to time: (a) at a fluctuating per annum rate equal to the Reference Rate; or (b) at the Company's option, subject to the terms of the Agreement, at a per annum rate equal to the LIBOR Rate plus the Applicable Margin. A change in the interest rate for Reference Rate Loans shall take effect on the day specified in the public announcement of the change in the Reference Rate. Interest shall be computed on the basis of a 360-day year and actual days elapsed. Interest shall become due and payable in accordance with terms of the Agreement.

Subject to the provisions of Section 2.7 of the Agreement, all unpaid principal and interest outstanding hereunder shall be due and payable on September 1, 1999; provided that prepayments of principal shall be made as provided in the Agreement.

This Revolving Note is one of the Revolving Notes referred to in the Agreement, and is issued in conjunction with, and is entitled to all of the rights, benefits and privileges provided in, the Agreement, as now existing or as the same may from time to time be supplemented, modified or amended. The Agreement, among other things, provides that amounts outstanding hereunder from time to time may be repaid pursuant to the Agreement and reborrowed from time to time pursuant to the Agreement, and contains provisions for acceleration of the maturity hereof upon the happening of certain staed events.

The Bank may endorse on the schedule annexed to this Revolving Note the date, amount and maturity of each Loan that it makes pursuant to the Agreement, the purpose of the Loan, the amount of each payment of principal that the Company makes with respect thereto and the source of the funds from which each principal payment is made. The Company irrevocably authorizes the Bank to endorse this Revolving Note, and the Bank's record shall be conclusive absent manifest error; provided, however, that the Bank's failure to make, or its error in making, a notation on the attached schedule with respect to any Loan shall not limit or otherwise affect the Company's obligations to the Bank hereunder or under the Agreement.

Except as otherwise expressly provided in any Collateral Document, this Revolving Note is secured by (1) each of the Mortgages executed from time to time pursuant to the Agreement and covering an Approved Parcel and (2) each of the Assignments of Leases and other Collateral Documents executed from time to time pursuant to the Agreement.

The Company waives presentment, demand, protest, notice of protest, notice of nonpayment or dishonor and all other notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Note. Time is of the essence hereof.

This Revolving Note has been executed by the undersigned in the State of California, and shall be governed by, and construed in accordance with, the laws of the State of California.

BEDFORD PROPERTY INVESTORS, INC.
a Maryland corporation

By /s/Peter B. Bedford

Peter B. Bedford, Chief Executive Officer
(Printed Name and Title)

EXHIBIT 10.24

REVOLVING NOTE

\$15,000,000.00

San Francisco, California
March 5, 1999

FOR VALUE RECEIVED, BEDFORD PROPERTY INVESTORS, INC., a Maryland corporation (the "Company"), promises to pay to the order of UNION BANK OF CALIFORNIA, N.A. (the "Bank"), at the offices of Bank of America National Trust and Savings Association, Administrative Agent for the Bank, at 50 California Street, 11th Floor (Real Estate Structured Debt Group), San Francisco, California 94111, or at such other place as the Bank may designate from time to time, the sum of Fifteen Million and No/100 Dollars (\$15,000,000.00), or the aggregate unpaid principal amount outstanding hereunder, whichever may be the lesser, in immediately available funds and lawful money of the United States of America.

Interest shall accrue on amounts outstanding hereunder in accordance with that certain Credit Agreement (Secured Loan) dated as of February 26, 1999 (the "Agreement") among the Company, the Banks party hereto and Bank of America National Trust and Savings Association, as Administrative Agent for the Banks. (Capitalized term used in this Revolving Note and not defined herein shall have the meanings given to them in the Agreement.) Pursuant thereto, interest shall accrue on amounts outstanding hereunder from time to time: (a) at a fluctuating per annum rate equal to the Reference Rate; or (b) at the Company's option, subject to the terms of the Agreement, at a per annum rate equal to the LIBOR Rate plus the Applicable Margin. A change in the interest rate for Reference Rate Loans shall take effect on the day specified in the public announcement of the change in the Reference Rate. Interest shall be computed on the basis of a 360-day year and actual days elapsed. Interest shall become due and payable in accordance with the terms of the Agreement.

Subject to the provisions of Section 2.7 of the Agreement, all unpaid principal and interest outstanding hereunder shall be due and payable on September 1, 1999; provided that prepayments of principal shall be made as provided in the Agreement.

This Revolving Note is one of the Revolving Notes referred to in the Agreement, and is issued in conjunction with, and is entitled to all of the rights, benefits and privileges provided in, the Agreement, as now existing or as the same may from time to time be supplemented, modified or amended. The Agreement, among other things, provides that amounts outstanding hereunder from time to time may be repaid pursuant to the Agreement and reborrowed from time to time pursuant to the Agreement, and contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

The Bank may endorse on the schedule annexed to this Revolving Note the date, amount and maturity of each Loan that it makes pursuant to the Agreement, the purpose of the Loan, the amount of each payment of principal that the Company makes with respect thereto and the source of the funds from which each principal payment is made. The Company irrevocably authorizes the Bank to endorse this Revolving Note, and the Bank's record shall be conclusive absent manifest error; provided, however, that the Bank's failure to make, or its error in making, a notation on the attached schedule with respect to any Loan shall not limit or otherwise affect the Company's obligations to the Bank hereunder or under the Agreement.

Except as otherwise expressly provided in any Collateral Document, this Revolving Note is secured by (1) each of the Mortgages executed from time to time pursuant to the Agreement and covering an Approved Parcel and (2) each of the Assignments of Leases and other Collateral Documents executed from time to time pursuant to the Agreement.

The Company waives presentment, demand, protest, notice of protest, notice of nonpayment or dishonor and all other notices in connection with the delivery, acceptance, performance, default or enforcement of this Revolving Note. Time is of the essence hereof.

This Revolving Note has been executed by the undersigned in the State of California, and shall be governed by, and construed in accordance with, the laws of the State of California.

BEDFORD PROPERTY INVESTORS, INC.,
a Maryland corporation

By /s/Peter B. Bedford

Peter B. Bedford, Chief Executive Officer
(Printed Name and Title)