

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-31** | Period of Report: **1998-12-31**

SEC Accession No. [0001047469-99-012959](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

CORNERSTONE PROPERTIES INC

CIK: **702301** | IRS No.: **742170858** | State of Incorporation: **NV** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-12861** | Film No.: **99582815**
SIC: **6500** Real estate

Mailing Address
C/O DEUTSCHE BANK
REALTY ADVISORS INC
31 WEST 52ND STREET
NEW YORK NY 10019

Business Address
CORNERSTONE
PROPERTIES INC TOWER 56
126 EAST 56TH STREET
NEW YORK NY 10022
2126057100

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-12861

CORNERSTONE PROPERTIES INC.

(Exact name of Registrant as specified in its Charter)

NEVADA 74-2170858
(State or other jurisdiction of (IRS Employer Identification No.)
incorporation and organization)

126 EAST 56TH STREET
NEW YORK, NEW YORK
(Address of principal executive offices)

10022
(Zip Code)

(212) 605-7100
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<TABLE>

<CAPTION>

TITLE OF EACH CLASS:	NAME OF EACH EXCHANGE ON WHICH REGISTERED:
<S>	<C>
Common Stock, no par value	New York Stock Exchange Dusseldorf Stock Exchange Frankfurt Stock Exchange

</TABLE>

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 the registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. / /

Aggregate market value of registrant's voting Common Stock held by non-affiliates as of March 24, 1999: \$1,159,484,338.

Number of shares of Common Stock outstanding as of March 24, 1999: 128,210,784.
Index of Exhibits: See Item 14(c) page 53.

DOCUMENTS INCORPORATED BY REFERENCE:

<TABLE>

<CAPTION>

<S>
Proxy Statement for Annual Meeting of Stockholders to be held May 25, 1999.....
</TABLE>

PART OF FORM 10-K
INTO WHICH
INCORPORATED

<C>
Part III

Total Number of Pages: 56

PART I

ITEM 1. BUSINESS.

THE COMPANY

Cornerstone Properties Inc. (together with its subsidiaries, "Cornerstone" or the "Company") is a self-administered equity real estate investment trust ("REIT") which owns, through subsidiaries, interests in 96 Class A office buildings comprising nearly 21 million rentable square feet, a shopping center, a hotel and developable land (collectively, the "Properties," and each interest, a "Property"). The Properties are primarily located in twelve major metropolitan areas throughout the United States: Atlanta, Boston, Charlotte, suburban Chicago, Denver, Minneapolis, New York City, Phoenix, San Francisco Bay Area, Seattle, Southern California and Washington, D.C. and surrounding suburbs. The Company's strategy is to own Class A office properties in prime Central Business District ("CBD") locations and major suburban office markets in U.S. metropolitan areas. Class A office properties are generally considered to be those that have the most favorable locations and physical attributes, command premium rents and experience the highest tenant retention rates within their markets. In January 1998, Cornerstone converted its corporate structure into an umbrella limited partnership REIT ("UPREIT"). Under the UPREIT structure, Cornerstone owns all of its properties and conducts all of its business through Cornerstone Properties Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), of which the Company is the sole general partner. As of March 15, 1999, Cornerstone owned, directly or indirectly, approximately 86.3% of the common units of partnership interest ("UPREIT Units") in the Operating Partnership.

As a major owner of Class A office properties, management believes that the Company is well positioned to capitalize on the continued improvement in the fundamentals for office property markets in the United States. Management also believes that the Company can continue to use its portfolio of premium quality assets, proven access to multiple sources of debt and equity capital and efficient management structure to grow earnings through the sale and exchange of non-core assets and the reinvestment into higher yielding assets.

The Company was incorporated under the laws of the State of Nevada in May 1981. The Company's principal place of business is located at Tower 56, 126 East 56(th) Street, New York, New York 10022. The Company has an internet website at "<http://www.cstoneprop.com>".

BUSINESS OBJECTIVES

BUSINESS STRATEGY

The Company's primary objective is to maximize long-term stockholder value through growth in funds from operations ("FFO") per share and through appreciation in the value of its holdings. The Company's strategies to accomplish this objective are to:

- Seek external growth by acquiring and developing additional Class A office properties in core markets with local submarket and asset characteristics consistent with the Properties currently in its portfolio; and
- Generate internal growth by aggressively maintaining, managing and leasing its Properties, increasing rent, maintaining high occupancy and tenant retention levels and maximizing current returns and long-term value.

1

EXTERNAL GROWTH STRATEGY

The Company will continue to pursue significant growth in its asset base to the extent that appropriate Class A office properties, development opportunities and financing are available on attractive terms. The Company will continue to implement its external growth strategies by developing and acquiring properties and portfolios of properties with the following characteristics:

- CLASS A OFFICE PROPERTIES. The Company believes that its strategy of investing in and owning Class A office properties has the following benefits: (i) Class A properties can currently be acquired at prices that produce attractive yields for the Company and are accretive to earnings; (ii) Class A properties typically maintain higher occupancies because, when overall vacancy rates are rising, tenants often take the opportunity to relocate to better located and higher quality buildings; and (iii) Class A properties generally attract tenants with strong credit, resulting in a more stable source of cash flow.
- MAJOR METROPOLITAN AREAS. The Company intends to continue targeting

properties located in the CBDs and major suburban submarkets of major metropolitan areas. Target markets typically exhibit underlying economic, demographic and employment trends that lead to the positive net absorption of Class A office space. The Company also expects future acquisitions to be concentrated in submarkets where high barriers to entry reduce the likelihood that new office space will be constructed; such barriers to entry may include a limited supply of attractive building sites and significant regulatory constraints on new development.

- DISCOUNT TO REPLACEMENT COST. The Company expects to continue acquiring properties at discounts to replacement cost that possess one or more competitive advantages, such as a superior location, quality construction, high-quality tenancy, efficient floorplates and modern building systems. Because Class A properties being considered for acquisition by the Company are at prices below replacement cost, the opportunity exists for the Company to enhance property performance and operating income, thereby increasing asset values, before potentially competitive new construction is justified in most markets.
- UPREIT UNIT TRANSACTIONS AND STOCK-FOR-ASSET SWAPS. The Company believes that opportunities exist for it to grow its asset base and increase earnings through UPREIT Unit transactions and stock-for-asset swaps with major institutional owners of property. For example, a number of major pension funds and life insurance companies have publicly announced initiatives to exchange portfolios of direct real estate holdings for securities of publicly traded companies in order to improve portfolio diversification, liquidity and overall investment returns. The Company believes that the high quality of its Properties makes the Company an attractive vehicle for stock-for-asset swap transactions and affords access to a broader range of acquisition opportunities.
- DEVELOPMENT. The Company believes that the acquisition of selective development sites in strategically located areas will allow the Company to develop Class A office properties which will provide superior returns and allow the Company to grow its portfolio with modern technologically advanced properties. The Company currently owns or has under ground lease 12.8 acres of land held for development on which it can build up to approximately 360,000 square feet of office space.

INTERNAL GROWTH STRATEGY

The Company believes that its existing portfolio offers opportunities for growth through the Company's active and aggressive asset and property management programs, which emphasizes maintaining a strong market position based on superior asset quality and tenant service. The Company will continue to implement its internal growth strategies through the following:

- RENTAL INCOME INCREASES. The Company believes that its current contractual rents on leases which expire over the next several years are substantially below the current market rents in the aggregate

2

across the portfolio. As a result of this, the Company should continue to increase its cash flow, even without an increase in occupancy.

- MAINTENANCE. The Company places strong emphasis on programs for regular maintenance of the Properties as well as periodic refurbishment, renovation and redevelopment where such investment provides attractive returns and cash flow growth. Higher maintenance levels generally allow building systems to operate more efficiently, thereby reducing operating expenses to a level which is lower than that of competing properties. In addition, many of the Company's capital and maintenance expenditures, such as the upgrading of a building's electrical system, are designed to produce ongoing operational efficiencies in order to increase cash flow and long-term value.
- PROACTIVE LEASING PROGRAM. The Company believes that retention of existing tenants, and the leasing of additional space to those tenants, is important to a property's stability and enhances its cash flow and value over time. Maximizing tenant retention reduces the cost of lease rollovers and rental revenue fluctuations by removing "down" periods between tenant occupancies and reducing the "up front" costs (tenant improvements and leasing commissions) of signing leases. Therefore, the Company's senior management focuses significant attention on negotiating lease terms for prospective new tenants and on working with existing tenants to negotiate lease renewals that meet the tenant's changing space needs.

FINANCING STRATEGY

The Company believes that in order to continue to maximize the value of its stockholders' equity and to execute its growth strategies, it is essential to implement and periodically review a diversified financing strategy that: (i) incorporates long-term secured and unsecured corporate debt; (ii) minimizes exposure to fluctuations of interest rates; and (iii) maintains maximum

flexibility to manage the Company's short-term cash needs. Furthermore, the Company believes that its capital structure will be conducive to and allow flexibility for the growth that the Company seeks to achieve. The Company anticipates employing the following strategies to enhance stockholder value:

- ACCESS TO MULTIPLE CAPITAL SOURCES. Because of the high quality of its assets, the Company believes that it has several competitive advantages in its ability to access equity capital from several different sources on attractive terms. This financial flexibility should enable the Company to choose from among several equity alternatives and to select the capital source that best meets the Company's needs at that time. The Company expects to continue to obtain capital from the most cost-efficient sources, including public and private equity and debt.
- PRUDENT LEVERAGE. The Company will use leverage prudently to take advantage of what it believes to be the positive spread between the total return on investment and the cost of debt financing in the Class A office property market. Historically, the Company has employed somewhat higher levels of leverage than property companies holding assets of lesser quality, since the Company's high-quality assets and tenancy have generally produced occupancy rates, rent levels and income streams that are higher and more stable than those associated with lower quality assets. The Company believes that its use of leverage has been and will continue to be consistent with its ownership of very high-quality assets in which a significant portion of its tenants carry investment-grade long-term debt ratings.
- REVOLVING CREDIT FACILITY. On November 3, 1998, the Company's corporate line of credit was increased from \$350.0 million to \$550.0 million and the term was extended through November 3, 2001 (the "Revolving Credit Facility"). The Revolving Credit Facility is with a syndicate of 17 banks led by Bankers Trust Company, The Chase Manhattan Bank and NationsBank. The Revolving Credit Facility has been and will continue to be used for the acquisition of additional properties as well as for general working capital purposes. Borrowings under the Revolving Credit Facility bear interest at a rate between 1.10% and 1.40% above the applicable London Interbank Offered Rate

3

("LIBOR"), depending upon the Company's ratio of total debt to asset value (as defined) at the time of borrowing or the Prime Rate at the borrower's option. The Revolving Credit Facility is also available for the issuance of letters of credit.

- REDEPLOYMENT OF ASSETS. The Company periodically reviews its portfolio of Properties to determine whether any assets are inconsistent with its long-term business objectives and should, therefore, be sold and the proceeds therefrom applied to the acquisition of more suitable assets. The Company currently intends to sell Charlotte Plaza as well as other non-core assets, but no assurance can be given that the Company will be able to locate a willing buyer or sell such Properties at attractive prices.

RECENT DEVELOPMENTS

In 1998, the Company completed more than \$2.2 billion of real estate acquisitions, consisting of 76 Class A office properties containing approximately 10.7 million rentable square feet, a shopping center, a hotel and 12.8 acres of developable land (collectively, the "Acquired Properties"). With the purchase of the Acquired Properties, the Company increased its investments in real estate by approximately 109.0% from December 31, 1997 to December 31, 1998.

1998 ACQUISITIONS AND DISPOSITIONS

CORPORATE 500 CENTRE. On January 28, 1998, the Company purchased Corporate 500 Centre in Deerfield, Illinois. This Property consists of four Class A office buildings with approximately 679,000 rentable square feet. The consideration paid for this Property was approximately \$135.0 million in cash and approximately \$15.0 million in UPREIT Units, valued at \$18.50 per unit, for a total purchase price of approximately \$150.0 million.

DEARBORN LAND. On March 31, 1998, the Company sold the Dearborn Land (an undeveloped parcel of land in Chicago that was acquired as part of the acquisition of the PGGM Portfolio (as defined hereinafter) in October 1997) for gross proceeds of approximately \$19.0 million, resulting in a loss of approximately \$0.2 million.

ONE MEMORIAL DRIVE. On April 28, 1998, the Company purchased One Memorial Drive in Cambridge, Massachusetts. This Class A office Property contains approximately 353,000 rentable square feet. The total purchase price for the Property was approximately \$112.5 million, approximately \$23.5 million of which was paid in cash, approximately \$29.0 million of which was paid in UPREIT Units valued at \$17.50 per unit and approximately \$60.0 million of which was paid in

Common Stock valued at \$17.50 per share.

FRICK BUILDING. On April 29, 1998, the Company sold the Frick Building, located in Pittsburgh, Pennsylvania, for gross proceeds of approximately \$26.7 million, resulting in a loss of approximately \$2.1 million.

201 CALIFORNIA STREET & WILSHIRE PALISADES. On June 3, 1998, the Company purchased 201 California Street in San Francisco, California and the Wilshire Palisades building in Santa Monica, California. 201 California Street contains approximately 240,000 rentable square feet and Wilshire Palisades contains approximately 187,000 rentable square feet. The total purchase price for the Properties was approximately \$121.5 million, approximately \$29.5 million of which was paid in cash and approximately \$29.1 million of which was paid in UPREIT Units valued at \$17.50 per unit. Also included in the purchase price was \$62.9 million in assumed debt (recorded at \$64.6 million for GAAP purposes).

WILSON ACQUISITION. After receiving stockholder approval on December 14, 1998, the Company acquired substantially all of the properties and real estate operations of William Wilson & Associates and related entities ("WW&A") (the "Wilson Acquisition"). As part of the Wilson Acquisition, the Company acquired interests in 69 Class A office Properties, comprising approximately 9.2 million rentable square

4

feet located primarily in the San Francisco Bay Area and in Southern California, a shopping center consisting of approximately 252,000 rentable square feet in Santa Clara, California, a hotel consisting of 90,000 square feet in Santa Clara, California and 12.8 acres of developable land in the San Francisco Bay Area (collectively, the "Wilson Projects").

The Company acquired WW&A for a purchase price of approximately \$1.8 billion, consisting of approximately 14.9 million shares of Common Stock valued at \$17.25 per share (recorded at \$16.25 per share for generally accepted accounting principles ("GAAP") purposes), approximately 16.2 million UPREIT Units valued at \$17.25 per unit (recorded at \$16.25 per unit for GAAP purposes), approximately \$465.0 million in cash and the assumption of approximately \$760.0 million of property and construction related debt (recorded at \$773.7 million for GAAP purposes). The cash portion of the transaction was financed primarily from the Company's Revolving Credit Facility and the sale of \$200.0 million of Common Stock to Stichting Pensioenfonds Voor de Gezondheid Geestelijke en Maatschappelijke Belangen ("PGGM"), an approximate 33.6% stockholder prior to the Wilson Acquisition, priced at \$17.25 per share. See "ITEM 2. PROPERTIES--Table of Properties" for a listing of the Wilson Projects described above.

The Company has undertaken the Wilson Acquisition and the other recent acquisitions in order to solidify the Company's status as a leading Class A office REIT and to further its objective of growing its earnings and asset base by acquiring high-profile Class A office properties in major real estate markets nationwide. Taken together, the additional benefits of these acquisitions are expected to include: (i) accretive effects to the Company's FFO for 1999; (ii) expanded presence in attractive California markets; (iii) higher internal growth rate for the combined portfolio; (iv) expanded capabilities including development and property management as well as increased management depth; (v) diversification of Cornerstone's tenant base; (vi) expanded base of investors and increased market capitalization; and (vii) access to former WW&A relationships.

OTHER RECENT DEVELOPMENTS

TOWER 56. On January 5, 1998, the Company purchased for approximately \$5.5 million, the remaining participation rights in the cash flow and residual value of Tower 56 from the former participants for 307,692 shares of Common Stock. As a result, all of the cash flow and residual value of Tower 56 inures to the Company.

UPREIT TRANSACTION. On January 20, 1998, the Company transferred substantially all of its assets into the Operating Partnership. As part of the UPREIT formation, all of the Company's interests in the Properties are held by or through the Operating Partnership, a Delaware limited partnership, of which the Company is the sole general partner. As of March 24, 1999, Cornerstone owned, directly or indirectly, approximately 86.3% of the UPREIT Units in the Operating Partnership. The purpose of the Company forming an UPREIT was to create an acquisition vehicle attractive to sellers whose sale of properties to the Company in exchange for UPREIT Units may be characterized as a tax-deferred capital contribution rather than a taxable sale.

SECONDARY PUBLIC OFFERING. On February 6, 1998, the Company completed a secondary public offering of 14,375,000 shares of Common Stock at \$18.25 per share. The shares were placed in the U.S. through a syndicate of seven investment banks led by Merrill Lynch & Co. Net proceeds to the Company were approximately \$247.9 million (\$262,343,750 gross proceeds less an underwriting discount of \$13,728,125 and expenses of \$750,000). The net proceeds were used to repay outstanding borrowings under the Revolving Credit Facility and for working

capital purposes.

DEVELOPMENT PROJECT. On April 15, 1998, the Company entered into an agreement to purchase a 927,000 square-foot Class A office building, currently under development, in downtown Minneapolis, Minnesota. Approximately \$36.9 million has been spent through December 31, 1998 on the construction. The project is scheduled to be completed in the year 2000 and is 50% pre-leased. The development is

5

being financed through a construction loan by U.S. Bank. Upon completion, the Company will retire the construction loan and acquire the property from the developer for an amount to be determined by applying a negotiated formula to in-place net operating income.

ONE NORWEST CENTER REFINANCING. On September 25, 1998, the Company completed the refinancing of the \$96.1 million mortgage on One Norwest Center with Connecticut General Life Insurance Company ("CIGNA") and Massachusetts Mutual Life Insurance Company ("Mass Mutual"). As a result of the refinancing, the principal was increased to \$98.5 million, the term of the loan was extended from three years to ten years and the interest rate was reduced from 7.50% to 6.90%.

CORPORATE 500 CENTRE REFINANCING. On October 9, 1998, the Company completed the refinancing of the \$80.0 million mortgage on Corporate 500 Centre with Teachers Insurance and Annuity Association. As a result of the refinancing, the principal balance was increased to \$90.0 million, the term of the loan was extended from 4.5 years to 10 years and the interest rate was increased by three basis points to 6.66%.

TERMS OF THE REVOLVING CREDIT FACILITY. On November 3, 1998, a syndicate of 17 banks led by Bankers Trust Company, The Chase Manhattan Bank and NationsBank provided the Company with a \$550.0 million Revolving Credit Facility for acquisitions, general working capital purposes as well as the issuance of letters of credit. The interest rate on the Revolving Credit Facility depends on the Company's ratio of total debt to total asset value (as defined) at the time of borrowing and will be at a spread of 1.10% to 1.40% over the applicable LIBOR rate or the Prime Rate at the borrower's option. The Revolving Credit Facility expires on November 3, 2001.

MARKET SQUARE TRANSACTION. On November 6, 1998, the Company purchased an additional 14.29% partnership interest in Market Square Associates ("MSA") for \$4.0 million. Upon completion of the transaction, the Company effectively owns 99.14% of the MSA entity, which has a 70.0% interest in Avenue Associates Limited Partnership ("AALP"). AALP owns and operates Market Square.

AMENDMENT AND RESTATEMENT OF THE INCENTIVE PLAN. On December 14, 1998, the stockholders of the Company approved the amended and restated Cornerstone Properties Inc. 1998 Long-Term Incentive Plan (the "Incentive Plan"). The amendment and restatement increased the number of shares of Cornerstone Common Stock available for issuance of grants under the Incentive Plan from 3,000,000 to approximately 7,400,000 and permits the granting of stock options and other awards to non-employee directors of Cornerstone.

RISK FACTORS

Set forth below are the risks that we believe are material to investors who purchase or own the Company's Common Stock or Units of limited partnership interest of the Operating Partnership, which are redeemable on a one-for-one basis for shares of Common Stock or, at our option, cash.

THERE CAN BE NO ASSURANCE THAT WE WILL EFFECTIVELY MANAGE THE WILSON ACQUISITION AND EXPANSION INTO NEW MARKETS

We have been growing rapidly through acquisitions. As of March 24, 1999, we owned interests in 96 office buildings containing approximately 21 million square feet. In October 1997, we acquired nine properties from PGGM. The acquisition of 201 California Street and the Wilshire Palisades building in June 1998 extended the Company's operations to California. The Wilson Acquisition in December 1998 added 69 office buildings to the Company's portfolio, primarily in the San Francisco Bay Area and Southern California. The Wilson Acquisition also requires the Company to integrate the executive management and other employees of WW&A into the Company's organization. If we do not effectively manage the rapid growth of our portfolio and the addition of former WW&A personnel to the Company's management team, we may not be able to make expected distributions to our stockholders.

6

OUR PERFORMANCE AND SHARE VALUE ARE SUBJECT TO RISKS ASSOCIATED WITH THE REAL ESTATE INDUSTRY

GENERAL. If our assets do not generate income sufficient to pay our expenses, service our debt and maintain our properties, we may not be able to

make expected distributions to our stockholders. Several factors may adversely affect the economic performance and value of our Properties. These factors include changes in the national, regional and local economic climate, local conditions such as an oversupply of office properties or a reduction in demand for office properties, the attractiveness of our Properties to tenants, competition from other available office properties, changes in market rental rates and the need to periodically repair, renovate and relet space. Our performance also depends on our ability to collect rent from tenants and to pay for adequate maintenance, insurance and other operating costs (including real estate taxes), which could increase over time. Also, the expenses of owning and operating a property are not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. If a Property is mortgaged and we are unable to meet the mortgage payments, the lender could foreclose on the mortgage and take the Property. In addition, interest rate levels, the availability of financing, changes in laws and governmental regulations (including those governing usage, zoning and taxes) and financial distress or bankruptcies of tenants may adversely affect our financial condition.

WE MAY BE UNABLE TO RENEW LEASES OR RELET SPACE AS LEASES EXPIRE. When our tenants decide not to renew their leases upon their expiration, we may not be able to relet the space. Even if the tenants do renew or we can relet the space, the terms of renewal or reletting, including the cost of required renovations, may be less favorable than current lease terms. Through the end of 2003, leases will expire on a total of 54.3% of the "Full Service Straight-Line Rent" (the average of all actual rent required to be paid through the term of the leases relating to the Properties calculated in accordance with GAAP, plus recoveries). If we are unable to promptly renew the leases or relet this space, or if the rental rates upon such renewal or reletting are significantly lower than expected rates, then our results of operations and financial condition will be adversely affected. Consequently, our cash flow and ability to service debt and make distributions to stockholders would be adversely affected.

NEW ACQUISITIONS MAY FAIL TO PERFORM AS EXPECTED. We intend to continue to actively acquire office properties. Newly acquired properties may fail to perform as expected. If newly acquired properties fail to deliver expected returns, our ability to service debt incurred in connection with such acquisitions and to make distributions to stockholders would be adversely affected.

COMPETITION FOR ACQUISITIONS MAY RESULT IN INCREASED PRICES FOR PROPERTIES. Other major real estate investors with significant capital will compete with us for attractive investment opportunities. These competitors include other publicly traded REIT's, private REIT's, investment banking firms and private institutional investment funds. This competition has increased prices for office properties in recent years. As prices increase, the spread between the rate of return on investments and our cost of capital is reduced. Accordingly, the increase in prices for acquisitions will make it more difficult for us to make suitable property acquisitions on favorable terms.

BECAUSE CORNERSTONE'S PROPERTIES ARE ILLIQUID AND SUBJECT TO RESTRICTIONS ON SALE, WE MAY NOT BE ABLE TO SELL PROPERTIES AT THE MOST FAVORABLE TIMES. Real estate investments, especially office property investments of relatively large size, generally cannot be sold quickly. We may not be able to vary our portfolio promptly in response to economic or other conditions. This inability to respond promptly to changes in the performance of our investments could adversely affect our financial condition and ability to service debt and make distributions to our stockholders. Further, Cornerstone has entered into several agreements pursuant to which Cornerstone has subjected a number of its Properties, including all of the Wilson Projects, to restrictions that may adversely impact Cornerstone's ability to sell or otherwise dispose of such Properties if such disposal would result in certain adverse tax consequences for the former owners of such Properties. The Operating Partnership is also subject to a number of similar sale and merger restrictions and debt maintenance obligations in connection with certain of its Properties under the terms of

7

amendments to the partnership agreement of the Operating Partnership entered into at the time of acquisition of such Properties. These restrictions may prevent us from selling Properties on favorable terms and thereby could adversely affect our financial position and results of operations.

CORNERSTONE'S ASSETS ARE CONCENTRATED IN SAN FRANCISCO BAY AREA. 45 of the Company's 96 office Properties are located in the metropolitan San Francisco area. This concentration of assets makes the Company particularly vulnerable to adverse changes in the San Francisco economy. A deterioration of economic conditions in this market would have an adverse effect on our results of operations and our ability to make expected distributions to stockholders.

CORNERSTONE'S ASSETS ARE CONCENTRATED IN EARTHQUAKE-PRONE AREAS. 66 of our office Properties are located in California, an area of particular earthquake risk. A major earthquake in California may cause substantial damage or destruction to our Properties. We carry earthquake insurance on all of our Properties located in California. Our earthquake policies, however, are subject

to coverage limitations. In light of the California earthquake risk, California building codes since the early 1970s have established construction standards for all new buildings. The current and strictest construction standards were adopted in 1987. Of the 66 office Properties located in California as of March 24, 1999, 25 have been built since January 1, 1988, and we believe they were constructed in full compliance with the applicable standards existing at the time of construction. It is possible that material losses in excess of insurance proceeds will occur in the future, which would have a material adverse impact on the Company's financial position.

WE ARE DEPENDENT ON EXTERNAL SOURCES OF CAPITAL

To qualify as a REIT, we must distribute to stockholders each year at least 95% of our "REIT taxable income" (excluding any net capital gain). Because of these distribution requirements, it is not likely that we will be able to fund all future capital needs. We therefore will have to rely on third-party sources of capital, which may or may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of things, including the market's perception of our growth potential and our current and potential future earnings. Moreover, additional equity offerings may result in substantial dilution of stockholders' interests, and additional debt financing may substantially increase our leverage.

DEBT FINANCING, FINANCIAL COVENANTS, DEGREE OF LEVERAGE AND INCREASES IN INTEREST RATES COULD ADVERSELY AFFECT OUR PERFORMANCE

SCHEDULED DEBT PAYMENTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION. Our business is subject to risks normally associated with debt financing. Cash flow could be insufficient to pay distributions at expected levels and meet required payments of principal and interest. We may not be able to refinance existing indebtedness (which in virtually all cases requires substantial principal payments at maturity) and, if we can, the terms of such refinancing might not be as favorable as the terms of existing indebtedness. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Capital Resources." If principal payments due at maturity cannot be refinanced, extended or paid with proceeds of other capital transactions, such as new equity capital, our cash flow will not be sufficient in all years to repay all maturing debt. If prevailing interest rates or other factors at the time of refinancing (such as the possible reluctance of lenders to make commercial real estate loans) result in higher interest rates, increased interest expense would adversely affect cash flow and our ability to service debt and make distributions to stockholders.

FINANCIAL COVENANTS COULD ADVERSELY AFFECT OUR FINANCIAL CONDITION. If a Property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the mortgagee could foreclose on the Property, resulting in loss of income and asset value. The mortgages on our Properties contain customary negative covenants which, among other things, limit our ability, without the prior consent of the lender, to further mortgage the Property, to enter into new leases or materially modify existing leases, and to discontinue insurance coverage. In addition, our Revolving Credit Facility contains

8

certain customary restrictions, requirements and other limitations on our ability to incur indebtedness. Foreclosure on mortgaged Properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations.

OUR DEGREE OF LEVERAGE COULD LIMIT OUR ABILITY TO OBTAIN ADDITIONAL FINANCING. Our Debt-to-Total-Market-Capitalization Ratio, which is defined as the total indebtedness of the Company as a percentage of total indebtedness plus the market value of the outstanding shares of Common Stock (assuming the conversion of all outstanding shares of preferred stock and the redemption of all UPREIT Units into shares of Common Stock) as of December 31, 1998 was approximately 45.6%. The degree of leverage could have important consequences to stockholders, including affecting our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general corporate purposes and making us more vulnerable to a downturn in business or the economy in general.

RIISING INTEREST RATES COULD ADVERSELY AFFECT CASH FLOW. Advances under the Revolving Credit Facility bear interest at a variable rate depending upon the Company's leverage ratio based upon LIBOR. We had, as of March 24, 1999, interest rate hedging agreements for approximately \$250.0 million of our floating rate debt to limit our exposure to rising interest rates. Although hedging agreements enable us to convert floating rate liabilities to fixed rate liabilities, they expose us to the risk that the counterparties to such hedge agreements may not perform, which could increase our exposure to rising interest rates. We may borrow additional money with variable interest rates in the future, and enter into other transactions to limit our exposure to rising interest rates as appropriate. Increases in interest rates, or the loss of the benefits of hedging agreements, would increase our interest expense, which would adversely affect cash flow and our ability to service our debt and make expected distributions to stockholders.

PGGM AND WILLIAM WILSON III EXERCISE SIGNIFICANT CONTROL OF CORPORATE GOVERNANCE
MATTERS

PGGM owns approximately 35.7% of the outstanding shares of Common Stock as of March 24, 1999. As a result, PGGM exercises significant influence over the outcome of any matters submitted to a vote of stockholders. PGGM also has the right to designate two individuals for nomination to the Board of Directors of the Company. The Restated and Amended Bylaws of the Company provide that William Wilson III shall serve as Chairman of the Board for a term of at least three years from the date of the Wilson Acquisition, December 16, 1998, and during such term Mr. Wilson will have the right to designate himself and two other individuals to serve as directors of the Company. These provisions give Mr. Wilson significant influence over the management of the Company. In exercising their control, PGGM and Mr. Wilson may have interests that differ from those of other stockholders with respect to prospective acquisitions or dispositions of assets, development opportunities, compensation policy, setting the appropriate degree of leverage for the Company or other matters. PGGM and Mr. Wilson, if they act in concert, may delay or prevent a change in control of the Company or other transaction that could provide the stockholders with a premium over the then-prevailing market price of their shares of Common Stock or which might otherwise be in the best interest of our stockholders.

WE HAVE A SHARE OWNERSHIP LIMIT FOR REIT TAX PURPOSES

To remain qualified as a REIT for federal income tax purposes, not more than 50% in value of our outstanding shares of Common Stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the federal income tax laws applicable to REITs) at any time during the last half of any year. To facilitate maintenance of our REIT qualification, our Articles of Incorporation contain restrictions on share ownership that are designed to prevent violation of this requirement. We refer to this as the "Ownership Limit." Our Articles of Incorporation exempt certain stockholders from the Ownership Limit and permit the Board of Directors to waive or modify the Ownership Limit with respect to a stockholder where such exemption or waiver would not jeopardize our REIT status. The Ownership Limit could delay or prevent a change in control and, therefore, could adversely affect our stockholders' ability to realize a premium over the then-prevailing market price for the Common Stock.

9

THIRD-PARTY SERVICES BUSINESS RISKS; LACK OF CONTROL OF WCP SERVICES, INC.

THIRD-PARTY SERVICES CONTRACTS MAY BE TERMINATED. In addition to ownership of our Properties, we provide fee-based management, leasing, construction and development services for third parties. Many of these services are provided under contracts that can be terminated by either party upon short or no notice. Any such contract would likely be terminated in connection with a sale of the property, over which we have no control. When they expire, these contracts might not be renewed or might be renewed on less favorable terms. Also, the rental revenues on which certain management fees are based could decline as a result of general real estate market conditions or specific market factors. This would result in decreased management fee income for the Company.

WE DO NOT CONTROL OUR MANAGEMENT AND SERVICES BUSINESS. To facilitate maintenance of our REIT qualification, our third-party services business is conducted by WCP Services, Inc. Although we own 95% of the economic interest in WCP Services, Inc., its voting stock is owned by William Wilson III and John S. Moody. We therefore do not control the timing or amount of distributions or the management and operation of WCP Services, Inc. As a result, decisions relating to the declaration and payment of distributions and the business policies and operations of WCP Services, Inc. could be adverse to our interests or could lead to adverse financial results.

ENVIRONMENTAL PROBLEMS ARE POSSIBLE AND CAN BE COSTLY

Federal, state and local laws and regulations relating to the protection of the environment may require a current or previous owner or operator of real estate to investigate and clean up hazardous or toxic substances or petroleum product releases at such property. The owner or operator may have to pay a governmental entity or third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with the contamination. Such laws typically impose clean-up responsibility and liability without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages and costs resulting from environmental contamination emanating from that site.

We are not aware of any environmental liabilities at the Properties that we believe would have a material adverse effect on our business, assets, financial condition or results of operations. We believe that our Properties are in compliance in all material respects with applicable environmental laws. Unidentified environmental liabilities could arise, however, and could have an

adverse effect on our financial condition and performance.

THE MARKET VALUE OF THE COMMON STOCK CAN BE ADVERSELY AFFECTED BY A NUMBER OF FACTORS

CHANGES IN MARKET CONDITIONS COULD ADVERSELY AFFECT THE MARKET PRICE OF OUR SHARES. As with other publicly traded shares, the value of our Common Stock depends on various market conditions, which may change from time to time. Among the market conditions that may affect the value of our publicly traded securities are the following: the extent of institutional investor interest in the Company; the reputation of REIT's and office REIT's generally and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate companies); our financial condition and performance; and general financial market conditions.

OUR EARNINGS AND CASH DISTRIBUTIONS WILL AFFECT THE MARKET PRICE OF OUR SHARES. We believe that the market value of a REIT's common stock is based at least in part upon the market's perception of the REIT's growth potential and its current and potential future cash distributions, as well as upon the real estate market value of the underlying assets. For that reason, our Common Stock may trade at prices that are higher or lower than the net asset value per share. Our failure to meet the market's expectations with

10

regard to future earnings and cash distributions would likely adversely affect the market price of our Common Stock.

MARKET INTEREST RATES MAY HAVE AN EFFECT ON THE VALUE OF OUR SHARES. One of the factors that investors consider important in deciding whether to buy or sell shares of a REIT is the distribution rate on such shares (as a percentage of the price of such shares) relative to market interest rates. If market interest rates go up, prospective purchasers of REIT shares may expect a higher distribution rate. Higher interest rates would not, however, result in more funds for us to distribute and, in fact, would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our Common Stock to go down.

OUR SUCCESS AS A REIT IS DEPENDENT ON COMPLIANCE WITH FEDERAL INCOME TAX REQUIREMENTS

FAILURE TO QUALIFY AS A REIT WOULD HAVE SERIOUS ADVERSE CONSEQUENCES TO OUR STOCKHOLDERS. We have made an election to be taxed as a REIT and believe that we meet the requirements for qualification and taxation as a REIT. We plan to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. The determination that the Company is a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT we must meet certain tests regarding the sources of our gross income and the nature of our assets. The Company is also required to distribute to stockholders at least 95% of its REIT taxable income (excluding capital gains). The fact that we hold our assets through the Operating Partnership and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize our REIT status. Furthermore, Congress and the Internal Revenue Service ("IRS") might make changes to the tax laws and regulations, and the courts might issue new rulings that make it more difficult, or impossible, for the Company to remain qualified as a REIT.

If the Company fails to qualify as a REIT, the Company would be subject to federal income tax at regular corporate rates. Also, unless the IRS granted the Company relief under certain statutory provisions, the Company would remain disqualified as a REIT for four years following the year the Company first failed to qualify. If the Company failed to qualify as a REIT, the Company would have to pay significant income taxes and would therefore have less money available for investments or for distributions to stockholders. This would likely have a significant adverse effect on the value of our Common Stock. In addition, the Company would no longer be required to make any distributions to stockholders.

EFFECT OF REIT DISTRIBUTION REQUIREMENTS. To qualify as a REIT, we are required each year to distribute to our stockholders at least 95% of our "REIT taxable income" (excluding net capital gains). In addition, we are subject to a nondeductible 4% excise tax on the amount, if any, by which certain distributions we pay with respect to any calendar year are less than the sum of 85% of our ordinary income and 95% of our capital gain net income for the calendar year, plus any amount of such income not distributed in prior years. Although we anticipate that cash flow from operations will be sufficient to enable us to pay our operating expenses and meet the distribution requirements discussed above, there can be no assurance that this will be the case. In addition, there could be differences in timing between the accrual of income and the deduction of expenses in arriving at our taxable income. Under certain circumstances, it may be necessary for us to incur borrowings or otherwise obtain funds to satisfy the distribution requirements associated with

maintaining qualification as a REIT. There can be no assurance that we will be able to borrow funds or otherwise obtain funds if and when necessary to satisfy such requirements.

GOVERNMENTAL REGULATIONS MAY IMPOSE SIGNIFICANT COSTS ON OUR BUSINESS

The Properties are, and properties that the Company may acquire in the future will be, subject to various other federal, state and local regulatory requirements such as local building codes and other similar

11

regulations. Failure to comply with these requirements could result in the imposition of fines by governmental authorities or awards of damages to private litigants. The Company believes that the Properties are currently in substantial compliance with all applicable regulatory requirements. Although no material expenditures are contemplated at this time in order to comply with any such laws or regulations, there can be no assurance that these requirements will not be changed or that new requirements will not be imposed that would require significant unanticipated expenditures by the Company, which could have an adverse effect on the Company and its ability to make distributions to stockholders. Similarly, changes in laws increasing the potential liability for environmental conditions existing at the Properties may result in significant unanticipated expenditures, which could adversely affect the Company and its ability to make distributions to stockholders.

YEAR 2000 COMPLIANCE

GENERAL

The Year 2000 compliance issue concerns the inability of computerized information systems to accurately calculate, store or use a date after December 31, 1999. This could result in a system failure or miscalculations causing disruptions of operations. The Year 2000 issue affects virtually all companies and all organizations. Management recognizes the importance of ensuring that its business and operational systems are not disrupted as a result of Year 2000 issues.

READINESS

Cornerstone Properties Inc. has created a Year 2000 task force to evaluate and take the appropriate actions regarding Year 2000 compliance. The Company's plan is divided into three major sections: (i) compliance of information systems at the corporate offices in New York and Atlanta ("Home Office"); (ii) compliance of information and real estate operating systems at the corporate offices in California and the Wilson Projects ("Wilson"); and (iii) assessment of compliance of significant service providers including third party managers and the buildings they manage, vendors and customers ("External Agents"). The plan covers the following major tasks: (i) inventory of all systems; (ii) analysis of inventory including assessment of risk; (iii) verification of compliance of inventory with vendors; (iv) testing of critical equipment and processes; and (v) replacement or modification of systems.

The first section of the plan, Home Office, is complete. The Wilson and External Agents sections of the plan are proceeding according to schedule with expected completions before December 31, 1999. The plan also includes questionnaires that will be sent to tenants in order to attempt to determine the effect of Year 2000 on their businesses and ultimately the Company's income stream.

COST

The total historical and anticipated remaining costs for the Year 2000 remediation are estimated to be immaterial to the Company's financial condition. The costs to date consist of recurring systems upgrades and replacements, immaterial internal staff costs and other expenses such as telephone and mailing costs. The information and real estate operating systems that have thus far been identified as non-compliant are at or approaching the end of their useful lives and have been or will be replaced or upgraded as a part of the normal operations of the Company.

RISKS AND CONTINGENCY PLANS

The Company does not anticipate significant delays in finalizing the first two sections of its Year 2000 remediation plan. However, External Agents having a material relationship with the Company (e.g., property managers, utilities, financial institutions, governmental agencies, municipalities and major tenants) may be a potential risk based on their individual Year 2000 preparedness, which may not be within

12

the Company's reasonable control. The Company is in the process of identifying, reviewing and logging the Year 2000 preparedness of critical External Agents.

While the Company is not aware of any matters with regard to its major tenants which could give rise to a material default, there may be a potential risk with regard to their Year 2000 preparedness which may be outside the Company's reasonable control. The Company is currently in the process of surveying its tenants to try to predetermine the risk of defaults due to Year 2000 issues.

Currently, there has been no indication or expectation of material risks in the compliance of the first two sections of the plan. Pending unfavorable results, the Company will determine what course of action and contingencies will need to be made. There can be no assurance that external Year 2000 issues will be resolved. Noncompliance of External Agents as well as the Company's major tenants could have a material adverse impact on the Company's business, operating results and financial condition.

YEAR 2000 COMPLIANCE DETAIL

Home Office

- I. Inventory of all systems: The Company has inventoried all information systems at its corporate offices in New York and Atlanta. The hardware systems primarily consist of desktop and laptop computers, server computers, printers, phone systems and local area and wide area network infrastructures. The software applications primarily consist of commercial off the shelf software ("COTS") products for spreadsheet analysis, word processing, accounting, cash flow analysis and other office automation tasks.
- II. Analysis of inventory and assessment of risk: The systems inventory has been analyzed as to its compliance via vendor certifications. All of the Home Office systems are Year 2000 compliant.
- III. Verification of compliance with vendors: The Company has verified compliance of systems through systems' documentation, mail correspondences and vendor web sites.
- IV. Testing of critical equipment and processes: The Home Office primarily uses COTS products and does not significantly rely on any proprietary or customized systems. The Company has performed no testing and has relied upon vendor certifications and vendor internal testing processes.
- V. Replacement or modification of systems: The Company has replaced or modified non-compliant systems in the ordinary course of business.

Wilson

- I. Inventory of all systems: The Company continues to inventory all information and real estate operating systems at its offices and Properties, the majority of which are located in California. The information systems primarily consist of desktop and laptop computers, server computers, printers, phone systems, local area and wide area network infrastructures, and COTS products for spreadsheet analysis, word processing, accounting, cash flow analysis and other office automation tasks. The real estate operating systems primarily consist of heating ventilation and air conditioning ("HVAC") systems, elevator systems, electrical systems, fire and life safety systems and security control systems.
- II. Analysis of inventory and assessment of risk: The systems inventory has been analyzed as to its compliance via vendor certifications. Substantially all of the information and real estate operating systems are Year 2000 compliant. Those systems identified as non-compliant will be upgraded or replaced in the normal course of business by December 31, 1999. A component of the accounting system used by Wilson has been identified as non-compliant. An upgrade has been purchased and will be installed by the end of the second quarter of 1999. The cost of the upgrade was approximately \$10,000.

13

- III. Verification of compliance with vendors: The Company has verified compliance of systems through systems' documentation, mail correspondences and vendor web sites.
- IV. Testing of critical equipment and processes: Wilson primarily uses COTS products and does not significantly rely on any proprietary or customized systems. The Company has performed no testing and has relied upon vendor certifications and vendor internal testing processes.
- V. Replacement or modification of systems: The Company has and will continue to replace or modify non-compliant systems in the ordinary course of business.

External Agents

As part of the Company's Year 2000 compliance plan, significant service providers, vendors and customers have been identified and steps are being undertaken to reasonably ascertain their stage of Year 2000 readiness. Through questionnaires, web sites, interviews, on site visits and other available means, the Company is assessing the Year 2000 risk of its third party property managers, financial institutions, significant tenants and other significant business partners.

Of the External Agents, the Company has focused attention on assessing the Year 2000 risk of its third party property managers and the associated real estate operating systems (HVAC systems, elevator systems, electrical systems, fire and life safety systems and security control systems). Currently, through the process of surveys, interviews and on site visits, there has been no indication of material Year 2000 risks at the Company's third-party property managers. Non-compliant systems will be upgraded or replaced in the normal course of business before December 31, 1999 or will be addressed with a contingency plan.

There can be no assurance that external Year 2000 issues will be resolved. Should non-compliance of External Agents not be discovered, such non-compliance could have a material adverse impact on the Company's business, operating results and financial condition. Where possible, the Company will terminate any vendor relationships should it find any material Year 2000 issues with that vendor.

TAX STATUS

The Company has elected to be taxed as a REIT for federal income tax purposes and believes that it has met the requirements for qualification and taxation as a REIT commencing with its taxable year ended December 31, 1983. As a REIT, the Company generally is not subject to corporate federal income tax on net income that it currently distributes to its stockholders, provided that the Company satisfies certain technical requirements relating to, among other things, the composition of its gross income and assets and the requirements to distribute at least 95% of its REIT taxable income to stockholders.

COMPETITION

The leasing of real estate is highly competitive. The Company's Properties compete for tenants with similar properties located in its markets primarily on the basis of location, rent charged, services provided and the design and condition of the improvements. The Company also experiences competition when attempting to acquire interests in desirable real estate, including competition from domestic and foreign financial institutions, other REIT's, life insurance companies, pension trusts, trust funds, partnerships and individual investors. In addition, the Company competes for the acquisition of building sites or redevelopment opportunities with domestic and foreign financial institutions, other REIT's, life insurance companies, pension trusts, trust funds, partnerships and individual investors.

INDUSTRY SEGMENTS

The Company has one reportable segment--real estate. The Company does not have foreign operations and its business is not seasonal. The Company has adopted Statement of Financial Accounting Standard No. 131 ("SFAS 131"), which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders. See Notes to Consolidated Financial Statements which are part of this report for further discussion.

EMPLOYEES

As of December 31, 1998, the Company had approximately 340 employees.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

In passing the Private Securities Litigation Reform Act of 1995 (the "Reform Act"), 15 U.S.C.A. Section 77z-2 and 78u-5 (Supp. 1996), Congress encouraged public companies to make "forward-looking statements" by creating a safe harbor to protect companies from securities law liability in connection with forward-looking statements. Cornerstone intends to qualify both its written and oral forward-looking statements for protection under the Reform Act and any other similar safe harbor provisions.

"Forward-looking statements" are defined by the Reform Act. Generally, forward-looking statements include expressed expectations of future events and the assumptions on which the expressed expectations are based. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Due to those uncertainties and risks, the investment community is urged not to place undue

reliance on written or oral forward-looking statements of Cornerstone. The Company undertakes no obligation to update or revise this Safe Harbor Compliance Statement for Forward-Looking Statements to reflect future developments. In addition, Cornerstone undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results over time.

The "forward-looking statements" contained in this document are made under the captions "Business--The Company", "--Business Objectives", "--Recent Developments", "--Risk Factors", "--Regulatory Compliance", "--Tax Status", "Management's Discussion and Analysis of Financial Condition and Results of Operations--Results of Operations" and "--Liquidity and Capital Resources". Moreover, the Company, through its senior management, may from time to time make "forward-looking statements" about matters described herein or other matters concerning the Company.

Stockholders are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those contemplated by such forward-looking statements. Important factors known to management of Cornerstone that could cause actual results to differ materially from those contemplated by the forward-looking statements include, but are not limited to, difficulties related to acquisitions and integrations of real estate companies or portfolios, adverse changes in real estate markets, increases in interest rates, increased development of properties that compete with the Company's portfolio, earthquakes or other casualties in areas where a substantial number of the Company's buildings are located, risks related to the Company's liquidity and capital requirements, risks relating to the Company's failure to ensure its information systems and those of its tenants are Year 2000 compliant, risks of a deterioration in general economic conditions and other matters disclosed under the caption "Risk Factors" herein.

15

ITEM 2. PROPERTIES.

TABLE OF PROPERTIES

The following table summarizes Cornerstone's interest in real estate investments at December 31, 1998:

<TABLE>

<CAPTION>

MARKET NAME PROPERTY	TOTAL RENTABLE SQUARE FEET	CORNERSTONE INTEREST (A)	YEAR CONSTRUCTED	OCCUPANCY	NOTES
<S>	<C>	<C>	<C>	<C>	<C>
BOSTON, MASSACHUSETTS					
Sixty State Street.....	823,014	100.0%	1978	99%	B
500 Boylston Street.....	714,636	91.5%	1988	100%	D
222 Berkeley Street.....	531,184	91.5%	1991	100%	D
125 Summer Street.....	463,691	100.0%	1989	97%	
One Memorial Drive.....	352,764	100.0%	1985	100%	C
	-----			---	
MARKET TOTAL.....	2,885,289			99%	
SAN MATEO COUNTY, CALIFORNIA					
Bayhill (4 buildings).....	513,910	100.0%	1982-1987	88%	E
Peninsula Office Park (7 buildings).....	493,214	100.0%	1971-1998	98%	E
Seaport Centre.....	463,142	100.0%	1988	65%	E
Bay Park Plaza (2 buildings).....	257,058	100.0%	1985-1998	97%	E
One Bay Plaza.....	176,533	100.0%	1979	93%	E
Belmont Shores.....	141,643	100.0%	1983	97%	E
1300 South El Camino.....	84,441	100.0%	1986	100%	E
66 Bovet.....	43,968	100.0%	1968	87%	E
	-----			---	
MARKET TOTAL.....	2,173,909			88%	
EAST BAY, CALIFORNIA					
Corporate Centre (2 buildings).....	329,604	100.0%	1985-1987	97%	E
ADP Plaza (2 buildings).....	299,591	100.0%	1987-1989	93%	E
PeopleSoft Plaza.....	279,931	100.0%	1984	99%	E
Norris Tech Center (3 buildings).....	260,513	100.0%	1984-1998	96%	E
Golden Bear Center.....	160,587	100.0%	1986	96%	E
2700 Ygnacio Valley Road.....	103,214	100.0%	1984	96%	E
Park Plaza.....	87,040	100.0%	1986	86%	E
1600 South Main.....	83,277	100.0%	1983	95%	E
Foothill Corporate Center.....	70,355	100.0%	1982	98%	E
	-----			---	
MARKET TOTAL.....	1,674,112			96%	
ATLANTA, GEORGIA					
191 Peachtree Street.....	1,215,288	80.0%	1991	98%	D, F
200 Galleria.....	432,698	100.0%	1985	95%	D

MARKET TOTAL.....	1,647,986			97%	
SEATTLE, WASHINGTON					
Washington Mutual Tower (3 buildings).....	1,154,560	50.0%	1988	99%	G
110 Atrium Place	213,854	100.0%	1981	97%	E
Island Corporate Center.....	100,075	100.0%	1987	96%	E
MARKET TOTAL.....	1,468,489			99%	

16

<TABLE> <CAPTION>					
MARKET NAME PROPERTY	TOTAL RENTABLE SQUARE FEET	CORNERSTONE INTEREST (A)	YEAR CONSTRUCTED	OCCUPANCY	NOTES
<S>	<C>	<C>	<C>	<C>	<C>
SANTA CLARA COUNTY, CALIFORNIA					
Pruneyard Office (3 buildings).....	354,005	100.0%	1971-1999	99%	E, H
10 Almaden.....	293,685	100.0%	1989	100%	E
Pruneyard Shopping Center.....	252,210	100.0%	1970s	95%	E
Embarcadero Place (4 buildings).....	192,108	100.0%	1984	100%	E
Pruneyard Inn.....	90,000	100.0%	1989		E, I
First American Plaza.....	82,596	100.0%	1971	98%	E
490 California.....	24,539	100.0%	1985	100%	E
MARKET TOTAL.....	1,289,143			99%	
DENVER, COLORADO					
One Norwest Center.....	1,187,752	100.0%	1983	97%	
MARKET TOTAL.....	1,187,752			97%	
SAN FRANCISCO, CALIFORNIA					
120 Montgomery Street.....	410,902	66.7%	1955	95%	E
One Post.....	389,660	50.0%	1969	99%	E
201 California Street.....	240,230	100.0%	1980	100%	J
188 Embarcadero.....	85,209	100.0%	1985	99%	E
MARKET TOTAL.....	1,126,001			98%	
MINNEAPOLIS, MINNESOTA					
Norwest Center.....	1,118,062	50.0%	1988	100%	K
MARKET TOTAL.....	1,118,062			100%	
WASHINGTON, D.C./ALEXANDRIA, VIRGINIA					
Market Square (2 buildings).....	688,709	70.0%	1990	96%	D, L
99 Canal Center.....	137,945	100.0%	1986	98%	D
TransPotomac Plaza 5.....	92,980	100.0%	1983	96%	D
11 Canal Center.....	70,365	100.0%	1986	95%	D
MARKET TOTAL.....	989,999			96%	
SUBURBAN CHICAGO, ILLINOIS					
Corporate 500 Centre (4 buildings).....	678,885	100.0%	1986/1990	97%	M
One Lincoln Centre.....	297,067	100.0%	1986	90%	
MARKET TOTAL.....	975,952			95%	
SANTA MONICA/WEST LOS ANGELES, CALIFORNIA					
West Wilshire (2 buildings).....	235,781	100.0%	1960-1976	90%	E
Wilshire Palisades.....	186,714	100.0%	1981	99%	J
Janss Court.....	125,556	100.0%	1989	97%	E, N
Searise Office Tower.....	122,292	100.0%	1975	94%	E
Commerce Park.....	94,252	100.0%	1977	79%	E, O
429 Santa Monica.....	81,414	100.0%	1982	81%	E
MARKET TOTAL.....	846,009			92%	

17

<TABLE> <CAPTION>					
MARKET NAME PROPERTY	TOTAL RENTABLE SQUARE FEET	CORNERSTONE INTEREST (A)	YEAR CONSTRUCTED	OCCUPANCY	NOTES
<S>	<C>	<C>	<C>	<C>	<C>
ORANGE COUNTY, CALIFORNIA					
Bixby Ranch.....	277,289	100.0%	1987	98%	E

18301 Von Karman.....	219,537	100.0%	1991	64%	E
2677 North Main.....	212,542	100.0%	1987	81%	E
	-----			---	
MARKET TOTAL.....	709,368			82%	
CHARLOTTE, NORTH CAROLINA					
Charlotte Plaza.....	612,728	100.0%	1982	99%	D
	-----			---	
MARKET TOTAL.....	612,728			99%	
ARIZONA					
Gateway (2 buildings).....	212,222	100.0%	1984-1985	92%	E
Scottsdale Centre.....	164,469	100.0%	1985	94%	E
Biltmore Lakes.....	207,489	100.0%	1982	96%	E
	-----			---	
MARKET TOTAL.....	584,180			94%	
SAN DIEGO, CALIFORNIA					
Centerside II.....	286,941	100.0%	1987	94%	E
Crossroads.....	133,950	100.0%	1983	99%	E
	-----			---	
MARKET TOTAL.....	420,891			95%	
LOS ANGELES, CALIFORNIA					
700 North Brand.....	202,785	100.0%	1981	94%	E
Tri-Center Plaza.....	141,946	100.0%	1990	96%	E
Warner Park Center.....	58,798	100.0%	1986	98%	E
	-----			---	
MARKET TOTAL.....	403,529			95%	
NEW YORK CITY, NEW YORK					
527 Madison Avenue.....	215,332	100.0%	1986	94%	
Tower 56.....	163,633	100.0%	1983	99%	P
	-----			---	
MARKET TOTAL.....	378,965			96%	
CONEJO VALLEY (VENTURA), CALIFORNIA					
Westlake Spectrum (2 buildings).....	118,990	100.0%	1990	100%	E
Agoura Hills.....	115,265	100.0%	1987	88%	E
	-----			---	
MARKET TOTAL.....	234,255			94%	
OTHER REGIONS					
U.S. West (Murray, Utah).....	136,608	100.0%	1985	86%	E
Exposition Centre (Sacramento, California)...	72,547	100.0%	1984	65%	E
	-----			---	
MARKET TOTAL.....	209,155			79%	
	-----			---	
TOTAL PORTFOLIO.....	20,935,774			96%	
Minority Interest Adjustment (Q).....	(684,784)				
	-----			---	
CORNERSTONE PORTFOLIO.....	20,250,990			95%	
	-----			---	
	-----			---	

</TABLE>

(A) Unless noted below, cash flow and residual proceeds will be distributed to Cornerstone according to its percentage interest.

(B) On December 31, 1997, the Company purchased the second mortgage on Sixty State Street. The mortgage is a cash flow mortgage through which all the economic benefits/risks (subject to the first mortgage) inure to the Company. The Company controls all major decisions regarding management and leasing. The total purchase price for the second mortgage was \$131.5 million. The \$78.4 million first mortgage on the Property was originally recorded by the Company as an \$89.6 million liability due to its above-market interest rate.

The second mortgage, which the Company holds, is collateralized only by the improvements on Sixty State Street. Title to the improvements is owned by Sixty State Street Trust, the ground lessee under a ground lease that expires on December 28, 2067. The lease payments on the ground lease are \$398,896 per annum throughout the term.

(C) On April 28, 1998, the Company purchased One Memorial Drive in Cambridge, Massachusetts. The total purchase price for the Property was approximately \$112.5 million, approximately \$23.5 million of which was paid in cash, approximately \$29.0 million of which was paid in UPREIT Units valued at \$17.50 per unit and approximately \$60.0 million of which was paid in Common Stock valued at \$17.50 per share.

(D) On October 27, 1997, the Company acquired interests in nine Class A office properties comprising approximately 4.5 million rentable square feet in Alexandria, Virginia (3 properties), Atlanta (2 properties), Boston (2 properties), Charlotte and Washington, D.C., as well as an undeveloped parcel of land in Chicago (collectively, "the PGGM Portfolio"). The Company acquired the PGGM Portfolio for a purchase price of approximately \$1.06 billion, consisting of approximately 34.2 million shares of Common Stock valued and recorded at \$16.00 per share, approximately \$260.0 million in cash and \$250.0 million in promissory notes. The cash portion of the acquisition was financed with proceeds from the Company's Initial Public Offering in April 1997 and \$54.0 million from its Revolving Credit Facility.

(E) Property was acquired as a result of the Wilson Acquisition in December 1998. After receiving stockholder approval on December 14, 1998, the Company acquired substantially all of the properties and real estate operations of WW&A. As part of the Wilson Acquisition, the Company acquired interests in 69 Class A office Properties, comprising approximately 9.2 million rentable square feet primarily in the San Francisco Bay Area and in Southern California, a shopping center consisting of approximately 252,000 rentable square feet in Santa Clara, California, a hotel consisting of 90,000 square feet in Santa Clara, California and 12.8 acres of developable land in the San Francisco Bay Area.

The Company acquired WW&A for a purchase price of approximately \$1.8 billion, consisting of approximately 14.9 million shares of Common Stock valued at \$17.25 per share (recorded at \$16.25 per share for GAAP purposes), approximately 16.2 million UPREIT Units valued at \$17.25 per unit (recorded at \$16.25 per unit for GAAP purposes), approximately \$465.0 million in cash and the assumption of approximately \$760.0 million of property and construction related debt (recorded at \$773.7 million for GAAP purposes). The cash portion of the transaction was financed primarily from the Company's Revolving Credit Facility and the sale of \$200.0 million of Common Stock to PGGM, an approximate 33.6% stockholder prior to the Wilson Acquisition, priced at \$17.25 per share.

(F) While the Company's stated interest in the partnership that owns 191 Peachtree Street is 80.0%, its economic interest is significantly larger since it has acquired the first mortgage note on the Property in the amount of \$145.0 million, which earns interest at 9.375% and will receive a priority distribution on its acquired capital base. In 1997 and 1998, the partner in the transaction, CH Associates, Ltd.,

19

received an annual Incentive Distribution (as defined) of \$250,000, which the Company expects it will continue to receive under the partnership agreement through February 28, 2000, with the Company receiving the remainder of the cash flow of the Property.

The partnership that owns 191 Peachtree Street leases a portion of the land upon which the project is located pursuant to a ground lease agreement. The agreement requires annual payments of \$5,000 through January 31, 1998, \$45,000 through January 31, 2002 and \$75,000 through January 31, 2008. Thereafter, the annual rent increases \$2,500 per year until the expiration date of January 31, 2087. The partnership records ground rental expense relating to this agreement on a straight-line basis. The ground lease is renewable for an additional 99 years.

(G) While the Company's stated interest in the partnership that owns Washington Mutual Tower is 50.0%, its economic interest in the Property is significantly larger due to priority distributions it receives on its invested capital base. For the year ended December 31, 1998, the Company received 100% of the cash distributions from the partnership that owns Washington Mutual Tower.

(H) Pruneyard Place is under construction with an expected completion date of April 1999. The building is 100% pre-leased. The building will be six stories and contain approximately 120,000 square feet of net rentable area.

(I) The Pruneyard Inn is a 118-room, three-story hotel. The Property is currently undergoing a 25,000-square foot expansion, which will add 54 new rooms.

(J) On June 3, 1998, the Company purchased 201 California Street and Wilshire Palisades. The total purchase price for the Properties was approximately \$121.5 million, approximately \$29.5 million of which was paid in cash, approximately \$29.1 million of which was paid in UPREIT Units valued at \$17.50 per unit and approximately \$62.9 million of assumed debt (recorded at \$64.6 million for GAAP purposes).

(K) While the Company's stated interest in the partnership that owns Norwest Center is 50.0%, its economic interest in the Property is significantly larger due to priority distributions it receives on its invested capital base. For the year ended December 31, 1998, the Company's share of earnings and cash distributions from the partnership that owns Norwest Center was

- (L) During 1998, through a series of transactions, the Company acquired partnership interests with a stated interest of approximately 70.0% in the partnerships that own Market Square. The Company's economic interest is significantly larger since it has acquired the first mortgage note on the Property in the amount of \$181.0 million which earns interest at 9.75% and will receive a priority distribution on its acquired capital base. In addition, the Company acquired a "buffer loan", with accrued principal and interest of \$49.0 million at purchase, which accrues interest at a rate of Prime plus 1.25% and is payable from cash flow, refinancing or sales proceeds in excess of the first mortgage. During the year ended December 31, 1998, the Company received 100% of the cash flow from the Property.
- (M) On January 28, 1998, the Company purchased Corporate 500 Centre in Deerfield, Illinois. This Property consists of four Class A office buildings with approximately 679,000 rentable square feet. The consideration paid for this Property was approximately \$135.0 million in cash and approximately \$15.0 million in UPREIT Units valued at \$18.50 per unit, for a total purchase price of approximately \$150.0 million. The Company financed a portion of the purchase price with an \$80.0 million mortgage loan from Bankers Trust Company; this mortgage was subsequently refinanced in October 1998.
- (N) Janss Court is a seven-story, 125,000-square foot Class A mixed-use building. In addition to 92,000 square feet of retail and office space, Janss Court offers 32 apartments for a total of 33,000 rentable square feet of residential space.
- (O) The Property is subject to a ground lease agreement. The agreement requires annual payments of \$115,000 through March 31, 2002 and \$121,000 from April 1, 2002 through March 31, 2007. The lease

20

payment increases every ten years thereafter according to a formula based on the Consumer Price Index. The ground lease expires on March 31, 2041.

- (P) On January 5, 1998, the Company purchased for approximately \$5.5 million, the remaining participation rights in the cash flow and residual value of Tower 56 from the former participants for 307,692 shares of Common Stock. As a result, all of the cash flow and the residual value of Tower 56 inure to the Company.
- (Q) Rentable square feet includes an adjustment for the interest of a joint venture or minority partner. Calculations are based on the partners' percentage interest in the cash flows of the property.

None of the above Properties had either (i) net book values equal to 10.0% or more of the Company's total assets as of December 31, 1998 or (ii) gross revenues equal to 10.0% or more of the Company's consolidated gross revenues for the year ended December 31, 1998.

JOINT VENTURE PROPERTIES

This section describes the Properties in which the Company has an interest through joint venture or other ownership arrangement.

NORWEST CENTER

Norwest Center is a 55-story, granite and glass office tower containing approximately 1,118,000 square feet of net rentable area and a 340-vehicle underground parking facility. Norwest Center is located at the center of downtown Minneapolis, at the intersection of Seventh Street South and Marquette Avenue. The main business entrance to the building is on Seventh Street South, opposite the IDS Center, a prominent landmark in the Twin Cities. Pedestrian access is also available from Sixth Street South and Marquette Avenue; a grand ceremonial entrance to the building on Sixth Street South incorporates a rotunda and retail banking function.

THE PARTNERSHIP

Norwest Center is owned by NWC Limited Partnership ("NWC"), a partnership in which the Company owns a 50.0% general partnership interest through a wholly-owned subsidiary of the Operating Partnership. Sixth and Marquette Limited Partnership ("S&M") owns a 49.0% managing general partnership interest and a 1.0% limited partnership interest in NWC. The managing general partner of NWC is currently S&M. The Company has the right, at its sole discretion, to become the managing general partner of NWC. Due to the above factors, the Company consolidates NWC. Norwest Center is managed by Hines Interests Limited Partnership ("Hines").

Under the partnership agreement governing NWC, the managing general partner has the right to manage and operate NWC's business. Until certain cash flow levels have been achieved for two consecutive years (the "NWC Preference

Period"), S&M and the Company each hold a 50.0% interest in NWC. After the NWC Preference Period ends, the Company will be entitled to hold a 60.0% interest (subject to increases in the Company's interest that may result from early termination of the NWC Preference Period), and S&M a 40.0% interest. The Company does not expect the NWC Preference Period to end in the foreseeable future.

During the NWC Preference Period, the Company is entitled to receive an annual preference return (the "NWC Preference Return") equal to 7.0% of its capital base, which was \$92.3 million as of December 31, 1998. The NWC Preference Return is cumulative, and if operating revenues (after payment of operating costs, capital expenditures and debt service) are not sufficient to fund the distribution of any NWC Preference Return then due, the amount of such deficiency shall accumulate and shall bear interest at the rate of 7.0%, compounded annually. Currently, there is no accrued deficiency outstanding on the NWC Preference Return.

21

Subject to the preferential distributions to the Company described above, all of NWC's operating revenues remaining after making payments required for the operations of NWC and Norwest Center and the payment of debt service will be distributed 50.0% to the Company and 50.0% to S&M during the NWC Preference Period.

WASHINGTON MUTUAL TOWER

Washington Mutual Tower is a 55-story, granite and glass office tower containing approximately 1,155,000 square feet of net rentable area (including the Galland and Seneca Buildings described below). Washington Mutual Tower is located in the heart of the downtown Seattle CBD, at 1201 Third Avenue, with unobstructed views of Puget Sound. The project site ("Project Site") is comprised of Washington Mutual Tower and Block 6 ("Block 6") which consists of a 6-level underground parking garage for 810 cars; an adjacent historic brick building (the Brooklyn Building); three levels of restaurants, shops and service businesses; and, to protect sight lines from Washington Mutual Tower, two masonry office buildings located across the street - the Galland and Seneca Buildings - master leased by Third and University Limited Partnership ("Third Partnership") through 2005 from Samis Land Company. Wright Runstad & Company has a subordinated equity interest in Washington Mutual Tower and manages the Property for Cornerstone.

THE PARTNERSHIP

The Project Site is owned by Third Partnership. The Company owns, through a wholly-owned subsidiary of the Operating Partnership, a 50.0% general partnership interest in Third Partnership. 1212 Second Avenue Limited Partnership, a Washington limited partnership ("1212 Partnership"), currently holds a 49.0% managing general partnership interest and a 1.0% limited partnership interest in Third Partnership. Third Partnership is the successor in interest as lessee under a lease, expiring in 2005, of the Galland and Seneca Buildings.

The Company holds the right, at its sole discretion, to elect to become the managing general partner of Third Partnership. Due to the above factors, the Company consolidates Third Partnership. 1212 Partnership was originally the only general partner and is now the managing general partner with the obligation to manage and operate Third Partnership's business.

Until certain cash flow levels have been achieved for two consecutive years (the "Washington Preference Period"), all of Third Partnership's operating revenues remaining after making payments required for: (i) the operations of Third Partnership and Washington Mutual Tower; (ii) net Block 6 costs; (iii) the payment of debt service; and (iv) the Washington Preference Returns (defined below), will be distributed 50.0% to the Company and 50.0% to 1212 Partnership. The Washington Preference Period is expected to continue for the foreseeable future. During the Washington Preference Period, the Company is also entitled to receive an annual preference return (the "Washington Preference Return") equal to 8.0% of its capital base, which was \$100.0 million as of December 31, 1998. The Washington Preference Return is cumulative, and if operating revenues, adjusted for payment of operating costs, capital expenditures and debt service are insufficient to fund the distribution of any Washington Preference Return then due, the amount of such deficiency shall accumulate and shall bear interest at the rate of 8.0%, compounded annually. As of December 31, 1998, the Company is due a cumulative preference deficit, including accrued interest, of approximately \$9.7 million, which will be reduced as cash flow becomes available. On a priority basis to the Washington Preference Return described above, the Company also receives a 9.53% return on an additional equity investment of \$47.0 million made in September 1995. The Company is entitled to receive this return through September 30, 2003, at which time the rate of return will adjust based on conditions in the interest rate markets.

22

191 PEACHTREE STREET

191 Peachtree Street, located in downtown Atlanta, is a 50-story multi-tenant office building containing approximately 1,215,000 square feet of net rentable area. The Property was completed in 1991 and designed by John Burgee Architects and Philip Johnson. Attached to the building is a 16-story parking deck with 1,386 spaces. 191 Peachtree Street was developed on approximately 2 acres of land, of which approximately 1.5 acres is owned and approximately one-half acre under the parking facility is leased for a 99-year term expiring in 2087 with a 99-year renewal option.

191 Peachtree Street is located in the heart of Atlanta's CBD, also referred to as Downtown. Peachtree Street is a major corridor through the CBD from which development radiates. The property is located on the east side of Peachtree Street between Ellis Street and International Boulevard, and extends to Peachtree Center Avenue. The topography of the site slopes down to the east, with both the Peachtree Street and Peachtree Center Avenue entrances at street grade.

OWNERSHIP STRUCTURE

THE MORTGAGE. Cornerstone holds the first mortgage on the Property in the amount of \$145.0 million. The mortgage earns interest at a rate of 9.375% and matures on February 28, 2008. The loan was interest only through March 1, 1998 and has since required principal payments based on a 30-year amortization schedule.

THE PARTNERSHIP. Cornerstone has an 80.0% interest in One Ninety One Peachtree Associates, the partnership which owns the Property. The Company's interest in One Ninety One Peachtree Associates is consolidated for accounting purposes, as the Company has substantial control over major decisions, as well as the right to become managing general partner. Through February 28, 2000, the minority partner in the transaction, C-H Associates, Ltd, will receive an Incentive Distribution (as defined) of \$250,000 per annum. This payment will be made out of net cash flow after the payment of the first mortgage loan described above. Cornerstone will receive the remaining cash flow up to the amount of an Undistributed Preferred Return, defined in the partnership agreement for the Property. Should cash flow be insufficient to repay the Undistributed Preferred Return, the remainder will earn interest at a rate increasing over the next eight years from 7.25% to 11.5%; at December 31, 1998, the cumulative Undistributed Preferred Return was approximately \$162.9 million. Through a buy-sell agreement that becomes effective in 2002, either the Company or the minority partner will have the right to withdraw from the partnership by offering to the other its entire interest in the partnership, or if such offer is not accepted, the right to buy the other partner's entire interest in the partnership and gain full control of the asset.

THE GROUND LEASE. A small portion of the site that is below the parking structure is subject to a long-term ground lease from the Ritz-Carlton Hotel (see above). As part of the ground lease agreement, the Ritz-Carlton Hotel has its ballroom located in the basement of 191 Peachtree Street.

500 BOYLSTON STREET

500 Boylston Street, a 25-story, Class A office building containing a total rentable area of approximately 715,000 square feet, was designed by the team of John Burgee Architects and Philip Johnson. The project shares a full city block with 222 Berkeley Street, and together, the two buildings are considered the premier buildings in the Back Bay submarket of Boston. 500 Boylston Street is comprised of 642,000 square feet of office area on floors three through twenty-five, 8,000 square feet of storage space, and 65,000 square feet of retail area on floors one and two. Parking for 1,000 cars is shared with 222 Berkeley Street and is located on three levels below grade. The 500 Boylston Street site contains approximately 137,000 square feet of land area or 3.15 acres, with approximately 500 feet of frontage on Boylston Street.

The 500 Boylston Street and 222 Berkeley Street complex occupies a city block bound by Boylston Street on the north, St. James Avenue on the south, Clarendon Street on the west and Berkeley Street on

the east. Development of the Back Bay has historically been subject to restrictive zoning ordinances, aimed at preserving the character of the area and concentrating commercial development along the "High Spine", of which Boylston Street is the center.

THE PARTNERSHIP

Cornerstone has a 91.5% interest in Five Hundred Boylston West Venture, the partnership which owns the fee simple title to the Property. The remaining 8.5% interest is owned by Boylston West 1986 Associates Limited Partnership ("Boylston West"). Cash flow, excess financing and sales proceeds are shared on a pro rata basis between the partners with respect to each partnership interest. The Company consolidates its investment in the partnership which owns 500 Boylston Street. In addition, through buy-sell agreements that become effective in 2007 with respect to each partner, either the Company or Boylston West will

have the right to withdraw from the partnership by offering to the other its entire share in the partnership, or if such offer is not accepted, the right to buy the other partner's entire interest in the partnership and gain full control in the underlying asset. The Property is managed by Hines under a long-term management agreement.

222 BERKELEY STREET

222 Berkeley Street is a 22-story Class A office building containing approximately 531,000 square feet of net rentable area. Its floor plates range from approximately 40,000 square feet on floors one through six to approximately 14,000 square feet on floors twenty through twenty-two. The main lobby has inlaid marble patterned floors, marble and painted walls and upper level mill worked interior windows. Designed by Robert A.M. Stern Architects, the building is clad in brick and uses natural cast stone for trim and detailing. This design approach blends the historic flavor of the Back Bay area architecture with that of a modern office building. The retail area of 46,000 square feet is located on the first and second floors. Completed in 1991, 222 Berkeley Street was designed as the second phase of a full block development and is therefore physically attached to 500 Boylston Street. The two buildings have interconnecting garage and retail areas. A reciprocal easement agreement has been established to permit the operation of these shared facilities.

The site is bound by Berkeley Street on the east, St. James Avenue on the south, the 500 Boylston Street building on the west and Boylston Street on the north. The office tower fronts Berkeley Street and is turned at a ninety degree angle to the tower of 500 Boylston Street, providing views from the tower towards downtown Boston and the Charles River.

THE PARTNERSHIP

Cornerstone has a 91.5% interest in Two Twenty Two Berkeley Venture, the partnership which owns the fee simple title to the Property. The remaining 8.5% interest is owned by Hines 222 Berkeley Limited Partnership ("Hines LP"). Cash flow, excess financing and sales proceeds are shared on a pro rata basis between the partners with respect to each partnership interest. The Company consolidates its investment in the partnership which owns 222 Berkeley Street. In addition, through buy-sell agreements that become effective in 2007 with respect to each partner, either the Company or Hines LP will have the right to withdraw from the partnership by offering to the other its entire share in the partnership, or if such offer is not accepted, the right to buy the other partner's entire interest in the partnership and gain full control in the underlying asset. The Property is managed by Hines under a long-term management agreement.

SIXTY STATE STREET

Sixty State Street, a 38-story, Class A office building containing a total rentable area of approximately 823,000 square feet, was designed by Skidmore, Owings, & Merrill Architects. The project is located on the northeast corner of State and Congress Streets and is considered one of the premier office buildings in

24

Boston's Financial District. The exterior facade consists of granite and reflective glass. The building's irregular shape yields 11 sides and thus, substantial window-office space. Built in 1978 on a 1.35-acre site, the building has three levels of below grade parking capable of accommodating 215 vehicles.

The project is well located and convenient to all forms of public transportation and scores of cultural attractions. Most notably, the building overlooks the adjacent Faneuil Hall Market Place and the Government Center Transit Station. In addition, its location provides convenient commuter access from Boston's suburbs.

The ground under Sixty State Street is leased to the leasehold owner, Sixty State Street Trust, through December 28, 2067. The lease payments on the ground lease are \$398,896 per annum throughout the term.

OWNERSHIP STRUCTURE

On December 31, 1997, Cornerstone purchased the second mortgage on Sixty State Street. The mortgage is a cash flow mortgage through which all the economic benefits/risks (subject to the first mortgage) inure to the Company. The Company controls all major decisions regarding management and leasing. The total purchase price for the second mortgage was \$131.5 million and is consolidated in land and building due to the above factors. The \$78.4 million first mortgage on the property was originally recorded by the Company as an \$89.6 million liability as a result of its above-market interest rate.

MARKET SQUARE

Market Square, located at 701 and 801 Pennsylvania Avenue, N.W., in Washington, D.C., comprises two freestanding buildings which are mirror images of each other. Each building contains eight floors of office space, a plaza and

a concourse level, plus four floors of condominium residential units. The condominium units are not owned by the Company. The total rentable area of Market Square is approximately 689,000 square feet and the project has a four level below grade parking garage with 777 spaces. Of this total area, 621,000 square feet is office space, 58,000 square feet is retail and concourse space and 10,000 square feet is storage space. Designed by Hartman Cox, the project won a competition to be the backdrop for the U.S. Navy Memorial plaza.

Market Square is located midway between the White House and the Capitol on Pennsylvania Avenue, a prominent address in Washington, D.C. Pennsylvania Avenue is wide, thereby providing the project with open city views, including the White House, the Capitol and the Washington Monument. In addition, the Archives-Navy Memorial Metro stop is located in the U.S. Navy Memorial Plaza in front of the building.

OWNERSHIP STRUCTURE

THE MORTGAGE. Cornerstone holds the first mortgage on the property in the amount of \$181.0 million. The mortgage earns interest at a rate of 9.75% and matures with a balloon payment on November 15, 2007. The loan requires principal payments based on a 30-year amortization schedule. The remaining balance of the mortgage as of December 31, 1998 was approximately \$178.5 million. In addition, Cornerstone acquired a "buffer loan", with accrued principal and interest of \$49.0 million at purchase, which accrues interest at a rate of Prime plus 1.25% and is payable from cash flow, refinancing or sales proceeds from Market Square in excess of the first mortgage.

THE PARTNERSHIP. During 1998, through a series of transactions, the Company acquired partnership interests with a stated interest of approximately 70.0% in AALP, the partnership that owns Market Square. The remaining 30.0% partnership interest is owned by Western Associates Limited Partnership. The Company's interest in AALP is consolidated for accounting purposes at December 31, 1998. The income statement has been consolidated since November 1, 1998, as the Company is managing general partner and has substantial control over major decisions as of such date. Cash flow from AALP is distributed to pay the debt service on the first mortgage note described above. Remaining cash flow is used to pay a series of

25

preference returns and "buffer loans" (as described above). Refinancing or sales proceeds would be used to pay the first mortgage, preference returns and outstanding "buffer loans". The unpaid preference return and "buffer loans" through December 31, 1998 totaled approximately \$75.5 million. During the year ended December 31, 1998, the Company received 100% of the cash flow from the Property.

120 MONTGOMERY STREET

120 Montgomery Street is a 25-story Class A office building in San Francisco, California, containing approximately 411,000 rentable square feet. Completed in 1955, this building set the standard of quality for all succeeding high-rise office buildings. Today, it continues to offer its tenants access to the business resources and market exposure commensurate with a downtown business district address. The building is of steel frame construction, with an exterior surface of polished granite panels and stainless-steel mullions. 120 Montgomery Street is apportioned into low-rise and high-rise sections, and is separated by a roof garden on the sixteenth floor, a rare amenity for a downtown high-rise.

Located at the northeast corner of Montgomery and Sutter Streets, and directly across the street from the world headquarters of Charles Schwab & Co., 120 Montgomery Street provides tenants with a high profile location and ease of access. Situated one block off Market Street and adjacent to a subterranean entrance to the Montgomery BART station, the property is well located with respect to all major forms of transportation in San Francisco's Financial District.

OWNERSHIP STRUCTURE

Cornerstone has a 66.7% interest in 120 Montgomery Associates, LLC, the company which owns the fee simple title to the building. The remaining 33.3% interest is owned by Sansome Partners III, L.P. Cash flow, excess financing and sales proceeds are shared on a pro rata basis between the members with respect to each member's interest. The Company makes all operating decisions and consolidates its investment in 120 Montgomery Associates, LLC. Cornerstone manages and leases the Property.

ONE POST

One Post is a 38-story, Class A office building located at One Post Street in the San Francisco CBD. The building was built in 1969 and offers approximately 390,000 rentable square feet of office and retail space. The building has the distinction of being one of the first modern high-rise buildings to be built in San Francisco and is the corporate headquarters for McKesson Corporation, a tenant since 1970.

A two-level plaza in front of the building is comprised of approximately 20,000 square feet of public space bordered by Market and Montgomery Streets. The lower plaza has 6,000 square feet of retail shops and an 18,000 square foot fitness center. This lower plaza provides tenants and visitors with direct access to the regional subway and city rail lines.

OWNERSHIP STRUCTURE

The Property is owned through a co-tenancy agreement whereby the Company and Crocker Plaza Company ("Crocker") each owns an undivided 50% fee simple interest. Distributions of cash flows and sales proceeds are shared in proportion to the co-tenant's respective interest. The Company accounts for its investment in One Post under the equity method of accounting. The Company and Crocker co-manage and lease the Property.

26

DEBT SCHEDULE

The following table sets forth certain information regarding the consolidated debt obligations of the Company as of December 31, 1998, including mortgage obligations relating to the Properties. All of this debt, with the exception of the Convertible Promissory Note due 2001, is nonrecourse to the Company. However, notwithstanding the nonrecourse indebtedness, the lender may have the right to recover deficiencies from the Company in certain circumstances, including fraud, misappropriation of funds and environmental liabilities.

<TABLE>

<CAPTION>

PROPERTY	AMORTIZATION	INTEREST RATE (A)	MATURITY DATE	12/31/98	12/31/97
<S>	<C>	<C>	<C>	<C>	<C>
188 Embarcadero.....	25 year	6.90%	Jun-99	\$ 9,135,000	\$ --
One and Two Gateway.....	25 year	6.90%	Dec-99	8,679,000	--
Seaport Centre.....	Interest only	LIBOR plus 1.50%	Dec-99	58,000,000	--
The Pruneyard.....	24 year	LIBOR plus 2.00%	Mar-00	49,384,000	--
18301 Von Karman.....	25 year	6.90%	Apr-00	10,647,000	--
Centerside II.....	25 year	6.90%	Jun-00	13,818,000	--
Scottsdale Centre.....	25 year	6.90%	Jul-00	7,745,000	--
TransPotomac Plaza 5 and Charlotte Plaza (B).....	Interest only	7.28%	Oct-00	65,000,000	65,000,000
1600 South Main.....	25 year	6.90%	Dec-00	5,038,000	--
Convertible Promissory Note due 2001 (C).....	Interest only	8.11% max (D)	Jan-01	12,926,000	12,926,000
Biltmore Lakes.....	25 year	6.90%	Apr-01	11,468,000	--
Belmont Shores.....	25 year	6.90%	Apr-01	9,839,000	--
700 North Brand.....	25 year	6.90%	May-01	18,108,000	--
2677 North Main.....	25 year	6.90%	May-01	10,774,000	--
2700 Ygnacio Valley Road.....	25 year	6.90%	Aug-01	5,035,000	--
Westlake Spectrum.....	25 year	6.90%	Aug-01	3,993,000	--
Park Plaza.....	25 year	6.90%	Oct-01	4,940,000	--
Warner Park Center.....	25 year	6.90%	Dec-01	5,213,000	--
West Wilshire Office and Medical.....	25 year	6.90%	Jan-02	17,301,000	--
Searise Office Tower.....	25 year	6.90%	Jan-02	11,864,000	--
Golden Bear Center.....	25 year	6.90%	Mar-02	15,753,000	--
Exposition Centre.....	25 year	6.90%	May-02	5,200,000	--
Bixby Ranch.....	25 year	6.90%	May-02	20,243,000	--
Wilshire Palisades.....	22 year	6.70%	Jul-02	29,902,000	--
120 Montgomery Street.....	24 year	LIBOR plus 1.40%	Nov-02	46,930,000	--
1300 South El Camino.....	23 year	6.90%	Dec-02	4,007,000	--
125 Summer Street.....	Interest only (E)	7.20%	Jan-03	50,000,000	50,000,000
429 Santa Monica.....	25 year	6.90%	Mar-03	10,176,000	--
Crossroads.....	25 year	6.90%	Mar-03	7,339,000	--
Westlake Spectrum II.....	25 year	6.90%	Mar-03	5,284,000	--
Tower 56.....	30 year	7.67%	May-03	17,548,000	17,742,000
Two ADP Plaza.....	Interest only	6.90%	Dec-03	13,400,000	--
Two Corporate Centre.....	Interest only	6.90%	Dec-03	18,600,000	--
Norris Tech Center.....	25 year	LIBOR plus 1.65%	Dec-03	16,392,000	--
Peninsula Office Park 4.....	25 year	6.90%	Feb-04	5,436,000	--
Peninsula Office Park 1,3,5,6,8 & 9.....	25 year	6.90%	Feb-04	54,806,000	--
110 Atrium Place.....	30 year	6.90%	Mar-04	21,838,000	--
10 Almaden.....	25 year	6.90%	Apr-04	33,885,000	--
Embarcadero Place.....	20 year	6.90%	Apr-04	26,061,000	--
527 Madison Avenue and One Lincoln Centre (B).....	Interest only	7.47%	Oct-04	65,000,000	65,000,000
Sixty State Street.....	30 year	6.84%	Jan-05	87,627,000	89,630,000
201 California Street.....	30 year	6.70%	Mar-05	33,071,000	--
Island Corporate Center.....	30 year	6.90%	Apr-05	13,294,000	--
Washington Mutual Tower.....	Interest only	7.53%	Nov-05	79,100,000	79,100,000
Norwest Center.....	Interest only	8.74%	Dec-05	110,000,000	110,000,000

Agoura Hills.....	25 year	6.90%	Dec-05	12,328,000	--
Janss Court.....	30 year	6.90%	Dec-05	18,723,000	--
Bayhill 4,5,6 & 7.....	25 year	6.90%	Dec-06	59,071,000	--
66 Bovet.....	22 year	6.90%	Apr-07	3,939,000	--
Market Square (F) and 200 Galleria (B).....	Interest only	7.54%	Oct-07	120,000,000	120,000,000
One Norwest Center (G).....	30 year	6.90%	Oct-08	98,252,000	96,780,000
Corporate 500 Centre (H).....	25 year	6.66%	Nov-08	89,765,000	--
Other loans.....	Various	Various	Various	597,000	--

Total Cornerstone Debt before adjustments.....		7.20%(I)	6.7yrs (I)	\$1,532,474,000	\$ 706,178,000
Adjustments:					
One Post (J).....	25 year	6.90%	Dec-02	17,250,000	--
120 Montgomery Street (K)	24 year	LIBOR plus 1.40%	Nov-02	(15,646,000)	--
Norwest Center (K).....	Interest only	8.74%	Dec-05	(24,310,000)	(24,310,000)

Total Cornerstone Share of Debt.....		7.17%(I)	6.6yrs (I)	\$1,509,768,000	\$ 681,868,000

</TABLE>

27

-
- (A) The interest rate is the stated interest rate (for Cornerstone originated debt) or the prevailing market rate at the time of acquisition (for debt assumed as part of an acquisition).
- (B) The three notes arising from the acquisition of several properties from PGGM are cross-collateralized, having the effect of forming a "collateral pool" for the underlying notes.
- (C) The lender, Hines Colorado Limited, has the right to convert the note into Common Stock at a conversion price of \$14.30 per share. At maturity, the Company is entitled to repay the principal of the note with Common Stock priced at the lesser of \$14.30 per share or the then existing share price.
- (D) Lesser of 30-day LIBOR plus 0.5% or 8.11%.
- (E) Interest only payments through January 1, 2001, with a 25-year amortization schedule thereafter.
- (F) The collateral for this loan is a pledge of the \$181.0 million first mortgage loan on Market Square that the Company purchased from PGGM.
- (G) On September 25, 1998, the Company completed the refinancing of the \$96.1 million mortgage on One Norwest Center with CIGNA and Mass Mutual. As a result of the refinancing, the principal balance was increased to \$98.5 million, the term of the loan was extended from three years to ten years and the interest rate was reduced from 7.50% to 6.90%.
- (H) On October 9, 1998, the Company completed the refinancing of the \$80.0 million mortgage on Corporate 500 Centre with Teachers Insurance and Annuity Association. As a result of the refinancing, the principal balance was increased to \$90.0 million, the term of the loan was extended from 4.5 years to ten years and the interest rate was increased by three basis points to 6.66%.
- (I) Weighted-average interest rate and maturity of the Company's long-term debt.
- (J) Amount relates to the Company's share of property debt as this Property is accounted for under the equity method of accounting.
- (K) Amounts relate to the joint venture or minority partners' portion of the total debt. Calculations are based on the partners' 1998 percentage participation in the cash flow of such Property.

The combined aggregate amount of maturities for all long-term borrowings for 1999 through 2003 are \$75,814,000, \$151,632,000, \$82,296,000, \$151,200,000 and \$138,739,000, respectively.

REVOLVING CREDIT FACILITY

The Company has a \$550.0 million Revolving Credit Facility with a syndicate of 17 banks led by Bankers Trust Company, The Chase Manhattan Bank and NationsBank for acquisitions and general working capital purposes as well as the issuance of letters of credit. The interest rate on the facility depends on the Company's ratio of total debt to asset value (as defined) at the time of borrowing and will be at a spread of 1.10% to 1.40% over the applicable LIBOR rate or the Prime Rate at the borrower's option. The letters of credit will be priced at the applicable Eurodollar credit spread. The Revolving Credit Facility

expires on November 3, 2001. As of December 31, 1998, \$465.0 million of the facility was outstanding at a rate of approximately 6.9%. In addition, at December 31, 1998, there was a \$5.0 million letter of credit outstanding at a rate of 1.40%. The Revolving Credit Facility contains certain restrictive covenants including: (i) a limitation on the Company's dividend to 90.0% of FFO and 110.0% of funds available for distribution, both as defined in the agreement; (ii) the percentage of total liabilities to total property asset value (as defined) cannot exceed 55.0%; (iii) the ratio of adjusted EBITDA to interest expense may not be less than 2.00 to 1.00 through July 1, 1999 and 2.25 to 1.00 thereafter; (iv) fixed charge coverage may not be less than 1.75 to 1.00; and (v) the ratio of total property asset value (as defined) to secured indebtedness may not be less than 2.50 to 1.00.

28

TENANTS

The Company's tenants include local, regional, national and international companies engaged in a wide variety of businesses. The following table sets forth, as of December 31, 1998, information concerning the ten largest tenants (ranked by Full Service Straight-Line Rent, adjusted for the interest of a joint venture or minority partner, as of that date) occupying the Properties. "Full Service Straight-Line Rent" is Straight-Line Rent plus annual operating expense recoveries. "Straight-Line Rent" means the annual average of all actual rent required to be paid through the term of the lease, calculated in accordance with GAAP. "Expense Recoveries" are the actual recovery of operating expenses in net lease buildings or the actual recovery of operating expense escalations in gross lease buildings. Full Service Straight-Line Rent does not reflect the cost of any leasing commissions or tenant improvements.

<TABLE>
<CAPTION>

TENANT	STRAIGHT-LINE RENT	EXPENSE RECOVERIES	FULL SERVICE STRAIGHT-LINE RENT	PERCENT OF TOTAL	SCHEDULED EXPIRATION	RENTABLE SQUARE FEET EXPIRING
<C>	<S>	<C>	<C>	<C>	<C>	<C>
(1) (3) (4) Norwest Corporation [Wells Fargo].....	\$19,006,195	\$ 9,742,586	\$28,748,781	5%	Mar-99 Aug-01 Oct-01 Mar-02 Feb-03 Jul-03 Aug-04 Oct-04 Jul-13 Aug-18	14,659 7,200 1,796 12,898 13,191 143,103 29,810 5,007 401,735 351,391
						980,790
(1) (4) Massachusetts Financial Services.....	9,015,212	4,195,090	13,210,302	2%	Feb-03	328,540
(1) Wachovia Bank.....	9,061,416	3,333,240	12,394,656	2%	Sep-03 Dec-08	7,730 380,442
						388,172
(1) Hale & Dorr.....	7,957,404	3,992,607	11,950,011	2%	Jun-13	296,028
(1) King & Spalding.....	8,168,292	2,760,336	10,928,628	2%	Mar-06	305,267
(1) Deloitte & Touche.....	7,643,072	1,730,572	9,373,644	2%	Feb-99 Oct-99 Jun-08	15,064 129,614 84,947
						229,625
(1) (4) The New England Life.....	4,730,957	2,547,352	7,278,309	1%	Sep-08	199,055
(2) Perkins Coie.....	6,378,103	503,193	6,881,296	1%	Dec-99 Jul-03 Jul-04 Dec-11	10,436 6,811 23,775 199,110
						240,132
(2) First Union.....	6,188,976	71,808	6,260,784	1%	Mar-99 Jun-00 Aug-00 Mar-01 Aug-01 Feb-02 Sep-02 Aug-08 Mar-09 Mar-10 Mar-11 Apr-14	23,190 27,210 22,884 22,520 46,097 23,421 22,366 46,072 23,105 46,768 47,542 3,905
						355,080
(1) (4) Houghton Mifflin.....	3,162,483	2,916,682	6,079,165	1%	Feb-07	225,883

Total Top 10 Tenants.....	\$81,312,110	\$31,793,466	1\$13,105,576	20%	3,548,572
(4) Total Portfolio.....	4\$55,603,405	\$103,878,253	5\$59,481,658		19,233,939

</TABLE>

-
- (1) Net Lease.
(2) Gross Lease.
(3) Norwest Corporation [Wells Fargo] includes all space associated with Norwest Corporation, Norwest Bank Denver N.A. and Wells Fargo Bank.
(4) Straight-Line Rent and rentable square feet include an adjustment for the interest of a joint venture or minority partner. Calculations are based on the partners' 1998 percentage participation in the cash flows of the Property.

29

LEASE EXPIRATIONS

The following table sets forth certain categories of information relating to lease expirations for all of the Properties owned as of December 31, 1998.

<TABLE>

<CAPTION>

		1999	2000	2001	2002	2003	2004
		-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Portfolio--All Properties							
Total (7)	Square feet expiring (1)....	1,814,970 sf	1,774,550 sf	1,928,531 sf	2,751,615 sf	3,169,786 sf	1,450,354 sf
	Full service St-Line rent (2).....	\$ 46,086,712	\$ 43,611,395	\$ 56,969,565	\$ 72,182,531	\$ 94,702,701	\$ 40,798,457
Minority Interest Adjustment (3)	Square feet expiring (1)...	53,851 sf	50,166 sf	27,798 sf	60,148 sf	150,589 sf	49,256 sf
	Full service St-Line rent (2).....	\$ 1,441,303	\$ 1,375,946	\$ 801,132	\$ 1,571,496	\$ 4,869,422	\$ 1,585,446
Cornerstone Portfolio	Square feet expiring (1) (3)...	1,761,119 sf	1,724,384 sf	1,900,733 sf	2,691,467 sf	3,019,197 sf	1,401,098 sf
	Full service St-Line rent (2) (3).....	\$ 44,645,410	\$ 42,235,449	\$ 56,168,433	\$ 70,611,035	\$ 89,833,279	\$ 39,213,010
	Full service St-Line rent per sq. ft.....	25.35	24.49	29.55	26.24	29.75	27.99
	% Full service St-Lined rent..	7.98%	7.55%	10.04%	12.62%	16.06%	7.01%
	No. of tenant leases expiring (4)....	343	317	303	299	321	117
	Asking market rent per sq. ft. (5).....	\$ 34.70					
	Operating Expenses per sq. ft. (6).....	\$ 10.24					

<CAPTION>

		2005	2006	2007	2008	2009 AND BEYOND	TOTAL
		-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Portfolio--All Properties							
Total (7)	669,892 sf	1,113,593 sf	1,159,709 sf	1,466,471 sf	2,609,658 sf	19,909,129 sf	
	\$ 23,182,656	\$ 37,645,521	\$ 32,924,199	\$ 47,801,926	\$ 85,116,419	\$ 581,022,082	
Minority Interest Adjustment (3)	6,288 sf	638 sf	126,249 sf	27,291 sf	122,916 sf	675,190 sf	
	\$ 210,635	\$ 14,580	\$ 3,569,374	\$ 1,008,960	\$ 5,092,130	\$ 21,540,424	
Cornerstone							

Portfolio	663,604 sf	1,112,955 sf	1,033,460 sf	1,439,180 sf	2,486,742 sf	19,233,939 sf
\$	22,972,021	\$ 37,630,941	\$ 29,354,826	\$ 46,792,966	\$ 80,024,288	\$ 559,481,658
	34.62	33.81	28.40	32.51	32.18	29.09
	4.11%	6.73%	5.25%	8.36%	14.30%	100.00%
	53	31	47	45	46	1,922

</TABLE>

- (1) The Total square footage expiring in any particular year.
- (2) Full Service Straight-line rent is the annual average of all lease payments required to be made through the term of the lease required under Generally Accepted Accounting Principles plus the annualized recovery of operating expenses.
- (3) Full Service Straight-line rent and square feet expiring include an adjustment for the interest of a joint venture or minority partner. Calculations are based on the partners' 1998 percentage participation in the cash flows of the Property.
- (4) The number of tenant leases expiring in each year.
- (5) Asking market rent is the average initially quoted rent to prospective tenants in each building. All market rents shown are on full service basis.
- (6) Operating Expenses are the projected recoverable expenses quoted to prospective tenants in each building.
- (7) The Pruneyard Inn (90,000sf) is not included.

30

ITEM 3. LEGAL PROCEEDINGS.

In the ordinary course of business, the Company is subject to tenant and property related claims and other litigation. It is the opinion of management, after consultation with outside counsel, that the resolution of these claims will not have a material effect on the consolidated financial condition or results of operations of the Company.

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

A special meeting of stockholders of the Company was held on December 14, 1998 for the purpose of considering and voting upon the following matters.

- (1) a proposal to approve the issuance of up to 39,000,000 shares of Cornerstone Common Stock (directly and upon redemption of UPREIT Units) in connection with the Wilson Acquisition (the "Wilson Issuance");
- (2) a proposal to approve the issuance of 11,594,203 shares of Cornerstone Common Stock to PGGM (the "PGGM Investment"); and
- (3) a proposal to approve the amendment and restatement of the Cornerstone Properties Inc. 1998 Long-Term Incentive Plan to increase the number of shares of Cornerstone Common Stock reserved for issuance thereunder and to permit the granting of stock options and other awards to non-employee directors of Cornerstone (the "Amendment").

The holders of record of the Company's Common Stock at the close of business on November 9, 1998 (the "Record Date") were entitled to vote at the Special Meeting. On the Record Date, there were 101,636,864 shares of Common Stock outstanding, each of which was entitled to one vote with respect to each proposal. Approval of the Wilson Issuance, the PGGM Investment and the Amendment required the affirmative vote of a majority of the votes cast, provided that, in the case of the Wilson Issuance and the PGGM Investment, the total votes cast represented over 50.0% of the outstanding shares of Common Stock on the Record Date. All of the proposals were approved. The following table sets forth the voting results with respect to each proposal:

PROPOSAL	NO. OF VOTES CAST FOR	NO. OF VOTES CAST AGAINST	NO. OF ABSTENTIONS	NO. OF BROKER NON-VOTES
<S>	<C>	<C>	<C>	<C>
Wilson Issuance.....	66,114,206	107,675	122,837	9,624,512
PGGM Investment.....	66,049,294	172,386	123,038	9,624,512
Amendment.....	74,104,797	1,736,960	127,473	N/A

</TABLE>

31

PART II

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

The shares of Common Stock of the Company are traded on the New York, Frankfurt and Dusseldorf Stock Exchanges. Quotations of the Common Stock in New York are made in United States Dollars. Quotations in Dusseldorf and Frankfurt are made in Deutsche Marks. On April 21, 1997, Cornerstone completed its initial U.S. public offering of 16.1 million shares of common stock at \$14.00 per share. The high and low sales prices of the Common Stock on the New York Stock Exchange for each quarter of 1997 in which the Company was listed and 1998 were as follows:

SALES PRICE

<TABLE>		
<CAPTION>		
1997	HIGH	LOW

<S>	<C>	<C>
2nd Quarter.....	\$ 15.38	\$ 14.25
3rd Quarter.....	\$ 19.50	\$ 15.25
4th Quarter.....	\$ 20.00	\$ 17.69
1998		

1st Quarter.....	\$ 19.63	\$ 17.25
2nd Quarter.....	\$ 18.38	\$ 16.19
3rd Quarter.....	\$ 18.00	\$ 13.38
4th Quarter.....	\$ 16.00	\$ 14.06
</TABLE>		

The high and low sales prices of the Common Stock on the Frankfurt Stock Exchange for each quarter of 1997 and 1998 were as follows:

SALES PRICE

<TABLE>		
<CAPTION>		
1997	HIGH	LOW

<S>	<C>	<C>
1st Quarter.....	DM28.25	DM23.90
2nd Quarter.....	DM27.50	DM24.80
3rd Quarter.....	DM33.80	DM26.20
4th Quarter.....	DM34.50	DM29.00
1998		

1st Quarter.....	DM35.00	DM31.50
2nd Quarter.....	DM33.60	DM28.80
3rd Quarter.....	DM32.00	DM23.00
4th Quarter.....	DM26.80	DM23.00
</TABLE>		

32

The high and low sales prices of the Common Stock on the Dusseldorf Stock Exchange for each quarter of 1997 and 1998 were as follows:

SALES PRICE

<TABLE>		
<CAPTION>		
1997	HIGH	LOW

<S>	<C>	<C>
1st Quarter.....	DM28.20	DM23.40
2nd Quarter.....	DM26.70	DM24.70
3rd Quarter.....	DM33.60	DM26.40
4th Quarter.....	DM34.50	DM29.50
1998		

1st Quarter.....	DM35.00	DM31.50
2nd Quarter.....	DM33.60	DM28.10
3rd Quarter.....	DM32.20	DM23.50
4th Quarter.....	DM26.10	DM23.00
</TABLE>		

The closing quotation of the Company's common stock on March 24, 1999 was U.S. 14.63 on the New York Stock Exchange, DM 24.74 on the Frankfurt Stock Exchange and DM 24.74 on the Dusseldorf Stock Exchange.

As of March 24, 1999, there were approximately 200 holders of record of the Common Stock.

For 1997, Cornerstone paid distributions to its stockholders of \$0.60 per share on January 31, 1997 (to stockholders of record as of December 30, 1996); \$0.30 per share on April 30, 1997 (to stockholders of record as of March 21, 1997); \$0.30 per share on July 31, 1997 (to stockholders of record as of June 20, 1997); \$0.30 per share on October 31, 1997 (to stockholders of record as of September 19, 1997); and \$0.14 per share on November 26, 1997 (to stockholders of record as of October 31, 1997).

For 1998, Cornerstone paid distributions to its stockholders and unitholders of \$0.30 per share/unit on February 27, 1998 (to stockholders and unitholders of record as of January 30, 1998); \$0.30 per share/unit on May 28, 1998 (to stockholders and unitholders of record as of April 30, 1998); \$0.30 per share/unit on August 31, 1998 (to stockholders and unitholders of record as of July 31, 1998); and \$0.30 per share/unit on November 30, 1998 (to stockholders and unitholders of record as of October 30, 1998).

The Company intends to continue to pay cash distributions to its stockholders and unitholders. It is expected that distributions will be made on a quarterly basis in 1999 and, in accordance with the Company's qualification as a REIT, will be equal to at least 95% of the Company's REIT taxable income (excluding any net capital gain). The Company intends that at least 85% of all distributions from income earned during any taxable year will be made prior to the end of such taxable year. No assurance can be given as to the amounts of future distributions since they are subject to the Company's FFO, earnings, financial condition, and such other factors as the Board of Directors deem relevant.

The Revolving Credit Facility contains certain restrictive covenants including a limitation on the Company's dividend to 90.0% of FFO and 110.0% of funds available for distribution, both as defined in the agreement.

On February 27, 1998, May 29, 1998, August 31, 1998 and November 30, 1998, through a dividend reinvestment plan, the Company issued 109,007, 98,487, 94,610 and 95,300 shares of Common Stock and received proceeds of approximately \$2,010,000, \$1,761,000, \$1,476,000 and \$1,456,000, respectively.

On January 5, 1998, the Company purchased the participation rights in the cash flow and residual value of Tower 56 from the former participants for 307,692 shares of Common Stock.

33

On February 6, 1998, Cornerstone completed a secondary public offering of 14,375,000 shares of Common Stock at \$18.25 per share. The shares were placed in the U.S. through a syndicate of seven investment banks led by Merrill Lynch & Co. Net proceeds to the Company were approximately \$247.9 million (approximately \$262.3 million gross proceeds less an underwriting discount of approximately \$13.7 million and expenses of approximately \$0.7 million). The net proceeds were used to repay the Company's Revolving Credit Facility and for working capital purposes.

On April 28, 1998, the Company issued 3,428,571 shares of Common Stock to Prudential Insurance Company of America ("Prudential") and 1,657,426 UPREIT Units to certain other persons as partial consideration for the acquisition of One Memorial Drive. Such securities were not registered under the Securities Act of 1933, as amended (the "Securities Act") and were issued in an exempt transaction pursuant to Section 4(2) of the Securities Act. The Company has filed a Registration Statement on Form S-3 (No. 333-59259) to register under the Securities Act the resale by Prudential of such shares of Common Stock.

On May 20, 1998, the Company increased the number of authorized Preferred Stock from 15,000,000 shares to 65,000,000 shares.

On June 3, 1998, the Operating Partnership issued a total of 1,665,663 UPREIT Units to certain persons in connection with the acquisition of 201 California Street and the Wilshire Palisades building. Such securities were not registered under the Securities Act and were issued in an exempt transaction pursuant to Section 4(2) of the Securities Act.

On December 16, 1998, as part of the consideration paid by the Company in connection with the Wilson Acquisition, the Company issued 14,884,417 shares of Common Stock and the Operating Partnership issued 16,187,724 UPREIT Units to the former owners of WW&A. See "Recent Developments-- Wilson Acquisition." Such securities were not registered under the Securities Act and were offered and sold in a private offering pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder. The Company has filed a Registration Statement on Form S-3 (No. 333-72449) to register under the Securities Act the resale by the holders thereof of the 14,884,417 shares of Common Stock issued in connection with the Wilson Acquisition and 16,187,724 shares of Common Stock issuable upon redemption of the UPREIT Units issued in connection with the Wilson Acquisition.

On December 16, 1998, in connection with the Wilson Acquisition, the Company issued 11,594,203 shares of Common Stock to PGGM. See "Recent Developments--Wilson Acquisition." Such shares were not registered under the

Securities Act and were offered and sold to PGGM in a private offering pursuant to Section 4(2) of the Securities Act.

34

ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data has been derived from, and should be read in conjunction with the related audited consolidated financial statements.

<TABLE>
<CAPTION>

	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)					
BALANCE SHEET DATA:					
Real estate investments before accumulated depreciation.....	\$ 4,371,949	\$ 2,187,525	\$ 799,662	\$ 706,988	\$ 571,831
Total assets.....	4,281,984	2,051,481	766,180	586,089	477,996
Long-term debt.....	1,532,474	706,178	400,142	369,600	130,500
Credit facility.....	465,000	187,000	--	--	236,467
Total liabilities.....	2,138,309	940,062	442,375	403,927	400,640
Redeemable preferred stock.....	\$ --	\$ --	\$ 162,743	\$ --	\$ --
OPERATING DATA:					
Revenues.....	\$ 359,486	\$ 173,911	\$ 116,908	\$ 92,387	\$ 85,574
Expenses.....	262,173	134,041	106,646	90,427	88,084
Loss on sale of real estate assets.....	2,076	--	--	--	--
Minority interest.....	7,469	2,368	1,519	3,417	3,899
Gain (loss) on interest rate swap.....	--	99	4,278	(7,672)	--
Extraordinary loss.....	4,303	54	3,925	4,445	581
Net income (loss).....	\$ 83,465	\$ 37,547	\$ 9,096	\$ (13,574)	\$ (6,990)
Net income per common share, basic and diluted.....	\$ 0.80	\$ 0.63	\$ 0.19	\$ (0.94)	\$ (0.53)
Dividends declared per common share.....	\$ 1.50	\$ 1.04	\$ 1.20	\$ 1.16	\$ 1.16
OTHER DATA:					
Cash Flow from:					
Operations.....	\$ 182,797	\$ 65,922	\$ 34,522	\$ 20,036	\$ 28,968
Investing.....	(823,082)	(462,837)	(57,259)	(135,527)	(1,762)
Financing.....	677,424	306,842	129,800	110,725	(33,141)
Funds From Operations (1).....	\$ 155,915	\$ 68,308	\$ 34,719	\$ 21,424	\$ 15,562

</TABLE>

(1) FFO is a calculation which is defined by the National Association of Real Estate Investment Trusts ("NAREIT") and is not indicative of either net income or cash flow from operations as calculated in accordance with GAAP as a measure of performance or liquidity. As disclosed in ITEM 7 of this Form 10-K, the Company makes certain additional adjustments to FFO which are not contemplated in the NAREIT definition.

See ITEM 7 below for a discussion of the selected financial data.

35

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

Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Selected Consolidated Financial Data set forth above and the Consolidated Financial Statements and Notes included herein.

When used in the following discussion, 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. 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 of 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

Cornerstone's principal source of income is rental revenues received through its investment in 87 fee simple investments, six real estate partnerships, one limited liability company, one co-tenancy agreement and one mortgage. NWC Limited Partnership ("NWC"), Third and University Limited Partnership ("Third Partnership"), One Ninety One Peachtree Associates ("191 Peachtree"), Two Twenty Two Berkeley Associates ("222 Berkeley"), Five Hundred Boylston West Venture ("500 Boylston") and Avenue Associates Limited Partnership ("AALP") (since November 1, 1998) have been consolidated because Cornerstone has the majority interest in the economic benefits and is or has the right to become managing

general partner at its sole discretion. 120 Montgomery Associates, LLC ("120 Montgomery") has been consolidated because the Company has the majority interest in the economic benefits and control of the major decisions of the limited liability company. The Company has accounted for its investment in AALP (from February 1, 1998 through October 31, 1998) and One Post using the equity method of accounting because it does not have sufficient control of the day to day operations of the investment.

PROPERTY RESULTS. For the years ended December 31, 1998, 1997, and 1996 property results can be summarized as follows (in thousands):

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE YEAR ENDED DECEMBER 31, 1997	FOR THE YEAR ENDED DECEMBER 31, 1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Office and Parking Rentals.....	\$ 338,515	\$ 159,828	\$ 111,494
Less:			
Building Operating Expenses.....	75,663	35,962	24,578
Real Estate Taxes.....	46,760	25,560	19,610
Depreciation and Amortization.....	59,278	30,978	24,317
	-----	-----	-----
Total Operating Expenses.....	181,701	92,500	68,505
	-----	-----	-----
Total Property Income.....	\$ 156,814	\$ 67,328	\$ 42,989
	-----	-----	-----

The increase in property income from 1997 to 1998 of \$89.5 million was due in part to the additional property income of \$54.8 million derived from the PGGM Portfolio (as defined hereinafter) which was acquired in October 1997. The five single property transactions during 1998 and the Wilson Acquisition (as defined hereinafter), which occurred in December 1998, added \$29.0 million and \$4.3 million, respectively of additional property income. At the properties held during both periods, property income at Norwest Center increased \$0.2 million due to an increase in net rental income. Property income at Washington Mutual Tower increased \$1.6 million due to higher office rental revenue of \$1.2 million, an increase in net parking rental income of \$0.2 million, a decrease of \$0.1 million in real estate tax expense, a decrease of \$0.7 million in depreciation and amortization expense offset by a decrease of \$0.4 million in expense recovery income and an increase of \$0.2 million in building operating expenses. Property income at 125 Summer Street increased \$0.6 million due to increased rental rates and the lease up of the former Gadsby

36

and Hannah space which was vacant during the same period in 1997. Property income at 527 Madison Avenue increased \$0.9 million mainly because its 1997 results reflected only the period after it was purchased in February 1997. These increases were offset by a reduction in property income of \$1.3 million at the Frick Building which was due to the sale of this building in April 1998 and an increase of \$0.6 million of depreciation and amortization on acquisition costs.

The increase in property income from 1996 to 1997 of \$24.3 million was due to an increase in office and parking rentals at One Norwest Center due to lease buyouts of \$0.7 million and higher net rentals of \$0.6 million; an increase of \$2.2 million in property income at Norwest Center due to increased real estate tax recoveries; an increase of \$0.8 million in property income at Washington Mutual Tower due to higher garage income and lower depreciation; an increase of \$0.6 million due to a full year of operations for Tower 56 as compared to approximately eight months in 1996; an increase of \$3.4 million due to a full year of operations for One Lincoln Centre as compared to approximately two months in 1996, an increase of \$1.8 million due to a full year of operations for the Frick Building as compared to approximately two months in 1996; and increased property income of \$4.9 million and \$10.7 million due to the acquisition of 527 Madison Avenue in February and the acquisition of the PGGM Portfolio (as defined hereinafter) in October, respectively. These amounts are partially offset by a decrease of \$1.4 million in property income for 125 Summer Street due to lower net rentals, higher real estate taxes and higher depreciation.

EARNINGS IN REAL ESTATE JOINT VENTURES. The earnings in real estate joint ventures of approximately \$11.4 million in 1998 was mainly due to the acquisition of the partnership interest in Market Square in January 1998. The investment in Market Square was accounted for under the equity method of accounting from February 1998 through October 1998 due to the lack of sufficient control of the day to day operations of the investment. In November 1998, the Company gained sufficient control of the investment and began consolidating this investment. The amount attributable to Market Square of \$11.3 million is comprised of approximately \$17.1 million of interest earned on the loans which was offset by an equity in loss of approximately \$5.8 million. The remaining \$0.1 million of earnings in real estate joint ventures is comprised of equity

earnings from the Company's investments in One Post and WCP Services, Inc.

INTEREST AND OTHER INCOME. Interest and other income was \$9.6 million in 1998, \$14.1 million in 1997 and \$5.4 million in 1996. These amounts primarily consist of interest earned from short-term investments, tenant alteration income in 1998, lease cancellation income, interest earned on a mortgage note receivable, a note receivable from a partner, management fee income and income from advisory contracts in 1997.

The 1998 decrease in interest and other income of \$4.5 million from 1997 is due to a reduction in interest income of \$5.6 million on short-term investments due to the Company having excess cash in 1997 from its Preferred Stock placement that occurred in November 1996 as well as its IPO in April 1997. Also adding to the decrease was a reduction of \$1.6 million of interest income on the mortgage note on Market Square due to two and a half months of interest in 1997 versus one month in 1998. In addition, a reduction of \$0.9 million due to the expiration of certain advisory contracts in 1997, a reduction of \$0.1 million in interest received from the note receivable from a partner due to the reduction in principal and a reduction of \$0.2 million in lease cancellation income further added to the decrease. These amounts were offset by an increase of \$2.5 million in tenant alteration income, a \$0.9 million increase in management fee income and an increase of \$0.5 million in other income.

The 1997 increase in interest and other income of \$8.7 million from 1996 is due to the increase in interest earned on notes receivable of approximately \$2.5 million due to the purchase of the first mortgage note and "buffer loan" on Market Square, increased advisory fees of \$0.3 million, increased other income of \$0.3 million and larger working capital balances available for short-term investment causing interest income on short-term investments to increase by \$5.6 million.

INTEREST EXPENSE. Interest expense incurred by Cornerstone was \$67.5 million, \$34.0 million and \$31.7 million for 1998, 1997, and 1996, respectively.

The increase in 1998 from 1997 of approximately \$33.5 million is due to an increase of \$15.2 million in interest expense on the purchase money loans from PGGM as a result of a full year's expense in 1998

37

versus two and a half months in 1997, an increase of approximately \$2.7 million of interest expense on the Revolving Credit Facility due to increased borrowings under the facility, an increase of \$0.6 million in amortization of deferred costs and an increase in interest expense due to the following loans that were originated or assumed during 1998: Sixty State Street (\$6.1 million), Corporate 500 Centre (\$5.1 million), 201 California Street (\$1.3 million), Wilshire Palisades (\$1.2 million) and loans assumed as part of the Wilson Acquisition (\$2.0 million). These increases were offset by a decrease of \$0.4 million in Term Loan interest and a decrease of \$0.3 million due to the 1998 refinancing of the One Norwest Center loan, both as discussed below.

The increase in 1997 from 1996 of approximately \$2.3 million is primarily due to an increase of \$0.4 million due to a full year of interest expense on the Tower 56 debt in 1997 as compared to approximately eight months in 1996, the \$250.0 million of purchase money loans associated with the purchase of the PGGM Portfolio (as defined hereinafter) giving rise to \$3.2 million of interest expense, increased borrowings under the Company's Revolving Credit Facility giving rise to \$0.9 million of increased expense, and increased amortization of \$0.4 million. These increases are partially offset by a decrease in interest expense on the Term Loan due to repayment in March of \$1.2 million, a reduction in other interest expense of \$0.5 million and interest expense savings resulting from the 1996 refinancing of the One Norwest Center debt of \$0.9 million.

GENERAL AND ADMINISTRATIVE EXPENSES. The aggregate amount of Cornerstone's general and administrative expenses increased to \$12.9 million in 1998 from \$7.6 million in 1997 and \$6.4 million in 1996. The increase of \$5.3 million in 1998 from 1997 is due to the additional employees, space, systems and other support necessary to manage the substantial growth in assets of the Company during the most recent fifteen-month period. The increase of \$1.2 million in 1997 from 1996 is due to a \$0.16 million increase in staff salaries, a \$0.16 million increase in incentive compensation, a \$0.1 million increase in profit sharing and a \$0.14 million increase in the cost of producing the annual report. The remaining variance of \$0.64 million is due to variances in numerous miscellaneous expense items all of which are less than \$0.1 million in size.

LOSS ON SALE OF REAL ESTATE ASSETS. On March 31, 1998, the Company sold the Dearborn Land (an undeveloped parcel of land in Chicago that was acquired as part of the acquisition of the PGGM Portfolio in October 1997) for gross proceeds of approximately \$19.0 million, resulting in a loss of approximately \$0.2 million.

On April 29, 1998, the Company sold the Frick Building, located in Pittsburgh, Pennsylvania, for gross proceeds of approximately \$26.7 million, resulting in a loss of approximately \$2.1 million.

On December 29, 1998, AALP sold a condominium unit in Market Square, located in Washington D.C., for gross proceeds of approximately \$0.3 million, resulting in a gain of approximately \$0.2 million.

MINORITY INTEREST. The increase in minority interest from 1997 to 1998 of \$5.1 million is due to the allocation of the Company's income to the unitholders due to the formation of the UPREIT in 1998 and the purchase of partnership interests in 500 Boylston, 222 Berkeley, 191 Peachtree and 120 Montgomery.

The increase in minority interest from 1996 to 1997 of \$0.8 million is due to an increase of \$0.4 million at Norwest Center due to higher earnings and \$0.4 million on the PGGM Portfolio (as defined hereinafter).

NET GAIN ON INTEREST RATE SWAPS. The Company does not trade in derivative instruments, but uses interest rate swap agreements to hedge the interest rate risk on its financings with the intention of obtaining the lowest effective interest cost on its indebtedness. During 1998, the Company had entered into an \$80.0 million interest rate swap to protect it from interest rate fluctuations that could have affected its floating rate debt on Corporate 500 Centre. The swap effectively fixed the interest rate on the \$80.0 million loan at 6.63%. This agreement was terminated in August 1998 (in advance of the loan being refinanced) at no cost to the Company. The swap was considered a hedge for federal income tax purposes.

38

The net gain of \$4.3 million in 1996 represents an unrealized mark-to-market gain of \$7.4 million on the forward interest rate swap partially offset by an extraordinary loss of \$3.9 million. \$3.1 million of the realized extraordinary loss is due to the termination of a swap relating to the refinancing of One Norwest Center. The remainder of the realized extraordinary loss of \$0.8 million in 1996 is due to certain write-offs of deferred financing costs and other costs relating to the refinancing of One Norwest Center. Effective January 16, 1997, the forward swap agreement was terminated for a total cost of \$170,000, giving rise to \$99,000 of income in 1997.

LIQUIDITY AND CAPITAL RESOURCES

CASH FLOW (DOLLAR AMOUNTS IN THOUSANDS)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE YEAR ENDED DECEMBER 31, 1997	FOR THE YEAR ENDED DECEMBER 31, 1996
CASH FLOW PROVIDED BY (USED IN):			
<S>	<C>	<C>	<C>
Operating activities.....	\$ 182,797	\$ 65,922	\$ 34,522
Investing activities.....	(823,082)	(462,837)	(57,259)
Financing activities.....	677,424	306,842	129,800
Earnings to fixed charges ratio.....	2.02	1.62	1.11

</TABLE>

YEAR ENDED DECEMBER 31, 1998 COMPARED TO YEAR ENDED DECEMBER 31, 1997

Cash provided by operating activities increased to approximately \$182.8 million for 1998 from approximately \$65.9 million for 1997. The increase is primarily due to the cash flows from the interests in 87 properties acquired since the end of the third quarter of 1997.

Cash used in investing activities increased to approximately \$823.1 million for 1998 from approximately \$462.8 million for 1997 due mainly to the following acquisitions for approximately \$375.6 million (net of any shares or units issued and debt assumed): Corporate 500 Centre; One Memorial Drive; 201 California Street and Wilshire Palisades; Market Square; and the Wilson Acquisition. Further adding to the increase is the Company's net investment in real estate joint ventures of approximately \$31.4 million and an increase in deferred costs of approximately \$0.6 million. These investments were partially offset by the approximate \$18.8 million, approximate \$26.7 million and approximate \$0.3 million in proceeds from the sale of the Dearborn Land, the Frick Building and the Market Square condominium, respectively. In addition, these investments were partially offset by the receipt of approximately \$1.5 million from the repayment of notes receivable. During 1997, the Company invested approximately \$67.0 million in 527 Madison Avenue, approximately \$260.0 million in the PGGM Portfolio (as defined hereinafter), approximately \$131.5 million in Sixty State Street and approximately \$5.6 million in other property investments. These investments were slightly offset by the receipt of approximately \$1.3 million from the repayment of notes receivable.

Cash provided by financing activities increased to approximately \$677.4 million for 1998 from approximately \$306.8 million for 1997. The increase was mainly due to the proceeds from the Company's public offering of Common Stock in February 1998 of approximately \$262.3 million and the additional stock purchase by PGGM of \$200.0 million compared to approximately \$225.4 million received from the Company's IPO in 1997, an increase in mortgage borrowings of approximately

\$92.4 million and an increase in Revolving Credit Facility borrowings versus Revolving Credit Facility repayments of approximately \$91.0 million. Further adding to the increase was a decrease in loan repayments of approximately \$30.2 million and a decrease in preferred distributions of approximately \$6.7 million. These amounts were offset by a decrease of approximately \$4.4 million in proceeds from the dividend reinvestment plan, an increase in net swap termination and debt prepayment costs of approximately \$1.6 million, an increase in restricted cash of approximately \$9.7 million, an increase of approximately \$0.1 million in stock and debt issuance costs, an increase in distributions to minority partners of approximately \$9.8 million and an increase in distributions to common stockholders paid of approximately \$61.0 million.

39

The ratio of earnings to fixed charges and dividends on preferred stock increased to 2.02 times at December 31, 1998 from 1.62 times at December 31, 1997 due to the conversion of the Cumulative Convertible Preferred Stock into approximately 11,300,000 shares of Common Stock in July 1997.

YEAR ENDED DECEMBER 31, 1997 COMPARED TO YEAR ENDED DECEMBER 31, 1996

The increase in cash provided by operating activities of \$31.4 million is mainly due to the \$28.4 million increase in net income. The \$28.4 million increase in net income is due to the following changes described in the captions above in more detail: an increase in total property income of \$24.3 million and an increase in interest and other income of \$8.7 million; these amounts are partially offset by an increase in interest expense of \$2.2 million; an increase in general and administrative expenses of \$1.2 million; a decrease in gain on interest rate swaps and extraordinary losses of \$0.4 million; and an increase in minority interest of \$0.8 million.

Other factors contributing to the increase in cash provided by operating activities were a \$7.0 million increase in depreciation and amortization due to the acquisition of additional properties, plus a \$4.3 million decrease in the unrealized gain on interest rate swaps due to the unwind of the swap in 1997, a \$6.3 million increase in the change in interest payable, a \$0.8 million increase in minority interest and a \$4.6 million increase in the change in accounts payable. These amounts are offset by a \$3.9 million reduction in extraordinary losses due to the refinancing of One Norwest Center, a \$1.6 million reduction in the change in prepaid rent and a \$14.5 million reduction due to the change in tenant receivables.

The increase in cash used in investing activities is due to the net cash investment in the PGGM Portfolio (as defined hereinafter), 527 Madison Avenue and Sixty State Street as compared to the acquisition of One Lincoln Centre being the only cash acquisition in 1996.

The increase in cash provided by financing activities of \$177.0 million is due to the following: common equity offering in 1997 providing \$225.4 million in net proceeds; \$187.0 million of borrowings under the Revolving Credit Facility in 1997; the repayment of \$97.3 million of debt in 1996 in excess of 1997 due to the refinancing of the One Norwest Center mortgage; the receipt of \$7.1 million more proceeds under the dividend reinvestment plan in 1997 than 1996; a reduction in swap termination payments of \$6.6 million; and a decrease in restricted cash of \$2.5 million due to an escrow deposit for the benefit of a mortgage holder arising from the prepayment of rent by a major tenant in 1996. These amounts are offset by the \$140.0 million preferred offering in 1996; the \$32.5 million repayment of the Term Loan; the \$116.0 million of mortgage proceeds received from One Norwest Center and Tower 56 in 1996; increased minority distributions of \$0.2 million due to the additional partnership investments; increased issuance costs of \$15.6 million; and increased distributions to stockholders of \$44.6 million.

The ratio of earnings to fixed charges and dividends on preferred stock increased to 1.62 times at December 31, 1997 from 1.11 times at December 31, 1996 due to the reduction of the percentage of liabilities to total assets described above.

CAPITAL STOCK TRANSACTIONS

On August 31, 1996, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$4.0 million and issued an additional 300,589 shares of Common Stock to stockholders.

On November 8, 1996, through a merger of subsidiaries, the Company issued \$66.5 million (458,621 shares) of 8% Cumulative Convertible Preferred Stock, Series A, in exchange for \$40.0 million in cash and the Frick Building. The preferred shares were converted in July 1997 into the Company's Common Stock at a conversion price of \$14.50 per share. The proceeds were used to acquire One Lincoln Centre.

On November 22, 1996, the Company issued \$100.0 million (689,655 shares) of 8% Cumulative Convertible Preferred Stock. The preferred shares were converted in July 1997 into the Company's Common Stock at a conversion price of \$14.50 per share. Portions of the proceeds were used to acquire 527 Madison Avenue on

On January 31, 1997, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$3.7 million and issued an additional 243,907 shares of Common Stock to stockholders.

On April 21, 1997, the Company received \$225.4 million in gross proceeds from the public offering of 16,100,000 new shares of Common Stock at a price of \$14.00 per share and listed on the New York Stock Exchange through underwriters led by Merrill Lynch & Co. The net proceeds were used as partial consideration for the purchase of the PGGM Portfolio (as defined hereinafter).

On April 30, 1997, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$2.2 million and issued an additional 141,733 shares of Common Stock to stockholders.

On July 31, 1997, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$2.6 million and issued an additional 175,796 shares of Common Stock to stockholders.

On October 27, 1997, the Company increased the authorized shares from 115,000,000 shares of capital stock, without par value, to 265,000,00 shares of capital stock, without par value, of which 15,000,000 shares are preferred stock and 250,000,000 shares are common stock.

On October 27, 1997, as consideration for the acquisition of the PGGM Portfolio (as defined hereinafter), Cornerstone issued 34,185,500 shares of Common Stock to PGGM as compensation for the acquisition of interests in nine Class A office buildings and an undeveloped parcel of land (the "PGGM Portfolio").

On October 31, 1997, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$2.5 million and issued an additional 134,577 shares of Common Stock to stockholders.

On January 5, 1998, the Company purchased for approximately \$5.5 million the participation rights in the cash flow and residual value of Tower 56 from the former participants for 307,692 shares of Common Stock.

On February 6, 1998, Cornerstone completed a secondary public offering of 14,375,000 shares of Common Stock at \$18.25 per share. The shares were placed in the U.S. through a syndicate of seven investment banks led by Merrill Lynch & Co. Net proceeds to the Company were approximately \$247.9 million (approximately \$262.3 million in gross proceeds less an underwriting discount of approximately \$13.7 million and expenses of approximately \$0.7 million). The net proceeds were used to repay outstanding borrowings under the Revolving Credit Facility and for working capital purposes.

On February 27, 1998, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$2.0 million and issued an additional 109,007 shares of Common Stock to stockholders.

On April 28, 1998, the Company issued 3,428,571 shares of Common Stock to the Prudential Insurance Company of America ("Prudential") and 1,657,426 UPREIT Units to certain other persons as partial consideration for the acquisition of One Memorial Drive. Such securities were not registered under the Securities Act of 1933, as amended (the "Securities Act") and were issued in an exempt transaction pursuant to Section 4(2) of the Securities Act. The Company has filed a Registration Statement on Form S-3 (No. 333-59259) to register under the Securities Act the resale by Prudential of such shares of Common Stock.

On May 20, 1998, the Company increased the number of authorized Preferred Stock from 15,000,000 shares to 65,000,000 shares.

On May 29, 1998, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$1.8 million and issued an additional 98,487 shares of Common Stock to stockholders.

On June 3, 1998, the Operating Partnership issued a total of 1,665,663 UPREIT Units to certain persons in connection with the acquisition of 201 California Street and the Wilshire Palisades building. Such securities were not registered under the Securities Act and were issued in an exempt transaction pursuant to Section 4(2) of the Securities Act.

On August 31, 1998, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$1.5 million and issued an additional 94,610 shares of Common Stock to stockholders.

On November 30, 1998, through a dividend reinvestment plan, Cornerstone received proceeds of approximately \$1.5 million and issued an additional 95,300 shares of Common Stock to stockholders.

On December 16, 1998, as part of the consideration paid by the Company in connection with the Wilson Acquisition, the Company issued 14,884,417 shares of Common Stock and the Operating Partnership issued 16,187,724 UPREIT Units to the former owners of WW&A and the Wilson Properties. See "Recent Developments--Wilson Acquisition." Such securities were not registered under the Securities Act and were offered and sold in a private offering pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder. The Company has filed a Registration Statement on Form S-3 (No. 333-72449) to register under the Securities Act the resale by the holders thereof of the 14,884,417 shares of Common Stock issued in connection with the Wilson Acquisition and 16,187,724 shares of Common Stock issuable upon redemption of the UPREIT Units issued in connection with the Wilson Acquisition.

On December 16, 1998, in connection with the Wilson Acquisition, the Company issued 11,594,203 shares of Common Stock to PGGM. See "Recent Developments--Wilson Acquisition." Such shares were not registered under the Securities Act and were offered and sold to PGGM in a private offering pursuant to Section 4(2) of the Securities Act.

FUNDS FROM OPERATIONS

The Company calculates Funds from Operations ("FFO") based upon guidance from the National Association of Real Estate Investment Trusts ("NAREIT"). FFO is defined as net income, excluding gains or losses from debt restructuring and sales of property, plus depreciation and amortization and after adjustments for unconsolidated joint ventures. The Company has adjusted 1997 and 1996 FFO by the net gain on interest rate swaps due to the non-cash nature of these items.

Industry analysts generally consider FFO to be an appropriate measure of performance of a REIT such as Cornerstone. FFO does not represent cash generated from operating activities in accordance with generally accepted accounting principles ("GAAP") and, therefore, should not be considered a substitute for net income as a measure of performance or a substitute for cash flow from operations as a measure of liquidity calculated in accordance with GAAP.

The Company believes that FFO is helpful to investors as a measure of the performance of an equity REIT because, along with cash flows from operating activities, financing activities and investing activities, it provides investors an understanding of the ability of the Company to generate earnings from its recurring operations, after the payment of all administrative costs and interest expense. For cash flows from operating, financing, and investing activities in accordance with GAAP see the Consolidated Statements of Cash Flows included in the Consolidated Financial Statements which are part of this report.

The Company no longer reports free and deferred rental income as an adjustment to FFO because this is not part of the industry standard. Therefore, included in FFO for 1998, 1997, and 1996 are \$14.5 million, \$2.7 million and \$1.0 million, respectively, for free and deferred rental income (after adjustment for minority interest).

42

The table below sets forth the adjustments which were made to the net income of the Company in the calculation of FFO for the last three years (amounts in thousands):

FUNDS FROM OPERATIONS (1)			
	<C> 1998	<C> 1997	<C> 1996
Net income.....	\$ 83,465	\$ 37,547	9,096
NAREIT adjustments:			
Depreciation and amortization (2).....	59,278	30,978	24,317
Minority adjustments.....	(2,120)	(1,551)	(2,011)
Unconsolidated depreciation.....	4,054	--	--
Realized/unrealized gain.....	--	(99)	(4,278)
Loss on sale of real estate assets.....	2,076	--	--
Extraordinary losses.....	4,303	54	3,925
Other adjustments:			
Amortization on rent notes.....	1,531	1,379	1,242
Severance payments.....	478	--	--
Minority interest allocated to unitholders.....	2,850	--	--
Real estate tax adjustment.....	--	--	2,428
Funds from operations.....	155,915	68,308	34,719
Preferred dividends.....	(3,500)	(10,160)	(5,153)
Funds from operations available for common shares.....	\$ 152,415	\$ 58,148	\$ 29,566

-
- (1) Although the Company believes that this table is a full and fair presentation of the Company's FFO, similarly captioned items may be defined differently by other REITs, in which case direct comparisons may not be possible.
 - (2) The depreciation and amortization adjustment does not include amortization of deferred financing costs and depreciation of non-real estate assets in accordance with guidance from NAREIT. Depreciation and amortization includes \$170,000 of amortization relating to certain intangible assets purchased as part of the Wilson Acquisition.

The increase in FFO from 1997 to 1998 of approximately \$87.6 million is due to the \$45.9 million increase in net income due to the following changes described in the captions above in more detail: an increase in total property income of \$89.5 million and an increase in earnings in real estate joint ventures of \$11.4 million; these amounts are partially offset by a decrease in interest and other income of \$4.5 million; an increase in interest expense of \$33.5 million; an increase in general and administrative expenses of \$5.4 million; an increase in loss on sale of real estate assets of \$2.1 million; an increase in minority interest of \$5.1 million; a decrease in gain on interest rate swaps of \$0.1 million; and an increase in extraordinary losses of \$4.3 million.

The following factors also contributed to the increase in FFO: a \$28.3 million increase in depreciation and amortization due to new property acquisitions, plus a \$4.1 million increase in unconsolidated depreciation, plus a \$0.1 million reduction in realized/unrealized gain on interest rate swaps, plus a \$2.1 million increase in loss on sale of real estate assets, plus a \$4.2 million increase in extraordinary loss, plus a \$0.6 million increase in amortization on rent notes and severance payments and a \$2.9 million increase in minority interest allocated to unitholders. These amounts are partially offset by the \$0.6 million decrease in minority interest adjustments.

The increase in FFO from 1996 to 1997 of approximately \$33.6 million is due to the \$28.4 million increase in net income due to the following changes described in the captions above in more detail: an increase in total property income of \$24.3 million and an increase in interest and other income of

43

\$8.7 million; these amounts are partially offset by an increase in interest expense of \$2.3 million; an increase in general and administrative expenses of \$1.2 million; a decrease in gain on interest rate swaps and extraordinary losses of \$0.3 million; and an increase in minority interest of \$0.8 million.

The following factors also contributed to the increase: a \$6.7 million increase in depreciation and amortization due to new property acquisitions, plus a \$4.2 million reduction in realized/unrealized gain on interest rate swaps, plus a \$0.5 million reduction in minority adjustments and a \$0.1 million increase in amortization on rent notes. These amounts are partially offset by the \$3.9 million decrease in extraordinary losses from refinancing One Norwest Center and the \$2.4 million real estate tax adjustment relating to Norwest Center in 1996.

The Company will seek to continue increasing FFO and the value of its property portfolio by acquiring and developing additional properties that the Company believes will produce favorable returns. As part of its ongoing business, the Company periodically engages in discussions with public and private real estate entities regarding possible portfolio or asset acquisitions or business combinations.

MORTGAGE INDEBTEDNESS

On August 2, 1996, the Company refinanced its \$98.0 million Interest-Bearing Notes, collateralized by One Norwest Center, by entering into a \$98.0 million Deed of Trust and Mortgage Notes with Massachusetts Mutual Life Insurance Company, Connecticut General Life Insurance Company and American General Life Insurance Company. The Mortgage Notes bear interest at a rate of 7.50% and mature on July 1, 2001. Additionally, the Company is required to make payments of principal based upon a 30-year amortization schedule. Upon the closing of the mortgage debt, Cornerstone paid a prepayment penalty of approximately \$2.0 million (extraordinary loss) to the Interest-Bearing Noteholders. Unamortized Interest-Bearing Notes financing costs of approximately \$0.2 million (extraordinary loss) were written-off in connection with the refinancing. This loan was refinanced on September 25, 1998 (as discussed below).

Cornerstone was obligated to pay to Deutsche Bank New York Branch, for an interest rate swap agreement used to fix the interest rates on the Interest-Bearing Notes, an amount equal to 0.752% on a notional amount of \$107.0 million throughout the term of the Interest-Bearing Notes. This amount was

treated as a yield adjustment on the long-term debt and has been included in interest expense. On August 2, 1996, this swap was terminated at an approximate cost of \$1.5 million, which was treated as an extraordinary loss.

As protection against market interest rates rising prior to the maturity of the Interest-Bearing Notes, on September 29, 1993, Cornerstone entered into a forward interest rate swap agreement with Deutsche Bank AG. The interest rate swap agreement was revised as part of the refinancing of One Norwest Center. The forward interest rate swap agreement was for a fixed rate of 7.14% on a notional amount of \$92.8 million for a period of five years beginning July 1, 2001. Effective January 16, 1997, this forward swap was terminated.

On October 27, 1997, the Company entered into three mortgage loans with PGGM as purchase money financing for the PGGM Portfolio. The mortgages, which are cross-collateralized, encumber TransPotomac Plaza 5, Charlotte Plaza, 527 Madison Avenue, One Lincoln Centre, 200 Galleria and the first mortgage note on Market Square. These mortgages total \$250.0 million and are interest only with no prepayment rights. The first loan has a \$65.0 million principal balance, bears interest at a rate of 7.28% and matures in October 2000. Upon repayment of this loan, PGGM will release the liens on TransPotomac Plaza 5 and Charlotte Plaza. The second loan has a \$65.0 million principal balance, bears interest at a rate of 7.47% and matures in October 2004. Upon repayment of this loan, PGGM will release the liens on 527 Madison Avenue and One Lincoln Centre. The third loan has a \$120.0 million principal balance, bears interest at a rate of 7.54% and matures in October 2007. Upon repayment of this loan, PGGM will release the liens on 200 Galleria and Market Square.

44

On December 31, 1997, the Company purchased the second mortgage on Sixty State Street in Boston, Massachusetts. The property has a first mortgage in the amount of approximately \$78.4 million, which matures in January 2005. The loan requires amortization based on a 30-year schedule and bears interest at a rate of 9.5%. While the face amount of the first mortgage is \$77.9 million, and the interest rate is 9.5%, the Company is carrying the debt at \$87.6 million, which is the market value of the loan at the time of the closing, less the amortization of principal and premium since closing, based upon a market interest rate for similar quality loans of 6.84%.

On January 28, 1998, the Company entered into an \$80.0 million first mortgage on Corporate 500 Centre with Bankers Trust Company. The loan bears interest at a rate of LIBOR plus 1.0% and matures in July 2002. The Company had entered into a \$80.0 million interest rate swap to protect it from interest rate fluctuations that could have affected its floating rate debt on Corporate 500 Centre. The swap effectively fixed the interest rate on the \$80.0 million loan at 6.63%. This agreement was terminated in August 1998 at no cost to the Company. On October 9, 1998, the Company completed the refinancing of the \$80.0 million mortgage on Corporate 500 Centre with Teachers Insurance and Annuity Association. As a result of the refinancing, the principal balance was increased to \$90.0 million, the term of the loan was extended from 4.5 years to 10 years and the interest rate was increased by three basis points to 6.66%.

On June 3, 1998, the Company assumed the mortgage on 201 California Street in San Francisco, California. The loan requires amortization based on a 30-year schedule and bears interest at a rate of 6.9%. While the face amount of the loan is \$32.8 million, and the interest rate is 6.9%, the Company is carrying the debt at \$33.1 million, which is the market value of the loan at the time of the closing, less the amortization of principal and premium since closing, based upon a market interest rate for similar quality loans of 6.7%.

On June 3, 1998, the Company assumed the mortgage on Wilshire Palisades in Santa Monica, California. The loan requires amortization based on a 22-year schedule and bears interest at a rate of 8.04%. While the face amount of the loan is \$28.8 million, and the interest rate is 8.04%, the Company is carrying the debt at \$29.9 million, which is the market value of the loan at the time of the closing, less the amortization of principal and premium since closing, based upon a market interest rate for similar quality loans of 6.7%.

On September 25, 1998, the Company completed the refinancing of the \$96.1 million mortgage on One Norwest Center with the Connecticut General Life Insurance Company ("CIGNA") and the Massachusetts Mutual Life Insurance Company ("Mass Mutual"). As a result of the refinancing, the principal balance was increased to \$98.5 million, the term of the loan was extended from three years to ten years and the interest rate was reduced from 7.50% to 6.90%.

On December 16, 1998, the Company assumed various mortgages totaling approximately \$760.0 million as part of the Wilson Acquisition. The loans have various amortization periods and interest rates. Certain assumed loans were prepaid subsequent to the closing but prior to year end. While the face amount of the loans at December 31, 1998 is approximately \$660.6 million, the Company is carrying the debt at \$674.3 million, which is the market value of the loans at the time of the closing, less the amortization of principal and premium since closing, based upon a market interest rate for similar quality loans of 6.9%.

OTHER INDEBTEDNESS

On August 8, 1995, the existing \$32.5 million term loan (the "Term Loan") was extended through December 31, 2003 and assigned to Deutsche Bank AG London at an interest rate of 5.0%. The Term Loan had a \$32.5 million balance at December 31, 1996. The loan was prepaid on March 18, 1997, since, under its terms, it was required to be prepaid upon Cornerstone's initial public offering in the United States.

45

Effective January 1, 1996, in connection with the acquisition of the 10% minority interest in Norwest Center, the Company entered into a \$12.9 million convertible promissory note payable to Hines Colorado Limited ("HCL"). The note payable pays monthly interest only at the lesser of 8.11% or LIBOR plus 50 basis points. The note is convertible at the option of HCL into shares of common stock at \$14.30 per share after January 1, 1997. At maturity of the note on January 1, 2001, Cornerstone has the right to redeem the note in exchange for common shares of the Company at the lower of the market price or \$14.30 per share.

At December 31, 1996, Cornerstone had a \$10.0 million revolving line of credit with Bankers Trust Company. The line was available for general corporate and acquisition purposes at a rate equivalent to an adjusted Eurodollar rate. The line was also available for the issuance of standby letters of credit at a rate of 0.15% and expired on November 7, 1997. At December 31, 1996, none of the credit line had been drawn upon.

On October 27, 1997, the Company entered into a three-year, \$350.0 million acquisition line of credit syndicated by Bankers Trust Company and The Chase Manhattan Bank. The line bore interest at a rate of LIBOR plus 1.10% to 1.40% depending on the Company's then current leverage ratio (as defined). Borrowings under the facility at December 31, 1997 were \$187.0 million at an average interest rate of 8.12%. The line was also available for the issuance of standby letters of credit. The facility was amended and restated on November 3, 1998--see below.

On November 3, 1998, a syndicate of 17 banks led by Bankers Trust Company, The Chase Manhattan Bank and NationsBank provided the Company with a \$550.0 million line of credit for acquisitions and general working capital purposes (the "Revolving Credit Facility"). The facility is also available for the issuance of letters of credit. The interest rate on the Revolving Credit Facility depends on the Company's ratio of total debt to total asset value (as defined) at the time of borrowing and will be at a spread of 1.10% to 1.40% over the applicable LIBOR rate. The facility contains the same terms as the Company's previous \$350.0 million facility, which was retired at the closing of the new facility. The Revolving Credit Facility expires on November 3, 2001. Borrowings under the facility at December 31, 1998 were \$465.0 million at an average interest rate of approximately 6.9%. In addition, at December 31, 1998, there was a \$5.0 million letter of credit outstanding at a rate of approximately 1.40%.

The Company holds debt instruments that are sensitive to changes in interest rates. The maturity, weighted average interest rates and fair values are presented in the Consolidated Financial Statements which are part of this report.

In the normal course of business, the Company also faces risks that are either non-financial or non-qualitative. Such risks principally include credit risks and legal risks and are not included in the aforementioned notes.

STOCKHOLDERS' AND UNITHOLDERS' DISTRIBUTIONS

Cornerstone intends to distribute at least 95.0% of its taxable income to maintain its qualification as a REIT. The Company anticipates that cash flow will exceed taxable income for the foreseeable future. Cornerstone's distribution policy is to pay distributions based upon cash flow, less prudent reserves. The Company paid distributions of \$0.30 per share/unit to all stockholders and unitholders on February 27, 1998 (to stockholders and unitholders of record as of January 30, 1998). The Company paid distributions of \$0.30 per share/unit to all stockholders and unitholders on May 29, 1998 (to stockholders and unitholders of record as of April 30, 1998). The Company paid distributions of \$0.30 per share/unit to all stockholders and unitholders on August 31, 1998 (to stockholders and unitholders of record as of July 31, 1998). The Company paid distributions of \$0.30 per share/unit to all stockholders and unitholders on November 30, 1998 (to stockholders and unitholders of record as of October 30, 1998). On December 7, 1998, in connection with the Wilson Acquisition, the Company declared a distribution of \$0.15 per share/unit to all stockholders and unitholders of record as of December 15, 1998 and a distribution of \$0.15 per share/unit to all stockholders and unitholders of record as of January 29, 1999. Both distributions were paid on February 26, 1999.

46

The Revolving Credit Facility contains certain restrictive covenants including a limitation on the Company's dividend to 90.0% of FFO and 110.0% of

funds available for distribution, both as defined in the agreement.

At the present time, the Company is current in the payment of all preferred dividends.

LIQUIDITY

At December 31, 1998, the Company had approximately \$61.9 million in cash and cash equivalents and approximately \$9.1 million in restricted cash. Restricted cash includes security deposits for some of the Company's office properties and escrow and reserve funds for real estate taxes, property insurance, capital improvements, tenant improvements and leasing costs. These funds were established pursuant to certain mortgage and construction financing arrangements. Cornerstone also had available \$80.0 million under its Revolving Credit Facility for general corporate purposes. In addition, Cornerstone anticipates it will receive distributions from its real estate partnerships, rental income from its fee owned properties and interest income from its mortgages on a monthly basis which will be used to cover normal operating expenses and pay distributions to its stockholders and unitholders. Based upon its cash reserves and other sources of funds including its \$550.0 million Revolving Credit Facility, management believes Cornerstone has sufficient liquidity to meet its cash requirements for the remainder of 1999.

OTHER MATTERS

General

The Company is not aware of any environmental issues at any of its Properties that would have a material adverse impact on the Company's operating results or financial condition. The Company believes it has sufficient insurance coverage at each of its Properties. A majority of the Company's leases with the majority of its tenants require the tenants to pay most operating expenses and increases in common area maintenance expenses, which reduces the Company's exposure to increases in costs and operating expenses resulting from inflation.

Concentration of Risk

Approximately 6.3 million of the Company's 20.9 million rentable square feet is located in the San Francisco metropolitan market, accounting for approximately 30% of the Company's total assets at December 31, 1998. In addition, five of the Company's 96 office Properties are located in the Downtown Boston market, accounting for approximately 31.9% of the Company's office and parking revenues for the year ended December 31, 1998. This concentration of assets makes the Company particularly vulnerable to adverse changes in economic conditions in the San Francisco and Boston metropolitan areas. A significant decline in these economic conditions could have a material adverse effect on the Company.

Norwest Corporation and its subsidiary, Norwest Bank Denver N.A., tenants of the Company, provided approximately 9.5%, 20.0% and 26.0% of office and parking rental income for the years ended December 31, 1998, 1997 and 1996, respectively. Included in deferred tenant receivables is approximately \$33.9 million and \$31.3 million due from Norwest Corporation at December 31, 1998 and 1997, respectively.

Recently Issued Accounting Standards

During 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In addition, the Accounting Standards Executive Committee of the American

Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") and Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"), which are effective for fiscal years beginning after December 15, 1998. SOP 98-5 requires that certain costs incurred in conjunction with start-up and organizational activities be expensed. SOP 98-1 provides guidance on whether the costs of computer software developed or obtained for internal use should be capitalized or expensed. Management believes that when adopted, SFAS 133, SOP 98-5 and SOP 98-1 will not have a significant effect on the Company's financial statements.

During the first quarter of 1998, the Company adopted the FASB's Emerging Issues Task Force's release Issue No. 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions" ("EITF 97-11"). EITF 97-11 requires that the internal pre-acquisition costs of identifying and acquiring

operating property be expensed as incurred. The adoption of EITF 97-11 did not have a material effect on the Company's financial statements.

During the first quarter of 1998, the Company also adopted the FASB's Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 specifies the presentation and disclosure requirements for comprehensive income which includes those items which have been formerly reported as a component of stockholders' equity. The adoption of SFAS 130 did not have a significant effect on the Company's financial statements.

The Company has adopted Statement of Financial Accounting Standard No. 131 ("SFAS 131"), which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders. See the Notes to the Consolidated Financial Statements which are part of this report for further discussion.

Year 2000 Compliance

GENERAL

The Year 2000 compliance issue concerns the inability of computerized information systems to accurately calculate, store or use a date after December 31, 1999. This could result in a system failure or miscalculations causing disruptions of operations. The Year 2000 issue affects virtually all companies and all organizations. Management recognizes the importance of ensuring that its business and operational systems are not disrupted as a result of Year 2000 issues.

READINESS

Cornerstone Properties Inc. has created a Year 2000 task force to evaluate and take the appropriate actions regarding Year 2000 compliance. The Company's plan is divided into three major sections: (i) compliance of information systems at the corporate offices in New York and Atlanta ("Home Office"); (ii) compliance of information and real estate operating systems at the corporate offices in California and the Wilson Projects ("Wilson"); and (iii) assessment of compliance of significant service providers including third party managers and the buildings they manage, vendors and customers ("External Agents"). The plan covers the following major tasks: (i) inventory of all systems; (ii) analysis of inventory including assessment of risk; (iii) verification of compliance of inventory with vendors; (iv) testing of critical equipment and processes; and (v) replacement or modification of systems.

The first section of the plan, Home Office, is complete. The Wilson and External Agents sections of the plan are proceeding according to schedule with expected completions before December 31, 1999. The plan also includes questionnaires that will be sent to tenants in order to attempt to determine the effect of Year 2000 on their businesses and ultimately the Company's income stream.

48

COST

The total historical and anticipated remaining costs for the Year 2000 remediation are estimated to be immaterial to the Company's financial condition. The costs to date consist of recurring systems upgrades and replacements, immaterial internal staff costs and other expenses such as telephone and mailing costs. The information and real estate operating systems that have thus far been identified as non-compliant are at or approaching the end of their useful lives and have been or will be replaced or upgraded as a part of the normal operations of the Company.

RISKS AND CONTINGENCY PLANS

The Company does not anticipate significant delays in finalizing the first two sections of its Year 2000 remediation plan. However, External Agents having a material relationship with the Company (e.g., property managers, utilities, financial institutions, governmental agencies, municipalities and major tenants) may be a potential risk based on their individual Year 2000 preparedness, which may not be within the Company's reasonable control. The Company is in the process of identifying, reviewing and logging the Year 2000 preparedness of critical External Agents.

While the Company is not aware of any matters with regard to its major tenants which could give rise to a material default, there may be a potential risk with regard to their Year 2000 preparedness which may be outside the Company's reasonable control. The Company is currently in the process of surveying its tenants to try to predetermine the risk of defaults due to Year 2000 issues.

Currently, there has been no indication or expectation of material risks in the compliance of the first two sections of the plan. Pending unfavorable

results, the Company will determine what course of action and contingencies will need to be made. There can be no assurance that external Year 2000 issues will be resolved. Noncompliance of External Agents as well as the Company's major tenants could have a material adverse impact on the Company's business, operating results and financial condition.

YEAR 2000 COMPLIANCE DETAIL

Home Office

- I. Inventory of all systems: The Company has inventoried all information systems at its corporate offices in New York and Atlanta. The hardware systems primarily consist of desktop and laptop computers, server computers, printers, phone systems and local area and wide area network infrastructures. The software applications primarily consist of commercial off the shelf software ("COTS") products for spreadsheet analysis, word processing, accounting, cash flow analysis and other office automation tasks.
- II. Analysis of inventory and assessment of risk: The systems inventory has been analyzed as to its compliance via vendor certifications. All of the Home Office systems are Year 2000 compliant.
- III. Verification of compliance with vendors: The Company has verified compliance of systems through systems' documentation, mail correspondences and vendor web sites.
- IV. Testing of critical equipment and processes: The Home Office primarily uses COTS products and does not significantly rely on any proprietary or customized systems. The Company has performed no testing and has relied upon vendor certifications and vendor internal testing processes.
- V. Replacement or modification of systems: The Company has replaced or modified non-compliant systems in the ordinary course of business.

Wilson

- I. Inventory of all systems: The Company continues to inventory all information and real estate operating systems at its offices and Properties, the majority of which are located in California. The information systems primarily consist of desktop and laptop computers, server computers,

printers, phone systems, local area and wide area network infrastructures, and COTS products for spreadsheet analysis, word processing, accounting, cash flow analysis and other office automation tasks. The real estate operating systems primarily consist of heating ventilation and air conditioning ("HVAC") systems, elevator systems, electrical systems, fire and life safety systems and security control systems.
- II. Analysis of inventory and assessment of risk: The systems inventory has been analyzed as to its compliance via vendor certifications. Substantially all of the information and real estate operating systems are Year 2000 compliant. Those systems identified as non-compliant will be upgraded or replaced in the normal course of business by December 31, 1999. A component of the accounting system used by Wilson has been identified as non-compliant. An upgrade has been purchased and will be installed by the end of the second quarter of 1999. The cost of the upgrade was approximately \$10,000.
- III. Verification of compliance with vendors: The Company has verified compliance of systems through systems' documentation, mail correspondences and vendor web sites.
- IV. Testing of critical equipment and processes: Wilson primarily uses COTS products and does not significantly rely on any proprietary or customized systems. The Company has performed no testing and has relied upon vendor certifications and vendor internal testing processes.
- V. Replacement or modification of systems: The Company has and will continue to replace or modify non-compliant systems in the ordinary course of business.

External Agents

As part of the Company's Year 2000 compliance plan, significant service providers, vendors and customers have been identified and steps are being undertaken to reasonably ascertain their stage of Year 2000 readiness. Through questionnaires, web sites, interviews, on site visits and other available means, the Company is assessing the Year 2000 risk of its third party property managers, financial institutions, significant tenants and other significant business partners.

Of the External Agents, the Company has focused attention on assessing the Year 2000 risk of its third party property managers and the associated real estate operating systems (HVAC systems, elevator systems, electrical systems, fire and life safety systems and security control systems). Currently, through the process of surveys, interviews and on site visits, there has been no indication of material Year 2000 risks at the Company's third-party property managers. Non-compliant systems will be upgraded or replaced in the normal course of business before December 31, 1999 or will be addressed with a contingency plan.

There can be no assurance that external Year 2000 issues will be resolved. Should non-compliance of External Agents not be discovered, such non-compliance could have a material adverse impact on the Company's business, operating results and financial condition. Where possible, the Company will terminate any vendor relationships should it find any material Year 2000 issues with that vendor.

Development Project

On April 15, 1998, the Company entered into an agreement to purchase a 927,000 square-foot Class A office building, currently under development, in downtown Minneapolis, Minnesota. Approximately \$36.9 million has been spent as of December 31, 1998 on the construction. The project is scheduled to be completed in the year 2000 and is approximately 50% pre-leased. The development is being financed through a construction loan by U.S. Bank. Upon completion, the Company will retire the construction loan and acquire the property from the developer for an amount to be determined by applying a negotiated formula to in-place net operating income.

50

SUBSEQUENT EVENTS

On January 4, 1999, in connection with the Wilson Acquisition, the Company prepaid the notes on Two ADP Plaza and Two Corporate Centre. The balances of the two loans at the time of prepayment were \$13.4 million and \$18.6 million, respectively.

During January 1999, the Company entered into four interest rate swap agreements with major financial institutions. The swaps effectively fix the LIBOR rate on \$250.0 million of the amount outstanding on the Company's credit facility at approximately 5.1%. The swap agreements expire on November 3, 2001 coterminous with the Revolving Credit Facility.

A cash dividend and unitholder distribution of \$0.15 per share/unit was declared for the first half of the fourth quarter of 1998 and paid on February 26, 1999, to common stockholders and unitholders of record as of December 15, 1998. A cash dividend and unitholder distribution of \$0.15 per share/unit was declared for the second half of the fourth quarter of 1998 and paid on February 26, 1999, to common stockholders and unitholders of record as of January 29, 1999.

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

As of December 31, 1998, the Company had approximately \$649.1 million of variable rate debt outstanding. The Company does not believe that the interest rate risk represented by its floating rate debt is material as of that date in relation to the approximately \$2.0 billion of total debt outstanding and approximately \$4.2 billion market capitalization of the Company.

The Company was not a party to any hedging agreements with respect to its variable rate debt as of December 31, 1998. The Company will consider entering into hedging agreements with respect to all or a portion of its floating rate debt and during January 1999 entered into four hedging agreements with major financial institutions for a total amount of approximately \$250.0 million. Although hedging agreements would enable the Company to convert variable rate liabilities to fixed rate liabilities, they would expose the Company to the risk that the counterparties to such hedge agreements may not perform, which could increase the Company's exposure to rising interest rates. Generally, however, the counterparties to hedging agreements that the Company would enter into would be major financial institutions. The Company may borrow additional money with variable rates in the future. Increases in interest rates, or loss of benefits of any hedging agreements that the Company may enter into in the future, would increase the Company's interest expense, which could affect cash flow and the ability of the Company to service its debt. If the Company enters into any hedging agreements in the future, decreases in interest rates thereafter would increase the Company's interest expense as compared to the underlying variable rate debt and could result in the Company making payments to unwind such agreements.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See the Financial Statements included as a part hereof.

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

None.

51

PART III

The information required to be included in Form 10-K in response to the following items is to be included in the Company's Proxy Statement for its Annual Meeting to be held on May 25, 1999, to be filed pursuant to Regulation 14A, and pursuant to applicable rules is incorporated herein by reference.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

ITEM 11. EXECUTIVE COMPENSATION.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

PART IV

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

The following documents are filed as part of this annual report:

(A) FINANCIAL STATEMENTS:

<TABLE>
<CAPTION>

<S>

(i) The Company:

PAGE NUMBER

<C>

F-1

The following financial statements and report of independent accountants are filed herewith at the pages indicated:

Report of Independent Accountants.....	F-2
Consolidated Balance Sheets at December 31, 1998 and 1997.....	F-3
Consolidated Statements of Income for the years ended December 31, 1998, 1997 and 1996.....	F-4
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1997 and 1996.....	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997 and 1996.....	F-6
Notes to Consolidated Financial Statements.....	F-7 to F-26

</TABLE>

(B) REPORTS ON FORM 8-K:

1. Form 8-K dated December 1, 1998

Item 5-- Other Events. Cornerstone Properties Inc. closes \$550.0 million Revolving Credit Facility.

Item 7-- Financial Statements and Exhibits. Press release announcing the closing of the \$550.0 Revolving Credit Facility. Second Amended and Restated Revolving Credit Guaranty Agreement dated November 3, 1998.

2. Form 8-K dated December 16, 1998

Item 2-- Acquisition or Disposition of Assets. Cornerstone Properties Inc. completes its acquisition of William Wilson & Associates and its related entities.

Item 5-- Other Events. Matters related to the Wilson Acquisition.

52

Item 7-- Financial Statements, Pro Forma Financial Information and Exhibits. The required pro forma financial statements will be filed on Form 8-K/A within 60 days of this filing.

3. Form 8-K/A filed March 1, 1999

Item 7-- Financial Statements, Pro Forma Financial Information and Exhibits. Pro forma financial statements regarding the Wilson Acquisition as of and for the period ending September 30, 1998.

(C) EXHIBITS:

<TABLE> <CAPTION> EXHIBIT NO.		DESCRIPTION
<C>		<S>
2.4		Contribution Agreement and Agreement and Plan of Merger, dated as of June 22, 1998, as amended, by and among Cornerstone Properties Inc., Cornerstone Properties Limited Partnership, William Wilson & Associates and the entities listed on Schedule 1 thereto, incorporated by reference to Annex A of the Company's definitive Proxy Statement on Schedule 14A dated November 13, 1998.
3.1(a)		Restated Articles of Incorporation of Cornerstone Properties, Inc., as of March 12, 1996, incorporated by reference to Exhibit 3.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996.
3.1(b)		Certificate of Amendment of Restated Articles of Incorporation of the Company, dated October 27, 1997, incorporated by reference to Exhibit 4.2(b) of the Company's Registration Statement on Form S-3 filed March 2, 1998 (Registration Statement No. 333-47149).
3.5		Amended and Restated Bylaws of Cornerstone Properties Inc., incorporated by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K dated December 16, 1998.
4.1		Specimen Common Stock Certificate, incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3 filed March 2, 1998 (Registration Statement No. 333-47149).
4.2		Certificate of Voting Powers, Designations, Preferences, Limitations, Restrictions and Relative Rights of 7% Cumulative Convertible Preferred Stock of the Company, incorporated by reference to Exhibit 10.57 of the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
10.1		Loan Sale Agreement, dated as of November 21, 1995, between The Sakura Bank, LTD. and Cornerstone Properties Inc., incorporated by reference to Exhibit 10.56 of the Company's Annual Report on Form 10-K for the year ended December 31, 1995.
10.2		Convertible Promissory Note dated January 1, 1996 made by Cornerstone Properties Inc., with Hines Colorado Limited in the amount of \$12,925,976.48, incorporated by reference to Exhibit 10.63 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996.
10.3		Stock Purchase Agreement between DIHC, as seller, and Cornerstone Properties Inc., as purchaser, dated as of August 18, 1997, incorporated by reference to Annex I to the Company's definitive Proxy Statement on Schedule 14A, filed September 23, 1997.
10.4		Loan Purchase Agreement between PGGM, as seller, and Cornerstone Properties Inc., as purchaser, dated August 18, 1997, incorporated by reference to Annex II to the Company's definitive Proxy Statement on Schedule 14A, filed September 23, 1997.
</TABLE>		

<TABLE> <CAPTION> EXHIBIT NO.		DESCRIPTION
<C>		<S>
10.5		Agreement of Limited Partnership of Cornerstone Properties Limited Partnership dated as of December 23, 1997, incorporated by reference to Exhibit 10.118 of the Company's Annual Report on Form 10-K for the year ended December 31, 1997.
10.6*		First Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership.
10.7*		Second Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership.
10.8*		Third Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership.
10.9*		Fourth Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership.
10.10*		Employment Agreement dated December 16, 1998 between Cornerstone Properties Inc. and Cornerstone Properties Limited Partnership and William Wilson III.
10.11*		Employment Agreement dated December 16, 1998 between Cornerstone Properties Inc. and Cornerstone Properties Limited Partnership and John S. Moody.
10.12		Amended and Restated Cornerstone Properties Inc. 1998 Long-Term Incentive Plan, incorporated by reference to Annex D of the Company's definitive Proxy Statement on Schedule 14A dated November 13, 1998.
10.13*		Form of Retention Agreement for executive officers of the Company.
10.14		Second Amended and Restated Revolving Credit and Guaranty Agreement dated November 3, 1998 among Cornerstone Properties Inc. and Cornerstone Properties Limited Partnership (the "Borrowers"), the subsidiaries of the Borrowers (the "Guarantors"), the Lenders, Bankers Trust Company and The Chase Manhattan Bank and NationsBank, N.A., incorporated by reference to Exhibit 99.2 of the Company's Current Report on Form 8-K dated December 1, 1998.

- 10.15 Stockholders' Agreement, dated as of November 22, 1996, by and among Cornerstone Properties Inc., and the New York State Teachers' Retirement System together with any other purchasers of 8% Preferred Stock, incorporated by reference to Exhibit 20.1 of the Company's Report on Form 8-K as of December 12, 1996, incorporated by reference to Exhibit 20.1 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996.
- 10.16 Stockholders' Agreement, dated as of November 7, 1996, by and between Cornerstone Properties Inc. and Hexalon Real Estate, Inc., and together with any other purchasers of 8% Preferred Stock, Series A, incorporated by reference to Exhibit 20.2 of the Company's Report on Form 8-K as of December 12, 1996, incorporated by reference to Exhibit 20.2 of the Company's Annual Report on Form 10-K for the year ended December 31, 1996.
- 10.17* Amended and Restated Registration Rights and Voting Agreement dated as of December 16, 1998 among PGGM, DIHC and Cornerstone Properties Inc.
- 10.18 Registration Rights and Lockup Agreement dated as of December 16, 1998 by and among Cornerstone Properties Inc. and the investors listed therein, incorporated by reference to Annex B of the Company's definitive Proxy Statement on Schedule 14A dated November 13, 1998.

</TABLE>

54

<TABLE>

<CAPTION>

EXHIBIT NO.	DESCRIPTION
<C>	<S>
12.1*	Statement of Computation of Earnings to Fixed Charges and Preferred Stock Dividend Requirements.
21*	List of Subsidiaries.
23*	Consent of PricewaterhouseCoopers LLP.
24.1*	Powers of Attorney.
27*	For EDGAR filing purposes only, this report contains Exhibit 27, Financial Data Schedule.

</TABLE>

* Filed herewith.

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.

CORNERSTONE PROPERTIES INC.
(Registrant)

/s/ JOHN S. MOODY

John S. Moody, President & CEO

DATED: March 24, 1999

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

<TABLE>

<C>	<S>
/s/ WILLIAM WILSON III	
----- William Wilson III	Chairman of the Board and Director
/s/ JOHN S. MOODY	Chief Executive Officer, President and Director
----- John S. Moody	(Principal Executive Officer)
/s/ RODNEY C. DIMOCK	
----- Rodney C. Dimock	Chief Operating Officer and Director
/s/ KEVIN P. MAHONEY	Chief Financial Officer
----- Kevin P. Mahoney	(Principal Financial and Accounting Officer)
* /s/ CECIL D. CONLEE	
----- Cecil D. Conlee	Director
* /s/ BLAKE EAGLE	
-----	Director

Blake Eagle

-----	Director
Dr. Karl-Ludwig Hermann	
*/s/ HANS C. MAUTNER	
-----	Director
Hans C. Mautner	

55

<TABLE>	
<C>	<S>
*/s/ DR. LUTZ MELLINGER	
-----	Director
Dr. Lutz Mellinger	
*/s/ CRAIG R. STAPLETON	
-----	Director
Craig R. Stapleton	
-----	Director
Michael J.G. Topham	
-----	Director
Dick van den Bos	
-----	Director
Jan van der Vlist	
*/s/ DONALD G. FISHER	
-----	Director
Donald G. Fisher	
*/s/ RANDALL A. HACK	
-----	Director
Randall A. Hack	

* By John S. Moody, as Attorney-in-Fact for the persons indicated

DATED: March 24, 1999

56

CORNERSTONE PROPERTIES INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 1998 AND 1997
AND FOR THE YEARS ENDED
DECEMBER 31, 1998, 1997 AND 1996

F-1

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of
Cornerstone Properties Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(i) of this Form 10-K present fairly, in all material respects, the financial position of Cornerstone Properties Inc. and Subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP

PricewaterhouseCoopers LLP

CORNERSTONE PROPERTIES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1998 AND 1997

(DOLLAR AMOUNTS IN THOUSANDS)

	1998	1997
	-----	-----
<S>	<C>	<C>
ASSETS		
Investments, at cost:		
Land.....	\$ 729,323	\$ 260,542
Buildings, leasehold interests and improvements.....	3,466,288	1,559,085
Investment in real estate joint ventures.....	31,500	240,253
Deferred lease costs.....	144,838	127,645
	-----	-----
	4,371,949	2,187,525
Less: Accumulated depreciation and amortization.....	288,448	229,652
	-----	-----
Total investments.....	4,083,501	1,957,873
Cash and cash equivalents.....	61,869	24,730
Restricted cash.....	9,114	1,903
Other deferred costs, net of accumulated amortization of \$762 and \$1,998.....	6,153	5,728
Deferred tenant receivables.....	53,802	38,531
Tenant and other receivables, net.....	10,557	7,584
Note receivable.....	134	1,652
Other assets, net.....	56,854	13,480
	-----	-----
TOTAL ASSETS.....	\$4,281,984	\$2,051,481
	-----	-----
LIABILITIES		
Long-term debt, inclusive of \$25,031 and \$11,209 of unamortized premium.....	\$1,532,474	\$ 706,178
Credit facility.....	465,000	187,000
Accrued interest.....	10,933	4,134
Accrued real estate taxes.....	16,395	13,401
Accounts payable and accrued expenses.....	51,454	18,363
Common stockholders' distributions payable.....	38,163	--
Unearned revenue and other liabilities.....	23,890	10,986
	-----	-----
TOTAL LIABILITIES.....	2,138,309	940,062
	-----	-----
MINORITY INTEREST		
Minority interest in operating partnership.....	283,388	--
Minority interest in real estate joint ventures.....	23,420	15,420
	-----	-----
TOTAL MINORITY INTEREST.....	306,808	15,420
	-----	-----
Commitments and contingencies		
Redeemable preferred stock; 344,828 shares authorized; 0 shares issued and outstanding.....	--	--
STOCKHOLDERS' EQUITY		
7% Cumulative convertible preferred stock, \$16.50 stated value; 65,000,000 shares authorized; 3,030,303 shares issued and outstanding.....	50,000	50,000
Common stock, no par value; 250,000,000 shares authorized; (1998-128,210,784; 1997-83,191,819) shares issued and outstanding		
Paid-in capital.....	1,788,567	1,048,187
Retained earnings (deficit).....	--	--
Deferred compensation.....	(1,700)	(2,188)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY.....	1,836,867	1,095,999
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY.....	\$4,281,984	\$2,051,481
	-----	-----

</TABLE>

The accompanying notes are an integral part of these consolidated financial
statements.

CORNERSTONE PROPERTIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
REVENUES			
Office and parking rentals.....	\$ 338,515	\$ 159,828	\$ 111,494
Earnings in real estate joint ventures.....	11,420	--	--
Interest and other income.....	9,551	14,083	5,414
	-----	-----	-----
TOTAL REVENUES.....	359,486	173,911	116,908
	-----	-----	-----
EXPENSES			
Building operating expenses.....	75,663	35,962	24,578
Real estate taxes.....	46,760	25,560	19,610
Interest expense.....	67,533	33,977	31,734
Depreciation and amortization.....	59,278	30,978	24,317
General and administrative.....	12,939	7,564	6,407
	-----	-----	-----
TOTAL EXPENSES.....	262,173	134,041	106,646
	-----	-----	-----
	97,313	39,870	10,262
	-----	-----	-----
OTHER INCOME (EXPENSES)			
Loss on sale of real estate assets.....	(2,076)	--	--
Minority interest.....	(7,469)	(2,368)	(1,519)
Net gain on interest rate swaps.....	--	99	4,278
	-----	-----	-----
Income before extraordinary item.....	87,768	37,601	13,021
Extraordinary loss.....	(4,303)	(54)	(3,925)
	-----	-----	-----
NET INCOME.....	\$ 83,465	\$ 37,547	\$ 9,096
	-----	-----	-----
INCOME APPLICABLE TO PREFERRED STOCK.....	\$ (3,500)	\$ (10,160)	\$ (5,153)
	-----	-----	-----
INCOME APPLICABLE TO COMMON STOCK.....	\$ 79,965	\$ 27,387	\$ 3,943
	-----	-----	-----
INCOME BEFORE EXTRAORDINARY ITEM PER COMMON SHARE.....	\$ 0.84	\$ 0.63	\$ 0.39
	-----	-----	-----
EXTRAORDINARY LOSS PER COMMON SHARE.....	\$ (0.04)	\$ --	\$ (0.20)
	-----	-----	-----
BASIC NET INCOME PER COMMON SHARE.....	\$ 0.80	\$ 0.63	\$ 0.19
	-----	-----	-----
DILUTED NET INCOME PER COMMON SHARE.....	\$ 0.80	\$ 0.63	\$ 0.19
	-----	-----	-----

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

CORNERSTONE PROPERTIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(DOLLAR AMOUNTS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	COMMON STOCK		PREFERRED STOCK		RETAINED	DEFERRED	TOTAL
	OUTSTANDING	PAID-IN	OUTSTANDING	PAID-IN	EARNINGS	COMPENSATION	
	SHARES	CAPITAL	SHARES	CAPITAL	(DEFICIT)		
	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

BALANCE, JANUARY 1, 1996.....	19,959,515	\$ 181,477	3,030,303	\$ 50,000	\$ (39,885)	\$ (2,236)	\$ 189,356
Common stock issued for 10% partnership purchase.....	349,650	5,000	--	--	--	--	5,000
Restricted stock grant vesting.....	--	--	--	--	--	988	988
Net income.....	--	--	--	--	9,096	--	9,096
Dividend reinvestment, net of \$212 in stock issuance costs.....	300,589	3,804	--	--	--	--	3,804
Preferred stock distributions.....	--	(5,153)	--	--	--	--	(5,153)
Common stock distributions (\$1.20/shr)...	--	(24,551)	--	--	--	--	(24,551)
BALANCE, DECEMBER 31, 1996.....	20,609,754	\$ 160,577	3,030,303	\$ 50,000	\$ (30,789)	\$ (1,248)	\$ 178,540
Common stock proceeds, net of \$17,204 in stock issuance costs.....	16,100,000	208,196	--	--	--	--	208,196
Preferred stock conversion.....	11,482,760	162,515	--	--	--	--	162,515
Dividend reinvestment, net of \$296 in stock issuance costs.....	696,013	10,808	--	--	--	--	10,808
PGGM stock.....	34,185,500	547,000	--	--	--	--	547,000
Restricted stock grants.....	107,292	1,761	--	--	--	(1,868)	(107)
Restricted stock grant vesting.....	--	--	--	--	--	928	928
Net income.....	--	--	--	--	37,547	--	37,547
Option exercise.....	10,500	150	--	--	--	--	150
Preferred stock distributions.....	--	(3,402)	--	--	(6,758)	--	(10,160)
Common stock distributions (\$1.04/shr)...	--	(39,418)	--	--	--	--	(39,418)
BALANCE, DECEMBER 31, 1997.....	83,191,819	\$1,048,187	3,030,303	\$ 50,000	\$ --	\$ (2,188)	\$1,095,999
Common stock proceeds, net of \$14,463 in stock issuance costs.....	25,969,203	447,881	--	--	--	--	447,881
Dividend reinvestment, net of \$410 in stock issuance costs.....	397,404	6,294	--	--	--	--	6,294
Tower 56 residual purchase.....	307,692	5,500	--	--	--	--	5,500
Restricted stock grants.....	31,678	577	--	--	--	(577)	--
Restricted stock grant vesting.....	--	--	--	--	--	1,065	1,065
Net income.....	--	--	--	--	83,465	--	83,465
Minority adjustment.....	--	49,219	--	--	--	--	49,219
Preferred stock distributions.....	--	--	--	--	(3,500)	--	(3,500)
Common stock distributions (\$1.50/shr)...	--	(70,963)	--	--	(79,965)	--	(150,928)
One Memorial acquisition.....	3,428,571	60,000	--	--	--	--	60,000
Wilson Acquisition.....	14,884,417	241,872	--	--	--	--	241,872
BALANCE, DECEMBER 31, 1998.....	128,210,784	\$1,788,567	3,030,303	\$ 50,000	\$ --	\$ (1,700)	\$1,836,867

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

F-5

CORNERSTONE PROPERTIES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

(DOLLAR AMOUNTS IN THOUSANDS)

<TABLE>

<CAPTION>

	1998	1997	1996
	-----	-----	-----
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 83,465	\$ 37,547	\$ 9,096
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	58,980	31,826	24,801
Deferred compensation amortization.....	1,065	928	988
Share of net loss in real estate joint ventures.....	5,670	--	--
Net gain on interest rate swap.....	--	(99)	(4,278)
Extraordinary loss.....	4,303	54	3,925
Unbilled rental revenue.....	(13,712)	(3,015)	(1,408)
Increase (decrease) in accrued interest.....	6,799	3,052	(3,245)
Minority interest share of income.....	7,469	2,368	1,519
Loss on sale of real estate assets.....	2,076	--	--
Increase in tenant and other receivables and other assets.....	(6,833)	(16,920)	(2,461)
Increase in accounts payable, accrued expenses and other liabilities...	33,515	10,181	5,585
Total adjustments.....	99,332	28,375	25,426
Net cash provided by operating activities.....	182,797	65,922	34,522
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to investment property.....	(797,181)	(464,096)	(58,501)
Other investments.....	(41,893)	--	--

Repayment of note receivable.....	1,518	1,259	1,242
Investments in real estate joint ventures.....	(31,391)	--	--
Proceeds from sale of real estate assets.....	45,865	--	--
	-----	-----	-----
Net cash used in investing activities.....	(823,082)	(462,837)	(57,259)
	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from common stock offering.....	462,344	225,400	--
Proceeds from preferred stock offering.....	--	--	140,000
Borrowings under mortgage loans.....	92,377	--	116,000
Borrowings under credit facility.....	567,500	187,000	--
Repayments under credit facility.....	(289,500)	--	--
Repayment of term loan.....	--	(32,500)	--
Repayments under mortgage loans.....	(3,426)	(1,094)	(98,384)
Proceeds from dividend reinvestment plan.....	6,704	11,104	4,016
Net payments for swap terminations and debt prepayment costs.....	(1,762)	(216)	(6,804)
(Increase) decrease in restricted cash.....	(7,211)	2,524	(33)
Stock and debt issuance costs.....	(20,813)	(20,715)	(5,154)
Distributions to minority partners.....	(12,524)	(2,717)	(2,503)
Distributions to preferred stockholders.....	(3,500)	(10,160)	(5,153)
Distributions to common stockholders.....	(112,765)	(51,784)	(12,185)
	-----	-----	-----
Net cash provided by financing activities.....	677,424	306,842	129,800
	-----	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	37,139	(90,073)	107,063
CASH AND CASH EQUIVALENTS, beginning of period.....	24,730	114,803	7,740
	-----	-----	-----
CASH AND CASH EQUIVALENTS, end of period.....	\$ 61,869	\$ 24,730	\$ 114,803
	-----	-----	-----

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

F-6

CORNERSTONE PROPERTIES INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998, 1997 AND 1996

1. NATURE OF COMPANY'S BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF THE COMPANY'S BUSINESS

Cornerstone Properties Inc. (together with its subsidiaries, "Cornerstone" or the "Company") is a self-administered equity real estate investment trust ("REIT") which owns, through subsidiaries, interests in 96 Class A office buildings comprising nearly 21 million rentable square feet, a shopping center, a hotel and developable land (collectively, the "Properties," and each interest, a "Property"). The Properties are primarily located in twelve major metropolitan areas throughout the United States: Atlanta, Boston, Charlotte, suburban Chicago, Denver, Minneapolis, New York City, Phoenix, San Francisco Bay Area, Seattle, Southern California and Washington, D.C. and surrounding suburbs. The Company's strategy is to own Class A office properties in prime Central Business District locations and major suburban office markets in U.S. metropolitan areas. Class A office properties are generally considered to be those that have the most favorable locations and physical attributes, command premium rents and experience the highest tenant retention rates within their markets. In January 1998, Cornerstone converted its corporate structure into an umbrella limited partnership REIT ("UPREIT"). Under the UPREIT structure, Cornerstone owns all of its properties and conducts all of its business through Cornerstone Properties Limited Partnership, a Delaware limited partnership (the "Operating Partnership"), of which the Company is the sole general partner. As of December 31, 1998, Cornerstone owned, directly or indirectly, approximately 86.3% of the common units of partnership interest ("UPREIT Units") in the Operating Partnership.

PRINCIPLES OF CONSOLIDATION

The accompanying financial statements include the accounts of Cornerstone, its wholly-owned qualified REIT subsidiary, the Operating Partnership and controlled partnerships. The Company has consolidated the following partnerships because it has a majority interest in the economic benefits and is or has the right to become the managing general partner at its sole discretion: the Operating Partnership; NWC Limited Partnership ("NWC"); Third and University Limited Partnership ("Third Partnership"); Two Twenty Two Berkeley Venture ("222 Berkeley"); Five Hundred Boylston West Venture ("500 Boylston"); One Ninety One Peachtree Associates ("191 Peachtree"); Avenue Associates Limited Partnership ("Market Square"); and 120 Montgomery Associates, LLC ("120 Montgomery"). The Company's investments in the One Post Property and WCP Services, Inc. are accounted for as equity investments (see Note 4). All significant intercompany balances and transactions have been eliminated in consolidation.

INVESTMENT PROPERTY

The costs of the buildings, garages, leasehold interests and improvements are being depreciated using the straight-line method over their estimated useful lives, ranging from 20 years for electrical and mechanical installations to 40 years for structural components. Tenant improvements are being amortized over the terms of the related leases.

Cornerstone and the controlled partnerships hold the Properties for long-term investment and such investments are carried at cost less accumulated depreciation. Whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable (such as a significant adverse action by a regulator or a significant physical change in the property), the Company's policy is to assess any impairment in value by making a comparison of the current and projected cash flows of each property over its remaining useful life (undiscounted and without interest charges) to the carrying amount of each property. Such carrying amount would be adjusted, if necessary, to estimated fair value to reflect the

F-7

impairment in value of the property. No significant adjustments have been made in the accompanying financial statements.

Costs directly related to the acquisition and development of rental properties are capitalized. Capitalized development costs include interest, property taxes, insurance and other project costs incurred during the period of construction. Ordinary repairs and maintenance are expensed as incurred; major replacements and betterments, which improve or extend the life of the asset, are capitalized and depreciated over their estimated useful lives.

REAL ESTATE HELD FOR SALE

Included in Investments is Charlotte Plaza, which was held for sale by the Company as of November 1, 1998. The Property is valued at approximately \$77.6 million, the lower of the carrying amount or the fair value less estimated cost to sell. Beginning on November 1, 1998, the Company discontinued the recognition of depreciation on Charlotte Plaza.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include investments with original maturities of three months or less from the date of purchase. At December 31, 1998 and 1997, Cornerstone had on deposit with major financial institutions substantially all of its cash and cash equivalents which balances at times exceed federally insurable limits. Cornerstone believes it mitigates its risk by investing in or through major financial institutions. Recoverability of investments is dependent upon the performance of the issuer.

DEFERRED LEASE COSTS

As an inducement to execute a lease, incentives are sometimes offered which may include cash and/or other allowances. These incentives and other lease costs, such as commissions, which are directly related to specific leases, are deferred and amortized over the terms of the related leases.

OTHER DEFERRED COSTS

Costs incurred in the underwriting and issuance of long-term debt, revolving lines of credit and investigating investments in real estate partnerships have been deferred. The costs incurred in connection with the long-term debt are being amortized over the term of the debt. As part of the acquisition of the PGGM Portfolio (see Note 2), the Company purchased several management contracts to which Stichting Pensioenfonds Voor de Gezondheid Geestelijke en Maatschappelijke Belangen ("PGGM") was a party. The price paid for these contracts is being amortized over four years.

OTHER ASSETS

Included in Other Assets is the purchase price for the intangible management and development company assets that were acquired as part of the Wilson Acquisition (see Note 2). These assets are being amortized over 10 years. Accumulated amortization was \$170,000 and \$0 as of December 31, 1998 and 1997, respectively.

The Company records costs incurred for potential investments as Other Assets. Upon consummation of an investment, the Company capitalizes all such costs as an adjustment to the purchase price and depreciates these costs over the useful life of the asset. All such costs are expensed at the time it is determined that a potential investment will not be consummated. In addition, during the first quarter of 1998, the Company adopted EITF 97-11 and in accordance therewith, the Company expenses all internal acquisition costs.

F-8

MINORITY INTEREST

Minority interest in the Operating Partnership relates to the interest in the Operating Partnership that the Company does not own, which as of December 31, 1998 amounted to 13.7%. The Company allocates income to the minority interest in the Operating Partnership based on the weighted-average percentage ownership in the Operating Partnership through the year. Persons who contributed assets to the Operating Partnership received UPREIT Units, shares of Cornerstone's common stock (the "Common Stock"), cash or a combination thereof. At the request of a unitholder, the Company will be obligated to redeem each UPREIT Unit held by such unitholder for one share of Common Stock or, at the option of the Company, cash equal to the fair market value of one share of Common Stock at the time of redemption. Such redemptions will cause the Company's percentage ownership in the Operating Partnership to increase. As of December 31, 1998, the number of issued and outstanding UPREIT Units held by unitholders other than the Company was 20,333,607 and as of such date, no UPREIT Units have been exchanged for shares of Common Stock.

Minority interest in real estate joint ventures represents the minority partner's or venturer's capital account balances in NWC, Third Partnership, 222 Berkeley, 500 Boylston, 191 Peachtree, Market Square and 120 Montgomery. Debit balances in certain of these capital accounts originated through special cash distributions in excess of the partner's share of income in accordance with certain provisions of the respective partnership and joint venture agreements. Realizability of the debit balances is continually monitored by calculating pro forma sales proceeds under the respective agreements.

REVENUE RECOGNITION

Rental revenue is recognized ratably as earned over the terms of the leases. Deferred tenant receivables result from rental revenues which have been earned but will be received in future periods as a result of rent concessions provided to tenants and scheduled future rent increases. Deferred tenant receivables were approximately \$53,802,000 and \$38,531,000 at December 31, 1998 and 1997, respectively. Expense reimbursement and escalation income for the years ended December 31, 1998, 1997 and 1996 was approximately \$77,821,000, \$36,990,000 and \$28,230,000, respectively.

An allowance for doubtful accounts of approximately \$253,000 and \$268,000 has been recorded at December 31, 1998 and 1997, respectively, relating to tenant and other receivables. Bad debt expense totaled approximately \$232,000 and \$221,000 during 1998 and 1997, respectively.

INTEREST RATE SWAP AGREEMENTS

The Company accounts for its interest rate swap agreements as hedges if the swap is designated as a hedge and effectively reduces the Company's exposure to market interest rate changes. Changes in the market value of these interest rate swap agreements are deferred and recognized in income at the expiration or termination of the underlying debt. Forward interest rate swap agreements that do not meet hedge criteria are accounted for using mark-to-market accounting, recognizing any unrealized gain or loss on the instrument in the period in which it is outstanding. When swaps are extinguished at the same time as the underlying debt instrument, the cost to extinguish the swap is treated as extraordinary gain or loss. When a swap remains in place after the underlying instrument matures, it is accounted for on a mark-to-market basis. The swap termination is accounted for as ordinary gain or loss when it is extinguished with no underlying debt instrument in place.

F-9

FEDERAL INCOME TAXES

No provision for United States Federal income taxes has been made in the accompanying financial statements. Cornerstone has elected to be taxed as a REIT under Sections 856-859 of the United States Internal Revenue Code (the "Code"). Under these sections of the Code, Cornerstone is permitted to deduct dividends paid to stockholders in computing its taxable income. All taxable earnings and profits of Cornerstone since inception have been distributed to the stockholders.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the 1998 financial statement presentation.

RECENTLY ISSUED ACCOUNTING STANDARDS

During 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 is effective for all fiscal quarters of all fiscal years beginning after June 15, 1999. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a

derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. In addition, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, "Reporting on the Costs of Start-Up Activities" ("SOP 98-5") and Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"), which are effective for fiscal years beginning after December 15, 1998. SOP 98-5 requires that certain costs incurred in conjunction with start-up and organizational activities be expensed. SOP 98-1 provides guidance on whether the costs of computer software developed or obtained for internal use should be capitalized or expensed. Management believes that when adopted, SFAS 133, SOP 98-5 and SOP 98-1 will not have a significant effect on the Company's financial statements.

During the first quarter of 1998, the Company adopted the FASB's Emerging Issues Task Force's release Issue No. 97-11, "Accounting for Internal Costs Relating to Real Estate Property Acquisitions" ("EITF 97-11"). EITF 97-11 requires that the internal pre-acquisition costs of identifying and acquiring operating property be expensed as incurred. The adoption of EITF 97-11 did not have a material effect on the Company's financial statements.

During the first quarter of 1998, the Company also adopted the FASB's Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 specifies the presentation and disclosure requirements for comprehensive income which includes those items which have been formerly reported as a component of stockholders' equity. The adoption of SFAS 130 did not have a significant effect on the Company's financial statements.

ESTIMATES AND RISKS

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant risks, estimates and assumptions are related to the recoverability and depreciable lives of investment property, the recoverability of deferred tenant receivables, unforeseen Year 2000 risks and the qualification of the Company as a REIT. Actual results could differ from those estimates.

F-10

2. PROPERTIES

The following table summarizes Cornerstone's interest in real estate investments at December 31, 1998:

MARKET NAME PROPERTY	TOTAL RENTABLE SQUARE FEET	CORNERSTONE INTEREST (A)	YEAR CONSTRUCTED	OCCUPANCY	NOTES
<S>	<C> (UNAUDITED)	<C>	<C> (UNAUDITED)	<C> (UNAUDITED)	<C>
BOSTON, MASSACHUSETTS					
Sixty State Street.....	823,014	100.0%	1978	99%	B
500 Boylston Street.....	714,636	91.5%	1988	100%	D
222 Berkeley Street.....	531,184	91.5%	1991	100%	D
125 Summer Street.....	463,691	100.0%	1989	97%	
One Memorial Drive.....	352,764	100.0%	1985	100%	C
MARKET TOTAL.....	2,885,289			99%	
SAN MATEO COUNTY, CALIFORNIA					
Bayhill (4 buildings).....	513,910	100.0%	1982-1987	88%	E
Peninsula Office Park (7 buildings).....	493,214	100.0%	1971-1998	98%	E
Seaport Centre.....	463,142	100.0%	1988	65%	E
Bay Park Plaza (2 buildings).....	257,058	100.0%	1985-1998	97%	E
One Bay Plaza.....	176,533	100.0%	1979	93%	E
Belmont Shores.....	141,643	100.0%	1983	97%	E
1300 South El Camino.....	84,441	100.0%	1986	100%	E
66 Bovet.....	43,968	100.0%	1968	87%	E
MARKET TOTAL.....	2,173,909			88%	
EAST BAY, CALIFORNIA					
Corporate Centre (2 buildings).....	329,604	100.0%	1985-1987	97%	E
ADP Plaza (2 buildings).....	299,591	100.0%	1987-1989	93%	E
PeopleSoft Plaza.....	279,931	100.0%	1984	99%	E
Norris Tech Center (3 buildings).....	260,513	100.0%	1984-1998	96%	E
Golden Bear Center.....	160,587	100.0%	1986	96%	E
2700 Ygnacio Valley Road.....	103,214	100.0%	1984	96%	E
Park Plaza.....	87,040	100.0%	1986	86%	E
1600 South Main.....	83,277	100.0%	1983	95%	E

Foothill Corporate Center.....	70,355	100.0%	1982	98%	E
MARKET TOTAL.....	1,674,112			96%	
ATLANTA, GEORGIA					
191 Peachtree Street.....	1,215,288	80.0%	1991	98%	D, F
200 Galleria.....	432,698	100.0%	1985	95%	D
MARKET TOTAL.....	1,647,986			97%	
SEATTLE, WASHINGTON					
Washington Mutual Tower (3 buildings).....	1,154,560	50.0%	1988	99%	G
110 Atrium Place.....	213,854	100.0%	1981	97%	E
Island Corporate Center.....	100,075	100.0%	1987	96%	E
MARKET TOTAL.....	1,468,489			99%	

</TABLE>

F-11

MARKET NAME PROPERTY	TOTAL RENTABLE SQUARE FEET	CORNERSTONE INTEREST (A)	YEAR CONSTRUCTED	OCCUPANCY	NOTES
	(UNAUDITED)		(UNAUDITED)	(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
SANTA CLARA COUNTY, CALIFORNIA					
Pruneyard Office (3 buildings).....	354,005	100.0%	1971-1999	99%	E, H
10 Almaden.....	293,685	100.0%	1989	100%	E
Pruneyard Shopping Center.....	252,210	100.0%	1970s	95%	E
Embarcadero Place (4 buildings).....	192,108	100.0%	1984	100%	E
Pruneyard Inn.....	90,000	100.0%	1989		E, I
First American Plaza.....	82,596	100.0%	1971	98%	E
490 California.....	24,539	100.0%	1985	100%	E
MARKET TOTAL.....	1,289,143			99%	
DENVER, COLORADO					
One Norwest Center.....	1,187,752	100.0%	1983	97%	
MARKET TOTAL.....	1,187,752			97%	
SAN FRANCISCO, CALIFORNIA					
120 Montgomery Street.....	410,902	66.7%	1955	95%	E
One Post.....	389,660	50.0%	1969	99%	E
201 California Street.....	240,230	100.0%	1980	100%	J
188 Embarcadero.....	85,209	100.0%	1985	99%	E
MARKET TOTAL.....	1,126,001			98%	
MINNEAPOLIS, MINNESOTA					
Norwest Center.....	1,118,062	50.0%	1988	100%	K
MARKET TOTAL.....	1,118,062			100%	
WASHINGTON, D.C./ALEXANDRIA, VIRGINIA					
Market Square (2 buildings).....	688,709	70.0%	1990	96%	D, L
99 Canal Center.....	137,945	100.0%	1986	98%	D
TransPotomac Plaza 5.....	92,980	100.0%	1983	96%	D
11 Canal Center.....	70,365	100.0%	1986	95%	D
MARKET TOTAL.....	989,999			96%	
SUBURBAN CHICAGO, ILLINOIS					
Corporate 500 Centre (4 buildings).....	678,885	100.0%	1986/1990	97%	M
One Lincoln Centre.....	297,067	100.0%	1986	90%	
MARKET TOTAL.....	975,952			95%	
SANTA MONICA/WEST LOS ANGELES, CALIFORNIA					
West Wilshire (2 buildings).....	235,781	100.0%	1960-1976	90%	E
Wilshire Palisades.....	186,714	100.0%	1981	99%	J
Janss Court.....	125,556	100.0%	1989	97%	E, N
Searise Office Tower.....	122,292	100.0%	1975	94%	E
Commerce Park.....	94,252	100.0%	1977	79%	E, O
429 Santa Monica.....	81,414	100.0%	1982	81%	E
MARKET TOTAL.....	846,009			92%	

</TABLE>

F-12

<TABLE>					
<CAPTION>					
MARKET NAME	TOTAL	CORNERSTONE			
PROPERTY	RENTABLE	INTEREST			
	SQUARE FEET	(A)	YEAR CONSTRUCTED	OCCUPANCY	NOTES
	(UNAUDITED)		(UNAUDITED)	(UNAUDITED)	
<S>	<C>	<C>	<C>	<C>	<C>
ORANGE COUNTY, CALIFORNIA					
Bixby Ranch.....	277,289	100.0%	1987	98%	E
18301 Von Karman.....	219,537	100.0%	1991	64%	E
2677 North Main.....	212,542	100.0%	1987	81%	E
MARKET TOTAL.....	709,368			82%	
CHARLOTTE, NORTH CAROLINA					
Charlotte Plaza.....	612,728	100.0%	1982	99%	D
MARKET TOTAL.....	612,728			99%	
ARIZONA					
Gateway (2 buildings).....	212,222	100.0%	1984-1985	92%	E
Scottsdale Centre.....	164,469	100.0%	1985	94%	E
Biltmore Lakes.....	207,489	100.0%	1982	96%	E
MARKET TOTAL.....	584,180			94%	
SAN DIEGO, CALIFORNIA					
Centerside II.....	286,941	100.0%	1987	94%	E
Crossroads.....	133,950	100.0%	1983	99%	E
MARKET TOTAL.....	420,891			95%	
LOS ANGELES, CALIFORNIA					
700 North Brand.....	202,785	100.0%	1981	94%	E
Tri-Center Plaza.....	141,946	100.0%	1990	96%	E
Warner Park Center.....	58,798	100.0%	1986	98%	E
MARKET TOTAL.....	403,529			95%	
NEW YORK CITY, NEW YORK					
527 Madison Avenue.....	215,332	100.0%	1986	94%	
Tower 56.....	163,633	100.0%	1983	99%	P
MARKET TOTAL.....	378,965			96%	
CONEJO VALLEY (VENTURA), CALIFORNIA					
Westlake Spectrum (2 buildings).....	118,990	100.0%	1990	100%	E
Agoura Hills.....	115,265	100.0%	1987	88%	E
MARKET TOTAL.....	234,255			94%	
OTHER REGIONS					
U.S. West (Murray, Utah).....	136,608	100.0%	1985	86%	E
Exposition Centre (Sacramento, California).....	72,547	100.0%	1984	65%	E
MARKET TOTAL.....	209,155			79%	
TOTAL PORTFOLIO.....	20,935,774			96%	
Minority Interest Adjustment (Q).....	(684,784)				
CORNERSTONE PORTFOLIO.....	20,250,990			95%	
</TABLE>					

(A) Unless noted below, cash flow and residual proceeds will be distributed to Cornerstone according to its percentage interest.

F-13

(B) On December 31, 1997, the Company purchased the second mortgage on Sixty State Street. The mortgage is a cash flow mortgage through which all the economic benefits/risks (subject to the first mortgage) inure to the Company. The Company controls all major decisions regarding management and leasing. The total purchase price for the second mortgage was \$131.5 million and is consolidated in buildings due to the above factors. The \$78.4 million first mortgage on the Property was originally recorded by the Company as an \$89.6 million liability due to its above-market interest rate.

The second mortgage, which the Company holds, is collateralized only by the improvements on Sixty State Street. Title to the improvements is owned by Sixty State Street Trust, the ground lessee under a ground lease that

expires on December 28, 2067. The lease payments on the ground lease are \$398,896 per annum throughout the term.

- (C) On April 28, 1998, the Company purchased One Memorial Drive in Cambridge, Massachusetts. The total purchase price for the Property was approximately \$112.5 million, approximately \$23.5 million of which was paid in cash, approximately \$29.0 million of which was paid in UPREIT Units valued at \$17.50 per unit and approximately \$60.0 million of which was paid in Common Stock valued at \$17.50 per share.
- (D) On October 27, 1997, the Company acquired interests in nine Class A office properties comprising approximately 4.5 million rentable square feet in Alexandria, Virginia (3 properties), Atlanta (2 properties), Boston (2 properties), Charlotte and Washington, D.C., as well as an undeveloped parcel of land in Chicago (collectively, "the PGM Portfolio"). The Company acquired the PGM Portfolio for a purchase price of approximately \$1.06 billion, consisting of approximately 34.2 million shares of Common Stock valued and recorded at \$16.00 per share, approximately \$260.0 million in cash and \$250.0 million in promissory notes. The cash portion of the acquisition was financed with proceeds from the Company's Initial Public Offering in April 1997 and \$54.0 million from its Revolving Credit Facility.
- (E) Property was acquired as a result of the Wilson Acquisition in December 1998. After receiving stockholder approval on December 14, 1998, the Company acquired substantially all of the properties and real estate operations of William Wilson & Associates and related entities ("WW&A") (the "Wilson Acquisition"). As part of the Wilson Acquisition, the Company acquired interests in 69 Class A office Properties, comprising approximately 9.2 million rentable square feet primarily in the San Francisco Bay Area and in Southern California, a shopping center consisting of approximately 252,000 rentable square feet in Santa Clara, California, a hotel consisting of 90,000 square feet in Santa Clara, California and 12.8 acres of developable land.

The Company acquired WW&A for a purchase price of approximately \$1.8 billion, consisting of approximately 14.9 million shares of Common Stock valued at \$17.25 per share (recorded at \$16.25 per share for GAAP purposes), approximately 16.2 million UPREIT Units valued at \$17.25 per unit (recorded at \$16.25 per unit for GAAP purposes), approximately \$465.0 million in cash and the assumption of approximately \$760.0 million of property and construction related debt (recorded at \$773.7 million for GAAP purposes). The price of \$16.25 represents the fair value based upon the market price for a reasonable period before and after the date the terms of the acquisition were agreed to and announced. The cash portion of the transaction was financed primarily from the Company's Revolving Credit Facility and the sale of \$200.0 million of Common Stock to PGM, an approximate 33.6% stockholder prior to the Wilson Acquisition, priced at \$17.25 per share.

- (F) While the Company's stated interest in the partnership that owns 191 Peachtree Street is 80.0%, its economic interest is significantly larger since it has acquired the first mortgage note on the Property in the amount of \$145.0 million, which earns interest at 9.375% and will receive a priority distribution on its acquired capital base. In 1997 and 1998, the partner in the transaction, CH Associates, Ltd., received an annual Incentive Distribution (as defined) of \$250,000, which the Company expects it will continue to receive under the partnership agreement through February 28, 2000, with the Company receiving the remainder of the cash flow of the Property.

F-14

The partnership that owns 191 Peachtree Street leases a portion of the land upon which the project is located pursuant to a ground lease agreement. The agreement requires annual payments of \$5,000 through January 31, 1998, \$45,000 through January 31, 2002 and \$75,000 through January 31, 2008. Thereafter, the annual rent increases \$2,500 per year until the expiration date of January 31, 2087. The partnership records ground rental expense relating to this agreement on a straight-line basis. The ground lease is renewable for an additional 99 years.

- (G) While the Company's stated interest in the partnership that owns Washington Mutual Tower is 50.0%, its economic interest in the Property is significantly larger due to priority distributions it receives on its invested capital base. For the year ended December 31, 1998, the Company received 100% of the cash distributions from the partnership that owns Washington Mutual Tower.
- (H) Pruneyard Place is under construction with an expected completion date of April 1999. The building is 100% pre-leased. The building will be six stories and contain approximately 120,000 square feet of net rentable area. The Company has commitments for approximately \$8.2 million related to this construction.
- (I) The Pruneyard Inn is a 118-room, three-story hotel. The Property is

currently undergoing a 25,000-square foot expansion, which will add 54 new rooms. The Company has commitments for approximately \$3.2 million related to this construction.

- (J) On June 3, 1998, the Company purchased 201 California Street and Wilshire Palisades. The total purchase price for the Properties was approximately \$121.5 million, approximately \$29.5 million of which was paid in cash, approximately \$29.1 million of which was paid in UPREIT Units valued at \$17.50 per unit and approximately \$62.9 million of assumed debt (recorded at \$64.6 million for GAAP purposes).
- (K) While the Company's stated interest in the partnership that owns Norwest Center is 50.0%, its economic interest in the Property is significantly larger due to priority distributions it receives on its invested capital base. For the year ended December 31, 1998, the Company's share of earnings and cash distributions from the partnership that owns Norwest Center was 77.9%.
- (L) During 1998, through a series of transactions, the Company acquired partnership interests with a stated interest of approximately 70.0% in the partnerships that own Market Square. The Company's economic interest is significantly larger since it has acquired the first mortgage note on the Property in the amount of \$181.0 million which earns interest at 9.75% and will receive a priority distribution on its acquired capital base. In addition, the Company acquired a "buffer loan", with accrued principal and interest of \$49.0 million at purchase, which accrues interest at a rate of Prime plus 1.25% and is payable from cash flow, refinancing or sales proceeds in excess of the first mortgage. During the year ended December 31, 1998, the Company received 100% of the cash flow from the Property. On November 4, 1998, the Company purchased an additional interest in the partnerships that own Market Square which enabled it to gain sufficient control in order to consolidate the investment.
- (M) On January 28, 1998, the Company purchased Corporate 500 Centre in Deerfield, Illinois. This Property consists of four Class A office buildings with approximately 679,000 rentable square feet. The consideration paid for this Property was approximately \$135.0 million in cash and approximately \$15.0 million in UPREIT Units valued at \$18.50 per unit, for a total purchase price of approximately \$150.0 million. The Company financed a portion of the purchase price with an \$80.0 million mortgage loan from Bankers Trust Company; this mortgage was subsequently refinanced in October 1998.
- (N) Janss Court is a seven-story, 125,000-square foot Class A mixed-use building. In addition to 92,000 square feet of retail and office space, Janss Court offers 32 apartments for a total of 33,000 rentable square feet of residential space.

F-15

- (O) The Property is subject to a ground lease agreement. The agreement requires annual payments of \$115,000 through March 31, 2002 and \$121,000 from April 1, 2002 through March 31, 2007. The lease payment increases every ten years thereafter according to a formula based on the Consumer Price Index. The ground lease expires on March 31, 2041.
- (P) On January 5, 1998, the Company purchased for approximately \$5.5 million, the remaining participation rights in the cash flow and residual value of Tower 56 from the former participants for 307,692 shares of Common Stock. As a result, all of the cash flow and the residual value of Tower 56 inure to the Company.
- (Q) Rentable square feet includes an adjustment for the interest of a joint venture or minority partner. Calculations are based on the partners' percentage interest in the cash flows of the property.

On March 31, 1998, the Company sold the Dearborn Land (an undeveloped parcel of land in Chicago that was acquired as part of the acquisition of the PGGM Portfolio in October 1997) for gross proceeds of approximately \$19,000,000, resulting in a loss of \$212,228.

On April 29, 1998, the Company sold the Frick Building, located in Pittsburgh, Pennsylvania, for gross proceeds of approximately \$26,748,000, resulting in a loss of \$2,111,540.

On December 29, 1998, Avenue Associates Limited Partnership sold a condominium unit in Market Square, located in Washington D.C., for gross proceeds of \$326,154, resulting in a gain of \$247,972.

The future minimum lease payments to be received by the Company under noncancellable operating leases as of December 31, 1998 are as follows (Dollar amounts in thousands):

<TABLE>
<S>

<C>

1999.....	\$ 399,589
2000.....	376,413
2001.....	352,484
2002.....	302,511
2003.....	242,140
Thereafter.....	957,109

Total.....	\$2,630,246

</TABLE>

3. RESTRICTED CASH

Restricted cash includes security deposits for some of the Company's office properties and escrow and reserve funds for real estate taxes, property insurance, capital improvements, tenant improvements and leasing costs. These funds were established pursuant to certain mortgage and construction financing arrangements.

4. INVESTMENT IN REAL ESTATE JOINT VENTURES

Investment in real estate joint ventures represents the Company's two investments that are accounted for using the equity method of accounting. The first investment is the Company's 50.0% interest in a co-tenancy agreement with Crocker Plaza Company for One Post, a 38-story, Class A office tower in San Francisco, California. The Company and Crocker co-manage and lease the Property. The second equity investment is the Company's 5.0% interest in WCP Services, Inc., which provides property management and tenant construction supervision services to third parties. WCP Services, Inc. also provides tenant construction supervision services to tenants in Properties owned by Cornerstone.

F-16

5. LONG-TERM DEBT

The following table sets forth certain information regarding the consolidated debt obligations of the Company as of December 31, 1998, including mortgage obligations relating to the Company's Properties. All of this debt, with the exception of the Convertible Promissory Note due 2001, is nonrecourse to the Company. However, notwithstanding the nonrecourse indebtedness, the lender may have the right to recover deficiencies from the Company in certain circumstances, including fraud, misappropriation of funds and environmental liabilities (Dollar amounts in thousands).

<TABLE>

<CAPTION>

PROPERTY	AMORTIZATION	INTEREST RATE (A)	MATURITY DATE	12/31/98	12/31/97
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
188 Embarcadero.....	25 year	6.90%	Jun-1999	\$ 9,135	\$ --
One and Two Gateway.....	25 year	6.90%	Dec-1999	8,679	--
Seaport Centre.....	Interest only	LIBOR plus 1.50%	Dec-1999	58,000	--
The Pruneyard.....	24 year	LIBOR plus 2.00%	Mar-2000	49,384	--
18301 Von Karman.....	25 year	6.90%	Apr-2000	10,647	--
Centerside II.....	25 year	6.90%	Jun-2000	13,818	--
Scottsdale Centre.....	25 year	6.90%	Jul-2000	7,745	--
TransPotomac Plaza 5 and Charlotte Plaza (B).....	Interest only	7.28%	Oct-2000	65,000	65,000
1600 South Main.....	25 year	6.90%	Dec-2000	5,038	--
Convertible Promissory Note due 2001 (C).....	Interest only	8.11%max (D)	Jan-2001	12,926	12,926
Biltmore Lakes.....	25 year	6.90%	Apr-2001	11,468	--
Belmont Shores.....	25 year	6.90%	Apr-2001	9,839	--
700 North Brand.....	25 year	6.90%	May-2001	18,108	--
2677 North Main.....	25 year	6.90%	May-2001	10,774	--
2700 Ygnacio Valley Road.....	25 year	6.90%	Aug-2001	5,035	--
Westlake Spectrum.....	25 year	6.90%	Aug-2001	3,993	--
Park Plaza.....	25 year	6.90%	Oct-2001	4,940	--
Warner Park Center.....	25 year	6.90%	Dec-2001	5,213	--
West Wilshire Office and Medical...	25 year	6.90%	Jan-2002	17,301	--
Searise Office Tower.....	25 year	6.90%	Jan-2002	11,864	--
Golden Bear Center.....	25 year	6.90%	Mar-2002	15,753	--
Exposition Centre.....	25 year	6.90%	May-2002	5,200	--
Bixby Ranch.....	25 year	6.90%	May-2002	20,243	--
Wilshire Palisades.....	22 year	6.70%	Jul-2002	29,902	--
120 Montgomery Street.....	24 year	LIBOR plus 1.40%	Nov-2002	46,930	--
1300 South El Camino.....	23 year	6.90%	Dec-2002	4,007	--
125 Summer Street.....	Interest only (E)	7.20%	Jan-2003	50,000	50,000
429 Santa Monica.....	25 year	6.90%	Mar-2003	10,176	--
Crossroads.....	25 year	6.90%	Mar-2003	7,339	--
Westlake Spectrum II.....	25 year	6.90%	Mar-2003	5,284	--
Tower 56.....	30 year	7.67%	May-2003	17,548	17,742
Two ADP Plaza.....	Interest only	6.90%	Dec-2003	13,400	--

Two Corporate Centre.....	Interest only	6.90%	Dec-2003	18,600	--
Norris Tech Center.....	25 year	LIBOR plus 1.65%	Dec-2003	16,392	--
Peninsula Office Park 4.....	25 year	6.90%	Feb-2004	5,436	--
Peninsula Office Park 1,3,5,6,8 & 9.....	25 year	6.90%	Feb-2004	54,806	--
110 Atrium Place.....	30 year	6.90%	Mar-2004	21,838	--
10 Almaden.....	25 year	6.90%	Apr-2004	33,885	--
Embarcadero Place.....	20 year	6.90%	Apr-2004	26,061	--
527 Madison Avenue and One Lincoln Centre (B).....	Interest only	7.47%	Oct-2004	65,000	65,000
Sixty State Street.....	30 year	6.84%	Jan-2005	87,627	89,630
201 California Street.....	30 year	6.70%	Mar-2005	33,071	--
Island Corporate Center.....	30 year	6.90%	Apr-2005	13,294	--
Washington Mutual Tower.....	Interest only	7.53%	Nov-2005	79,100	79,100
Norwest Center.....	Interest only	8.74%	Dec-2005	110,000	110,000
Agoura Hills.....	25 year	6.90%	Dec-2005	12,328	--
Janess Court.....	30 year	6.90%	Dec-2005	18,723	--
Bayhill 4,5,6 & 7.....	25 year	6.90%	Dec-2006	59,071	--
66 Bovet.....	22 year	6.90%	Apr-2007	3,939	--
Market Square (F) and 200 Galleria (B).....	Interest only	7.54%	Oct-2007	120,000	120,000

</TABLE>

F-17

<TABLE>
<CAPTION>

PROPERTY	AMORTIZATION	INTEREST RATE (A)	MATURITY DATE	12/31/98	12/31/97
<S>	<C>	<C>	<C>	<C>	<C>
One Norwest Center (G).....	30 year	6.90%	Oct-2008	98,252	96,780
Corporate 500 Centre (H).....	25 year	6.66%	Nov-2008	89,765	--
Other loans.....	Various	Various	Various	597	--
Total Debt.....		7.20 (I)	6.7 yrs. (I)	\$1,532,474	\$ 706,178

</TABLE>

- (A) The interest rate is the stated interest rate (for Cornerstone originated debt) or the prevailing market rate at the time of acquisition (for debt assumed as part of an acquisition).
- (B) The three notes arising from the acquisition of several properties from PGGM (a major stockholder and related party) are cross-collateralized, having the effect of forming a "collateral pool" for the underlying notes.
- (C) The lender, Hines Colorado Limited, has the right to convert the note into Common Stock at a conversion price of \$14.30 per share. At maturity, the Company is entitled to repay the principal of the note with Common Stock priced at the lesser of \$14.30 per share or the then existing share price.
- (D) Lesser of 30-day LIBOR plus 0.5% or 8.11%.
- (E) Interest only payments through January 1, 2001, with a 25-year amortization schedule thereafter.
- (F) The collateral for this loan is a pledge of the \$181.0 million first mortgage loan on Market Square that the Company purchased from PGGM.
- (G) On September 25, 1998, the Company completed the refinancing of the \$96.1 million mortgage on One Norwest Center with Connecticut General Life Insurance Company and Massachusetts Mutual Life Insurance Company. As a result of the refinancing, the principal balance was increased to \$98.5 million, the term of the loan was extended from three years to ten years and the interest rate was reduced from 7.50% to 6.90%.
- (H) On October 9, 1998, the Company completed the refinancing of the \$80.0 million mortgage on Corporate 500 Centre with Teachers Insurance and Annuity Association. As a result of the refinancing, the principal balance was increased to \$90.0 million, the term of the loan was extended from 4.5 years to ten years and the interest rate was increased by three basis points to 6.66%.
- (I) Weighted-average interest rate and maturity of the Company's long-term debt.

The combined aggregate amount of maturities for all long-term borrowings for 1999 through 2003 are \$75,814,000, \$151,632,000, \$82,296,000, \$151,200,000 and \$138,739,000, respectively.

Since most of the long-term debt is property related, there are restrictive covenants that limit the total amount of indebtedness that can be placed on individual properties.

6. REVOLVING CREDIT FACILITY

The Company has a \$550.0 million Revolving Credit Facility with a syndicate of 17 banks led by Bankers Trust Company, The Chase Manhattan Bank and NationsBank for acquisitions and general working capital purposes as well as the issuance of letters of credit (the "Revolving Credit Facility"). The interest rate on the facility depends on the Company's ratio of total debt to asset value (as defined) at the time of borrowing and will be at a spread of 1.10% to 1.40% over the applicable LIBOR rate or the Prime Rate at the borrower's option. The letters of credit will be priced at the applicable Eurodollar credit spread. The Revolving Credit Facility expires on November 3, 2001. As of December 31, 1998, \$465.0 million of the facility was outstanding at a rate of approximately 6.9%. In addition, at December 31, 1998 there was a \$5.0 million letter of credit outstanding at a rate of 1.40%. The Revolving Credit Facility contains certain restrictive covenants including: (i) a limitation on the Company's dividend to 90.0% of funds from operations and 110.0% of cash available for distribution, both as defined in the agreement; (ii) the percentage of total liabilities to total property asset value (as defined) cannot exceed 55.0%; (iii) the ratio of adjusted EBITDA to interest expense may not be less than 2.00 to 1.00 through July 1, 1999 and 2.25 to 1.00 thereafter; (iv) the fixed charge coverage ratio may not be less than 1.75 to 1.00; and (v) the ratio of total property asset value (as defined) to secured indebtedness may not be less than 2.50 to 1.00. Through an amendment and restatement, this Revolving Credit Facility replaces the Company's \$350.0 million facility entered into during 1997.

F-18

7. STOCKHOLDERS' EQUITY

The 7% Cumulative Convertible Preferred Stock is convertible into Common Stock at \$16.50 per share at any time after August 4, 2000.

On April 21, 1997, Cornerstone completed its initial public offering in the United States of 16,100,000 shares of Common Stock at a price of \$14.00 per share. The shares were listed on the New York Stock Exchange through underwriters led by Merrill Lynch & Co.

On February 6, 1998, Cornerstone completed a secondary public offering of 14,375,000 shares of Common Stock at a price of \$18.25 per share. The shares were placed in the U.S. through a syndicate of seven investment banks led by Merrill Lynch & Co. Net proceeds to the Company were approximately \$247.9 million (approximately \$262.3 million gross proceeds less an underwriting discount of approximately \$13.7 million and expenses of approximately \$0.7 million). The net proceeds were used to repay outstanding borrowings under the Revolving Credit Facility and for working capital purposes.

The following tables summarize the stock options and restricted stock grants for certain officers of the Company as of December 31, 1998:

STOCK OPTIONS

<TABLE>

<CAPTION>

DATE OF GRANT	OPTIONS GRANTED (NO. OF SHARES)	EXERCISE PRICE (PER SHARE)	VESTING (A)	OPTIONS EXERCISABLE	OPTIONS EXERCISED
<S>	<C>	<C>	<C>	<C>	<C>
August, 1995.....	637,500	\$ 14.30	33.3%/yr, 10yr term	637,500	0
October, 1995.....	150,000	\$ 14.30	33.3%/yr, 10yr term	150,000	10,500
March, 1997.....	880,000	\$ 14.50	33.3%/yr, 10yr term	293,333	0
November, 1997.....	70,000	\$ 18.44	33.3%/yr, 10yr term	23,333	0
February, 1998.....	70,000	\$ 18.13	33.3%/yr, 10yr term	0	0
February, 1998.....	595,000	\$ 18.25	33.3%/yr, 10yr term	0	0
March, 1998.....	200,000	\$ 18.25	33.3%/yr, 10yr term	0	0
December, 1998.....	3,000,000	\$ 17.25	33.3%/yr, 10yr term	0	0

</TABLE>

The weighted average fair value of options granted during 1998 and 1997 was \$0.28 per share and \$2.00 per share, respectively. There were no options granted during 1996. The weighted average life of options outstanding at December 31, 1998 was approximately 9.1 years.

RESTRICTED STOCK GRANTS

<TABLE>

<CAPTION>

DATE OF GRANT	SHARES GRANTED (NO. OF SHARES)	VALUE AT GRANT DATE (PER SHARE)	VESTING (B)
<S>	<C>	<C>	<C>
August, 1995.....	167,622	\$ 14.30	The grant will fully vest with respect to 13.333% on June 30, 1996, 1997, 1998, 1999 and with respect to

March, 1997.....	100,000	\$ 16.40	46.668% on June 30, 2000. The grant will fully vest with respect to 13.333% on June 30, 1998, 1999, 2000, 2001 and with respect to 46.668% on June 30, 2002.
November, 1997....	12,500	\$ 18.44	The grant will fully vest with respect to 13.333% on June 30, 1998, 1999, 2000, 2001 and with respect to 46.668% on June 30, 2002.
March, 1998.....	12,500	\$ 18.13	The grant will fully vest with respect to 13.333% on March 15, 1999, 2000, 2001, 2002 and with respect to 46.668% on March 15, 2003.
March, 1998.....	19,178	\$ 18.25	The grant will fully vest with respect to 13.333% on March 15, 1999, 2000, 2001, 2002 and with respect to 46.668% on March 15, 2003.

</TABLE>

(A) The vesting schedule for the options was amended from 20%/yr, 10yr term to 33.3%/yr, 10yr term on February 4, 1998.

(B) Deferred compensation of approximately \$4,842,000 is being amortized according to the respective amortization schedule for each vesting period noted above, with the unamortized balance shown as a deduction from stockholders' equity. Regular distributions are paid on restricted stock.

F-19

The Company has adopted the disclosure-only provision of Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Accordingly, no compensation cost has been recognized for the options described above since the exercise price equaled the fair value at the grant date. Had compensation cost for these options been determined based on the fair value at the grant date consistent with the provisions of SFAS 123, the Company's net income and net income per common share would have been reduced to the following pro forma amounts (Dollar amounts in thousands, except per share amounts):

<TABLE>

<CAPTION>

	NET INCOME	BASIC AND DILUTED NET INCOME PER COMMON SHARE
<S>	<C>	<C>
Year ended December 31, 1998.....	\$ 81,561	\$ 0.78
Year ended December 31, 1997.....	\$ 36,887	\$ 0.61
Year ended December 31, 1996.....	\$ 8,673	\$ 0.17

</TABLE>

The Company has computed the value of all stock options using the Black-Scholes option pricing model with the following weighted average assumptions:

<TABLE>

<CAPTION>

ASSUMPTIONS	1998	1997	1996
<S>	<C>	<C>	<C>
Risk-free interest rate.....	5.31%	6.56%	6.31%
Assumed dividend yield.....	7.50%	7.50%	7.50%
Expected term.....	6 years	6 years	6 years
Assumed volatility.....	10.00%	10.00%	10.00%

</TABLE>

8. STOCKHOLDERS' AND UNITHOLDERS' DISTRIBUTIONS

A cash dividend and unitholder distribution of \$0.30 per share/unit was declared for the first quarter of 1998 and paid on February 27, 1998, to stockholders and unitholders of record as of January 30, 1998. A cash dividend and unitholder distribution of \$0.30 per share/unit was declared for the second quarter of 1998 and paid on May 29, 1998, to stockholders and unitholders of record as of April 30, 1998. A cash dividend and unitholder distribution of \$0.30 per share/unit was declared for the third quarter of 1998 and paid on August 31, 1998, to stockholders and unitholders of record as of July 31, 1998. A cash dividend and unitholder distribution of \$0.30 per share/unit was declared for the fourth quarter of 1998 and paid on November 30, 1998, to stockholders and unitholders of record as of October 30, 1998.

On December 7, 1998, in connection with the Wilson Acquisition, the Company declared a distribution of \$0.15 per share/unit to all stockholders and unitholders of record as of December 15, 1998 and a distribution of \$0.15 per share/unit to all stockholders and unitholders of record as of January 29, 1999. Both dividends were paid on February 26, 1999.

9. EXTRAORDINARY LOSS

Extraordinary loss represents the write off of the unamortized deferred financing costs and prepayment fees paid in connection with the refinancing of the One Norwest Center mortgage in the amount of approximately \$2,269,000; the write off of the unamortized balance of Corporate 500 Centre mortgage deferred financing costs at the time of the refinancing of that Property's mortgage in the amount of approximately \$354,000; and the write off of the unamortized balance of deferred financing costs related to the \$350.0 million Revolving Credit Facility at the time that the new \$550.0 million Revolving Credit Facility was entered into in the amount of approximately \$1,680,000. See Notes 5 and 17 for more information about the two mortgage refinancings.

F-20

10. NET INCOME PER COMMON SHARE

The table below sets forth the calculation of income per common share for 1998, 1997 and 1996 (Dollar amounts in thousands, except per share amounts):

	1998		1997		1996	
	BASIC	DILUTED	BASIC	DILUTED	BASIC	DILUTED
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Proceeds upon exercise of options.....	--	\$ 23,871	--	\$ 25,162	--	\$ 12,334
Market price of shares average for the respective year.....	--	\$ 16.80	--	\$ 17.13	--	\$ 14.36
Treasury shares that could be repurchased (options).....	--	1,421	--	1,469	--	859
Option shares outstanding.....	--	1,657	--	1,727	--	863
Weighted common stock equivalent shares (excess shares under option over treasury shares that could be repurchased).....	--	236	--	236	--	4
Weighted average common shares outstanding.....	100,319	100,319	43,572	43,572	20,411	20,411
Adjusted weighted average common shares outstanding.....	100,319	100,555	43,572	43,808	20,411	20,415
Net income for the period.....	\$ 83,465	\$ 83,465	\$ 37,547	\$ 37,547	\$ 9,096	\$ 9,096
Income applicable to preferred stock.....	\$ (3,500)	\$ (3,500)	\$ (10,160)	\$ (10,160)	\$ (5,153)	\$ (5,153)
Net income applicable to common stock.....	\$ 79,965	\$ 79,965	\$ 27,387	\$ 27,387	\$ 3,943	\$ 3,943
Net income per common share.....	\$ 0.80	\$ 0.80	\$ 0.63	\$ 0.63	\$ 0.19	\$ 0.19

The stock options issued in November 1997, February 1998, March 1998 and December 1998 were not included in the calculation of diluted earnings per share as such options were anti-dilutive during the period. The 7% Cumulative Preferred Stock issued in August 1995 and the Convertible Promissory Note due 2001 entered into January 1996 were not included in the calculation of diluted earnings per share as such instruments were anti-dilutive during the period. In addition, the Company will be obligated to redeem each UPREIT Unit held by such unitholder for one share of Common Stock or, at the option of the Company, cash equal to the fair market value of one share of Common Stock at the time of redemption.

11. RETIREMENT PLANS

Effective July 1, 1995, the eligible employees of the Company participate in a noncontributory age-weighted profit sharing plan. The Company's cash contribution to such plan was approximately \$100,000 and \$91,400 for the years ended December 31, 1998 and 1997, respectively.

Effective July 1, 1995, the eligible employees of the Company also participate in a 401(k) contributory savings plan. Under the plan, the Company matches contributions made by eligible employees based on a percentage of the employee's salary. The Company will match 100% of contributions up to 5.0% of such employee's salary with an annual maximum matching contribution of \$4,000 per employee. The Company's matching contribution was approximately \$69,600 and \$52,600 for the years ended December 31, 1998 and 1997, respectively.

The Company has adopted the Cornerstone Properties Inc. 1998 Long-Term Incentive Plan (the "Incentive Plan") to provide incentives to attract and retain officers and key employees. Under the Incentive Plan as amended and restated on December 14, 1998, the number of shares available for option grant are approximately 7,400,000. As of December 31, 1998, options on approximately 3,000,000 shares of Common Stock at an exercise price of \$17.25 per share have been granted under the plan.

F-21

12. CONCENTRATION OF RISK

Approximately 6.3 million of the Company's 20.9 million rentable square feet is located in the San Francisco metropolitan market, accounting for

approximately 30% of the Company's total assets at December 31, 1998. In addition, five of the Company's 96 office Properties are located in the Downtown Boston market, accounting for approximately 31.9% of the Company's office and parking revenues for the year ended December 31, 1998. This concentration of assets makes the Company particularly vulnerable to adverse changes in economic conditions in the San Francisco and Boston metropolitan areas. A significant decline in these economic conditions could have a material adverse effect on the Company.

Norwest Corporation and its subsidiary, Norwest Bank Denver N.A., tenants of the Company, provided approximately 9.5%, 20.0% and 26.0% of office and parking rental income for the years ended December 31, 1998, 1997 and 1996, respectively. Included in deferred tenant receivables is approximately \$33.9 million and \$31.3 million due from Norwest Corporation at December 31, 1998 and 1997, respectively.

13. RELATED PARTY TRANSACTIONS

The Company has entered into \$250.0 million of mortgage debt with one of its major stockholders, PGGM, as further described in Note 5. Certain key employees of the Company own an interest in third-party properties for which WCP Services, Inc. provides property management, development and tenant construction services.

14. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company is subject to tenant and property related claims and other litigation. It is the opinion of management, after consultation with outside counsel, that the resolution of these claims will not have a material effect on the financial statements of the Company.

The Company has entered into an agreement to purchase a 927,000 square-foot Class A office building, currently under development, in downtown Minneapolis, Minnesota. Approximately \$36.9 million has been spent on the construction. The project is scheduled to be completed in the year 2000 and is approximately 50.0% pre-leased. The development is being financed through a construction loan by U.S. Bank. Upon completion, the Company will retire the construction loan and acquire the property from the developer for an amount to be determined by applying a negotiated formula to in-place net operating income.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

Cornerstone is required to disclose the fair value of financial instruments for which it is practicable to estimate that value. Except for the items noted below, the fair value of the Company's financial instruments approximates their carrying values at December 31, 1998 and 1997:

NOTES RECEIVABLE

The fair value of the note receivable at December 31, 1997 is approximately \$1,564,000 based on the present value of expected future note payments using a market discount rate of 6.57%.

F-22

LONG-TERM DEBT

The Company determines the fair value based on discounting future cash flows at a rate that approximates the Company's effective current borrowing rate (see also Note 5) (Dollar amounts in thousands):

	12/31/98	12/31/98	12/31/97	12/31/97
	FAIR VALUE	CARRYING VALUE	FAIR VALUE	CARRYING VALUE
<S>	<C>	<C>	<C>	<C>
TransPotomac Plaza 5 and Charlotte Plaza.....	\$ 65,775	\$ 65,000	\$ 66,671	\$ 65,000
Wilshire Palisades.....	29,722	29,902	--	--
125 Summer Street.....	50,529	50,000	50,842	50,000
Tower 56.....	18,046	17,548	18,507	17,742
527 Madison Avenue and One Lincoln Centre.....	67,057	65,000	68,070	65,000
Sixty State Street.....	87,495	87,627	89,630	89,630
201 California Street.....	32,751	33,171	--	--
Washington Mutual Tower.....	81,834	79,100	82,423	79,100
Norwest Center.....	121,986	110,000	123,701	110,000
Market Square and 200 Galleria.....	125,500	120,000	127,915	120,000
One Norwest Center.....	98,335	98,252	99,504	96,780
Corporate 500 Centre.....	88,468	89,765	--	--

16. PRO FORMA FINANCIAL INFORMATION (UNAUDITED)

The following consolidated pro forma financial information of the Company shown below gives effect to (i) the Wilson Acquisition; (ii) the acquisition of the PGGM Portfolio; (iii) the public offerings of Common Stock in April 1997 and

February 1998; (iv) the conversion of 8% Preferred Stock into Common Stock in July 1997; (v) the Company's repayment of a \$32.5 million term loan from Deutsche Bank in March 1997; and (vi) the acquisition of 527 Madison, Tower 56, Corporate 500 Centre, One Memorial Drive, 201 California Street and Wilshire Palisades and sale of the Frick building in 1997 and 1998 as if they occurred on January 1, 1998 and 1997, respectively. The pro forma financial information is presented for informational purposes only and may not be indicative of results that would have actually occurred had the aforementioned transactions been consummated at the dates indicated. Also, they may not be indicative of the results that may be achieved in the future.

<TABLE>

<CAPTION>

DECEMBER 31,	1998	1997
<S>	<C>	<C>
Pro forma total revenues.....	\$ 580,905,000	\$ 544,753,000
Pro forma net income before extraordinary items.....	96,616,000	83,986,000
Pro forma net income.....	92,313,000	83,932,000
Pro forma basic and diluted net income per common share.....	\$ 0.69	\$ 0.63

</TABLE>

F-23

17. SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was approximately \$60,992,000, \$30,204,000 and \$34,590,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

NON-CASH INVESTING AND FINANCING ACTIVITIES

On October 27, 1997, the Company acquired the PGGM Portfolio for a purchase price of approximately \$1.06 billion, consisting of approximately 34.2 million shares of Common Stock valued and recorded at \$16.00 per share, approximately \$260.0 million in cash and \$250.0 million in promissory notes. The Company also recorded a minority interest of \$33.2 million in connection with this acquisition.

On January 5, 1998, the Company purchased for approximately \$5.5 million, the participation rights in the cash flow and residual value of Tower 56 from the former participants for 307,692 shares of Common Stock.

On January 28, 1998, the Company purchased Corporate 500 Centre. As part of the total purchase price of approximately \$150.0 million, the Company issued 822,794 UPREIT Units valued at \$18.50 per unit.

On April 28, 1998, the Company purchased One Memorial Drive. As part of the total purchase price of approximately \$112.5 million, the Company issued 3,428,571 shares of common stock and 1,657,426 UPREIT Units, both valued at \$17.50.

On June 3, 1998, the Company purchased 201 California Street and Wilshire Palisades. As part of the total purchase price for the Properties of approximately \$121.5 million, the Company assumed \$64.6 million in debt and issued 1,665,663 UPREIT Units valued at \$17.50 per unit.

On September 25, 1998, in conjunction with the refinancing of the One Norwest Center mortgage, the Company incurred an extraordinary loss of approximately \$2,269,000, which represents the unamortized deferred financing costs and prepayment fees on the previous One Norwest Center mortgage at the time of the refinancing.

On October 9, 1998, in conjunction with the refinancing of the Corporate 500 Centre mortgage, the Company incurred an extraordinary loss of \$354,717, which represents the unamortized deferred financing costs on the previous Corporate 500 Centre mortgage at the time of the refinancing.

On November 3, 1998, the Company obtained a \$550.0 million Revolving Credit Facility from a syndicate of 17 banks led by Bankers Trust Company, The Chase Manhattan Bank and NationsBank. In conjunction with obtaining this new Revolving Credit Facility, the Company incurred an extraordinary loss of \$1,680,016, which represents the unamortized deferred financing costs related to the previous \$350.0 million facility, which was extinguished at the time that the new Revolving Credit Facility was obtained.

On December 16, 1998, the Company consummated the Wilson Acquisition for a purchase price of approximately \$1.8 billion, consisting of approximately 14.9 million shares of Common Stock valued at \$17.25 per share (recorded at \$16.25 per share for GAAP purposes), approximately 16.2 million UPREIT Units valued at \$17.25 per unit (recorded at \$16.25 for GAAP purposes), approximately \$465.0 million in cash and the assumption of approximately \$760.0 million of property and construction related debt (recorded at \$773.7 million for GAAP purposes). The Company also recorded a minority interest of \$241.0 million in connection with this acquisition.

18. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

(Dollar amounts in thousands except per share amounts):

<S>	QUARTER ENDED			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
	<C>	<C>	<C>	<C>
1998				
Revenues.....	\$ 102,402	\$ 89,038	\$ 86,490	\$ 81,556
Income before extraordinary item.....	24,535	21,227	19,252	22,754
Extraordinary loss.....	(2,034)	(2,269)	--	--
Net income.....	22,501	18,958	19,252	22,754
Per share data:				
Income before extraordinary item.....	0.22	0.20	0.18	0.24
Basic and diluted net income per common share.....	0.20	0.18	0.18	0.24
1997				
Revenues.....	\$ 62,242	\$ 38,414	\$ 38,268	\$ 34,987
Income before extraordinary item.....	15,881	8,076	8,008	5,636
Extraordinary loss.....	--	--	(28)	(26)
Net income.....	15,881	8,076	7,980	5,610
Per share data:				
Income before extraordinary item.....	0.26	0.18	0.12	0.07
Basic and diluted net income per common share.....	0.26	0.18	0.12	0.07

19. SEGMENT REPORTING

The Company has adopted Statement of Financial Accounting Standard No. 131 ("SFAS 131"), which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders.

The Company has one reportable segment--real estate. The Company provides leasing, management, acquisition, development, construction and tenant-related services for its portfolio. The Company does not have any foreign operations. The accounting policies of the segment are the same as those described in Note 1. See Note 12 for information regarding concentration of risk.

The Company evaluates performance based on net operating income from the individual properties in the segment.

<TABLE>
<CAPTION>

<S>	TOTAL SEGMENT	CORPORATE & OTHER (A)	COMPANY TOTAL
	-----	-----	-----
	<C>	<C>	<C>
Total revenues (B):			
1998.....	\$ 354,145	\$ 5,341	\$ 359,486
1997.....	160,490	13,421	173,911
1996.....	112,109	4,799	116,908
Total operating and interest expense (C):			
1998.....	\$ 122,423	\$ 80,472	\$ 202,895
1997.....	61,522	41,541	103,063
1996.....	44,188	38,141	82,329
Net operating income (D):			
1998.....	\$ 231,722	\$ (75,131)	\$ 156,591
1997.....	98,968	(28,120)	70,848
1996.....	67,921	(33,342)	34,579
Total long-lived assets (E):			
1998.....	\$ 4,137,302	\$ 54,782	\$ 4,192,084
1997.....	1,996,404	9,147	2,005,551
1996.....	635,723	3,819	639,542
Total assets:			
1998.....	\$ 4,198,099	\$ 83,885	\$ 4,281,984
1997.....	1,757,372	294,109	2,051,481
1996.....	623,934	142,245	766,179

</TABLE>

(A) Corporate and Other represents all corporate-level items (including interest income, interest expense and general and administrative expenses) as well as intercompany eliminations necessary to reconcile to consolidated Company totals.

- (B) Total revenues represents all revenues during the period (including the Company's earnings in real estate joint ventures). All interest income is excluded from the segment amounts and is classified in Corporate and Other for all periods.
- (C) Total operating and interest expense represents the sum of building operating expenses, real estate taxes, interest expense and general and administrative. All interest expense (including property level mortgages) is excluded from the segment amounts and is classified in Corporate and Other for all periods. Amounts presented exclude depreciation and amortization of \$59,278,000, \$30,978,000 and \$24,317,000 in 1998, 1997 and 1996, respectively.
- (D) Net operating income represents total revenues (as defined in note (B) above) less total operating and interest expense (as defined in note (C) above) for the period.
- (E) Long-lived assets is composed of total investments, other deferred costs, deferred tenant receivables and certain other assets.

20. SUBSEQUENT EVENTS

On January 4, 1999, in connection with the Wilson Acquisition, the Company prepaid the notes on Two ADP Plaza and Two Corporate Centre. The balances of the two loans at the time of prepayment were \$13.4 million and \$18.6 million, respectively.

During January 1999, the Company entered into four interest rate swap agreements with major financial institutions. The swaps effectively fix the LIBOR rate on \$250.0 million of the amount outstanding on the Company's credit facility at approximately 5.1%. The swap agreements expire on November 3, 2001 coterminous with the Revolving Credit Facility.

A cash dividend and unitholder distribution of \$0.15 per share/unit was declared for the first half of the fourth quarter of 1998 and paid on February 26, 1999, to common stockholders and unitholders of record as of December 15, 1998. A cash dividend and unitholder distribution of \$0.15 per share/unit was declared for the second half of the fourth quarter of 1998 and paid on February 26, 1999, to common stockholders and unitholders of record as of January 29, 1999.

FIRST AMENDMENT TO
AGREEMENT OF LIMITED PARTNERSHIP
OF
CORNERSTONE PROPERTIES LIMITED PARTNERSHIP

THIS FIRST AMENDMENT TO AGREEMENT OF LIMITED PARTNERSHIP OF CORNERSTONE PROPERTIES LIMITED PARTNERSHIP (this "AMENDMENT"), dated as of January 29, 1997, is entered into by CORNERSTONE PROPERTIES INC., a Nevada corporation, as general partner (the "GENERAL PARTNER") of Cornerstone Properties Limited Partnership (the "PARTNERSHIP"), for itself and on behalf of the Limited Partners of the Partnership, and CONTRIBUTORS' PARTNERS (as defined below).

WITNESSETH:

WHEREAS, on the date hereof, Corporate 500, Phase I, an Illinois limited partnership ("PHASE I OWNER"), and Corporate 500, Phase II, an Illinois limited partnership ("PHASE II OWNER"; Phase I Owner and Phase II Owner collectively hereafter referred to as "CONTRIBUTORS"), have made a Capital Contribution to the Partnership and are entitled to receive an aggregate of 822,794 Class A Partnership Common Units of limited partnership interest in the Partnership (the "OP UNITS") in exchange for the Phase I Property and the Phase II Property (each as more specifically defined in the Contribution Agreement dated as of December 11, 1997 by and among Contributors and General Partner (the "CONTRIBUTION AGREEMENT")) pursuant to a closing under the Contribution Agreement;

WHEREAS, Pursuant to the Contribution Agreement, Contributors have delivered written instructions to the Partnership on the date hereof (the "WRITTEN INSTRUCTIONS") to distribute the OP Units to Myron Levin, Arvin Rieger, Steven Levin, Marla Pierson and Terry Levin Smith (collectively, the "CONTRIBUTORS' PARTNERS") in such manner as is set forth in such Written Instructions;

WHEREAS, pursuant to the authority granted to the General Partner under the Agreement of Limited Partnership of Cornerstone Properties Limited Partnership dated as of December 23, 1997 (the "PARTNERSHIP AGREEMENT"), the General Partner desires to amend the Partnership Agreement to reflect the admission of each Contributors' Partner as an Additional Limited Partner and holder of a certain number of OP Units and certain other matters described herein; and

WHEREAS, each Contributors' Partner desires to become a party to the Partnership Agreement as Limited Partner and to be bound by all terms,

conditions and other provisions of this Amendment and the Partnership Agreement.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the General Partner hereby amends the Partnership Agreement as follows:

1. ADMISSION OF CONTRIBUTORS' PARTNERS. Each Contributors' Partner is hereby admitted as an Additional Limited Partner in accordance with SECTION 12.2 of the Partnership Agreement holding such number of OP Units as is set forth on EXHIBIT A. Each Contributors' Partner hereby agrees to become a party to the Partnership Agreement as a Limited Partner and to be bound by all the terms, conditions and other provisions of the Partnership Agreement, including but not limited to the power of attorney set forth in SECTION 2.4 of the Partnership Agreement. Pursuant to SECTION 12.2.B of the Partnership Agreement, the General Partner hereby consents to the

admission of each Contributors' Partner as an Additional Limited Partner of the Partnership. The admission of each Contributors' Partner shall become effective as of the date of this Amendment, which shall also be the date on which the name of each Contributors' Partner is recorded on the books and records of the Partnership.

2. RESTATEMENT OF EXHIBIT A. EXHIBIT A to the Partnership Agreement is amended and restated by replacing such EXHIBIT A with EXHIBIT A attached to this Amendment. Notwithstanding anything to the contrary set forth in the Partnership Agreement, on the date hereof the Percentage Interest in Partnership of each Contributors' Partner shall be as set forth on EXHIBIT A.

3. ALLOCATIONS. Notwithstanding anything to the contrary set forth in the Partnership Agreement, General Partner and Partners' Contributors agree that for purposes of Section 704(c) of the Code, the 704(c) Value of the Phase I Property and Phase II Property will be allocated among the various components of the Phase I Property and Phase II Property in a manner to be reasonably agreed upon by the General Partner and Partners' Contributors within ninety (90) days after the date hereof. Notwithstanding the provisions of SECTION 2.C of EXHIBIT C to the Partnership Agreement, for purposes of allocating items of income, gain, loss and deduction with respect to the Phase I Property and the Phase II Property in the manner required by Section 704(c) of the Code, the Partnership will employ, and shall cause any entity controlled by the Partnership which holds title to the Phase I Property or Phase II Property to employ, the "traditional method" (without curative allocations) as set forth in Regulation Section 1.704-3(b)(1).

4. MAINTENANCE OF NONRECOURSE DEBT. The Partnership shall keep outstanding, and shall cause any entity controlled by the Partnership which holds title to the Phase I Property and the Phase II Property to keep outstanding, a nonrecourse loan secured by the Phase I Property and the Phase II Property, which loan shall meet all the requirements necessary to constitute

"qualified nonrecourse financing" pursuant to Section 465(b)(6) of the Code, in an aggregate principal amount of at least \$80,000,000 (the "LOAN") until the earlier of (the "END DATE") (i) January 29, 2008, and (ii) the date on which less than 205,699 OP Units issued pursuant to this Amendment are held, in the aggregate, by the Contributors' Partners.

5. DISPOSITION OF PHASE I AND PHASE II PROPERTIES.

Notwithstanding anything to the contrary set forth in the Partnership Agreement, the Partnership agrees not to sell, transfer, exchange or otherwise dispose of, and shall cause any entity controlled by Partnership not to sell, transfer, exchange or otherwise dispose of, the Land and the Improvements (as such terms are defined in the Contribution Agreement) prior to the End Date, without the prior written consent of the Contributors' Partners then holding any of the OP Units issued pursuant to this Amendment, except in connection with a like-kind exchange under Section 1031 of the Code or other disposition that pursuant to a nonrecognition provision in the Code does not result in the current recognition of any gain to said holders of the OP Units.

6. MERGER; CONSOLIDATION. Notwithstanding anything to the contrary set forth in the Partnership Agreement, if as a result of a merger, consolidation or other combination of the Company or the Partnership with or into another Person, the Contributors' Partners then holding OP Units shall suffer an adverse federal or state income tax consequence, the Partnership shall either (i) not consummate such transaction without the prior written consent of the Contributors' Partners then holding any of the OP Units issued pursuant to this Amendment, or (ii) consummate such transaction but Company and Partnership shall indemnify such Contributors' Partners from and against the after-tax present value of the detriment incurred by the Contributors' Partners as a result of such transaction, taking into account the detriment suffered, including the timing and character of taxable income recognized by Contributors' Partners as a result of such transaction. For purposes of calculating the indemnification amount, the Contributors' Partners tax rate shall be deemed to be equal to the maximum individual federal and Illinois income tax rates (taking into account the character of the income received and the deductibility of state taxes against federal taxes) and the present value discount rate shall be 8%.

7. DEFINITIONS; FULL FORCE AND EFFECT. All capitalized terms used in this Amendment and

not otherwise defined herein shall have the meanings assigned to them in the Partnership Agreement. Except as modified herein, all terms and conditions of the Partnership Agreement shall remain in full force and effect, which terms and conditions the General Partner and the Contributors' Partners hereby ratify and affirm. The rights and obligations of Contributor's Partners and General Partner shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns and transferees in accordance with the provisions of Article 11 of the Partnership Agreement.

8. COUNTERPARTS. To facilitate execution, this Amendment

may be executed in as many counterparts as may be required; and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Amendment to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

9. NO TRANSFERS TO HOLDERS OF NONRECOURSE LIABILITIES. No transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership with respect to the Phase I Property or the Phase II Property whose loan constitutes a Nonrecourse Liability.

10. DISTRIBUTIONS. Notwithstanding anything to the contrary set forth in the Partnership Agreement, the General Partner agrees to make full distributions out of Available Cash pursuant to Section 5.1 of the Partnership Agreement to Contributors' Partners who are Partners on a Partnership Record Date, WITHOUT any proration of such distributions based on the portion of the distribution period that such Units held by such Contributors' Partners were outstanding.

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first set forth above.

CORNERSTONE PROPERTIES INC.,
a Nevada corporation, as General Partner of
Cornerstone Properties Limited Partnership and on
behalf of existing Limited Partners

By:

Name:

Title:

By:

Name:

Title:

CONTRIBUTORS' PARTNERS

Myron Levin

Arvin Rieger

Steven Levin

Marla Pierson

Terry Levin Smith

AMENDMENT TO FIRST AMENDMENT TO
AGREEMENT OF LIMITED PARTNERSHIP
OF
CORNERSTONE PROPERTIES LIMITED PARTNERSHIP

THIS AMENDMENT TO FIRST AMENDMENT TO AGREEMENT OF LIMITED PARTNERSHIP OF CORNERSTONE PROPERTIES LIMITED PARTNERSHIP (this "AMENDMENT"), dated as of January 29, 1998, is entered into by CORNERSTONE PROPERTIES INC., a Nevada corporation, as general partner (the "GENERAL PARTNER") of Cornerstone Properties Limited Partnership (the "PARTNERSHIP"), for itself and on behalf of the Limited Partners of the Partnership, and CONTRIBUTORS' PARTNERS (as defined below).

WITNESSETH:

WHEREAS, on the date hereof, Myron Levin, Arvin Rieger, Steven Levin, Marla Pierson and Terry Levin Smith (collectively, the "CONTRIBUTORS' PARTNERS") and the General Partner entered into that certain First Amendment to Agreement of Limited Partnership of Cornerstone Limited Partnership (the "FIRST AMENDMENT") pursuant to the authority granted to the General Partner under the Agreement of Limited Partnership of Cornerstone Properties Limited Partnership dated as of December 23, 1997 (the "PARTNERSHIP AGREEMENT"); and

WHEREAS, the General Partner and each Contributors' Partner desires to correct a provision of the First Amendment;.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the First Amendment is hereby amended as follows:

1. Section 9 of the First Amendment is hereby deleted in its entirety and the following is hereby substituted in lieu thereof:

" 9. NO TRANSFERS TO HOLDERS OF NONRECOURSE LIABILITIES. No transfer of any Partnership Units may be made to a lender to the Partnership or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any lender to the Partnership with respect to the Phase I Property or the Phase II Property whose loan constitutes a Nonrecourse Liability, unless such lender or Person would not be deemed to be a partner in the Partnership under Section 1.752-2(d)(1) of the Regulations."

2. DEFINITIONS; FULL FORCE AND EFFECT. All capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned to them in the Partnership Agreement. Except as modified herein, all terms and conditions of the Partnership Agreement shall remain in full force and effect, which terms and conditions the General Partner and the Contributors' Partners hereby ratify and affirm. The rights and obligations of Contributor's Partners and General Partner shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns and transferees in accordance with the provisions of Article 11 of the Partnership Agreement.

3. COUNTERPARTS. To facilitate execution, this Amendment may be executed in as many counterparts as may be required; and it shall not be necessary that the signatures of, or on behalf of, each party, or

that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Amendment to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto. Delivery of executed counterparts by telefax shall constitute sufficient delivery and shall be effective as an original counterpart.

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first set forth above.

CORNERSTONE PROPERTIES INC.,
a Nevada corporation, as General Partner of
Cornerstone Properties Limited Partnership and on
behalf of existing Limited Partners

By:

Name:

Title:

By:

Name:

Title:

CONTRIBUTORS ' PARTNERS

Myron Levin

Arvin Rieger

Steven Levin

Marla Pierson

Terry Levin Smith

SECOND AMENDMENT TO
AGREEMENT OF LIMITED PARTNERSHIP
OF
CORNERSTONE PROPERTIES LIMITED PARTNERSHIP

THIS SECOND AMENDMENT TO AGREEMENT OF LIMITED PARTNERSHIP OF CORNERSTONE PROPERTIES LIMITED PARTNERSHIP (this "AMENDMENT"), dated as of April 28, 1998, is entered into by CORNERSTONE PROPERTIES INC., a Nevada corporation, as general partner (the "GENERAL PARTNER") of Cornerstone Properties Limited Partnership (the "PARTNERSHIP"), for itself and on behalf of the Limited Partners of the Partnership, and CONTRIBUTOR (as defined below).

WITNESSETH:

WHEREAS, on the date hereof, One Memorial Drive Limited Partnership ("CONTRIBUTOR"), a Massachusetts limited partnership, has made a Capital Contribution to the Partnership and is entitled to receive Class A Partnership Common Units in the Partnership (the "OP UNITS") in exchange for the Property (as defined in the Agreement to Contribute dated as of the date hereof by and among Contributor, Partnership and others (the "CONTRIBUTION AGREEMENT")) pursuant to a closing under the Contribution Agreement;

WHEREAS, Contributor hereby instructs the Partnership to distribute the OP Units to (i) Memeno - 1787 Corp. ("Memeno"), (ii) The Congress Group, Inc. ("CGI"), (iii) Elohssa Realty Limited Partnership ("ELOHSSA"), (iv) New Memorial Drive, Inc. (which has simultaneously transferred all of its OP Units to Gardner and is no longer a "Distributee" for purposes hereof, (v) David A. Gardner ("GARDNER"), (vi) Wynken Corp. ("WYNKEN") and (vii) DFS Holdings LLC ("DFS") (Memeno, CGI, Elohssa, Gardners, Wynken and DFS, collectively, the "DISTRIBUTEES") in the allocation set forth on EXHIBIT A;

WHEREAS, pursuant to the authority granted to the General Partner under the Agreement of Limited Partnership of Cornerstone Properties Limited Partnership dated as of December 23, 1997, as amended by that certain First Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership, dated as of January 29, 1997 [sic] and that certain Amendment to such First Amendment, dated as of January 29, 1998 (as amended, the "PARTNERSHIP AGREEMENT"), the General Partner desires to amend the Partnership Agreement to reflect the admission of each Distributee as an Additional Limited Partner and holder of a certain number of OP Units and certain other matters described herein; and

WHEREAS, each Distributee desires to become a party to the Partnership Agreement as Limited Partner and to be bound by all terms,

conditions and other provisions of this Amendment and the Partnership Agreement.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, the General Partner hereby amends the Partnership Agreement as follows:

1. ADMISSION OF DISTRIBUTEES. Each Distributee is hereby admitted as an Additional Limited Partner in accordance with SECTION 12.2 of the Partnership Agreement holding such number of OP Units as is set forth on EXHIBIT A. Each Distributee hereby agrees to become a party to the Partnership Agreement as a Limited Partner and to be bound by all the terms, conditions and other provisions of the Partnership Agreement, including but not limited to the power of attorney set forth in SECTION 2.4 of the Partnership Agreement. Pursuant to

SECTION 12.2.B of the Partnership Agreement, the General Partner hereby consents to the admission of each Distributee as an Additional Limited Partner of the Partnership. The admission of each Distributee shall become effective as of the date of this Amendment, which shall also be the date on which the name of each Distributee is recorded on the books and records of the Partnership.

2. RESTATEMENT OF EXHIBIT A. EXHIBIT A to the Partnership Agreement is amended and restated by replacing such EXHIBIT A with EXHIBIT A attached to this Amendment. Notwithstanding anything to the contrary set forth in the Partnership Agreement, on the date hereof the Percentage Interest in Partnership of each Distributee shall be as set forth on EXHIBIT A.

3. FURTHER DISTRIBUTION AND ASSIGNMENT BY DISTRIBUTEES. The General Partner Acknowledges and agrees that any Distributee which is not an individual shall have the right to assign all but not less than all of its OP Units to the holders of the beneficial interest therein, consisting of David A. Gardner, Dean F. Stratouly and/or Edward Barry, provided such holders comply with clauses (i), (ii), (iii), (iv) and (v) of Section 1.2 of the Contribution Agreement and Subsections (C), (D) and (E) of Section 11.3 of the Partnership Agreement. Additionally, the General Partner further acknowledges and agrees that each holder of an OP Unit shall have the right to assign all but not less than all of its OP Units to another OP Unit holder, provided such assignee complies with clauses (i), (ii), (iii), (iv) and (v) of Section 1.2 of the Contribution Agreement and Subsections (C), (D) and (E) of Section 11.3 of the Partnership Agreement. Upon each such assignment, the assignee of the applicable OP Units shall be admitted as an Additional Limited Partner in accordance with SECTION 12.2 of the Partnership Agreement and shall constitute a "Distributee" under this Amendment, and the terms of this Amendment shall be applicable as if such Distributee had been an original party to this Amendment.

4. ALLOCATIONS. Notwithstanding the provisions of SECTION 2.C of EXHIBIT C to the Partnership Agreement, for purposes of allocating items of income, gain, loss and deduction with respect to the Property in the manner required by Section 704(c) of the Code, the Partnership

will employ, and shall cause any entity controlled by the Partnership which holds title to the Property to employ, the "traditional method" (without curative allocations) as set forth in Regulation Section 1.704-3(b)(1).

5. DEFINITIONS; FULL FORCE AND EFFECT. All capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings assigned to them in the Partnership Agreement. Except as modified herein, all terms and conditions of the Partnership Agreement shall remain in full force and effect, which terms and conditions the General Partner and the Distributees hereby ratify and affirm. The rights and obligations of Distributees and General Partner shall inure to the benefit of and be binding upon the parties hereto and their respective successors and permitted assigns and transferees in accordance with the provisions of Article 11 of the Partnership Agreement.

6. COUNTERPARTS. To facilitate execution, this Amendment may be executed in as many counterparts as may be required; and it shall not be necessary that the signatures of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of, each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Amendment to produce or account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first set forth above.

GENERAL PARTNER:

CORNERSTONE PROPERTIES INC.,
a Nevada corporation, as General Partner of
Cornerstone Properties Limited Partnership and on
behalf of existing Limited Partners

By: /s/ Frank H. Shields, Jr.

Name: Frank H. Shields, Jr.
Title: Vice President

By: /s/ Barry J. McGowan

Name: Barry J. McGowan
Title: Vice President

CONTRIBUTOR:

ONE MEMORIAL DRIVE LIMITED
PARTNERSHIP

By: One Memorial Operating Limited Partnership

By: The Congress Group, Inc., General
Partner

By: /s/ Dean F. Stratouly

Dean F. Stratouly
Vice President

DISTRIBUTEES:

/s/ David A. Gardner

David A. Gardner

NEW MEMORIAL DRIVE, INC.

By:

David A. Gardner
President

THE CONGRESS GROUP, INC.

By: /s/ Dean F. Stratouly

Dean F. Stratouly
Vice President

ELOHSSA REALTY LIMITED

PARTNERSHIP

By: /s/ Edward F. Barry, Jr.

Edward F. Barry, Jr., its sole
general partner

WYNKEN CORP.

By: /s/ Dean F. Stratouly

Dean F. Stratouly
President

DFS HOLDINGS LLC

By: /s/ Dean F. Stratouly

Dean F. Stratouly
Its President

MEMENO - 1987 CORP, A _____
CORPORATION

By: /s/ Edward F. Barry, Jr.

Name: Edward F. Barry, Jr.
Title: President

THIRD AMENDMENT TO
AGREEMENT OF LIMITED PARTNERSHIP
OF
CORNERSTONE PROPERTIES LIMITED PARTNERSHIP

THIS THIRD AMENDMENT TO AGREEMENT OF LIMITED PARTNERSHIP OF CORNERSTONE PROPERTIES LIMITED PARTNERSHIP (this "AMENDMENT") dated as of June 3, 1998, is entered into by CORNERSTONE PROPERTIES INC., a Nevada corporation, as general partner (the "COMPANY" or "GENERAL PARTNER") of Cornerstone Properties Limited Partnership (the "PARTNERSHIP"), for itself and on behalf of the Limited Partners of the Partnership, and the New Partners executing this Amendment.

W I T N E S S E T H:

WHEREAS, on the date hereof, certain of the New Partners identified as "Contributors" on the Signature Page hereto ("CONTRIBUTORS") have made Capital Contributions to the Partnership in exchange for an aggregate of 2,626,913 Class A Partnership Common Units of limited partnership interest in the Partnership (the "UNITS"), all in accordance with the provisions of the Closing Agreement, dated as of June 3, 1998, by and between Partnership Contributors and certain other parties (the "CLOSING AGREEMENT");

WHEREAS, pursuant to the authority granted to the General Partner under the Agreement of Limited Partnership of Cornerstone Properties Limited Partnership dated as of December 23, 1997, as amended from time to time (the "PARTNERSHIP AGREEMENT"), the General Partner desires to amend the Partnership Agreement to (i) reflect the admission of the Contributors as Additional Limited Partners holding the number of Units set forth on SCHEDULE 1 hereto, (ii) the distribution of Units immediately upon receipt thereof by Tele/Tac Associates ("TELE/TAC") in the number and to the parties (the "DISTRIBUTEES") identified on SCHEDULE 1 hereto, and upon completion of such transfers, the retirement of Tele/Tac as Additional Limited Partner and the admission as Substitute Limited Partners of the Distributees of Tele/Tac identified on SCHEDULE 1 hereto, each holding the number of Units set forth opposite its name on Schedule 1 hereto, (iii) the immediate redemption for cash by Boron-Westcoast B.V. of the number of Units indicated as redeemed by it on SCHEDULE 1 attached hereto, (iv) after the completion of the foregoing, the distribution of Units following receipt thereof by California/Front Building Company ("CAL/FRONT") in the number and to the Distributees identified on Schedule 1 hereto, and upon completion of such transfers, the retirement of Cal/Front as Additional Limited Partner and the admission as Substitute Limited Partners of the Distributees of Cal/Front identified on Schedule 1 hereto each holding the number of Units set forth opposite its name on Schedule 1 hereto, (v) the redemption immediately following

such distribution for cash by Noro-Hibernia Holding Company B.V. of the number of Units indicated as redeemed by it on Schedule 1 attached hereto, and (vi) certain other matters described herein; and

WHEREAS, the Contributors and Distributees (each, for so long as it is an Additional Limited Partner or Substitute Limited Partner, a "NEW PARTNER" and, collectively, the "NEW PARTNERS") desire to become parties to the Partnership Agreement as Limited Partners and to be bound by all terms, conditions and other provisions of this Amendment and the Partnership Agreement.

NOW THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt of which hereby are acknowledged, General Partner hereby amends the Partnership Agreement as follows:

1. ADMISSION OF NEW PARTNERS.

(a) Each Contributor is hereby admitted as an Additional Limited Partner in accordance with SECTION 12.2 of the Partnership Agreement and, upon retirement of Tele/Tac and Cal/Front as Additional Limited Partners, each of the Distributees is hereby admitted as a Substitute Limited Partner. Each New Partner agrees that, effective as of the date hereof, it has become a party to the Partnership Agreement as a Limited Partner and to be bound by all terms, conditions and other provisions of the Partnership Agreement, including, but not limited to, the power of attorney set forth in SECTION 2.4 of the Partnership Agreement. Pursuant to SECTION 12.2.B of the Partnership Agreement, General Partner hereby consents to the aforesaid admissions, transfers and substitutions. The admission of each New Partner shall become effective as of the date of this Amendment, which shall also be the date on which the name of each New Partner is recorded on the books and records of the Partnership. Exhibit A annexed hereto sets forth the New Partners and their respective Units upon and as of completion of all of the admissions, transfers and substitutions described above. Notwithstanding anything to the contrary set forth in the Partnership Agreement, but subject to the terms of SECTION 12.2A of the Partnership Agreement and SECTION 1(B) below, the General Partner agrees to consent to the admission as Additional Limited Partners of Permitted Assignees of the New Partners. For purposes of this Amendment, a "PERMITTED ASSIGNEE" means any Person (i) to whom a Unit Holder has assigned all or a portion of its Units, (ii) (A) who complies with SUBSECTIONS (C), (D) and (E) of SECTION 11.3 of the Partnership Agreement, (B) except with respect to the parties identified on SCHEDULE 2, who is an "accredited investor" within the meaning of Rule 501 of the Securities Act of 1933, as in effect from time to time, and all applicable rules and regulations thereunder (the "SECURITIES ACT"), (C) who makes the investment representations set forth as an Exhibit to the Closing Agreement (provided that in the case of any party identified on Schedule 2, it is not a condition that such party is an "accredited investor" as referred to above) and (D) who delivers a prospective subscriber questionnaire in the form attached as an Exhibit to the Closing Agreement (provided that in the case of any party identified on Schedule 2, it is not a condition that such party is an "accredited investor" as referred to above) and (iii) who is a New Partner, an

Affiliate of a New Partner, a Person who holds a direct or indirect interest in a New Partner and is set forth on SCHEDULE 2; and if any of the foregoing is a natural person, any spouse, lineal descendant, sibling or ancestor of such natural person or any trust, family limited partnership or family limited liability company which has any such person, spouse, lineal descendant, sibling or ancestor as its primary beneficiaries, partners or members or to a charitable organization or to a trust of which a charitable organization is a beneficiary who satisfies clause (ii) of this Paragraph. The New Partners and each Permitted Assignee who holds Units issued pursuant to this Amendment and is admitted as Limited Partner pursuant hereto are collectively referred to in this Amendment as "UNIT HOLDERS."

(b) Notwithstanding anything to the contrary contained in PARAGRAPH 1(A) above, if any permitted assignment of Units by a Unit Holder to a Permitted Assignee would increase the number of Unit Holders to a number greater than twenty-six (26), the Permitted Assignee who is the transferee ("TRANSFEREE") of such Units shall not be admitted as a Limited Partner until such time as the total number of Unit Holders, upon admission of Transferee, shall not exceed twenty-six (26); provided, however, at the time of admission the Transferee satisfies the requirements of clauses (i) through (iii) of PARAGRAPH 1(A). A Permitted Assignee who is not admitted as a Limited Partner shall be an Assignee until admitted or until its Units are further assigned.

(c) Upon a Person becoming a Unit Holder or Assignee hereunder, such Person shall be deemed to represent and warrant to the Partnership that none of the matters set forth in clauses (iv), (v) or (vi) of SECTION 11.3D of the Partnership Agreement have or will occur as a result of such Person becoming a Unit Holder or Assignee.

2. RESTATEMENT OF EXHIBIT A. EXHIBIT A to the Partnership Agreement is amended and restated by replacing such EXHIBIT A with EXHIBIT A attached to this Amendment.

3. MAINTENANCE OF DEBT. The Partnership shall not prepay, and shall not permit any Affiliate of the Partnership (each a "HOLDING COMPANY") that holds a direct or indirect interest in fee title to either of (i) the property commonly known as 1299 Ocean Avenue, Santa Monica, California (the "PALISADES Property"), or (ii) the property commonly known as 201 California Street, San Francisco, California (the "201 PROPERTY"), the Palisades Property and the 201 Property are each a "PROPERTY" and collectively the "PROPERTIES") to prepay (except to the extent required under the applicable loan documents in the event of a casualty or condemnation of such Property) (i) that certain loan in the stated principal amount of \$33,000,000 (principal balance as of the date hereof being \$32,945,728) from Northwestern Mutual Life Insurance Company to California/Front Building Company, which loan is secured by a deed of trust on the 201 Property and (ii) that certain loan in the stated principal amount of \$32,000,000 (current principal balance as of the date hereof being \$29,966,642) from Lincoln Life Insurance Company to 1299 Ocean LLC, Alameda Associates and Commerce Way Associates and secured by a deed of trust on the Palisades Property

outstanding on the date hereof (each, a "MORTGAGE LOAN") until the maturity date of such Mortgage Loan, and shall not permit any Person to become personally liable for repayment thereof (except for customary nonrecourse carve-outs); provided, however, nothing contained herein shall limit or prohibit the Partnership from refinancing any Mortgage Loan in an amount not less than its then outstanding principal balance provided no Person is personally liable for repayment thereof (except customary non-recourse carve-outs) and any such refinancing loan shall be considered a "Mortgage Loan"). The General Partner shall not consent under SECTION 11.3E of the Partnership Agreement to a transfer of Partnership Units to the lenders of such Mortgage Loans or any Person who is related (within the meaning of Section 1.752-4(b) of the Regulations) to any such lender if such lender or related Person would be deemed to be a greater than ten percent (10%) partner in the Partnership for purposes Section 1.752-2(d)(1) of the Regulations. If the Partnership becomes aware of any reason why the Mortgage Loans may be decreased prior to maturity or no longer meet all requirements necessary to constitute "qualified nonrecourse financing" pursuant to Section 465(b)(6) of the Code and the Regulations thereunder, with respect to which no Partner or a related person is considered to bear the economic risk of loss within the meaning of Regulation Section 1.752-2(c)(1), it shall promptly notify the Unit Holders.

For purposes of determining the Unit Holders' shares of the portion of each Mortgage Loan allocable under Regulations Section 1.752-3(a)(3) ("TIER III PORTION"), the Partnership shall take into account the excess ("ADDITIONAL 704(C) GAIN") of (a) the unit Holders' 704(c) Gain (defined in PARAGRAPH 7 below) with respect to each Property, over (b) the amount of the Unit Holders' 704(c) Gain that is taken into account in allocating to the Unit Holders a portion of each Mortgage Loan under Regulations Section 1.752-3(a)(2) ("MINIMUM 704(C) GAIN"), by allocating to the Unit Holders the percentage of the Tier III Portion of each Mortgage Loan equal to (x) the Additional 704(c) Gain with respect to each Property as of the date hereof, divided by (y) the excess of (i) the 704(c) Value of such Property as of the date hereof, over (ii) the Minimum 704(c) Gain as of the date hereof. The remaining Tier III Portion of the Mortgage Loan shall be allocated by the General Partner in accordance with each Partner's respective Percentage Interest in the Partnership. As of the date hereof, the Unit Holders shall be allocated the respective shares of such Mortgage Loans shown on SCHEDULE 3 attached to this Amendment.

4. DISPOSITION OF PROPERTIES. Notwithstanding anything to the contrary set forth in the Partnership Agreement, the Partnership agrees not to sell, transfer, exchange or otherwise dispose of, and shall cause any Holding Company not to sell, transfer, exchange or otherwise dispose of, all or any portion of the Palisades Property, 201 Property or an interest in a Holding Company, or any property acquired in exchange therefor pursuant to the succeeding sentence of this PARAGRAPH 4 (each a "DISPOSITION"), until the earlier of (the "END DATE") (i) the tenth anniversary of the date of this Amendment, and (ii) the date on which the Partnership gives notice to the Unit Holders confirming that less than One Hundred Sixty-Six Thousand Five Hundred Sixty-Six (166,566) of the Units issued pursuant to this Amendment are held, in the aggregate, by Unit Holders. Notwithstanding the preceding sentence, the Partnership may make a Disposition by way of a like-kind exchange under Section 1031 of the Code

that does not result in the recognition of any taxable income or gain to a Unit Holder, or other Disposition that pursuant to a nonrecognition provision of the Code does not result in the recognition of any taxable income or gain to a Unit Holder under the United States federal income tax law and California tax law. If the Partnership breaches the foregoing, the Partnership shall pay, in accordance with PARAGRAPH 6, each Unit Holder other than Noro (as hereinafter defined), Permitted Assignee thereof and each direct and indirect partner, member or shareholder of such Unit Holder or Permitted Assignee, if such partner, member or shareholder is required to take any such income or gain into account in determining his Taxes ("INDEMNITEE"), liquidated damages in an amount equal to the Tax Liability of each Indemnatee attributable to such Disposition.

After the End Date, Partnership agrees to give, and shall cause any Holding Company to give, at least thirty (30) days prior written notice to the Unit Holders before commencing to actively market the Palisades Property, the 201 Property or an interest in a Holding Company, or a property acquired in a tax deferred exchange therefor prior to the End Date, and notwithstanding SECTION 7.1E of the Partnership Agreement, agrees to use good faith efforts, and shall cause any Holding Company to use good faith efforts, to structure the Disposition of such Properties or Holding Company interest in such manner that would not result in the recognition to Unit Holders of any taxable income or gain under the United States federal income tax law and California tax law, including, but not limited to, pursuant to a tax-deferred, like-kind exchange under Section 1031 of the Code, or a distribution of the Properties or other assets by the Partnership to the Unit Holders on a tax-free basis to the Unit Holders in exchange for Units, provided that the fair market values of the Properties or other assets to be distributed by the Partnership in exchange for the Units are mutually agreed upon by the Partnership and the Unit Holders requesting such distribution, and if the aggregate fair market value of such Properties or other assets (as reduced by any debt to which they are subject) is greater than the value of the Units, such Unit Holders shall pay such difference in cash. Nothing herein shall be construed to require that the Partnership agree to the distribution of any of its then-existing assets to the Unit Holders, or that the Unit Holders agree to accept any such assets. With respect to any Disposition after the End Date in violation of Partnership's good faith efforts covenant set forth in this PARAGRAPH 4, if the Partnership fails to use said good faith efforts, it shall pay the Indemnitees, in accordance with PARAGRAPH 6, liquidated damages in an amount equal to the Tax Liability attributable to the Disposition; provided, however, that in such case (i) the aggregate amount of any and all damages, including liquidated damages, recoverable by the Indemnitees shall in no event exceed \$5,000,000 in the aggregate (and if the aggregate amount would otherwise exceed \$5,000,000, the \$5,000,000 shall be prorated among the Indemnitees according to the amount of their relative Tax Liabilities), and (ii) the Indemnitees hereby waive their right to pursue injunctive or other equitable relief in connection with any such Disposition of the Properties.

5. MERGER; CONSOLIDATION. Notwithstanding anything to the contrary set forth in the Partnership Agreement, if as a result of a merger, consolidation or other combination of the Company or the Partnership with or into another Person prior to the End Date, the Unit Holders would incur any Taxes (as defined below), the Company and the Partnership shall, at the Company's and Partnership's election, either (i) not consummate such transaction without the prior written consent of (A) Unit Holders other than Noro-Hibernia Holding Company B.V., Boron-Westcoast B.V., Noro-Wilshire Holding Company B.V., and Noro-Palisades Holding Company B.V., (and their successors and assigns, collectively, "NORO") holding more than fifty percent (50%) of the then outstanding Units issued pursuant to this Amendment other than to Noro, (B) Noro, for so long as it owns not fewer than 166,566 of the Units issued hereunder, and (C) William L Tooley, so long as he directly or indirectly owns not fewer than 166,566 Units issued hereunder, or (ii) consummate such transaction and pay each of the Indemnitees liquidated damages in an amount equal to the Tax Liability to such Indemnitee resulting therefrom.

6. LIQUIDATED DAMAGES. IN THE EVENT OF A BREACH BY THE GENERAL PARTNER, THE PARTNERSHIP OR A HOLDING COMPANY OF ITS OBLIGATIONS UNDER PARAGRAPH 3, 4, 5 or 9 HEREOF, THE PARTIES AGREE THAT IT WOULD BE IMPRACTICAL AND EXTREMELY DIFFICULT TO ESTIMATE THE AMOUNT OF MONETARY DAMAGES WHICH THE INDEMNITEES WOULD SUFFER THEREFROM. THEREFORE, THE PARTIES

DO HEREBY AGREE THAT A REASONABLE ESTIMATE OF THE MONETARY DAMAGES THAT THE INDEMNITEES WOULD SUFFER IN THE EVENT THAT THE GENERAL PARTNER, THE PARTNERSHIP OR A HOLDING COMPANY DEFAULTS AND FAILS TO PERFORM ITS OBLIGATIONS UNDER PARAGRAPH 3, 4, 5 or 9 IS AND SHALL BE AN AMOUNT EQUAL TO THE TAX LIABILITY (AS DEFINED BELOW) RESULTING FROM SUCH BREACH; PROVIDED, HOWEVER, THAT IF SUCH BREACH IS THE PARTNERSHIP'S OR HOLDING COMPANY'S DISPOSITION AFTER THE END DATE IN VIOLATION OF THE PARTNERSHIP'S OR HOLDING COMPANY'S GOOD FAITH EFFORTS COVENANT SET FORTH IN PARAGRAPH 4, THE \$5,000,000 LIMITATION SPECIFIED IN THE LAST SENTENCE OF PARAGRAPH 4 SHALL APPLY. THE AMOUNT OF SAID TAX LIABILITY SHALL BE THE FULL, AGREED AND LIQUIDATED DAMAGES FOR A BREACH THEREOF. THE PARTNERSHIP SHALL PAY THE TAX LIABILITY AMOUNT AT THE TIME AND IN THE MANNER PROVIDED IN THAT CERTAIN TAX REIMBURSEMENT AGREEMENT, OF EVEN DATE HERewith, BY AND BETWEEN THE PARTNERSHIP AND THE NEW PARTNERS ("TAX REIMBURSEMENT AGREEMENT"). SAID PAYMENT SHALL BE AN EXPENSE OF THE PARTNERSHIP AND SHALL NOT BE CONSIDERED A DISTRIBUTION TO THE UNIT HOLDERS OR INDEMNITEES. NOTHING CONTAINED IN THIS PARAGRAPH 6 SHALL LIMIT THE INDEMNITEES' RIGHT TO RECEIVE REIMBURSEMENT FOR COSTS AND EXPENSES PURSUANT TO PARAGRAPH 13, NOR WAIVE OR AFFECT PARTNERSHIP'S OBLIGATIONS UNDER ANY OTHER PROVISION OF THIS AMENDMENT OR THE PARTNERSHIP AGREEMENT. THE PARTNERSHIP MAY MAKE PAYMENT TO A UNIT HOLDER OF THE TAX LIABILITY AMOUNT PAYABLE TO SUCH UNIT HOLDER AND ANY INDEMNITEE CLAIMING BY, THROUGH OR UNDER SUCH UNIT HOLDER AND THE PARTNERSHIP SHALL HAVE NO OBLIGATION OR LIABILITY TO ACCOUNT FOR THE FURTHER DISTRIBUTION BY UNIT HOLDERS OF AMOUNTS TO INDEMNITEES CLAIMING BY, THROUGH OR UNDER SUCH UNIT HOLDER.

For purposes of this amendment, "TAX LIABILITY" means an amount equal to the Taxes and the amount of any Taxes resulting from the payment of all amounts pursuant to the Tax Liability payment obligation hereunder; and "TAXES" means any tax, levy or other assessment imposed on an Indemnitee, including, without limitation, any income tax or California franchise tax based on or measured by income or gain, any alternative or add-on minimum tax, together with any interest, penalty, addition to tax or other additional amount imposed thereon if same is attributable to the Partnership's breach or its failure to (a) timely perform its Tax Liability payment obligation, or (b) provide a Unit Holder with accurate information to allow such Unit Holder and its Indemnites to timely comply with their reporting and payment obligations with respect to Taxes, imposed by any governmental authority, domestic or foreign, having jurisdiction over the imposition, assessment, determination, or collection of any of the foregoing. The amount of an Indemnitee's Tax Liability and Taxes with respect to a transaction or breach hereof shall be calculated based on the maximum tax rates applicable to such Indemnitee, and as if such Indemnitee had no other items of income, gain, loss, deduction or credit, other than the allowable federal tax deduction, if any, for the amount of Taxes, other than federal taxes, imposed with respect to such transaction. During the period through the End Date, the Partnership's Tax Liability payment obligation hereunder shall be further subject to the terms of a Tax Reimbursement Agreement.

7. 704(C) VALUE AND GAIN. Notwithstanding any provisions to the contrary in the Partnership Agreement, for purposes of allocating items of income, gain, loss and deduction with respect to the Palisades Property and the 201 Property in the manner required by Section 704(c) of the Code, the Partnership will employ, and shall cause the Holding Companies to employ, the "traditional method" (without curative allocations) as set forth in Regulation Section 1.704-3(b)(1). For purposes of this Amendment, the "704(C) GAIN" with respect to a Property means an amount equal to the excess of the 704(c) Value of such Property over the adjusted tax basis of such Property as of the date hereof. The 704(c) Value of the Palisades Property is \$63,250,000; and the 704(c) Value of the 201 Property is

\$56,750,000, inclusive of the land whose 704(c) Value is \$6,500,000. The Contributors represent and warrant to the Partnership that the estimated adjusted tax basis of the Palisades Property and the 201 Property shown on Exhibit B to the Tax Reimbursement Agreement is a reasonable estimate of the amount of the adjusted tax basis set forth in the Contributor's books and records, including its tax returns, subject to interim adjustments not yet reflected in said books and records.

8. DEPRECIATION LIFE. The Partnership and the Contributors acknowledge and agree pursuant to Regulation Section 1.704-1(b)(2)(iv)(g)(3) that the recovery period of the portion of the Palisades Property that has a zero adjusted tax basis shall be thirty-nine (39) years.

9. DEFICIT RESTORATION OBLIGATION. Each of the Unit Holders other than Noro shall have an option exercisable by written notice to the Partnership, which notice shall be irrevocable, to (a) elect to be listed on the recourse debt schedule attached to the Partnership Agreement as EXHIBIT E and to specify the amount of recourse debt that may be maintained by the Partnership from time to time to be allocated to such Unit Holder (for which such Unit Holder shall be personally liable for repayment on a recourse basis in accordance with the provisions of the Partnership Agreement), and (b) if such Unit Holder has previously been listed on EXHIBIT E, to elect to increase the amount of such recourse debt. Each such election shall be by written notice to the Partnership and may not be given by any Unit Holder more frequently than once in any calendar year. In no event shall any Unit Holder have the right to reduce the amount of recourse debt allocated to such Unit Holder. The recourse debt allocation to any Unit Holder pursuant hereto shall be binding upon successive transferees of such Unit Holder. A Unit Holder or Assignee shall cease to be personally liable for repayment of the recourse debt allocated to such Unit Holder on EXHIBIT E ninety (90) days after the date of the redemption by the Partnership or acquisition by the Company of all Units held by such Unit Holder or Assignee pursuant to the Redemption Right of Section 8.6 of the Partnership Agreement, unless at the time of, or during the six (6) month period following such redemption or acquisition, there has been:

(i) any entry of a decree or order for relief in respect of the Partnership by a court having jurisdiction over a substantial part of the Partnership's assets, or the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Partnership or of any substantial part of its property, or ordering the winding up or liquidation of the Partnership's affairs, in an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or

(ii) the commencement against the Partnership of an involuntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law; or

(iii) the commencement by the Partnership of a voluntary case under the federal bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or the consent by it to the entry of an order for relief in an involuntary case under any such law or the consent by it to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator (or other similar official) of the Partnership or of any substantial part of its property, or the making by it of a general assignment for the benefit of creditors, or the failure of Partnership generally to pay its debts as such debts become due or the taking of any action in furtherance of any of the foregoing;

provided that, after the passage of such ninety (90) days, the Unit Holder or

Assignee shall cease to be obligated with respect to the recourse debt, at the first time, if any, that all of the conditions set forth in (i) through (iii) above are no longer in existence.

The maximum aggregate amount of recourse debt ("RECOURSE DEBT MAXIMUM") which may be specified by the Unit Holders is TWENTY-FIVE MILLION DOLLARS (\$25,000,000). The maximum

amount of recourse debt which may be specified by any Unit Holder (the "MAXIMUM HOLDER RECOURSE DEBT AMOUNT") shall be equal to (A) the lesser of (t) the Recourse Debt Maximum, or (u) the sum of three million dollars (\$3,000,000) plus the excess of (1) the total amount of the Mortgage Loans allocated under PARAGRAPH 3 as of the date hereof as set forth in SCHEDULE 3 attached hereto with respect to the Units held by such Unit Holder, over (2) the total amount of the Mortgage Loans allocable to such Unit Holder on the date of determination, multiplied by (B) a fraction, the numerator of which is the number of Units issued to such Unit Holder (or which were issued to such Unit Holder's predecessor-in-interest and transferred to Unit Holder), and the denominator of which is the total number of Units issued pursuant to this Amendment other than to Noro. The Recourse Debt Percentage of each Unit Holder who exercises his option under this PARAGRAPH 9 shall be determined from time to time and shall be equal to a fraction expressed as a percentage, the numerator of which is the amount of recourse debt specified by such Unit Holder, and the denominator of which is the total recourse debt of the Partnership, subject to the Maximum Holder Recourse Debt Amount. For purposes of PARAGRAPH 13.3 of the Partnership Agreement, such Unit Holder's Limited Partner Recourse Debt Percentage shall be determined as of the first day of the calendar year in which a Liquidating Event occurs. If and to the extent the Partnership's inability to pay in full all recourse debt of the Partnership following a Liquidating Event is attributable to an earthquake, the Unit Holder's obligation to contribute cash to the capital of the Partnership pursuant to PARAGRAPH 13.3 shall be reduced PRO TANTO. The Partnership agrees that so long as One Hundred Sixty-Six Thousand Five Hundred Sixty-Six (166,566) or more of the Units issued pursuant to this Amendment are held by Unit Holders, it shall, from and after the third (3rd) anniversary of the date hereof, maintain a sufficient amount of recourse debt to permit the Unit Holders to have recourse debt allocable to such Unit Holders in an aggregate amount equal to the amount specified by such Unit Holders on said EXHIBIT E; provided, however, that upon the Disposition of the Property (or, if such Disposition is pursuant to a tax deferred like-kind exchange under Section 1031 of the Code prior to the End Date, then upon the occurrence of the End Date), the Partnership shall not be required to maintain any recourse debt with respect to Unit Holders who hold or held Units issued in exchange for such Property. In no event shall the Partnership be liable to any Unit Holder for any Tax Liability attributable to the fact that the amount specified by such Unit Holder on Exhibit E of the Partnership Agreement is insufficient to avoid the incurrence of such Tax Liability.

10. NO RIGHT OF OFFSET. The Partnership shall have no right to offset against any distribution or other amount that may otherwise be payable to a Unit

Holder by the Partnership any amount that may be due from such Unit Holder pursuant to the Closing Agreement or any other obligation.

11. SPECIAL REDEMPTION PROVISIONS FOR SPECIFIED UNIT HOLDERS. The Units identified on SCHEDULE 4 shall not be subject to the limitation against redemption of Units prior to the first (1st) anniversary hereof set forth in SECTION 8.6A of the Partnership Agreement. Notwithstanding anything to the contrary contained in SECTION 8.6A, the "CASH AMOUNT" with respect to each Unit identified on SCHEDULE 1 as being redeemed, all of which are being redeemed on the date hereof, is \$17.50. Notwithstanding anything to the contrary contained in SECTION 8.6A of the Partnership Agreement, but without limiting SECTION 8.6C thereof., from the date hereof until the date which is eighteen (18) months after the date hereof, if Noro elects to exercise its redemption Right the Partnership shall not redeem the Noro Partnership Units and the Company shall purchase Noro's Partnership Units by paying the REIT Shares Amount pursuant to and in accordance with SECTION 8.6B; provided, however, at the time of Noro's exercise of its Redemption Right, the Company shall be satisfied that the purchase by the Company of Noro's Partnership Units pursuant to and in accordance with SECTION 8.6B (i) would not require the filing of a registration statement under the Securities Act of 1933 or violate any federal or state securities laws applicable to the Partnership or the Company, and (ii) would not adversely affect the ability of the Company to continue to qualify as a REIT or subject the Company to any additional taxes under Section 857 or Section 4981 of the Code.

12. MISCELLANEOUS. With respect to the Unit Holders, in no event shall the provisions of SECTION 7.3 of the Partnership Agreement be deemed to permit any action which in form or effect would be in contravention of any of the provisions specified in SECTION 14.1(C) or SECTION 14.1(D) of the Partnership Agreement.

13. ATTORNEYS' FEES. Should any litigation be commenced between the parties hereto concerning any provision of this Amendment or the rights and duties of any Person in relation thereto, the party or parties prevailing in such litigation shall be entitled, in addition to such other relief as may be granted, to an award of all actual attorneys' fees and costs incurred in such litigation, without regard to any schedule or rule of court purporting to restrict such an award.

14. DEFINITIONS; FULL FORCE AND EFFECT. All capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Partnership Agreement. The terms of this Amendment shall apply notwithstanding anything to the contrary in the Partnership Agreement. Except as modified herein, all terms and provisions of the Partnership Agreement shall remain in full force and effect, which terms and provisions the General Partner and the New Partners hereby ratify and affirm. The rights and obligations of the New Partners, the Partnership and General Partner shall inure to the benefit of and be binding upon the parties hereto and their respective permitted successors, including the

Unit Holders and the provisions hereof shall inure to the benefit of the Indemnitees. Without limiting the General Partner's right to amend Exhibit A to the Partnership Agreement in accordance with Section 14.1E of the Partnership Agreement, the terms of this Amendment may only be modified in writing by agreement of the General Partner and (i) Noro, so long as Noro owns not fewer than 100,000 Units issued to it hereunder, (ii) William L. Tooley, so long as he directly and indirectly owns not less than 100,000 Units issued to him hereunder and, (iii) Unit Holders other than Noro holding more than fifty percent (50%) of the then outstanding Units issued pursuant to this Amendment other than to Noro.

15. COUNTERPARTS. To facilitate the execution, this Amendment may be executed in as many counterparts as may be required; and it shall not be necessary that the signature of, or on behalf of, each party, or that the signatures of all persons required to bind any party, appear on each counterpart; but it shall be sufficient that the signature of, or on behalf of each party, or that the signatures of the persons required to bind any party, appear on one or more of the counterparts. All counterparts shall collectively constitute a single agreement. It shall not be necessary in making proof of this Amendment to produce an account for more than a number of counterparts containing the respective signatures of, or on behalf of, all of the parties hereto.

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first set forth above.

"GENERAL PARTNER

"CORNERSTONE PROPERTIES INC.,

a Nevada corporation, as General Partner of
Cornerstone Properties Limited Partnership and on
behalf of existing Limited Partners

By: /s/ Thomas A. Nye

Name: Thomas A. Nye
Title: Vice President

By: /s/ Peter S. Smichenko

Name: Peter S. Smichenko
Title: Vice President

"CONTRIBUTORS"

CALIFORNIA/FRONT BUILDING COMPANY, a
California limited partnership

By: 201 California, Inc., a California corporation
Its: General Partner

By: /s/ William L. Tooley

William L. Tooley
Its: President

TELE/TAC ASSOCIATES,
a California limited partnership

By: Noro-Palisades Holding Company B.V., a
Netherlands corporation
Its: General Partner

By: /s/ Michael R. Raffety

Michael R. Raffety, not individually, but
solely as its attorney-in-fact pursuant to
Power of Attorney dated August 9, 1989

"NEW PARTNERS"

/s/ William L. Tooley

WILLIAM L. TOOLEY

C.L. PECK, CONTRACTOR,
a California corporation

By: /s/ Margo Ryan Peck

Margo Ryan Peck
Its: Authorized Signatory

NORO-HIBERNIA HOLDING COMPANY B.V., a
Netherlands corporation

By: /s/ Michael R. Raffety

Michael R. Raffety, not individually, but
solely as its attorney-in-fact pursuant to
Power of Attorney dated July 20, 1993

201 CALIFORNIA, INC., a California corporation

By: /s/ William L. Tooley

William L. Tooley
Its: President

BORON-WESTCOAST B.V.,

a Netherlands corporation

By: /s/ Michael R. Raffety

Michael R. Raffety, not individually, but
solely as its attorney-in-fact pursuant to
Power of Attorney dated August 22, 1994

TOOLEY CALIFORNIA/FRONT ASSOCIATES, a
California limited partnership

By: /s/ William L. Tooley

William L. Tooley
Its: General Partner

PECK CALIFORNIA/FRONT ASSOCIATES, a California
limited partnership

By: Clair L. Peck, Jnr. Family Trust
Its: General Partner

By: /s/ Margo Ryan Peck

Margo Ryan Peck
Its Co-Trustee

NORO-PALISADES HOLDING COMPANY B.V., a Netherlands
corporation

By: /s/ Michael R. Raffety

Michael R. Raffety, not individually, but
solely as its attorney-in-fact pursuant to
Power of Attorney dated August 9, 1989

NORO-WILSHIRE HOLDING COMPANY B.V., a
Netherlands corporation

By: /s/ Michael R. Raffety

Michael R. Raffety, not individually, but
solely as its attorney-in-fact pursuant to
Power of Attorney dated April 18, 1988

PALISADES ASSOCIATES,
a California limited partnership

By: /s/ William L. Tooley

William L. Tooley
Its: General Partner

ALAMEDA ASSOCIATES, LTD.,
a California Limited Partnership

By: 2525 Associates, Inc.,
a California corporation
Its: General Partner

By: /s/ William L. Tooley

William L. Tooley
Its: President

COMMERCE WAY ASSOCIATES, L.P.,
a California limited partnership

By: Commerce Way Associates, Inc., a California
corporation
Its: General Partner

By: /s/ William L. Tooley

William L. Tooley
Its: President

FOURTH AMENDMENT TO AGREEMENT OF LIMITED
PARTNERSHIP OF CORNERSTONE PROPERTIES LIMITED PARTNERSHIP

THIS FOURTH AMENDMENT TO AGREEMENT OF LIMITED PARTNERSHIP OF CORNERSTONE PROPERTIES LIMITED PARTNERSHIP (this "AMENDMENT") is made and entered into as of the 16th of December, 1998, by CORNERSTONE PROPERTIES INC., a Nevada corporation, as general partner (the "GENERAL PARTNER") of Cornerstone Properties Limited Partnership (the "PARTNERSHIP"), for itself and on behalf of the Limited Partners of the Partnership, and the New Partners admitted to the Partnership pursuant to this Amendment under the following circumstances:

WHEREAS, the Partnership was formed by the filing of that certain Certificate of Limited Partnership with the Delaware Secretary of State on December 23, 1997 and is organized pursuant to the provisions of the Delaware Revised Uniform Limited Partnership Act and pursuant to that certain Agreement of Limited Partnership of Cornerstone Properties Limited Partnership, dated as of December 23, 1997, as amended by First Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership, dated as of January 29, 1997 [sic], by Amendment to First Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership, dated as of January 29, 1998, by Second Amendment to Agreement of Limited Partnership of Cornerstone Properties Limited Partnership, dated as of April 28, 1998, and by Third Amendment to Agreement of Limited Partnership dated as of June 3, 1998 (the "PARTNERSHIP AGREEMENT");

WHEREAS, on even date herewith, the parties identified as "New Partners" on the signature page hereto (the "NEW PARTNERS") have made Capital Contributions to the Partnership in exchange for an aggregate of 16,213,009 Class A Partnership Common Units of limited partnership interest in the Partnership;

WHEREAS, each New Partner desires to become a party to the Partnership Agreement as a Limited Partner and to be bound by all terms, conditions and other provisions of this Amendment and the Partnership Agreement; and

WHEREAS, the parties desire to amend the Partnership Agreement to reflect the admission of each New Partner as an Additional Limited Partner and holder of a certain number of Units and certain other matters as herein provided;

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

1. DEFINITIONS. The terms used in this Amendment with an initial capital letter or letters shall have the same meanings in this Amendment as the meanings ascribed thereto in the Partnership Agreement.

2. ADMISSION OF NEW PARTNERS. Each New Partner is hereby admitted as an Additional Limited Partner in accordance with Section 12.2 of the Partnership Agreement holding such number of Units as is set forth on EXHIBIT A. Each New Partner hereby agrees to become a party to the Partnership Agreement as a Limited Partner and to be bound by all the terms, conditions and other provisions of the Partnership Agreement, including but not limited to the power of attorney set forth in Section 2.4 of the Partnership Agreement. Pursuant to Section 12.2.B of the Partnership Agreement, the General Partner hereby consents to the admission of each New Partner as an Additional Limited Partner of the Partnership. The admission of each New Partner shall become effective as of the date of this Amendment, which shall also be the date on which the name of each New Partner is recorded on the books and records of the Partnership.

3. RESTATEMENT OF EXHIBIT A. EXHIBIT A to the Partnership Agreement is hereby amended and restated by replacing EXHIBIT A with EXHIBIT A attached to this Amendment.

4. EXTRAORDINARY TRANSACTION. Section 1 of the Partnership Agreement is hereby amended by deleting clause (i) of the definition of "Extraordinary Transaction" in its entirety and substituting the following in its place:

"(i) a merger (including a triangular merger), consolidation or other combination into another Person if, as the result of which, the Company is not the surviving Person, unless such merger (including a triangular merger), consolidation or other combination into such other Person where the Company is not the surviving Person is effected solely to change the domicile or state of incorporation of the Company;"

5. VALUE. Section 1 of the Partnership Agreement is hereby amended by deleting the definition of "Value" in its entirety and substituting the following in its place:

"VALUE" means, with respect to a REIT Share, the average of the daily market price for the ten (10) consecutive trading days immediately preceding the Valuation Date. The Market for each such trading day shall be: (i) if the REIT Shares are listed or admitted to trading on the New York Stock Exchange ("NYSE"), the closing price on the NYSE on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices, regular way, on such day; (ii) if the REIT Shares are not listed on the NYSE but are listed or admitted to trading on any other securities exchange or the Nasdaq National Market System, the General Partner shall designate one of such exchanges or the

Nasdaq National Market System, and the market price shall be the closing price on such exchange so designated by the General Partner on such day, or if no such sale takes place on such day, the average of the closing bid and asked prices on such day; (iii) if the REIT Shares are not listed or admitted to trading on any securities exchange or the Nasdaq National Market System, the last reported sale price on such day or, if no sale takes place on such day, the average of the closing bid and asked prices on such day, as reported by a reliable quotation source designated by the General Partner; or (iv) if the REIT Shares are not listed or admitted to trading on any securities exchange or the Nasdaq National Market System and no such last reported sale price or closing bid and asked prices are available, the average of the reported high bid and low asked prices on such day, as reported by a reliable quotation source designated by the General Partner, or if there shall be no bid and asked prices on such day, the average of the high bid and low asked prices, as so reported, on the most recent day (not more than ten (10) days prior to the date in question) for which prices have been so reported, PROVIDED that if there are no bid and asked prices reported during the ten (10) days prior to the date in question, the Value of the REIT Shares shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate. In the event the REIT Shares Amount includes Rights, then the Value of such Rights shall be determined by the General Partner acting in good faith on the basis of such quotations and other information as it considers, in its reasonable judgment, appropriate, PROVIDED that the Value of any Rights issued pursuant to a 'Shareholder Rights Plan' shall be deemed to have no value unless a 'triggering event' shall have occurred (I.E., if the Rights issued pursuant thereto are no longer 'attached' to the REIT Shares and are able to trade independently)."

6. TERM. Section 2.5 of the Partnership Agreement is hereby amended by inserting the following immediately following the date "December 31, 2096,":

-2-

". . . unless the General Partner, in its sole and absolute discretion, and on as many occasions as the General Partner may elect, extends such date by written notice to the Limited Partners given prior to such date, or . . ."

7. DISTRIBUTIONS. Section 5.1 of the Partnership Agreement is hereby deleted in its entirety and the following substituted in its place:

"SECTION 5.1 REQUIREMENT AND CHARACTERIZATION OF DISTRIBUTIONS

The General Partner shall cause the Partnership to distribute at least quarterly all or a portion of Available Cash generated by the Partnership during such quarter or shorter period, in such amounts as the General Partner shall determine in its sole and absolute discretion; PROVIDED, HOWEVER, that all such distributions shall be made to the Partners who are Partners on the Partnership Record Date with respect to such quarter or shorter period in the following order:

(1) first, at the time and in the manner set forth in the applicable Partnership Unit Designation, to each holder of Partnership Interests of a class or series that is entitled to a preference in distribution, in accordance with the rights of such class or series of Partnership Interests (and, within such class or series, pro rata in proportion to the respective Partnership Interests on such Partnership Record Date); and

(2) second, to the extent the amount of Available Cash which the General Partner has determined to distribute exceeds the amount required for payment of any preference in distribution under the foregoing clause (1), such excess shall be distributed to the holders of Partnership Interests that are not entitled to any preference in distribution, pro rata to each class or series in accordance with the terms of such class or series (and within each class or series pro rata in proportion to their respective Percentage Interests on such Partnership Record Date).

Unless otherwise expressly provided for herein or in an agreement at the time a new class or series of Partnership Interests is created in accordance with ARTICLE 4, no Partnership Interest shall be entitled to a distribution in preference to any other Partnership Interests. Unless otherwise specifically agreed to by the General Partner, distributions payable with respect to any Partnership Units that were not outstanding during the entire quarterly or shorter period in respect of which distribution is made shall be prorated based on the portion of the period that such Units were outstanding. Notwithstanding anything to the contrary contained herein, in no event shall a Partner receive a distribution out of Available Cash with respect to a Partnership Unit if such Partner is entitled to receive a distribution out of such Available Cash with respect to a REIT Share for which such Partnership Unit has been exchanged or redeemed.

The General Partner shall take such reasonable efforts, as determined by it in its sole and absolute discretion and consistent with the Company's qualification as a REIT, to distribute Available Cash (a) to the Limited Partners so as to preclude any such distribution or portion thereof from being treated as part of a sale of property to the Partnership by a Limited Partner under Section 707 of the Code or the Regulations thereunder; PROVIDED that the General Partner and the Partnership shall not have liability to a Limited Partner under any circumstances as a result of any distribution to a Limited Partner being so treated and (b) to the Company in amounts

sufficient to enable the Company to pay shareholder dividends that will (1) satisfy the requirements for qualifying or reelecting as a REIT under the Code and Regulations and (2) avoid any federal income or excise tax liability for the Company; PROVIDED, HOWEVER, that the General Partner may in its sole discretion from time to time elect not to cause the Partnership to distribute sufficient amounts to enable the Company to pay shareholder dividends that will avoid any federal income or excise tax liability of the Company so long as to do so would not be disadvantageous to the Limited Partners. Except as set forth in the immediately preceding sentence, nothing contained herein shall require the General Partner to cause the Partnership to distribute any particular portion of Available Cash. The Partners acknowledge that the Partnership expects in the future to undertake the construction and development of property, to acquire additional property through purchase for cash, debt and equity

-3-

securities, issuance of indebtedness, merger or other means, to make other investments utilizing, inter alia, income and gain of the Partnership, and to establish reserves for the purpose of making such future expenditures, thereby reducing the amounts of Available Cash that would otherwise be available for distribution to the Partners."

8. DEFICIT MAKE-UP; TAX ALLOCATIONS. The Partnership Agreement is hereby amended in the following respects:

(a) A new Section 6.1.E is hereby added to the Partnership Agreement immediately following Section 6.1.D thereof as follows:

"E. ELECTION TO UNDERTAKE DEFICIT RESTORATION LIABILITY. A Limited Partner who wishes to bear the economic risk of loss as to a portion of the Partnership's recourse indebtedness by undertaking the obligation to restore a portion of its negative Capital Account balance upon liquidation of such Partner's interest in the Partnership, as provided in SECTION 13.3 hereof, shall provide a written notice to the General Partner specifying the dollar amount of recourse debt of the Partnership as to which such Limited Partner agrees to bear the economic risk of loss by undertaking a deficit capital account restoration obligation of the same amount (the "RECOURSE DEBT AMOUNT"). The total of such dollar amounts elected by all Limited Partners shall equal the "AGGREGATE RECOURSE DEBT AMOUNT" and shall be set forth on EXHIBIT E, as amended from time to time. Such election shall become effective upon the receipt thereof by the General Partner unless the General Partner reasonably determines, based on the advice of its tax advisors and after consulting with the Limited Partner and its tax advisors, that the amount specified in a Limited Partner's election substantially exceeds the amount

necessary to cause the Limited Partner to be allocated sufficient Partnership debt under Section 752 of the Code (taking into account the effect of anticipated reductions in Partnership debt on such Partner's allocable share of debt) to cover such Partner's negative tax capital account and reasonably projected changes therein. Upon becoming effective, such election shall be irrevocable, cannot be reduced, and shall be binding upon successive transferees of the Limited Partner except as provided in the final paragraph of SECTION 13.3 hereof."

(b) Paragraphs (4) and (5) of Section 6.1.B of the Partnership Agreement are hereby deleted in their entirety and the following substituted in their place:

"(4) Fourth, to the General Partner until the General Partner's Adjusted Capital Account Deficit is equal to the excess, if any, of the aggregate recourse liabilities of the Partnership at the end of the fiscal year for which such allocation is being made over the Aggregate Recourse Debt Amount as set forth on EXHIBIT E, as appropriately amended from time to time;

(5) Fifth, to the Limited Partners listed on EXHIBIT E in proportion to their respective 'Recourse Debt Percentages' (such percentages being derived, in the case of each Limited Partner, by dividing such Limited Partner's Recourse Debt Amount by the Aggregate Recourse Debt Amount), until the sum of such Limited Partners' Adjusted Capital Account Deficits equals the Aggregate Recourse Debt Amount; and"

(c) Section 1 of the Partnership Agreement is hereby amended by deleting the definition of "RECOURSE DEBT AMOUNT" in its entirety and adding new definitions of "RECOURSE DEBT AMOUNT" and "AGGREGATE RECOURSE DEBT AMOUNT" as follows:

"AGGREGATE RECOURSE DEBT AMOUNT" has the meaning set forth in SECTION 6.1.E."

"RECOURSE DEBT AMOUNT" has the meaning set forth in SECTION 6.1.E."

-4-

(d) Exhibit E of the Partnership Agreement is hereby amended by adding the phrase "(Aggregate Recourse Debt Amount)" immediately after the word "Total."

9. GENERAL PARTNER ACTION TO MAINTAIN REIT STATUS OR AVOID TAXATION

OF COMPANY. Section 7.9.D of the Partnership Agreement is hereby amended by deleting clause (iii) thereof in its entirety and substituting the following in its place:

". . . (iii) to ensure that the Partnership at all times satisfies the 90% qualifying income exception of Section 7704(c) of the Code, unless the Partnership obtains an opinion of counsel to the effect that the Partnership is not properly classified as a 'publicly traded partnership' under Section 7704(b) of the Code, is expressly authorized under this Agreement and is deemed approved by all of the Limited Partners. . . ."

10. REDEMPTION RIGHT. The first sentence of Section 8.6.A is hereby amended to read as follows:

"A. GENERAL. Subject to SECTION 8.6.B and 8.6.C, at any time (i) on or after the day following the first (1st) anniversary of the date of issuance of a Partnership Unit to a Limited Partner pursuant to ARTICLE 4, or, in the case of Partnership Units issued to an Additional Limited Partner admitted to the Partnership pursuant to the Fourth Amendment to Agreement of Limited Partnership of the Partnership dated as of December 16, 1998, at any time on or after the day following the first to occur of (a) the first (1st) anniversary of the date of issuance of a Partnership Unit to such Limited Partner pursuant to ARTICLE 4, or (b) a "CHANGE IN CONTROL" of the Company (as such term is defined in the Registration Rights and Lock-up Agreement, dated as of the date of this Amendment, by and among the Company and the parties set forth in Exhibit A thereto), or (ii) on or after such date prior to the date determined in accordance with the foregoing clause (i) as the General Partner, in its sole and absolute discretion, designates with respect to any Units then outstanding, each Limited Partner (other than the Company) shall have the right (the "REDEMPTION RIGHT") to require the Partnership to redeem on a Special Redemption Date all or a portion of the Partnership Units held by such Limited Partner at a redemption price per Unit equal to and in the form of the Cash Amount to be paid by the Partnership."

11. TAX-EXEMPT LIMITED PARTNERS. A new Section 10.6 is hereby added to the Partnership Agreement immediately following Section 10.5 as follows:

"SECTION 10.6 NOTIFICATION OF TAX-EXEMPT STATUS

Any Limited Partner that is a tax-exempt organization shall, upon its admission to the Partnership, notify the Partnership of such status, the provision of the Code under which such Limited Partner claims tax-exempt status and whether the Limited Partner is a 'qualified organization' under Section 514(c)(9)(C) of the Code, and shall promptly notify the Partnership of any change in such status."

12. TRANSFER RESTRICTIONS. Section 11.3.D of the Partnership Agreement is hereby amended in the following respects:

(A) Section 11.3.D of the Partnership Agreement is hereby amended by inserting the following at the end of clause (i) thereof:

". . . PROVIDED, HOWEVER, that the General Partner may, in its sole discretion, waive such restriction on proposed transfers that cause a tax termination of the Partnership if the General Partner otherwise determines that such transfers are in the best interest of the Partnership; . . ."

(B) Section 11.3.D of the Partnership Agreement is hereby amended by inserting the following at the end of clause (iii) thereof:

-5-

". . . PROVIDED, HOWEVER, that the foregoing restriction shall not prohibit a transfer in connection with the exercise of a Limited Partner's Redemption Right; . . ."

(C) Section 11.3.D of the Partnership Agreement is hereby amended by adding a new clause (vii) as follows:

". . . ; or (vii) such transfer would cause the Partnership or the Company to be treated as deriving rents from a related party tenant described in Section 856(d)(2)(B) of the Code, taking into account the applicable constructive ownership rules. . "

13. COMPLIANCE WITH TIMING REQUIREMENTS OF REGULATIONS. Section 13.3 of the Partnership Agreement is hereby amended and restated in its entirety as follows:

"SECTION 13.3 COMPLIANCE WITH TIMING REQUIREMENTS OF REGULATIONS

In the event the Partnership is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g), distributions shall be made pursuant to this ARTICLE 13 to the General Partner and Limited Partners who have positive Capital Accounts in compliance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(2). In that event, (i) if the General Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all Partnership Years or portions thereof, including the year during which such liquidation occurs), the General Partner shall contribute to the capital of the Partnership the amount necessary to restore such deficit balance to zero in compliance with Treasury Regulations Section 1.704-1(b)(2)(ii)(b)(3); and (ii) if any Limited Partner has a deficit balance in its Capital Account (after giving effect to all contributions, distributions and allocations for all Partnership Years or portions thereof, including the year during which such liquidation occurs) and has been allocated a Limited

Partner Recourse Debt Percentage, each such Limited Partner shall be obligated to contribute cash to the capital of the Partnership in an amount equal to the lesser of (A) the amount required to increase its Capital Account balance as of such date to zero or (B) such Limited Partner's Recourse Debt Amount. Any such contribution required of a Partner hereunder shall be made on or before the later of (i) the end of the Partnership Year in which the interest of such Partner is liquidated or (ii) the ninetieth (90th) day following the date of such liquidation. Notwithstanding any provision hereof to the contrary, all amounts so contributed by a Limited Partner to the capital of the Partnership shall, upon liquidation of the Partnership under ARTICLE 13, be paid only to any then creditors of the Partnership, including Partners that are Partnership creditors (in the order provided in SECTION 13.2), and shall not be distributed to the other Partners then having positive balances in their respective Capital Accounts.

If a Limited Partner's interest in the Partnership is "liquidated" within the meaning of Treasury Regulations Section 1.704-1(b)(2)(ii)(g) (other than in connection with a liquidation of the Partnership), which term shall include a redemption by the Partnership of such Limited Partner's interest upon exercise of a Redemption Right, then the Limited Partner shall be required to contribute cash to the capital of the Partnership equal to the lesser of (i) the amount required to increase its Capital Account balance as of such date to zero, or (ii) such Limited Partner's Recourse Debt Amount. For this purpose, (i) the Limited Partner's deficit Capital Account shall be determined by taking into account all contributions, distributions and allocations for the portion of the Partnership Year ending on the date of the liquidation or redemption, and (ii) solely for purposes of determining such Limited Partner's Capital Account balance, the General Partner shall redetermine the Carrying Value of the Partnership's assets on such date based on the principles set forth in SECTION 1.D(3) and (4) of EXHIBIT B hereto, and shall take into account the Limited Partner's allocable share of any Unrealized Gain or Unrealized Loss resulting from such redetermination in determining the balance of its Capital Account. The amount of any payment required hereunder shall be due and payable within the time periods specified in the penultimate sentence of the preceding paragraph.

After the death of a Limited Partner, the executor of the estate of such Limited Partner may elect to reduce (or eliminate) the deficit Capital Account restoration obligation of such Limited Partner pursuant to this SECTION 13.3. Such elections may be made by such executor by delivering to the General Partner

within two hundred seventy (270) days of the death of such Limited

Partner a written notice setting forth the maximum deficit balance in its Capital Account that such executor agrees to restore under SECTION 13.3, if any. If such executor does not make a timely election pursuant to this SECTION 13.3 (whether or not the balance in its Capital Account is negative at such time), then such Limited Partner's estate (and the beneficiaries thereof who receive distributions of Partnership Interests therefrom) shall be deemed to have a deficit Capital Account restoration obligation as set forth pursuant to the terms of SECTION 13.3. Any Limited Partner which is itself a partnership may likewise elect, after the date of its respective partner's death, to reduce (or eliminate) its deficit Capital Account restoration obligation pursuant to SECTION 13.3 by delivering a similar written notice to the General Partner within the time period specified herein. Any such partnership that does not make any such timely election shall similarly be deemed to have a deficit Capital Account restoration obligation as set forth pursuant to the terms of SECTION 13.3."

14. ALLOCATION OF NONRECOURSE DEDUCTIONS. Section 1.D of Exhibit C to the Partnership Agreement is hereby amended by inserting the words ". . .in the Partnership . . . " at the end of the first sentence thereof.

15. MISCELLANEOUS. This Amendment shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. The Partners hereby ratify and confirm the Partnership Agreement, as amended by this Amendment. This Amendment shall be governed by and construed in conformity with the laws of the State of Delaware. This Amendment may be executed in counterparts, each of which shall be an original, and all of which shall constitute one and the same instrument.

CORNERSTONE PROPERTIES INC.

By: /s/ Rodney C. Dimock

Rodney C. Dimock
Chief Operating Officer

By: /s/ Thomas A. Nye

Thomas A. Nye
Vice President

-7-

Alameda Associates
Boron Westcoast B.V.
201 California Inc.
C.L. Peck Contractor

Commerce Way Associates
The Congress Group, Inc.
DFS Holdings LLC
Elohssa Realty Limited Partnership
David A. Gardner
Myron Levin
Steven Levin
Memeno - 1789 Corporation
Noro-Hibernia Holding B.V.
Noro-Palisades Holding Company B.V.
Noro-Wilshire Holding Company B.V.
Palisades Associates
Peck California/Front Associates
Marla Pierson
Arvin Rieger
Terry Levin Smith
William L. Tooley
Tooley California/Front Associates
Wynken Corp.
Corpro Real Estate Management, Inc.

BY: CORNERSTONE PROPERTIES INC.,
pursuant to the Consent of the Limited Partners approving the
amendment of the Partnership Agreement as set forth in the
Amendment

By: /s/ Rodney C. Dimock

Rodney C. Dimock
Chief Operating Officer

By: /s/ Thomas A. Nye

Thomas A. Nye
Vice President

-8-

The "New Partners" set forth on Schedule 1

By: WW Holdings, LLC a California limited liability company,
as attorney-in-fact pursuant to separate powers of attorney

By: /s/ Lee Van Boven

Name: Lee Van Boven
Title: Manager

[Cornerstone Properties Inc. letterhead]

December 16, 1998

Mr. William Wilson III
2929 Campus Dr., #450
San Mateo, CA 94403

Re: Employment

Dear Bill,

We are pleased to welcome you as a Director and Chairman of the Board of Cornerstone Properties Inc. (the "Corporation") and to confirm your employment by Cornerstone Properties Limited Partnership (the "Partnership" and together with the Corporation, "Cornerstone").

1. POSITION AND TERM. You will serve as the Chairman of the Board of Directors of the Corporation for a term of three years from the date of this letter in accordance with the Amended and Restated Bylaws of the Corporation. You will not be separately compensated for your service as Chairman of the Board.

You will also serve as the head of the western region operations of Cornerstone, with the additional title of President, Wilson-Cornerstone, and as an officer of the Corporation and the Partnership with such high level executive responsibilities in addition to those described in this letter as you and the Board of Directors of the Corporation (the "Board") may from time to time agree. The positions described in this Paragraph 1 will also be for a term of three years from the date of this letter.

As an officer of Cornerstone, you will serve on all internal management committees in which you elect to participate, including the Executive Committee and Investment Committee and all other committees dealing with Cornerstone investments, capital markets, financing, personnel reviews of executives, compensation of executives, and incentive compensation; it being agreed that management decisions in these areas which are not considered in one or more of these committees will be made after consultation between you and the Chief Executive Officer of Cornerstone, Mr. John Moody. In addition, it is expected that you will play a leading role in Cornerstone's efforts to create national capabilities in real estate development, leasing and property management comparable to those formerly provided by William Wilson & Associates on a regional basis.

You will also serve as an officer and director of one or more affiliates of Cornerstone as you and the Board may agree from time to time. You will receive no additional salary compensation for your services in connection with these affiliates, though Cornerstone may fairly allocate your compensation among these affiliates and the Partnership.

2. COMPENSATION. You will receive an annual salary of at least \$400,000. Your annual salary will be reviewed each year beginning with calendar year 2000 and may be adjusted upward as the Board of Directors or its compensation committee may deem appropriate. You will participate in Cornerstone's executive bonus and incentive programs, including stock option and restricted stock programs, in a manner comparable to other senior executives of Cornerstone as from time to time determined by the Board's Compensation Committee, though we understand that you will not accept any stock option grants made in connection with the initial grants to be made in at or about the time of the closing of the Cornerstone merger with William Wilson & Associates.

3. BENEFITS. You will be entitled to the Partnership's health, life, disability and other insurance benefits and sick leave as are generally applicable to its senior executives, and you will be entitled to participate in

all of the Partnership's employee benefit plans in which senior executives are allowed to participate generally. You will be entitled to five weeks vacation each year in addition to the Partnership's regular paid holidays.

4. REIMBURSEMENT OF BUSINESS EXPENSES AND TRAVEL. Cornerstone will reimburse you for your reasonable travel and other business-related expenses incurred in connection with Cornerstone business and the performance of your duties under this agreement, including travel, hotel, meals and entertainment. Reimbursement procedures will be in accordance with the Partnership's policies as to senior executives. You will not be required to relocate from San Mateo, California.

5. TIME AND OTHER COMMITMENTS. You will devote such time as may reasonably be required to fulfill your duties under this agreement. It is expected and agreed that you will spend reasonable amounts of time on educational, charitable and public service activities, in service on boards of directors of companies that do not compete with Cornerstone, and in the management of your personal passive investments. In addition, you agree to abide by the terms of Sections 8.1(e) and 8.1(f) of the Contribution Agreement dated June 22, 1998, as amended, between William Wilson & Associates and others (the "Contribution Agreement").

Nothing in this agreement or the Contribution Agreement will preclude you from holding or making, and you may make and hold, new passive real estate investments not exceeding \$5 million where the active management is by members of your immediate family and which do not compete with or involve properties of a type competitive with those of Partnership.

6. TERMINATION. Your employment will terminate upon your death or Permanent Disability. For this purpose your "Permanent Disability" means that by reason of injury, physical or mental illness or other disability you are unable to satisfactorily perform your duties as an employee under this agreement, as determined in the reasonable judgment of the Board based upon competent medical advice and the Board reasonably determines that your condition has continued for at least ninety (90) consecutive days and satisfies the definition of "long-term disability" (or comparable term) as used for the disability insurance policy or policies in effect with respect to employees of Cornerstone as of the onset of the condition.

Apart from your death or Permanent Disability, you may be terminated only for Cause. "Cause" means (1) any intentional act of dishonesty or fraud by you in the performance of your duties as an employee; (2) any willful failure to carry out your material duties as assigned by the Board of Directors which continues after notice and a reasonable opportunity to cure; or (3) you are convicted of or plead guilty or NOLO CONTENDERE to a felony involving dishonesty or moral turpitude.

7. MISCELLANEOUS. All notices under this agreement will be in writing and may be (i) presented personally or by private courier service, (ii) sent by facsimile transmission, or (iii) sent via a nationally recognized overnight delivery service (e.g., FedEx, DHL). This agreement will be governed by and interpreted according to the substantive laws of the State of California without regard to California's conflicts laws principles. In the event of any breach of the agreement that results in arbitration or litigation between the parties, the prevailing party shall be entitled to its reasonable attorneys' fees, expert witness fees and costs of such suit or arbitration (or the enforcement of any related award or decision). The prevailing party shall be determined, based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues in the court's or arbitrator's decision.

This agreement is not intended to obviate or modify any provision of the Contribution Agreement or the Retention Agreement dated as of the date hereof between you and the Partnership, except as otherwise expressly stated. The unenforceability of all or any part of any provision of this agreement in any jurisdiction will in that jurisdiction be ineffective to the extent of the unenforceability without invalidating the remaining provisions of this agreement, but this unenforceability will not invalidate the same provision in any other jurisdiction. To the extent permitted by law, the parties waive any provision of law which renders such provision prohibited or unenforceable in any respect.

We are pleased to have you join Cornerstone and look forward to a mutually successful endeavor.

Sincerely,

CORNERSTONE PROPERTIES, INC.,
a Nevada corporation

By: _____,
Its: _____

By: _____,
Its: _____

CORNERSTONE PROPERTIES
LIMITED PARTNERSHIP, L.P.
a Delaware limited partnership

By: CORNERSTONE PROPERTIES, INC.,
a Nevada corporation
Its: General Partner

By: _____,
Its: _____

By: _____,
Its: _____

Read and Agreed:

William Wilson III

[CORNERSTONE PROPERTIES INC. LETTERHEAD]

December 16, 1998

Mr. John S. Moody
126 East 56th Street
New York, New York 10022

Re: Employment

Dear John,

We are pleased to confirm your employment as President and Chief Executive Officer of Cornerstone Properties Inc. (the "Corporation") and to confirm your employment by Cornerstone Properties Limited Partnership (the "Partnership" and together with the Corporation, "Cornerstone").

16. POSITION AND TERM. You will serve as the President and Chief Executive Officer of the Corporation for a term of three years from the date of this letter in accordance with the Amended and Restated Bylaws of the Corporation. You will also serve as an officer and director of one or more affiliates of Cornerstone as you and the Board may agree from time to time. You will receive no additional salary compensation for your services in connection with these affiliates, though Cornerstone may fairly allocate your compensation among these subsidiaries and the Partnership.

2. COMPENSATION. You will receive an annual salary of at least \$350,000. Your annual salary will be reviewed each year beginning with calendar year 2000 and may be adjusted upward as the Board of Directors or its compensation committee may deem appropriate. You will participate in Cornerstone's executive bonus and incentive programs, including stock option and restricted stock programs, in a manner comparable to other senior executives of Cornerstone as from time to time determined by the Board's Compensation Committee.

3. BENEFITS. You will be entitled to the Partnership's health, life, disability and other insurance benefits and sick leave as are generally applicable to its senior executives, and you will be entitled to participate in all of the Partnership's employee benefit plans in which senior executives are allowed to participate generally. You will be entitled to five weeks vacation each year in addition to the Partnership's regular paid holidays.

4. REIMBURSEMENT OF BUSINESS EXPENSES AND TRAVEL. Cornerstone will reimburse you for your reasonable travel and other business-related expenses incurred in connection with Cornerstone business and the performance of your duties under this agreement, including travel, hotel, meals and entertainment. Reimbursement procedures will be in accordance with the Partnership's policies as to senior executives.

5. TIME AND OTHER COMMITMENTS. You will devote such time as may reasonably be required to fulfill your duties under this agreement. It is expected and agreed that you will spend reasonable amounts of time on educational, charitable and public service activities, in service on boards of directors of companies that do not compete with Cornerstone, and in the management of your personal passive investments. For a period of one year following the termination of your employment with Cornerstone, you shall not, either on your own behalf or in the service or on behalf of others, (i) initiate solicitation of employment of or hire any employee who is employed by the Partnership at the time of the termination of your employment, (ii) induce an employee to terminate his or her employment with Cornerstone prior to such employee's termination with a view to soliciting such employee thereafter. For the purposes of this paragraph, the general posting or placement of job openings and descriptions on newspapers, magazines, intranet or internet websites, bulletin boards, with search agencies or any other form of

Mr. John S. Moody
December 16, 1998
Page 2

advertisement or announcement not targeted specifically at such employees, or through such other general method of solicitation will not be deemed to be an act of initiating solicitation.

6. TERMINATION. Your employment will terminate upon your death or Permanent Disability. For this purpose your "Permanent Disability" means that by reason of injury, physical or mental illness or other disability you are unable to satisfactorily perform your duties as an employee under this agreement, as determined in the reasonable judgment of the Board based upon competent medical advice and the Board reasonably determines that your condition has continued for at least ninety (90) consecutive days and satisfies the definition of "long-term disability" (or comparable term) as used for the disability insurance policy or policies in effect with respect to employees of Cornerstone as of the onset of the condition.

Apart from your death or Permanent Disability, you may be terminated prior to the end of the three-year term prescribed herein only for Cause. "Cause" means (1) any intentional act of dishonesty or fraud by you in the performance of your duties as an employee; (2) any willful failure to carry out your material duties as assigned by the Board of Directors which continues after

notice and a reasonable opportunity to cure; or (3) you are convicted of or plead guilty or NOLO CONTENDERE to a felony involving dishonesty or moral turpitude.

7. MISCELLANEOUS. All notices under this agreement will be in writing and may be (i) presented personally or by private courier service, (ii) sent by facsimile transmission, or (iii) sent via a nationally recognized overnight delivery service (e.g., FedEx, DHL). This agreement will be governed by and interpreted according to the substantive laws of the State of New York without regard to New York's conflicts laws principles. In the event of any breach of the agreement that results in arbitration or litigation between the parties, the prevailing party shall be entitled to its reasonable attorneys' fees, expert witness fees and costs of such suit or arbitration (or the enforcement of any related award or decision). The prevailing party shall be determined, based upon an assessment of which party's major arguments or positions taken in the proceedings could fairly be said to have prevailed over the other party's major arguments or positions on major disputed issues in the court's or arbitrator's decision.

This agreement is not intended to obviate or modify any provision of any other agreement between you and the Partnership or the Corporation, including, without limitation, the employment letter agreement regarding supplemental pension and other matters, dated October 31, 1995, between you and the Corporation, and the Retention Agreement dated as of March 28, 1998, between you and the Partnership, except as otherwise expressly stated. The unenforceability of all or any part of any provision of this agreement in any jurisdiction will in that jurisdiction be ineffective to the extent of the unenforceability without invalidating the remaining provisions of this agreement, but this unenforceability will not invalidate the same provision in any other jurisdiction. To the extent permitted by law, the parties waive any provision of law which renders such provision prohibited or unenforceable in any respect.

Mr. John S. Moody
December 16, 1998
Page 3

Please indicate your agreement to the terms of your employment set forth herein by signing this letter in the space indicated below, whereupon this letter shall become a binding agreement of the parties.

Sincerely,

CORNERSTONE PROPERTIES INC.,
a Nevada corporation

By: ,

Its: _____

By: _____ ,

Its: _____

CORNERSTONE PROPERTIES LIMITED
PARTNERSHIP, L.P.
a Delaware limited partnership

By: _____ ,

Its: _____

By: _____ ,

Its: _____

Read and Agreed:

John S. Moody

CORNERSTONE PROPERTY INC.
126 EAST 56TH STREET
NEW YORK, NY 10022

TELEPHONE (212) 605-7100

FACSIMILE (212) 605-7199

[Date]

[Employee]

[Address]

RETENTION AGREEMENT

Dear [Employee]:

Cornerstone Properties Inc., a Nevada corporation (the "COMPANY"), considers it essential to the best interests of its stockholders to take reasonable steps to retain key management personnel. Further, the Board of Directors of the Company (the "BOARD") recognizes that the uncertainty and questions which may arise among management in the context of a change in control of the Company could result in the departure or distraction of management personnel to the detriment of the Company and its stockholders.

The Board has determined, therefore, that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the management of the Company and its subsidiaries, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from any possible change in control of the Company.

In order to induce you to remain in the employ of the Company, the Company has determined to enter into this letter agreement (this "AGREEMENT") which addresses the terms and conditions of your employment in the event of a change in control of the Company. Capitalized terms which are not otherwise defined herein shall have the meanings assigned to such terms in Section 6 of this Agreement.

SECTION 1. SEVERANCE PAYMENTS. In the event of your Involuntary Termination during the Change in Control Period, the Company shall pay you the following amounts, in one lump sum cash payment, promptly following your Involuntary Termination:

(a) the full amount of any earned but unpaid base salary through the Date of Termination at the rate in effect at the time of the Notice of Termination;

(b) a payment (calculated on the basis of our Reference Salary) for all unused vacation time which you may have accrued as of the Date of Termination;

(c) a pro rata portion of the annual bonus for the year in which your involuntary Termination occurs, calculated on the basis of your target bonus for that year and on the assumption that all performance targets have been or will be achieved; and

(d) an amount (the "SEVERANCE PAYMENT") equal to three times your Annual Compensation.

Your right to receive the Severance Payment shall be conditioned upon your execution of a release in favor of the Company which is in a form reasonably acceptable to the Company and which is not revoked by you within the revocation period provided therein (if any). The Severance Payment shall be reduced by any amount of severance payable under any other plan, arrangement or agreement under which you are entitled to receive cash severance payments from the Company.

SECTION 2. BENEFIT CONTINUATION; RETIREMENT BENEFITS.

(a) CONTINUATION. In the event of your Involuntary Termination during the Change in Control Period, you and your eligible dependents shall continue to be eligible to participate during the Benefit Continuation Period in the medical, dental, health, life and other fringe benefit plans and arrangements applicable to you immediately prior to your Involuntary Termination on the same terms and conditions in effect for you and your dependents immediately prior to such Involuntary Termination.

(b) RETIREMENT BENEFITS. This Agreement and any amounts payable to you hereunder shall in no way limit or impair the amount of any tax qualified or nonqualified pension or retirement benefits you are entitled to receive from the Company under any Company plan or arrangement in which you participate or under any contract or agreement with the Company to which you are a party. Any such pension and retirement benefits shall be in addition to any amounts payable to you under this Agreement.

SECTION 3. DATE AND NOTICE OF TERMINATION. Any termination of your employment by the Company or by you during the Change in Control Period shall be communicated by a notice of termination to the other party hereto (the "NOTICE OF TERMINATION"). The Notice of Termination shall indicate the specific

termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated. The date of your termination of employment with the Company and its subsidiaries (the "DATE OF TERMINATION") shall be determined as follows: (i) if your employment is terminated for Disability, 30 days after a Notice of Termination is given (provided that you shall not have returned to the full-time performance of your duties during such 30-day period), (ii) if your employment is terminated by the Company in an Involuntary Termination, five days after the date the Notice of Termination is received by you and (iii) if your employment is terminated by the Company for Cause, the date specified in the Notice of Termination, PROVIDED, that the events or circumstances cited by the Company as constituting Cause are not cured by you during the cure period in accordance with the terms hereof. If the basis for your Involuntary Termination is your resignation for Good Reason, the Date of Termination shall be ten days after the date your Notice of Termination is received by the Company, provided that the events or circumstances cited by you as constituting Good Reason are not cured by the Company during such period in accordance with the terms hereof. The Date of Termination for a resignation of employment other than for Good Reason shall be the date set forth in the applicable notice, which shall be no earlier than ten days after the date such notice is received by the Company, unless waived by the Company.

SECTION 4. NO MITIGATION OR OFFSET. You shall not be required to mitigate the amount of any payment provided for herein by seeking other employment or otherwise, nor shall the amount of any payment or

23

benefit provided for herein be reduced by any compensation earned by you as the result of employment by another employer, except as specifically provided in clause (ii) of the definition of "Benefit Continuation Period."

SECTION 5. SUCCESSORS; BINDING AGREEMENT.

(a) ASSUMPTION BY SUCCESSOR. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform its obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform such obligations if no such succession had taken place; PROVIDED, HOWEVER, that no such assumption shall relieve the Company of its obligations hereunder. As used herein, the "COMPANY" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform its obligations by operation of law or otherwise.

(b) ENFORCEABILITY; BENEFICIARIES. This Agreement shall be binding upon and inure to the benefit of you (and your personal representatives

and heirs) and the Company and any organization which succeeds to substantially all of the business or assets of the Company, whether by means of merger, consolidation, acquisition of all or substantially all of the assets of the Company or otherwise, including, without limitation, as a result of a Change in Control or by operation of law. This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to your devisee, legatee or other designee or, if there is no such designee, to your estate.

SECTION 6. DEFINITIONS. For purposes of this Agreement, the following capitalized terms have the meanings set forth below:

"ANNUAL COMPENSATION" shall mean the sum of your Reference Salary and Reference Bonus.

"BENEFIT CONTINUATION PERIOD" means the period beginning on the Date of Termination and ending on the earlier to occur of (i) the third anniversary of the Date of Termination and (ii) the date that you and your dependents are eligible and elect coverage under the plans of a subsequent employer which provide substantially equivalent or greater benefits to you and your dependents.

"CAUSE" shall mean (a) your felony conviction, (b) your willful disclosure of material trade secrets or other material confidential information related to the business of the Company and its subsidiaries or (c) your willful and continued failure to substantially perform your duties with the Company (other than any such failure resulting from your incapacity due to physical or mental illness or any such actual or anticipated failure resulting from your resignation for Good Reason) after a written demand for substantial performance is delivered to you by the Board, which demand specifically identifies the manner in which the Board believes that you have not substantially performed your duties, and which performance is not substantially corrected by you within ten days of receipt of such demand. For purposes of the previous sentence, no act or failure to act on your part shall be deemed "willful" unless done, or omitted to be done, by you not in good faith and without reasonable belief that your action or omission was in the best interest of the Company.

"CHANGE IN CONTROL" shall mean a change in control of the Company of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Exchange Act, whether or not the Company is then subject to such reporting requirement; PROVIDED, that without limitation, a Change in Control shall be deemed to have occurred if:

(a) any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity or person, or any syndicate or group deemed to be a person under Section 14(d)(2) of the Exchange Act (other than the Company or any of its subsidiaries or any trustee or other fiduciary holding securities under an employee benefit plan of the Company or of any of its subsidiaries), is or becomes the "beneficial owner" (as defined in Rule 13d-3 of the General Rules and Regulations under the Exchange Act), directly or indirectly, of securities of the Company representing 25% or more of the combined voting power of the Company's then outstanding securities entitled to vote in the election of directors of the Company; or

(b) during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new directors, whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least three-quarters of the directors then still in office who either were directors at the beginning of the period or whose selection or nomination for election was previously so approved (but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Board), cease for any reason to constitute a majority thereof; or

(c) there occurs a reorganization, merger, consolidation or other corporate transaction involving the Company, in each case with respect to which the stockholders of the Company immediately prior to such transaction do not, immediately after such transaction, own more than 50% of the combined voting power of the Company or other corporation resulting from such transaction; or

(d) all or substantially all of the assets of the Company are sold, liquidated or distributed;

PROVIDED, FURTHER, that an event described above shall not be deemed to be a Change in Control for purposes of this Agreement if the Board has approved such event prior to either (x) the occurrence of any of the events described in the foregoing clauses (a) and (b) or (y) the commencement by any person other than the Company of a tender offer for the Common Stock.

"CHANGE IN CONTROL DATE" shall mean the date on which a Change in Control occurs.

"CHANGE IN CONTROL PERIOD" shall mean the two-year period commencing on the Change in Control Date; PROVIDED, HOWEVER, that if your employment with the Company and its subsidiaries terminates prior to the Change in Control Date but on or after a Potential Change in Control Date, and it is reasonably demonstrated that your termination of employment (a) was at the

request of a third party who has taken steps reasonably calculated to effect a Change in Control or (b) otherwise arose in connection with or in anticipation of a Change in Control, then the "Change in Control Period" shall mean, as applied to you, the two-year period beginning on the date immediately prior to the date of your termination of employment.

"CODE" shall mean the Internal Revenue Code of ' 1986, as amended, and any successor provisions thereto.

"DATE OF TERMINATION" has the meaning assigned thereto in Section 4.

25

"DISABILITY" shall mean (a) your incapacity due to physical or mental illness which causes you to be absent from the full-time performance of your duties with the Company for six consecutive months and (b) your failure to return to full-time performance of your duties for the Company within 30 days after written Notice of Termination due to Disability is given to you. Any question as to the existence a Disability upon which you and the Company cannot agree shall be determined by a qualified independent physician selected by you (or, if your are unable to make such selection, such selection shall be made by any adult member of your immediate family), and approved by the Company. The determination of such physician made in writing to the Company and to you shall be final and conclusive for all purposes hereunder.

"EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended, and any successor provisions thereto.

"GOOD REASON" shall mean the occurrence of any of the following during the Change in Control Period:

(a) A meaningful and detrimental alteration in your position, titles, or nature or status of responsibilities (including reporting responsibilities) from those in effect immediately prior to the Change in Control Date;

(b) A reduction by the Company in your annual base salary as in effect immediately prior to the Change in Control Date or as the same may be increased from time to time thereafter; or a reduction in your target annual bonus (expressed as a percentage of base salary) below the target in effect for you prior to the Change in Control Date;

(c) The relocation of the office of the Company where you are employed immediately prior to the Change in Control Date (the "CIC LOCATION") to a location which is more than 25 miles away from the CIC Location or the Company's requiring you to be based more than 25 miles away from the CIC Location (except for required travel on the Company's

business to an extent substantially consistent with your customary business travel obligations in the ordinary course of business prior to the Change in Control Date);

(d) The failure by the Company to continue to provide you with benefits at least as favorable in the aggregate to those enjoyed by you under the Company's savings, life insurance, medical, health and accident, disability, and fringe benefit plans and arrangements in which you were participating immediately prior to the Change in Control Date; or the failure by the Company to provide you with the number of paid vacation days to which you are entitled on the basis of years of service with the Company in accordance with the Company's normal vacation policy in effect immediately prior to the Change in Control;

(e) The failure of the Company to obtain an agreement from any successor to assume and agree to perform the Company's obligations under this Agreement, as contemplated in Section 6(a) hereof,

(f) Any termination of your employment which is not effected pursuant to the terms of this Agreement; or

(g) A material breach by the Company of the provisions of this Agreement;

PROVIDED, HOWEVER, that an event described above in clause (a), (b), (d) or (g) shall not constitute Good Reason unless it is communicated by you to the Company in writing and is not corrected by the Company in a manner which

26

is reasonably satisfactory to you (including full retroactive correction with respect to any monetary matter) within ten days of the Company's receipt of such written notice from you.

"INVOLUNTARY TERMINATION" shall mean (a) your termination of employment by the Company and its subsidiaries during the Change in Control Period other than for Cause or Disability or (b) your resignation of employment with the Company and its subsidiaries during the Change in Control Period for Good Reason.

"NOTICE OF TERMINATION" has the meaning assigned thereto in Section 4.

"POTENTIAL CHANGE IN CONTROL" shall mean the earliest to occur of (a) the date on which the Company executes an agreement or letter of intent, the consummation of the transactions described in which would result in the occurrence of a Change in Control, (b) the date on which the Board approves a transaction or series of transactions, the consummation of which would result in

a Change in Control, or (c) the date on which a tender offer for the Company's voting stock is publicly announced, the completion of which would result in a Change in Control; PROVIDED, that no such event shall be a "Potential Change in Control" unless it is followed by a Change in Control on or prior to the first anniversary of the Potential Change in Control Date.

"POTENTIAL CHANGE IN CONTROL DATE" shall mean the date on which a Potential Change in Control occurs.

"REFERENCE BONUS" shall mean the greatest of (a) the average of the three annual bonuses paid to you prior to the Date of Termination, (b) the average of the three annual bonuses paid to you prior to the Change in Control Date and (c) your target annual bonus under the Company's annual incentive compensation plan for the year in which the Date of Termination occurs. If you have been eligible to receive fewer than three bonuses prior to such Date of Termination or the Change in Control Date, as applicable, the amounts described in clauses (a) and (b) hereof shall be calculated using such lesser number of annual bonuses.

"REFERENCE SALARY" shall mean the greater of (a) the annual rate of your base salary from the Company and its subsidiaries in effect immediately prior to the date of your Involuntary Termination and (b) the annual rate of your base salary from the Company and its subsidiaries in effect immediately prior to the Change in Control Date.

SECTION 7. TREATMENT OF PARACHUTE PAYMENTS. Notwithstanding anything in this Agreement to the contrary, if any amounts due to you under this Agreement and any other plan or program of the Company constitute a "parachute payment" (as such term is defined in Section 280G(b)(2) of the Code), and the amount of the parachute payment, reduced by all federal, state, and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, is less than the amount you would receive if you were paid three times your "base amount" (as defined Section 280G(b)(3) of the Code, less \$1.00) reduced by all federal, state and local taxes applicable thereto, then the aggregate of the amounts constituting the parachute payment shall be reduced to an amount that will equal three times your base amount less \$1.00. The determination to be made with respect to this paragraph shall be made by a national accounting firm jointly selected by the executives who have entered into this Agreement and paid by the Company, and which may be the Company's independent auditors. The provisions of this Section 7 may be effected only by reducing amounts payable to you under this Agreement and not by causing you to forego any amounts payable to you under any other Company plan, program, arrangement or agreement.

SECTION 8. NOTICE. For the purpose of this Agreement, notices

and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to

the Cornerstone Properties Inc., Tower 56, 126 East 56th Street, New York, NY 10022, Attn: Secretary of the Company, or to you at the address set forth on the first page of this Agreement or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

SECTION 9. MISCELLANEOUS.

(a) AMENDMENTS, WAIVERS, ETC. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement and this Agreement shall supersede all prior agreements, negotiations, correspondence, undertakings and communications of the parties, oral or written, with respect to the subject matter hereof, PROVIDED, HOWEVER that any employment agreement between you and the Company shall remain in full force and effect, subject to the last sentence of Section 1.

(b) VALIDITY. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

(c) COUNTERPARTS. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

(d) NO CONTRACT OF EMPLOYMENT. Nothing in this Agreement shall be construed as giving you any right to be retained in the employ of the Company or shall affect the terms and conditions of your employment with the Company prior to the commencement of the Change in Control Period.

(e) WITHHOLDING. Amounts paid to you hereunder shall be subject to all applicable federal, state and local withholding taxes.

(f) SOURCE OF PAYMENTS. All payments provided under this Agreement shall be paid in cash from the general funds of the Company, and no

special or separate fund shall be pal established, and no other segregation of assets made, to assure payment. You will have no right, title or interest whatsoever in or to any investments which the Company may make to aid it in meeting its obligations hereunder. To the extent that any person acquires a right to receive payments from the Company hereunder, such right shall be no greater than the right of an unsecured creditor of the Company.

(g) HEADINGS. The headings contained in this Agreement are intended solely for convenience of reference and shall not affect the rights of the parties to this Agreement.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

CORNERSTONE PROPERTIES INC.

28

BY:

NAME: Rodney C. Dimock
TITLE: President & Chief Operating Officer

BY:

NAME: Thomas P. Loftus
TITLE: Chief Administrative Officer

Agreed to as of this ____ day of _____, 1998

[Employee]

29

AMENDED AND RESTATED
REGISTRATION RIGHTS AND VOTING AGREEMENT

THIS AMENDED AND RESTATED REGISTRATION RIGHTS AND VOTING AGREEMENT (this "Agreement"), is made and entered into as of this 16th day of December, 1998, by and between CORNERSTONE PROPERTIES INC., a Nevada corporation (the "Company"), DUTCH INSTITUTIONAL HOLDING COMPANY, INC., a Delaware corporation ("DIHC"), and STICHTING PENSIOENFONDS VOOR DE GEZONDHEID, GEESTELIJKE EN MAATSCHAPPELIJKE BELANGEN, a stichting formed according to the laws of The Netherlands ("PGGM").

W I T N E S S E T H:

WHEREAS, pursuant to the terms of that certain Stock Purchase Agreement (the "Purchase Agreement"), dated as of August 18, 1997, between the Company and DIHC, and that certain Loan Purchase Agreement (the "Loan Agreement") dated as of August 18, 1997, between the Company and PGGM, the Company acquired certain shares of capital stock, partnership interests and loans from DIHC and PGGM and issued shares of its Common Stock (as defined below) to DIHC and PGGM; and

WHEREAS, in connection with the Purchase Agreement, the Company, DIHC and PGGM entered into a Registration Rights and Voting Agreement, dated as of October 27, 1997 (the "Registration Rights Agreement"), which provided (I) for the registration under the Securities Act of 1933, as amended, of certain shares of Common Stock (II) for the nomination and election of certain persons to serve on the Board of Directors of the Company, (III) for certain restrictions regarding the transfer of shares of Common Stock and (IV) for certain covenants regarding the operation of the Company's business; and

WHEREAS, pursuant to the terms of that certain Stock Purchase Agreement (the "Stock Purchase Agreement"), dated as of June 22, 1998, as amended, between the Company and PGGM, the Company is issuing additional shares of its Common Stock to PGGM; and

WHEREAS, in connection with the Stock Purchase Agreement, the parties desire to amend and restate the Registration Rights Agreement on the terms set forth herein;

NOW, THEREFORE, the parties agree as follows:

1. CERTAIN OTHER DEFINITIONS. Capitalized terms not otherwise defined herein shall

have the meanings ascribed to them in the Purchase Agreement. The capitalized terms set forth below (in their singular and plural forms as applicable) shall have the following meanings:

1.1 "AFFILIATE" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

1.2 "BUSINESS COMBINATION" means any one of the following transactions:

(i) Any merger or consolidation of the Company or any subsidiary thereof with any other Person (other than the Company);

(ii) Any sale, lease, exchange, mortgage, pledge, transfer or other disposition by the Company (in one transaction or a series of transactions) to or with any Person of all or a substantial portion of the assets of the Company and its subsidiaries taken as a whole;

(iii) The adoption of any plan or proposal for the liquidation or dissolution of the Company proposed by or on behalf of any Holder or its Affiliates that together own 25% or more of the issued and outstanding Common Stock; or

(iv) Any reclassification of securities (including any reverse stock split), recapitalization of the Company, or any merger or consolidation of the Company with any subsidiary thereof or any other transaction to which the Company is a party which has the effect, directly or indirectly, of increasing the Holder Interest of such Holder or its Affiliates that together own 25% or more of the issued and outstanding Common Stock (whether or not with or into or otherwise involving such Holder or any of its Affiliates).

1.3 "CLOSING DATE" has the meaning specified in Section 2.04 of the Purchase Agreement.

1.4 "COMMISSION" shall mean the United States Securities and Exchange Commission and any successor federal agency having similar powers.

1.5 "COMMON STOCK" shall mean the common stock without par value of the Company.

1.6 "CONTROL" (including the terms "CONTROLLED BY" and "UNDER COMMON CONTROL WITH"), with respect to the relationship between or among two or more Persons, means the possession, directly or indirectly or as trustee, personal

representative or executor, of the power to direct or cause the direction of the affairs or management of a Person, whether through the ownership of voting securities, as trustee, personal representative or executor, by contract or otherwise, including, without limitation, the ownership, directly or indirectly, of securities having the power to elect a majority of the board of directors or similar body governing the

affairs of such Person.

1.7 "CURRENT MARKET PRICE" of each share of Common Stock shall mean (I) the average of the closing prices of the Common Stock for the five New York Stock Exchange trading days immediately preceding the day in question as reported by THE WALL STREET JOURNAL under the New York Stock Exchange Composite Transactions quotation system (or under any successor quotation system) or, if the Common Stock is no longer traded on the New York Stock Exchange under the quotation system under which such closing prices are reported or, if THE WALL STREET JOURNAL no longer reports such closing prices, such closing prices as reported by a newspaper or trade journal selected by the Company or (II) if no such closing prices are available on such dates, the fair market value as determined in good faith by the Board of Directors of the Company.

1.8 "DEMAND OFFERING" shall mean a offering required to be effected pursuant to Section 3.3 hereof.

1.9 "DEMAND PROSPECTUS" shall mean the prospectus included in the Shelf Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, including any supplement relating to the terms of the offering of any portion of the Demand Offering Securities covered by the Demand Prospectus, and in each case including all material incorporated by reference therein.

1.10 "DEMAND OFFERING SECURITIES" shall mean the Shares held by DIHC and PGGM or any subsequent Holder to whom this Agreement has, or rights to cause the Company to register Shares in accordance with Section 3 have, been assigned pursuant to Section 9, excluding (I) Shares that have been disposed of under the Shelf Registration Statement or any other effective registration statement, (II) Shares sold or otherwise transferred pursuant to Rule 144 under the Securities Act, and (III) those Shares held by any single Holder if such Holder holds less than 1% of the issued and outstanding shares of Common Stock and all of such Shares are eligible for sale pursuant to Rule 144 under the Securities Act and all of such Holder's Shares could be sold by such Holder in a single transaction under Rule 144 under the Securities Act.

1.11 "DEMAND OFFERING EXPENSES" shall mean any and all expenses incurred by the Company in connection with Demand Offerings, including, without limitation: (I) all Commission, stock exchange and National Association of Securities Dealers, Inc. ("NASD") registration and filing fees, (II) all fees and expenses incurred in connection with compliance with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel in

connection with qualification of any of the Demand Offering Securities under any state securities or blue sky laws and the preparation of a blue sky memorandum) and compliance with the rules of the NASD, (III) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing any Demand Prospectus, certificates and other documents relating to the performance of and compliance with this Agreement, (IV) all fees and expenses incurred in connection with the listing, if any, of any of the Demand Offering Securities on any U.S. securities exchange or exchanges, and (V) the fees and disbursements of counsel for

the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance. Demand Offering Expenses shall specifically exclude Selling Expenses and the fees and expenses of counsel representing the Holders, all of which shall be borne by the Holders in all cases.

1.12 "DEMAND OFFERING REQUEST" shall have the meaning set forth in Section 3.3(a) hereof.

1.13 "DIHC" shall have the meaning set forth in the Preamble.

1.14 "ENCUMBRANCE" means any security interest, pledge, mortgage, lien (including, without limitation, environmental and tax liens), charge, encumbrance, adverse claim, preferential arrangement, or restriction of any kind, including, without limitation, any restriction on the use, voting, transfer, receipt of income or other exercise of any attributes of ownership.

1.15 "EQUITY SECURITY" means any (I) Common Stock, (II) securities of the Company convertible into or exchangeable for Common Stock, and (III) options, rights, warrants and similar securities issued by the Company to acquire Common Stock.

1.16 "EXCHANGE ACT" shall mean the Securities Exchange Act of 1934, as amended from time to time.

1.17 "HOLDER" shall mean DIHC and PGGM (and their respective transferees of Shares as permitted by this Agreement to whom this Agreement has, or rights to cause the Company to register Shares in accordance with Section 3 have, been assigned pursuant to Section 9).

1.18 "HOLDER INTEREST" means, with respect to any Holder, the percentage of issued and outstanding Common Stock represented by the shares of Common Stock owned by such Holder and its Affiliates; PROVIDED, HOWEVER, that shares of Common Stock indirectly owned through an intermediary (I) of which such Holder owns less than 1% of the issued and outstanding common shares or (II) in connection with which Holder has no right to direct the vote of shares of the Company shall not be included in the Holder Interest of such Holder.

1.19 "INDEBTEDNESS" means, with respect to any Person, (a) all indebtedness of such Person, whether or not contingent, for borrowed money, (b) all obligations of such Person for the deferred purchase price of property or services, (c) all obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such 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), (e) all obligations of such Person as lessee under leases that have been or should be, in accordance with U.S. GAAP, recorded as capital leases, (f) all obligations, contingent or otherwise, of such

Person under acceptance, letter of credit or similar facilities, (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any capital stock of such Person or any warrants, rights or options to acquire such capital stock, valued, in the case of redeemable preferred stock, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (h) the greater of (I) the principal amount and (II) the redemption value of any perpetual preferred stock issued by such Person, (i) all Indebtedness of others referred to in clauses (a) through (f) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (I) to pay or purchase such Indebtedness or to advance or supply funds for the payment or purchase of such Indebtedness, (II) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such Indebtedness or to assure the holder of such Indebtedness against loss, (III) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (IV) otherwise to assure a creditor against loss, and (j) all Indebtedness referred to in clauses (a) through (f) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance on property (including, without limitation, accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness.

1.20 "INCUMBENT DIRECTORS" shall mean (I) all of the individuals constituting the board of directors of the Company on the date hereof, (II) all individuals hereafter designated as nominees to the board of directors by the New York State Teachers' Retirement System pursuant to a letter agreement dated November 22, 1996, (III) all individuals hereafter designated as nominees to the board of directors by Hexalon Real Estate, Inc. pursuant to a letter agreement dated November 7, 1996, (IV) one individual at any time hereafter designated by Deutsche Bank AG as a nominee to the board of directors, and (V) Messrs. William Wilson III, Donald G. Fisher and Randall A. Hack as nominees to the board of directors pursuant to an agreement dated as of June 22, 1998, as amended.

1.21 "INITIAL PERCENTAGE" means the percentage of issued and

outstanding Common Stock represented immediately after the Closing by the shares issued pursuant to the Purchase Agreement and the Loan Agreement.

1.22 "LEVERAGE RATIO" shall mean the ratio of the Company's Indebtedness to the Company's Total Market Capitalization.

1.23 "MAXIMUM NUMBER" shall having the meaning set forth in Section 3.3(e) hereof.

1.24 "PERMITTED TRANSFEREE" means any (I) mutual fund company, pension fund, insurance company, investment company, any state, city, or county, or any agency or instrumentality of a state, city, or county, or any state university or state college, and any retirement system for the benefit of employees of any of the foregoing, any religious or

educational organization or other passive institutional investor or (II) any non-U.S. Person (as defined in Section 9.02 of the Charter Amendment) that is not controlled by U.S. Persons (as defined in the Charter Amendment).

1.25 "PERSON" means any individual, partnership, firm, corporation, association, trust, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

1.26 "PGGM" shall have the meaning set forth in the Preamble.

1.27 "PIGGYBACK REGISTRATION" shall have the meaning set forth in Section 3.6(a) hereof.

1.28 "PIGGYBACK REGISTRATION REQUEST" shall have the meaning set forth in Section 3.6(a) hereof.

1.29 "PUBLIC OFFERING" means a public offering of Common Stock pursuant an effective registration statement under the Securities Act.

1.30 The terms "REGISTER", "REGISTERED" and "REGISTRATION" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act and the declaration or ordering of the effectiveness of such registration statement by the Commission.

1.31 "SECURITIES ACT" means the Securities Act of 1933, as amended.

1.32 "SELLING EXPENSES" shall mean all underwriting discounts and selling commissions and transfer taxes applicable to the sale of Shelf Registrable Securities or Demand Offering Securities and disbursements of underwriters.

1.33 "SHARES" shall mean (a) the shares of Common Stock issued pursuant to the Purchase Agreement, the Loan Agreement and the Stock Purchase

Agreement and (b) shares of Common Stock or any other securities which are hereafter issued with respect to the shares referred to in Section 1.33(a) by way of conversion, exchange, reclassification, dividend or distribution, whether or not such securities have been offered and sold to the public.

1.34 "SHELF PROSPECTUS" shall mean the prospectus included in the Shelf Registration Statement, including any preliminary prospectus, and any amendment or supplement thereto, including any supplement relating to the terms of the offering of any portion of the Shelf Registrable Securities covered by the Shelf Registration Statement, and in each case including all material incorporated by reference therein.

1.35 "SHELF REGISTRATION" shall mean the registration required to be effected pursuant to Section 3.1 hereof.

1.36 "SHELF REGISTRABLE SECURITIES" shall mean the Shares held by DIHC and PGGM or any subsequent Holder to whom this Agreement has, or rights to cause the Company to register Shares in accordance with Section 3 have, been assigned pursuant to Section 9, excluding (I) Shares that have been disposed of under the Shelf Registration Statement or any other effective registration statement, (II) Shares sold or otherwise transferred pursuant to Rule 144 under the Securities Act, and (III) those Shares held by any single Holder if such Holder holds less than 1% of the issued and outstanding shares of Common Stock and all of such Shares are eligible for sale pursuant to Rule 144 under the Securities Act and all of such Holder's Shares could be sold by such Holder in a single transaction under Rule 144 under the Securities Act.

1.37 "SHELF REGISTRATION EXPENSES" shall mean any and all expenses incident to performance of or compliance with this Agreement, including, without limitation: (I) all Commission, stock exchange and NASD registration and filing fees, (II) all fees and expenses incurred in connection with compliance with state securities or "blue sky" laws (including reasonable fees and disbursements of counsel in connection with qualification of any of the Shelf Registrable Securities under any state securities or blue sky laws and the preparation of a blue sky memorandum) and compliance with the rules of the NASD, (III) all expenses of any Persons in preparing or assisting in preparing, word processing, printing and distributing the Shelf Registration Statement, any Shelf Prospectus, certificates and other documents relating to the performance of and compliance with this Agreement, (IV) all fees and expenses incurred in connection with the listing, if any, of any of the Shelf Registrable Securities on any securities exchange or exchanges, and (V) the fees and disbursements of counsel for the Company and of the independent public accountants of the Company, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance. Shelf Registration Expenses shall specifically exclude Selling Expenses and the fees and disbursements of counsel representing the Holders, all of which shall be borne by the Holders in all cases.

1.38 "SHELF REGISTRATION NOTICE" shall have the meaning set forth in

Section 3.2(b) hereof.

1.39 "SHELF REGISTRATION STATEMENT" shall mean each registration statement of the Company (and any other entity required to be a registrant with respect to such registration statement pursuant to the requirements of the Securities Act) that covers all of the Shelf Registrable Securities to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, or any similar rule that may be adopted by the Commission, and all amendments (including post-effective amendments) to such registration statement, and all exhibits thereto and materials incorporated by reference therein.

1.40 "STANDSTILL PERIOD" means, with respect to any Holder, a period of time commencing on the Closing Date and terminating on October 27, 2000 (the date three years after the Closing Date).

1.41 "TOTAL MARKET CAPITALIZATION" shall mean the sum of (I) the Company's total Indebtedness, plus (II) the product of (x) the number of issued and outstanding shares of Common Stock, PLUS the number of shares of Common Stock issuable upon conversion of issued and outstanding preferred stock (other than convertible preferred stock subject to redemption at the option of the holder) and issued and outstanding Units TIMES (y) the Current Market Price.

1.42 "U.S. GAAP" means United States generally accepted accounting principles and practices in effect from time to time applied consistently throughout the periods involved.

1.43 "UNITS" means units of limited partnership in Cornerstone Properties Limited Partnership, a Delaware limited partnership.

2. RESTRICTIONS ON TRANSFER.

2.1 REPRESENTATIONS AND WARRANTIES OF PGGM. (a) PGGM and DIHC hereby represent, acknowledge, covenant and agree as follows: (I) the Shares are being acquired for PGGM's and DIHC's own account for investment and not with a view to any distribution or public offering within the meaning of the Securities Act or any state securities law; (II) the Shares have not been registered under the Securities Act or any state securities law; (III) PGGM and DIHC is each an "accredited investor" within the meaning of Rule 501 promulgated by the Commission pursuant to the Securities Act; (IV) PGGM and DIHC have been furnished with all information that PGGM or DIHC has requested for purposes of evaluating the Company and each has had an opportunity to ask questions of and receive answers from the Company regarding its business, assets, results of operations, and financial condition; and (V) PGGM and DIHC will not sell or otherwise transfer any of the Shares except upon the terms and conditions specified herein.

2.2 LEGENDS. Except as provided in Section 2.4, each certificate representing the Shares issued to PGGM and DIHC or transferred to a subsequent

Holder pursuant to Section 2.3 shall include, in addition to the legends relating to provisions of the Company's articles of incorporation, legends in substantially the following form, PROVIDED that the first such legend shall not be required if such transfer is being made in connection with a sale that is (I) pursuant to a Public Offering or (II) exempt from registration pursuant to Rule 144 under the Securities Act or if the opinion of counsel referred to in Section 2.3 is to the further effect that such legend is not required in order to ensure compliance with the Securities Act; PROVIDED FURTHER, that the second such legend shall not be required if Sections 7.6 and 8 hereof do not apply to such subsequent Holder:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR ANY STATE SECURITIES ACT AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN

EXEMPTION THEREFROM.

SUCH SHARES MAY BE TRANSFERRED ONLY IN COMPLIANCE WITH THE CONDITIONS SPECIFIED IN THE AMENDED AND RESTATED REGISTRATION RIGHTS AND VOTING AGREEMENT DATED AS OF DECEMBER 16, 1998, AMONG THE ISSUER AND THE OTHER PARTY(IES) NAMED THEREIN, A COMPLETE AND CORRECT COPY OF WHICH IS AVAILABLE FOR INSPECTION AT THE PRINCIPAL OFFICE OF THE ISSUER AND WILL BE FURNISHED TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE.

2.3 NOTICE OF TRANSFER. Prior to any proposed assignment, transfer or sale of any Shares, the Holder of such Shares shall give written notice to the Company of Holder's intention to effect such assignment, transfer or sale, which notice shall set forth the date of such proposed assignment, transfer or sale. Holder shall also furnish to the Company a written agreement by the transferee that it is taking and holding the same subject to the terms and conditions specified in this Agreement and, except in transfers pursuant to a Public Offering or under Rule 144 or Regulation S under the Securities Act, a written opinion of Holder's counsel, in form reasonably satisfactory to the Company, to the effect that the proposed transfer may be effected without registration under the Securities Act.

2.4 TERMINATION OF RESTRICTIONS. The restrictions set forth in this Section 2 shall terminate and cease to be effective with respect to any of the Shares (I) upon the sale of any such Shares which has been registered under the Securities Act or is made pursuant to Rule 144 under the Securities Act or (II) upon receipt by the Company of an opinion of counsel, which counsel and which opinion are reasonably satisfactory to the Company, to the effect that compliance with such restrictions is not necessary in order to comply with the Securities Act with respect to the sale of the Shares. The restrictions with respect to a Holder set forth in Sections 7.5 and 8 hereof shall terminate upon the end of the Standstill Period. Whenever such restrictions shall so terminate,

the Holder of such Shares shall be entitled to receive from the Company, without expense (other than transfer taxes, if any), certificates for such Shares not bearing the respective legends set forth in Section 2.2.

3. REGISTRATION UNDER SECURITIES ACT.

3.1 SHELF REGISTRATION.

(a) Within 20 days after the date hereof and upon the request of PGGM, the Company will use its commercially reasonable efforts to cause to be filed a Shelf Registration Statement, which, in accordance with Rule 429 under the Securities Act, shall include a form of Shelf Prospectus for use with respect to the Shelf Registrable Securities included in the

Registration Statement on Form S-3 (Registration No. 333-47149) filed by the Company with the Commission on March 2, 1997, providing for the sale by the Holders of all of the Shelf Registrable Securities in accordance with the terms hereof and will use its commercially reasonable efforts to cause such Shelf Registration Statement to be declared effective by the Commission as soon as practicable thereafter. The Company agrees to use its commercially reasonable efforts to keep the Shelf Registration Statement with respect to the Shelf Registrable Securities continuously effective so long as Holder holds Shelf Registrable Securities. Subject to Section 3.2(b) and Section 3.2(i), the Company further agrees to amend the Shelf Registration Statement if and as required by the rules, regulations or instructions applicable to the registration form used by the Company for such Shelf Registration Statement or by the Securities Act or any rules and regulations thereunder; PROVIDED, HOWEVER, that the Company shall not be deemed to have used its commercially reasonable efforts to keep the Shelf Registration Statement effective during the applicable period if it voluntarily takes any action that would result in the Holders not being able to sell Shelf Registrable Securities covered thereby during that period, unless such action is required under applicable law or the Company has filed a post-effective amendment to the Shelf Registration Statement and the Commission has not declared it effective or except as otherwise permitted by the last six sentences of Section 3.2(b). The Holders will provide information reasonably requested by the Company in connection with the Shelf Registration Statement as promptly as practicable after receipt of such request. The "Plan of Distribution" section of the Shelf Registration Statement shall permit negotiated purchases, secondary distributions, block trades, ordinary brokerage transactions or a combination of such methods of sale, PROVIDED, HOWEVER, that the Company's obligations under Sections 3.1 and 3.2 hereof shall not include participation in underwritten offerings or other organized distributions of securities, which obligations are limited to registrations under Section 3.3 and 3.6 hereof.

(b) EXPENSES. The Company shall pay all Shelf Registration Expenses in connection with the registration pursuant to Section 3.1(a). The Holders shall pay all Selling Expenses and the fees and disbursements of counsel representing the Holders, relating to the sale or disposition of such Shelf Registrable

Securities pursuant to the Shelf Registration Statement.

3.2 SHELF REGISTRATION PROCEDURES. In connection with the obligations of the Company with respect to the Shelf Registration Statement contemplated by Section 3.1 hereof, the Company shall:

(a) prepare and file with the Commission, within the time period set forth in Section 3.1(a) hereof, the Shelf Registration Statement, which Shelf Registration Statement shall comply as to form in all material respects with the requirements of the applicable form and include all financial statements required by the Commission to be filed therewith;

(b) subject to the last six sentences of this Section 3.2(b) and Section 3.2(i) hereof, (I) prepare and file with the Commission such amendments to such Shelf Registration Statement as may be necessary to keep such Shelf Registration Statement effective throughout the applicable period; (II) cause the Shelf Prospectus to be amended or supplemented as required and to be filed as required by Rule 424 or any similar rule that may be adopted under the

Securities Act; and (III) respond as promptly as practicable to any comments received from the Commission with respect to the Shelf Registration Statement or any amendment thereto. Notwithstanding anything to the contrary contained herein, the Company shall not be required to take any of the actions described in clauses (i), (ii) or (iii) in this Section 3.2(b), Section 3.2(d) or Section 3.2(i) with respect to the Shelf Registrable Securities (x) to the extent that (I) in the reasonable opinion of the Company (A) securities laws applicable to such sale would require the Company to disclose material non-public information ("Non-Public Information") and (B) the disclosure of such Non-Public Information would materially adversely affect the Company; (II) such sale would occur during the measurement period for determining the amount of Common Stock, or the amount of any other consideration the amount of which will be based on the price of the Common Stock, in connection with the acquisition of a business or assets by the Company (a "Measurement Period"); OR (III) the Company is contemplating an underwritten Public Offering of its securities and in the reasonable opinion of the underwriters such sale would interfere materially with such Public Offering by the Company (a "Financing Period"); and the Company delivers written notice to the Holders to the effect that the Holders may not make offers or sales under the Shelf Registration Statement for a period not to exceed 45 days from the date of such notice; PROVIDED, HOWEVER, that the Company may deliver only four such notices under this Section 3.2(b) and Section 3.4(a) within any twelve-month period, PROVIDED, FURTHER, that the Company may deliver only two such notices under this Section 3.2(b) and Section 3.4(a) within the twelve-month period immediately following the expiration of the six-month period referred to in Section 3.3(f)(i) hereof and (y) unless and until the Company has received a written notice (a "Shelf Registration Notice") from any Holder that such Holder intends to make offers or sales under the Shelf Registration Statement as specified in such Shelf Registration Notice; PROVIDED, HOWEVER, that the Company shall have ten business days to prepare and file any such amendment or supplement after receipt of the Shelf Registration Notice. The

Measurement Period and Financing Period are collectively referred to herein as the "Restricted Period." In the event the sale by the Holders of Shelf Registrable Securities is deferred because of the existence of Non-Public Information, the Company will notify the Holders promptly upon such Non-Public Information being included by the Company in a filing with the Commission, being otherwise disclosed to the public (other than through the actions of any Holder), or ceasing to be material to the Company, and upon such notice being given by the Company, the Holders shall again be entitled to sell Shelf Registrable Securities as provided herein. In the event the sale by the Holders of Shelf Registrable Securities is deferred because it is proposed to be made during a Restricted Period, the Company shall specify, in notifying the Holders of the deferral of its sale, when the Restricted Period will end, at which time the Holders shall again be entitled to sell Shelf Registrable Securities as provided herein. If the Restricted Period is thereafter changed, the Company will promptly notify the Holders of such change and upon the end of the Restricted Period as so changed, the Holders will again be entitled to sell Shelf Registrable Securities as provided herein. If an agreement to which such Restricted Period relates is terminated prior to the end of the Restricted Period, the deferral period hereunder shall end immediately and the Company shall promptly notify the Holders of the end of the deferral period;

(c) promptly furnish the Holders after a Holder has delivered a Shelf

Registration Notice to the Company, without charge, as many copies of each Shelf Prospectus and any amendment or supplement thereto in order to facilitate the public sale or other disposition of the Shelf Registrable Securities; the Company consents to the use of the Shelf Prospectus and any amendment or supplement thereto by the Holders of Shelf Registrable Securities in connection with the offering and sale of the Shelf Registrable Securities covered by the Shelf Prospectus or amendment or supplement thereto;

(d) use its commercially reasonable efforts to register or qualify the Shelf Registrable Securities by the time the Shelf Registration Statement is declared effective by the Commission under all applicable state securities or blue sky laws of such jurisdictions in the United States and its territories and possessions as the Holders shall reasonably request in writing, keep each such registration or qualification effective during the period such Shelf Registration Statement is required to be kept effective or during the period offers or sales are being made by the Holders after a Holder has delivered a Shelf Registration Notice to the Company, whichever is shorter; PROVIDED, HOWEVER, that in connection therewith, the Company shall not be required to (I) qualify as a foreign corporation to do business or to register as a broker or dealer in any such jurisdiction where it would not otherwise be required to qualify or register but for this Section 3.2(d), (II) subject itself to taxation in any such jurisdiction, or (III) file a general consent to service of process in any such jurisdiction;

(e) notify the Holders promptly and, if requested by a Holder, confirm in writing, (I) when the Shelf Registration Statement and any post-effective

amendments thereto have become effective, (ii) when any amendment or supplement to the Shelf Prospectus has been filed with the Commission, (III) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of the Shelf Registration Statement or any part thereof or the initiation of any proceedings for that purpose, (IV) if the Company receives any notification with respect to the suspension of the qualification of the Shelf Registrable Securities for offer or sale in any jurisdiction or the initiation of any proceeding for such purpose, and (V) of the happening of any event during the period the Shelf Registration Statement is effective as a result of which (A) such Shelf Registration Statement contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (B) the Shelf Prospectus as then amended or supplemented contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(f) use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of the Shelf Registration Statement or any part thereof as promptly as possible;

(g) promptly furnish to the Holders after a Holder has delivered a Shelf Registration Notice to the Company, without charge, at least one conformed copy of the Shelf Registration Statement and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(h) cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Shelf Registrable Securities to be sold and not bearing any Securities Act legend; and enable certificates for such Shelf Registrable Securities to be issued for such numbers of shares as the Holders may reasonably request at least two business days prior to any sale of Shelf Registrable Securities;

(i) subject to the last six sentences of Section 3.2(b) hereof, upon the occurrence of any event contemplated by clause (v) of Section 3.2(e) hereof, use its reasonable best efforts promptly to prepare and file an amendment or a supplement to the Shelf Prospectus or any document incorporated therein by reference or prepare, file and obtain effectiveness of a post-effective amendment to the Shelf Registration Statement, or file any other required document, in any such case to the extent necessary so that, as thereafter delivered to the purchasers of the Shelf Registrable Securities, such Shelf Prospectus as then amended or supplemented will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading;

(j) make available for inspection by the Holders after a Holder has provided a Shelf Registration Notice to the Company and any counsel, accountants

or other representatives retained by the Holders all financial and other records, material corporate documents and properties of the Company and cause the officers, directors and employees of the Company to supply all such material records, documents or information reasonably requested by the Holders, counsel, accountants or representatives in connection with the Shelf Registration Statement; PROVIDED, HOWEVER, that such records, documents or information which the Company determines in good faith to be confidential and notifies the Holders, counsel, accountants or representatives in writing that such records, documents or information are confidential shall not be disclosed by the Holders, counsel, accountants or representatives unless (I) such disclosure is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, or (II) such records, documents or information become generally available to the public other than through a breach of this Agreement;

(k) a reasonable time prior to the filing of the Shelf Registration Statement or any amendment thereto, or any Shelf Prospectus or any amendment or supplement thereto, provide copies of such document (not including any documents incorporated by reference therein unless requested) to the Holders; and

(l) use its reasonable best efforts to cause all Shelf Registrable Securities to be listed on the New York Stock Exchange from and after the time the Shelf Registration Statement is declared effective.

The Company may require the Holders to furnish to the Company in writing such information regarding the proposed distribution by the Holders as the Company may from time to time reasonably request in writing.

In connection with and as a condition to the Company's obligations with respect to the Shelf Registration Statement pursuant to Section 3.1 hereof and this Section 3.2, the Holders covenant and agree that (I) they will not offer or sell any Shelf Registrable Securities under the Shelf Registration Statement until a Holder has provided a Shelf Registration Notice pursuant to Section 3.2(b) and have received copies of the Shelf Prospectus as then amended or supplemented as contemplated by Section 3.2(c) and notice from the Company that the Shelf Registration Statement and any post-effective amendments thereto have become effective as contemplated by Section 3.2(e); (II) upon receipt of any notice from the Company contemplated by Section 3.2(b) or Section 3.2(e) (in respect of the occurrence of an event contemplated therein), the Holders shall not offer or sell any Shelf Registrable Securities pursuant to the Shelf Registration Statement until the Holders receive copies of the supplemented or amended Shelf Prospectus contemplated by Section 3.2(i) hereof and receive notice that any post-effective amendment has become effective, and, if so directed by the Company, the Holders will deliver to the Company (at the expense of the Company) all copies in its possession, other than permanent file copies then in the Holders' possession, of the Shelf Prospectus as amended or supplemented at the time of receipt of such notice; (III) upon the expiration of 60 days after the first date on which offers or sales can be made pursuant to clause (i) above, the Holders will not offer or sell any Shelf Registrable Securities under the Shelf Registration Statement until they have again complied

with the provisions of clause (i) above; (iv) each Holder and any of such Holder's partners, officers, directors or Affiliates, if any, will comply with the provisions of Regulation M under the Exchange Act as applicable to them in connection with sales of Shelf Registrable Securities pursuant to the Shelf Registration Statement; (V) each Holder and any of such Holder's partners, officers, directors or Affiliates, if any, will comply with the prospectus delivery requirements of the Securities Act as applicable to them in connection with sales of Shelf Registrable Securities pursuant to the Shelf Registration Statement; and (VI) each Holder and any of such Holder's partners, officers, directors or Affiliates, if any, will enter into such written agreements as the Company shall reasonably request to ensure compliance with clauses (iv) and (v) above.

3.3 DEMAND OFFERINGS.

(a) REQUESTS FOR DEMAND OFFERING. PGGM, DIHC or a Holder or Holders owning a majority of the Demand Offering Securities (the "Demand Initiating Holder") may request the offering under the Securities Act of all or any portion of the Demand Offering Securities held by such Holders for sale in the manner specified in such request, including an underwritten offering. Upon receipt of such request, the Company will promptly, but in any event within 20 days, give written notice of such requested registration to all Holders of Demand Offering Securities, and thereupon, in accordance with Section 3.4 hereof, the Company will use its reasonable best efforts to effect the registration and sale of:

(i) the Demand Offering Securities which the Company has been so requested to register by such Demand Initiating Holder;

(ii) all other Demand Offering Securities which the Company has been

requested to register by the other Holders thereof by written request delivered to the Company within 15 days after the giving of such written notice by the Company, and

(iii) all shares of Common Stock which the Company may elect to register for its own account or for the account of others in connection with the offering of Demand Offering Securities pursuant to this Section 3.3.

Each initial request for a offering pursuant to this Section 3.3 shall specify the number of Demand Offering Securities requested to be sold by the Demand Initiating Holder, the method of disposition to be employed and the Current Market Price of the Common Stock as of the date of such request. Any request for an offering pursuant to this Section 3.3(a) shall be referred to herein as a "Demand Offering Request" and all registrations requested pursuant to this Section 3.3 are referred to herein as "Demand Offerings."

(b) NUMBER OF DEMAND OFFERINGS. The Company shall not be required under

this Section 3.3 to effect more than eight Demand Offerings in the aggregate. Notwithstanding anything to the contrary contained herein, if such method of disposition is a firm commitment underwritten public offering, a registration shall count as a Demand Offering only when all such Demand Offering Securities shall have been sold pursuant thereto; PROVIDED, HOWEVER, that if a Demand Prospectus filed by the Company pursuant to a Demand Offering Request shall be abandoned or withdrawn at the behest of the Demand Initiating Holder, then, unless the Holders shall, promptly upon receipt of a request by the Company therefor supported by an invoice setting forth the expenses in reasonable detail, reimburse the Company for the Demand Offering Expenses in respect of such prospectus attributable to the Holders, the Company shall be deemed to have effected a Demand Offering.

(c) MINIMUM OFFERING AMOUNT. The Company shall not be required to comply with this Section 3.3 unless the aggregate Current Market Price of all Demand Offering Securities covered by the Demand Offering Request and the Demand Offering Securities described in Section 3.3(a)(ii) shall be \$75 million or more (unless and to the extent the Demand Initiating Holder shall hold less than \$75 million of Demand Offering Securities, in which case such minimum offering amount shall be equal to the amount of Demand Offering Securities so held).

(d) SELECTION OF UNDERWRITERS. If the method of disposition specified by the Demand Initiating Holder shall be an underwritten public offering, the Company may designate the managing underwriter of such offering, subject to the approval of the Demand Initiating Holder which approval shall not be unreasonably withheld.

(e) PRIORITY ON DEMAND OFFERINGS. The Company shall be entitled to include in any offering referred to in this Section 3.3, for sale in accordance with the method of disposition specified by the Demand Initiating Holder shares of Common Stock to be sold by the Company for its own account or by other shareholders of the Company for their account. Nonetheless, whether or not the Company desires to include any such additional shares in a

Demand Offering, if the managing underwriters advise the Company in writing that in their opinion the number of securities requested to be included in such offering exceeds the maximum number which can be included in such offering without adversely affecting the marketability of the offering (the "Maximum Number"), then the Company will limit the number of shares included in such offering to the Maximum Number, and the shares offered shall be selected in the following order of priority: (I) first, Demand Offering Securities covered by the Demand Offering Request and the Demand Offering Securities described in Section 3.3(a)(ii), subject to the proviso set forth in clause (iii) below, (II) second, securities the Company proposes to sell and (III) third, securities requested to be included in such registration pursuant to (A) the Stockholders' Agreement, dated as of November 22, 1996, by and among the Company and the New York State Teachers' Retirement System, (B) the Stockholders' Agreement, dated as of November 7, 1996, by and between the Company and Hexalon Real Estate, Inc., and (C) the Registration Rights and Lockup Agreement, dated as of December

16, 1998, by and among the Company and the parties named therein (the "Wilson Registration Rights Agreement") pro rata among the holders thereof on the basis of the number of shares requested to be included in such registration; PROVIDED that the securities requested to be included pursuant to clauses (A) and (B) shall not be reduced to less than one-third of the total number of shares in such offering, and (IV) fourth, other securities requested to be included in such registration.

(f) EXCEPTION. Anything in this Section 3.3 to the contrary notwithstanding, the Company shall not be required to file a Demand Prospectus in connection with a Demand Offering (I) within twelve months after the closing date of a Demand Offering or within six months after the effective date of any registration statement (other than pursuant to Section 3.1 or a registration statement on Form S-8 with respect to an employee benefit plan or a registration statement on Form S-4 relating to securities to be issued in a merger or in exchange for securities or assets of another Person) of the Company or (II) if counsel for the Company, reasonably acceptable to the Demand Initiating Holder shall deliver an opinion to the Holders to the effect that, pursuant to Rule 144 under the Securities Act or otherwise, the Holders can publicly offer and sell the Demand Offering Securities as to which sale has been requested without registration under the Securities Act.

3.4 DEMAND OFFERING PROCEDURES. If and whenever the Company is required by the provisions of Section 3.3 hereof to use its reasonable best efforts to effect the sale of any of the Demand Offering Securities under the Securities Act, the Company shall use its reasonable best efforts to effect the registration and sale of the Demand Offering Securities in accordance with the intended method of disposition thereof and will, as expeditiously as possible:

(a) within 45 days after receiving a request for a Demand Offering, prepare and file with the Commission a Demand Prospectus as a supplement to the Shelf Registration Statement with respect to such Demand Offering Securities. Notwithstanding anything to the contrary contained herein, the filing of such Demand Prospectus may be delayed for a period not to exceed 45 days if (I) any of the events specified in clause (x)(iii) of Section 3.2(b) hereof shall have occurred, or (II) the Company is engaged in any program for the repurchase of Common Stock or other securities of the Company and the Company provides written notice to the

Demand Initiating Holder; PROVIDED, HOWEVER, that the Company may deliver only four notices under this Section 3.4(a) and 3.2(b) hereof within any twelve-month period; PROVIDED, FURTHER, that the Company may deliver only two such notices under this Section 3.4(a) and Section 3.2(b) within the twelve-month period immediately following the expiration of the six-month period referred to in Section 3.3(f)(i) hereof.

(b) prior to the filing described in paragraph (a) above, furnish to the Holders copies of the Demand Prospectus and any amendments or supplements thereto, which documents shall be subject to the approval of the Holders only

with respect to any statement in the Demand Prospectus which relates to the Holders;

(c) notify the Holders promptly and, if requested by the Holders, confirm in writing, (I) when the Demand Prospectus has been filed with the Commission, (II) when any amendment or supplement to the Demand Prospectus has been filed with the Commission, (III) of the issuance by the Commission or any state securities authority of any stop order suspending the effectiveness of the Shelf Registration Statement or any part thereof or the initiation of any proceedings for that purpose, (IV) if the Company receives any notification with respect to the suspension of the qualification of the Demand Offering Securities for offer or sale in any jurisdiction or the initiation of any proceeding for such purpose, and (V) of the happening of any event during the period of the offering pursuant to the Demand Prospectus as a result of which (A) such Shelf Registration Statement contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading or (B) the Demand Prospectus as then amended or supplemented contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

(d) make every reasonable effort to obtain the withdrawal of any order suspending the effectiveness of the Shelf Registration Statement or any part thereof as promptly as possible;

(e) furnish to the Holders after delivery of a Demand Offering Request to the Company, without charge, at least one conformed copy of the Shelf Registration Statement and any post-effective amendment thereto (without documents incorporated therein by reference or exhibits thereto, unless requested);

(f) prepare and file with the Commission such amendments and supplements to such Shelf Registration Statement and the Demand Prospectus used in connection therewith as may be necessary and comply with the provisions of the Securities Act with respect to the disposition of all Demand Offering Securities covered by such Demand Prospectus in accordance with the Holders' intended method of disposition set forth in such Demand Prospectus for such period;

(g) furnish to the Holders and to each underwriter such number of copies of the Shelf Registration Statement and the Demand Prospectus included therein (including each

preliminary prospectus) and such other documents, as such persons may reasonably request in order to facilitate the public sale or other disposition of the Demand Offering Securities covered by such Demand Prospectus;

(h) use its reasonable best efforts to register or qualify the Demand Offering Securities covered by such Demand Prospectus under the securities or

blue sky laws of such jurisdictions as the Holders or, in the case of an underwritten public offering, the managing underwriter, shall reasonably request;

(i) provide a transfer agent and registrar, which may be a single entity, for all Demand Offering Securities;

(j) use its reasonable best efforts to cause all Demand Offering Securities to be listed on the New York Stock Exchange;

(k) furnish on the date that Demand Offering Securities are delivered to the underwriters for sale pursuant to such registration: (I) an opinion dated such date of counsel representing the Company for the purposes of such registration, addressed to the underwriters, stating that the Shelf Registration Statement has become effective under the Securities Act and that (A) to the best knowledge of such counsel, no stop order suspending the effectiveness thereof has been issued and no proceedings for that purpose have been instituted or are pending or contemplated under the Securities Act, (B) the Shelf Registration Statement, the related Demand Prospectus, and each amendment or supplement thereto, comply as to form in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder and that such counsel does not believe that any such Shelf Registration Statement, Demand Prospectus, amendment or supplement contains a misstatement of a material fact or an omission to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading (except that such counsel need express no opinion as to financial statements or financial or statistical data contained therein) and (C) to such other effects as may reasonably be requested by counsel for the underwriters or by the Holders or their counsel, and (II) a "cold comfort" letter dated such date from the independent public accountants retained by the Company, addressed to the underwriters, stating that they are independent public accountants within the meaning of the Securities Act and that, in the opinion of such accountants, the financial statements of the Company included in the Shelf Registration Statement or the Demand Prospectus, or any amendment or supplement thereto, comply as to form in all material respects with the applicable accounting requirements of the Securities Act, and such letter shall additionally cover such other financial matters (including information as to the period ending no more than five business days prior to the date of such letter) with respect to the registration in respect of which such letter is being given as such underwriters may reasonably request; and

(l) make available for inspection by the Holders after the Demand Initiating Holder has provided a Demand Offering Request to the Company and any counsel, accountants or other representatives retained by the Holders all financial and other material records, pertinent

corporate documents and properties of the Company and cause the officers, directors and employees of the Company to supply all such material records,

documents or information reasonably requested by the Holders, counsel, accountants or representatives in connection with the Demand Prospectus; PROVIDED, HOWEVER, that such records, documents or information which the Company determines in good faith to be confidential and notifies the Holders, counsel, accountants or representatives in writing that such records, documents or information are confidential shall not be disclosed by Holders, counsel, accountants or representatives unless (I) such disclosure is ordered pursuant to a subpoena or other order from a court of competent jurisdiction, or (II) such records, documents or information become generally available to the public other than through a breach of this Agreement.

For purposes of paragraphs (a) and (f) of this Section 3.4, the period of distribution of Demand Offering Securities in a firm commitment underwritten public offering shall be deemed to be that period during which the underwriters in such offering require in an underwriting agreement in the form customarily used by such underwriters for comparable transactions that the Company keep a registration statement effective to permit each underwriter to complete the distribution of all securities purchased by it, and the period of distribution of Demand Offering Securities in any other registration shall be deemed to extend until the earlier of the sale of all Demand Offering Securities covered thereby or nine months after the effective date thereof.

In connection with each registration hereunder, each Holder will furnish to the Company in writing such information with respect to itself and the proposed distribution by itself as shall be reasonably necessary in order to assure compliance with federal and applicable state securities laws. Reasonable compliance with the obligation to furnish such information shall be a condition to the rights afforded such Holder hereunder. In addition, each Holder and any of its partners, officers, directors or Affiliates, if any, (I) will comply with the provisions of Regulation M as applicable to them in connection with sales of Demand Offering Securities pursuant to the Demand Prospectus; (II) will comply with the prospectus delivery requirements of the Securities Act as applicable to them in connection with sales of Demand Offering Securities pursuant to the Demand Prospectus; and (III) will enter into such written agreements as the Company shall reasonably request to ensure compliance therewith.

In connection with each registration pursuant to Section 3.3 hereof covering an underwritten public offering, the Company agrees to enter into a written agreement with the managing underwriter selected in the manner herein provided in such form and containing such provisions as are customary in the securities business for such an arrangement between major underwriters and companies of the Company's size and investment stature; PROVIDED that such agreement shall not contain any such provision applicable to the Company which is inconsistent with the provisions hereof; PROVIDED, FURTHER that the time and place of the closing under said agreement shall be as mutually agreed upon between the Company and such managing underwriter.

3.5 DEMAND OFFERING EXPENSES. In connection with any Demand Offering, the Company shall pay all Demand Offering Expenses and the Holders shall pay all Selling

Expenses applicable to the shares sold by the Holders.

3.6 PIGGYBACK REGISTRATIONS.

(a) RIGHT TO PIGGYBACK. In the event that a Holder is not permitted to effect sales under the Shelf Registration Statement under Section 3.2(b)(x)(iii) hereof or the Holders are not permitted to effect Demand Offering due to Section 3.4(a)(i), Holders shall become entitled to the rights of this Section 3.6. The Company will promptly (but in any event within 30 days) give written notice to the Holders of its intention to effect such registration and a description of any underwriting agreement to be entered into with respect thereto and will include in such registration all Shelf Registrable Securities or Demand Offering Securities with respect to which the Company has received written requests for inclusion within 15 days after the receipt of the Company's notice (a "Piggyback Registration Request"); PROVIDED, HOWEVER, that the Company shall not be required to include Shelf Registrable Securities or Demand Offering Securities in the securities to be registered pursuant to a registration statement on any form which limits the amount of securities which may be registered by the issuer and/or selling security holders if, and to the extent that, such inclusion would make the use of such form unavailable. In the event that any Piggyback Registration shall be, in whole or in part, an underwritten public offering of Common Stock, the Holders shall agree that such Demand Offering Securities or Shelf Registrable Securities are to be included in the underwriting on the same terms and conditions as the shares of Common Stock otherwise being sold through underwriters under such registration.

(b) PRIORITY ON PRIMARY REGISTRATIONS. If a Piggyback Registration is an underwritten primary registration on behalf of the Company, and the managing underwriters advise the Company in writing that in their opinion the number of shares requested to be included in such registration exceeds the Maximum Number, the Company will limit the number of shares included in such registration to the Maximum Number, and the shares registered shall be selected in the following order of priority: (I) first, securities the Company proposes to sell, subject to the proviso set forth in clause (ii) below, (II) second, (A) Shelf Registrable Securities or Demand Offering Securities covered by Piggyback Registration Requests, (B) securities requested to be included in such registration pursuant to the Wilson Registration Rights Agreement, and (C) securities requested to be included in such registration pursuant to (x) the Stockholders' Agreement, dated as of November 22, 1996, by and among the Company and the New York State Teachers' Retirement System and (y) the Stockholders' Agreement, dated as of November 7, 1996, by and between the Company and Hexalon Real Estate, Inc., pro rata among the holders thereof on the basis of the number of shares requested to be included in such registration; PROVIDED that the securities requested to be included pursuant to clauses (x) and (y) shall not be reduced to less than one-third of the total number of shares in such offering and (III) third, other securities requested to be included in such registration.

(c) PRIORITY ON SECONDARY REGISTRATIONS. If a Piggyback Registration is an underwritten secondary registration on behalf of holders of the Company's securities, and the managing underwriters advise the Company in writing that in

their opinion the number of securities requested to be included in such registration exceeds the Maximum Number, the

Company will include in such registration the shares requested to be included therein by the holders requesting such registration and the Shelf Registrable Securities and Demand Offering Securities covered by Piggyback Registration Requests and any other securities requested to be included in such registration, pro rata among the holders thereof on the basis of the number of shares requested to be included in such registration; PROVIDED, HOWEVER, that if the holders requesting registration are doing so pursuant to demand registration rights of such holders, such holders' shares shall take priority over any Shelf Registrable Securities and Demand Offering Securities and any other securities requested to be included, which shall be included on a pro rata basis, subject to the proviso set forth in Section 3.6(b)(ii)(C).

3.7 INDEMNIFICATION.

(a) INDEMNIFICATION BY THE COMPANY. To the extent permitted by law, the Company shall indemnify and hold harmless the seller of any Shares covered by any registration statement filed pursuant to Section 3, its directors, trustees and officers, each other person who participates as an underwriter in the offering or sale of such securities and each other person, if any, who controls such seller or any such underwriter within the meaning of the Securities Act against any losses, claims, damages, liabilities or expenses, joint or several, to which such seller or any such director, trustee or officer or participating or controlling person may become subject under the Securities Act or otherwise, insofar as such losses, claims, damages, liabilities or expenses (or related actions or proceedings) arise out of or are based upon (X) any untrue statement or alleged untrue statement of any material fact contained in any registration statement under which such securities were registered under the Securities Act, any preliminary prospectus, final prospectus or summary prospectus contained in such registration statement, or any amendment or supplement to such registration statement, or any document incorporated by reference in such registration statement, or (Y) any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and the Company will reimburse such seller, and each such director, trustee, officer, participating person and controlling person for any legal or any other expenses reasonably incurred by them in connection with investigating or defending any such loss, claim, liability, action or proceeding, PROVIDED that the Company shall not be liable in any such case (1) to the extent that any such loss, claim, damage, liability or expense (or action or proceeding in respect thereof) arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in such registration statement, any such preliminary prospectus, final prospectus, summary prospectus, amendment or supplement in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such seller or any such director, trustee, officer, participating person or controlling person specifically stating that it is for use in the preparation of such registration statement or (2) to the extent any amount paid

in settlement of any such loss, claim, damage, liability or action of such settlement is effected without the written consent of the Company (which consent shall not be unreasonably withheld). Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such seller or any such director, trustee, officer, participating person or controlling person and shall survive the transfer of such securities by such seller. The Company shall agree to make provision for contribution

relating to such indemnity as shall be reasonably requested by any seller of Shares or the underwriters.

(b) INDEMNIFICATION BY THE SELLERS. The Company may require, as a condition to including any Shares in any registration statement filed pursuant to Section 3, that the Company shall have received an undertaking satisfactory to it from each prospective seller of such securities, severally and not jointly, to indemnify and hold harmless (in the same manner and to the same extent as set forth in Section 3.6(a)) the Company, each director of the Company, each officer of the Company who shall sign such registration statement and each other person, if any, who controls the Company within the meaning of the Securities Act, with respect to any untrue statement in or omission from such registration statement, any preliminary prospectus, final prospectus or summary prospectus included in such registration statement, or any amendment or supplement to such registration statement, of a material fact if such statement or omission was made in reliance upon and in conformity with written information furnished to the Company through an instrument duly executed by such seller specifically stating that it is for use in the preparation of such registration statement, preliminary prospectus, final prospectus, summary prospectus, amendment or supplement. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer or controlling person and shall survive the transfer of such securities by such seller.

(c) INDEMNIFICATION PROCEDURE. Promptly after receipt by any party entitled to indemnification pursuant to Section 3.7(a) or 3.7(b) of this Agreement (an "Indemnified Party") of notice by a third party of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such Indemnified Party shall notify the party obligated to provide such indemnification (the "Indemnifying Party") of such complaint or of the commencement of such action or proceeding; PROVIDED, HOWEVER, that the failure to so notify the Indemnifying Party shall not relieve the Indemnifying Party from liability for such claim arising otherwise than under this Agreement, and such failure to so notify the Indemnifying Party shall relieve the Indemnifying Party from liability which the Indemnifying Party may have hereunder with respect to such claim if, but only if, and only to the extent that, such failure to notify the Indemnifying Party results in the forfeiture by the Indemnifying Party of material rights and defenses otherwise available to the Indemnifying Party with respect to such claim. The Indemnifying Party shall have the right, upon written notice to the Indemnified Party, to assume the defense of such action or proceeding, including the employment of

counsel reasonably satisfactory to the Indemnified Party and the payment of the fees and disbursements of such counsel. In the event, however, that the Indemnifying Party declines or fails to assume the defense of the action or proceeding or to employ counsel reasonably satisfactory to the Indemnified Party, in either case in a timely manner, then such Indemnified Party may employ counsel to represent or defend it in any such action or proceeding and the Indemnifying Party shall pay the reasonable fees and disbursements of such counsel as incurred; PROVIDED, HOWEVER, that the Indemnifying Party shall not be required to pay the fees and disbursements of more than one counsel for all Indemnified Parties in any jurisdiction in any single action or proceeding. In any action or proceeding with respect to which indemnification is being sought hereunder, the Indemnified Party or the Indemnifying Party, whichever is not assuming the defense of such

action, shall have the right to participate in such litigation and to retain its own counsel at such party's own expense. The Indemnifying Party or the Indemnified Party, as the case may be, shall at all times use reasonable best efforts to keep the Indemnifying Party or the Indemnified Party, as the case may be, reasonably apprised of the status of the defense of any action, the defense of which it is maintaining and to cooperate in good faith with the Indemnifying Party or the Indemnified Party, as the case may be, with respect to the defense of any such action.

No Indemnified Party may settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder without the prior written consent of the Indemnifying Party, unless such settlement, compromise or consent includes an unconditional release of the Indemnifying Party from all liability arising out of such claim. An Indemnifying Party may not, without the prior written consent of the Indemnified Party, settle or compromise any claim or consent to the entry of any judgment with respect to which indemnification is being sought hereunder unless such settlement, compromise or consent includes an unconditional release of the Indemnified Party from all liability arising out of such claim and does not contain any equitable order, judgment or term which in any manner affects, restrains or interferes with the business of the Indemnified Party or any of the Indemnified Party's affiliates.

In the event an Indemnified Party shall claim a right to payment pursuant to this Agreement, such Indemnified Party shall send written notice of such claim to the appropriate Indemnifying Party. Such notice shall specify the basis for such claim. As promptly as possible after the Indemnified Party has given such notice, such Indemnified Party and the appropriate Indemnifying Party shall establish the merits and amount of such claim (by mutual agreement or otherwise) and, within five business days of the final determination of the merits and amount of such claim, the Indemnifying Party shall deliver to the Indemnified Party immediately available funds in an amount equal to such claim as determined hereunder.

If for any reason the indemnification provided for in this Section 3.7

is unavailable to an Indemnified Party or is insufficient to hold it harmless as contemplated by this Section 3.7, then the Indemnifying Party shall contribute to the amount paid or payable by the Indemnified Party as a result of such loss, claim, damage or liability in such proportion as is appropriate to reflect the relative fault of the Indemnified Party and the Indemnifying Party, as well as any other relevant equitable considerations; PROVIDED that in no event shall the liability of any Holder for such contribution and indemnification exceed, in the aggregate, the dollar amount of the proceeds received by such Holder upon the sale of Shares giving rise to such indemnification and contribution obligations.

The obligations of the parties under this Section 3.7 shall be in addition to any liability which any party may otherwise have to any other party.

3.8 LIMITATIONS ON REGISTRATION RIGHTS OF OTHERS. The Company represents and warrants that, except pursuant to this Agreement and pursuant to rights granted pursuant to the agreements set forth on Exhibit A hereto, it has not granted to any Person the right to request

or require the Company to register any securities issued by the Company.

4. RULE 144. The Company shall comply with the requirements of Rule 144 under the Securities Act, as such Rule may be amended from time to time (or any similar rule or regulation hereafter adopted by the Commission), regarding the availability of current public information to the extent required to enable any Holder of Shares to sell Shares without registration under the Securities Act pursuant to Rule 144 (or any similar rule or regulation). Upon the request of any Holder of Shares, the Company will deliver to such Holder a written statement as to whether it has complied with such requirements.

5. AMENDMENTS AND WAIVERS. This Agreement may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company shall have obtained the written consent to such amendment, action or omission to act, of the Holder or Holders of a majority of the Shares (and, in the case of any amendment, action or omission to act which adversely affects any specific Holder of Shares or a specific group of Holders of Shares, the written consent of each such Holder or Holders of a majority of the Shares held by such group). Each Holder of any Shares at the time shall be bound by any consent authorized by this Section 5.

6. NOMINEES FOR BENEFICIAL OWNERS. In the event that any Shares are held by a nominee for the beneficial owner thereof, the beneficial owner thereof may, at its election, be treated as the Holder of such Shares for purposes of any request or other action by any Holder or Holders of Shares pursuant to this Agreement or any determination of any number or percentage of shares of Shares held by any Holder or Holders of Shares contemplated by this Agreement. If the beneficial owner of any Shares so elects, the Company may require assurances reasonably satisfactory to it of such owner's beneficial ownership of such Shares.

7. COVENANTS OF THE PARTIES.

7.1 BOARD OF DIRECTORS.

(a) So long as PGGM and DIHC and their respective Affiliates own in the aggregate 5% or more of the issued and outstanding shares of Common Stock, the Company shall take all action necessary to nominate for election to the board of directors of the Company (the "Board") at any annual or special meeting of stockholders at which directors are being elected (or in connection with a written consent in lieu of a meeting pursuant to which directors are proposed to be elected) two individuals designated by PGGM ("PGGM Directors").

(b) From the date hereof until the earlier to occur of (I) the date as of which PGGM and DIHC and their respective Affiliates own in the aggregate less than 25% of the issued and outstanding shares of Common Stock or (II) October 31, 2002:

(i) the Company shall take all action necessary to ensure that one PGGM Director is appointed to the board affairs committee of the Board (the "Committee").

(ii) All nominees for election as directors of the Company by the Board (other than Incumbent Directors and PGGM Directors nominated pursuant to Section 7.1(a) who are employees, officers or directors of PGGM or DIHC) shall be persons not affiliated with PGGM or DIHC or any of their respective Affiliates and shall be made with the unanimous approval of the Committee;

(iii) PGGM and DIHC shall vote (or provide written consent with respect to) all shares of Common Stock over which it exercises voting authority in favor of the persons nominated as PGGM Directors pursuant to Section 7.1(a) and all nominees nominated in accordance with Section 7.1(b)(ii) and all Incumbent Directors nominated for election as directors of the Company by the Board;

(iv) In the event of any vacancy on the Board, whether caused by a director's resignation, removal, death or otherwise, the Company shall take all action necessary to ensure that the successor to the director whose absence from the Board caused such vacancy shall be a PGGM Director if the director who caused such vacancy was a PGGM Director; and

(v) The Company shall not increase the number of directors constituting the full Board without the unanimous approval of the Committee.

(c) So long as PGGM and DIHC and their respective Affiliates own in the aggregate 2.5% or more of the issued and outstanding shares of Common Stock, the Company shall not without the prior written consent of PGGM modify the policy of the Company with respect to its interest in One Norwest Center, Denver,

Colorado, adopted at a meeting of the Board on August 13, 1997.

(d) From the date of adoption of the Amended and Restated Bylaws of the Company in the form attached hereto as Annex A (the "Amended Bylaws") until the third anniversary of such date:

(i) PGGM and DIHC shall vote (or provide written consent with respect to) all shares of Common Stock over which it exercises voting authority in favor of the persons nominated as Wilson Directors (as defined in the Amended Bylaws) pursuant to Section 3.03(a) of the Amended Bylaws and approved by the Committee as set forth in Section 3.02 of the Amended Bylaws; and

(ii) PGGM and DIHC shall use commercially reasonable efforts to cause the PGGM Directors, in considering the nominees proposed by Wilson III (or the Wilson III Designee) (as defined in the Amended Bylaws) for inclusion in the Board's list of nominees for election as director to approve in all cases Wilson III, and in considering other persons nominated as Wilson Directors, not to unreasonably withhold their approval.

7.2 LEVERAGE RATIO. So long as PGGM and DIHC and their respective Affiliates own in the aggregate 2.5% or more of the issued and outstanding shares of Common Stock, the Company shall at all times maintain a Leverage Ratio not in excess of 0.45 to 1; PROVIDED, HOWEVER, THAT NOTWITHSTANDING THE FOREGOING, (I) THE COMPANY MAY AT ANY TIME INCUR INDEBTEDNESS IN AN AMOUNT WHICH DOES NOT EXCEED THE PRINCIPAL AMOUNT OF OUTSTANDING INDEBTEDNESS OF THE COMPANY EXTENDED, REFINANCED, RENEWED OR REPLACED WITH THE PROCEEDS THEREOF, PLUS ANY COSTS ASSOCIATED WITH THE EXTENSION REFINANCING, RENEWAL OR REPLACEMENT, EVEN IF SUCH INCURRENCE CAUSES THE LEVERAGE RATIO TO EXCEED 0.45 TO 1, (II) THE COMPANY MAY INCUR INDEBTEDNESS IF, AS OF THE DATE ON WHICH THE COMPANY ENTERS INTO A BINDING COMMITMENT WITH RESPECT TO SUCH INDEBTEDNESS, THE LEVERAGE RATIO INCLUDING SUCH INDEBTEDNESS DID NOT EXCEED 0.45 TO 1 AND (III) WITH RESPECT TO LINES OF CREDIT, THE COMPANY MAY INCUR INDEBTEDNESS UNDER SUCH LINE, IF, AS OF THE DATE THE COMPANY ENTERS INTO THE LINE OF CREDIT, THE LEVERAGE RATIO INCLUDING THE ENTIRE AMOUNT OF INDEBTEDNESS AVAILABLE UNDER SUCH LINE DID NOT EXCEED 0.45 TO 1.

7.3 DOMESTIC REIT STATUS. So long as PGGM and DIHC and their respective Affiliates own in the aggregate 2.5% or more of the issued and outstanding shares of Common Stock, the Company shall not issue any Equity Securities in connection with any Public Offering or other sale to any Non-U.S. Person (as defined in Section 9.02 of the Charter Amendment), other than in connection with stock splits or stock dividends or under the Company's dividend reinvestment plan or stock option or management incentive compensation plans; PROVIDED, HOWEVER, that the Company, in connection with any Public Offering of Equity Securities, may issue and sell up to 15% of the securities issued in such offering to Non-U.S. Persons.

7.4 HOLDBACK AGREEMENTS. Each Holder agrees, if so requested prior to December 31, 1998, by the managing underwriter in any Public Offering by the Company, not to effect any sale or distribution of Common Stock (other than as part of such Public Offering) within such periods prior to and after the effective date of such registration statement as the managing underwriter may request and as may be required of executive officers and directors of the Company after the effective date of such registration statement; PROVIDED that no Holder shall be required to enter into more than one such agreement. After December 31, 1998, each Holder will consider entering into such agreements if so requested.

7.5 RESTRICTIONS ON TRANSFER. During the Standstill Period, any Holder and its Affiliates owning 25% or more of the issued and outstanding shares of Common Stock, shall not assign, transfer or sell any Shares to any Person or such Person's Affiliates (other than a Permitted Transferee that agrees in writing to be bound by the provisions of this Agreement) in any single transaction or series of related transactions if, after such transaction or transactions, such Person and such Person's Affiliates would own more than 10% of the then issued and outstanding shares of Common Stock other than transfers of shares from DIHC to PGGM.

7.6 OWNERSHIP LIMIT. The Company has taken and will continue to take all action necessary to ensure that issuance of the Shares to DIHC, DIHC Market Square, Inc. and PGGM pursuant to the Purchase Agreement and the Loan Agreement shall not be deemed a

violation of Article 8 of the Company's articles of incorporation. Whenever PGGM or DIHC (or DIHC Market Square, Inc.) proposes to transfer any Shares to any Person, in accordance with the provisions of Section 8.03 of the articles of incorporation of the Company, the Board shall determine whether the proposed transfer would jeopardize the Company's status as a real estate investment trust (a "REIT") under Section 856 of the Internal Revenue Code of 1986, as amended. If the Board determines that it would not so jeopardize the Company's REIT status, or if it receives an opinion of counsel, which counsel and opinion are reasonably satisfactory to the Board, to the effect that such proposed transfer will not jeopardize the Company's status as a REIT, the Board shall determine that such transferee will not be treated as a "Person" within the meaning of Section 8.03(b) of the Company's articles of incorporation and therefore the ownership of Shares by such transferee will be exempt from the restrictions imposed by Article 8 of the Company's articles of incorporation. If the Board determines that the proposed transfer would jeopardize the Company's REIT status, the Company shall provide a written explanation to DIHC and PGGM of the basis for its determination and shall provide reasonable access to information regarding the Company's shareholders to DIHC and PGGM.

7.7 TRANSFERS TO PGGM. The Company shall take all action necessary to ensure that any transfer of Shares from DIHC or DIHC Market Square, Inc. to PGGM shall not be deemed a violation of Article 8 or Section 9.01 of the Company's articles of incorporation.

7.8 SHARE REPURCHASES. So long as DIHC and PGGM and their respective Affiliates own in the aggregate 25% or more of the issued and outstanding shares of Common Stock, in the event the Company proposes to repurchase any shares of Common Stock from any holder thereof owning together with its Affiliates 5% or more of the issued and outstanding shares of Common Stock, DIHC and PGGM shall have the right to require the Company to repurchase a number of shares of Common Stock held by DIHC and PGGM equal to the product of (I) the total number of shares proposed to be repurchased and (II) a fraction, the numerator of which is (A) the number of Shares owned by DIHC and PGGM and their respective Affiliates and the denominator of which is (B) the sum of the number of shares of Common Stock owned by such holder plus the number of Shares owned by DIHC and PGGM and their respective Affiliates.

7.9 AMENDED AND RESTATED BYLAWS. From the date of adoption of the Amended Bylaws until the third anniversary of such date, PGGM and DIHC agree not to vote, and to use their commercially reasonable efforts to cause the PGGM Directors not to vote, to repeal or amend the Amended Bylaws, where such amendment is covered by Section 10.01(b) of such Amended Bylaws, unless such amendment is approved by the Wilson Directors (as defined in the Amended Bylaws).

8. STANDSTILL. During the Standstill Period, any Holder that together with its Affiliates owns 25% or more of the issued and outstanding shares of Common Stock shall not:

(a) directly or indirectly, purchase or otherwise acquire, or propose or offer to purchase or otherwise acquire, any Equity Securities whether by tender offer, market purchase,

privately negotiated purchase, Business Combination or otherwise, if, immediately after such purchase or acquisition, the Holder Interest of such Holder would equal or exceed the Initial Percentage;

(b) directly or indirectly propose to the Company or any Person a Business Combination;

(c) make, or in any way participate, directly or indirectly, in any "solicitation" of "proxies" to vote (as such terms are used in the rules promulgated by the Commission under Section 14(a) of the Exchange Act) or seek to advise, encourage or influence any person or entity with respect to the voting of any shares of capital stock of the Company, initiate, propose or otherwise solicit stockholders of the Company for the approval of one or more stockholder proposals or induce or attempt to induce any other Person to initiate any stockholder proposal; or

(d) deposit any Equity Securities into a voting trust or subject any Equity Securities to any arrangement or agreement with respect to the voting of such securities or form, join or in any way participate in a "group" (within the

meaning of Section 13(d) (3) of the Exchange Act) with respect to any Equity Securities, other than as expressly set forth in Section 7 hereof.

Nothing in this Section 8 shall limit the ability of PGGM Directors to function in their capacities as members of the Board. The provisions of this Section 8 may be waived by the Company only upon the approval of a majority of the Board, excluding all PGGM Directors and shall not be applicable to actions approved by the majority of the Board, excluding all PGGM Directors in circumstances in which the PGGM Directors are "interested directors" under Section 78.140 of the Nevada General Corporation Law.

9. ASSIGNMENT. This Agreement shall not be assignable by the parties hereto, except (I) by PGGM, DIHC or any Holder pursuant to a transfer of Shares permitted hereunder to a Permitted Transferee that agrees in writing to be bound by the terms hereof (including, without limitation, Section 7.5 and 8, if applicable) and (II) the rights to cause the Company to register Shares pursuant to Section 3 may be assigned by PGGM, DIHC or any Holder, but only together with all obligations of Holders under Section 3 and Section 7.4, to a transferee of Shares representing at least 1% of the issued and outstanding shares of Common Stock, PROVIDED that, within a reasonable time after such transfer, the Company is furnished with written notice of the name and address of such transferee or assignee and the securities with respect to which such registration rights are being assigned. Notwithstanding any transfer of Shares in connection with an assignment permitted by this Section 9, the transferor shall comply with the obligations set forth in Section 2 hereof.

10. MISCELLANEOUS. This Agreement constitutes the sole understanding of the parties hereto with respect to the subject matter hereof; PROVIDED, HOWEVER, that this provision is not intended to abrogate any other written agreement between or among the parties executed with or after this Agreement or any written agreement pertaining to another subject matter. No

amendment of this Agreement shall be binding unless made in writing and duly executed by the parties hereto. This Agreement shall be construed in accordance with and governed by the laws of the State of New York without regard to conflict of laws principles thereof. No provision of this Agreement shall be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority or by any board of arbitrators by reason of such party or its counsel having or being deemed to have structured or drafted such provision. Unless otherwise expressly provided herein, all references in this Agreement to Section(s) shall refer to the Section(s) of this Agreement. The headings in this Agreement are for purposes of reference only and shall not limit or otherwise affect the meaning of this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

11. NOTICES. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given or made (and

shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by cable, by telecopy, by telegram, by telex or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this Section 11):

(a) IF TO PGGM: Pensioenfonds PGGM
 Kroostweg-Noord 149
 3704 DV Zeist
 The Netherlands
 P. O. Box 117
 3700 AC Zeist
 The Netherlands
 Telecopy: 011 (31.30) 696-3388
 Attention: Mr. Jan van der Vlist
 Ms. Anneke C. van de Puttelaar

WITH A COPY TO: Richards & O'Neil, LLP
 885 Third Avenue
 New York, New York 10022-4873
 Telecopy: (212) 750-9022
 Attention: Robert M. Safron, Esq.

(b) IF TO DIHC: 200 Galleria Parkway, NW
 Suite 2000
 Atlanta, Georgia 30339
 Telecopy: (770) 951-9349
 Attention: Mr. Craig Johnston

WITH A COPY TO: Richards & O'Neil, LLP
 885 Third Avenue

 New York, New York 10022-4873
 Telecopy: (212) 750-9022
 Attention: Robert M. Safron, Esq.

(c) IF TO THE COMPANY: 126 East 56th Street
 New York, New York 10022
 Telecopy: (212) 605-7199
 Attention: Mr. John S. Moody

WITH A COPY TO: King & Spalding
 191 Peachtree Street, NE
 Atlanta, Georgia 30303
 Telecopy: (404) 572-5148
 Attention: William B. Fryer, Esq.

(d) If to any other Holder to the address set forth in the notice

referred to in Section 9 hereof.

12. REMEDY. In the event that the Company materially breaches its obligations to PGGM under Sections 7.1 and 7.2 hereof and such breach continues for a period of 30 days after PGGM gives the Company written notice of such breach, the obligations of PGGM under Sections 7.4, 7.5 and 8 shall thereafter be suspended for such period of time as such breach continues; PROVIDED, HOWEVER, that upon any such breach being cured by the Company or waived by PGGM, PGGM shall again be obligated to comply with the provisions of Sections 7.4, 7.5 and 8.

13. THIRD PARTY BENEFICIARY. The parties to this Agreement agree and acknowledge that Wilson III or the Wilson Designee are intended beneficiaries of the provisions of Sections 7.1(d) and 7.9 of this Agreement, and Wilson III and the Wilson Designee shall have the rights of intended beneficiaries to enforce such provisions.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the date first above written.

CORNERSTONE PROPERTIES INC.

By:

Name:

Title:

DUTCH INSTITUTIONAL HOLDING
COMPANY, INC.

By:

Name:

Title:

STICHTING PENSIOENFONDS VOOR DE
GEZONDHEID, GEESTELIJKE EN
MAATSCHAPPELIJKE BELANGEN

By:

Name:
Title:

By:

Name:
Title:

[Signature Page to Amended and Restated Registration Rights and
Voting Agreement]

EXHIBIT A

TO

AMENDED AND RESTATED
REGISTRATION RIGHTS AND VOTING AGREEMENT

Stockholders' Agreement dated November 22, 1996, between the Company and New York State Teachers' Retirement System.

Stockholders' Agreement dated November 7, 1996, between the Company and Hexalon Real Estate, Inc.

Letter Agreement dated July 10, 1995 between the Company and Deutsche Bank AG.

Registration Rights Agreement dated June 3, 1998, by and between the Company and the parties named therein.

Registration Rights Agreement dated as of January 29, 1998, among the Company and the Holders identified therein.

Registration Rights Agreement dated as of April 28, 1998, among the Company and the Holders identified therein.

Registration Rights Agreement dated as of April 28, 1998, among the Company and The Prudential Insurance Company of America.

Registration Rights and Lockup Agreement dated December 16, 1998, by and between the Company and the parties named therein.

EXHIBIT 12.1

STATEMENT OF COMPUTATION OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK
 DIVIDEND REQUIREMENTS
 FOR THE TWELVE MONTH PERIODS ENDED DECEMBER 31, 1998 AND DECEMBER 31, 1997

	FOR THE TWELVE MONTHS ENDED	
	DECEMBER 31, 1998	DECEMBER 31, 1997
<hr/>		
<S>	<C>	<C>
Net income.....	\$ 83,465	\$ 37,547
Interest expense.....	67,533	33,977
	<hr/>	<hr/>
Earnings before interest.....	150,998	71,524
Interest expense.....	71,169	33,977
Interest portion of rentals.....	150	--
Preferred dividends.....	3,500	10,160
	<hr/>	<hr/>
Fixed charges.....	74,819	44,137
Earnings to fixed charges and preferred stock dividend requirements.....	2.02	1.62
	<hr/>	<hr/>
	<hr/>	<hr/>
</TABLE>		

EXHIBIT 21

SUBSIDIARIES OF REGISTRANT

<TABLE>

<CAPTION>

NAME OF COMPANY -----	STATE OF ORGANIZATION -----
<S>	<C>
Corpro Real Estate Management, Inc.	Delaware
Cornerstone Properties Limited Partnership	Delaware
ARICO Denver, Inc.	Delaware
1700 Lincoln, Inc.	Delaware
Cornerstone Aviation, LLC	Delaware
Cornerstone Holdings, LLC	Delaware
Cornerstone Bayhill Holdings, LLC	Delaware
Cornerstone Commerce Park Holdings, LLC	Delaware
Bayhill Associates	California
Second and Main Associates	Utah
Cornerstone Denver LLC	Delaware
Cornerstone Oakbrook LLC	Delaware
125 Summer Street Cornerstone LLC	Delaware
Cornerstone New York LLC	Delaware
Cornerstone 527 Madison LLC	Delaware
Cornerstone Charlotte Plaza LLC	Delaware
Cornerstone TransPotomac Plaza LLC	Delaware
Cornerstone 99 Canal LLC	Delaware
Cornerstone 11 Canal Center LLC	Delaware

Cornerstone Deerfield LLC	Delaware
One Memorial Cornerstone LLC	Delaware
60 State Street Cornerstone LLC	Delaware
Cornerstone Dearborn LLC	Delaware
222 Berkeley Cornerstone LLC	Delaware

<TABLE>
<CAPTION>

NAME OF COMPANY -----	STATE OF ORGANIZATION -----
<S>	<C>
Cornerstone 200 Galleria LLC	Delaware
Cornerstone Minneapolis LLC	Delaware
Cornerstone Seattle LLC	Delaware
Cornerstone Market Square LLC	Delaware
Cornerstone Market Square II LLC	Delaware
500 Boylston Cornerstone LLC	Delaware
Cornerstone Peachtree LLC	Delaware
Cornerstone Wilshire-Cal LLC	Delaware
Cornerstone Dearborn LLC	Delaware
Agoura Hills Business Park Associates, LLC	California
Ten Almaden Associates, LLC	California
18301 Associates, L.P.	California
110 Atrium Place Associates, LLC	California
Bay Park Plaza Associates, L.P.	California

Biltmore Lakes Associates, L.P.	California
Bixby Office Park Associates, LLC	California
66 Bovet Associates, LLC	California
490 California Associates, LLC	California
Centerside Associates, L.P.	California
2300 CR Associates, LLC	California
2000 Crow Canyon Associates, L.P.	California
2010 Crow Canyon Associates, L.P.	California
1300 El Camino Associates, L.P.	California
188 Embarcadero Associates, L.P.	California
Embarcadero Place Associates, LLC	California
Gateway Phoenix Associates, L.P.	California

<TABLE>
<CAPTION>

NAME OF COMPANY -----	STATE OF ORGANIZATION -----
<S>	<C>
GBC-University Associates, L.P.	California
Hacienda Plaza Associates, LLC	California
Island Corporate Center Associates, LLC	California
Janss Promenade Associates, LLC	California
2677 Main Street Associates, LLC	Delaware
4550 NCR Associates, LLC	California
4600 NCR Associates, LLC	California

700 North Brand Associates, L.P.	California
1737 North First Street Associates, L.P.	California
Office Opportunity Associates, LLC	California
One Bay Plaza Associates, L.P.	California
One Post Associates, LLC	California
Park Plaza Associates, LLC	California
Pruneyard Associates, LLC	California
429 Santa Monica Associates, LLC	California
7373 Scottsdale Associates, L.P.	California
Seaport Centre Associates, LLC	California
Seaport Plaza Associates, LLC	California
5990 Sepulveda Associates, L.P.	California
1301 Shoreway Associates, L.P.	California
5300 South Associates, LLC	California
1600 South Main Associates, L.P.	California
5820 Stoneridge Associates, L.P.	California
Warner Park Associates, LLC	California
West Wilshire Associates, LLC	California
Westlake Spectrum Associates, LLC	California
Westlake Spectrum Two Associates, LLC	California

</TABLE>

<TABLE>

<CAPTION>

NAME OF COMPANY -----	STATE OF ORGANIZATION -----
<S>	<C>
1320 Willow Pass Associates, L.P.	California
1390 Willow Pass Associates, L.P.	California
2700 Ygnacio Associates, LLC	California
</TABLE>	

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Cornerstone Properties Inc. and Subsidiaries (the "Company") Registration Statements on Form S-3 (Reg. No. 333-72449, 333-18303, 333-47149, 333-59259) and the Company's Registration Statement on Form S-8 (Reg. No. 333-59923) of our report dated February 24, 1999, except for Notes 8 and 20 for which the date is February 26, 1999, on our audits of the consolidated financial statements of the Company as of December 31, 1998 and 1997, and for the years ended December 31, 1998, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

New York, New York
March 30, 1999

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, Cecil D. Conlee, a director of Cornerstone Properties Inc. (the "Company"), do hereby constitute and appoint John S. Moody, Kevin P. Mahoney and Thomas P. Loftus, and each of them, my true and lawful attorneys-in-fact and agents, to do any and all acts and things and to execute any and all instruments which said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the said Securities Exchange Act of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign for, on behalf of and in the name of the undersigned as a director of the Company, such Annual Report and any amendments thereto filed with the Securities and Exchange Commission and any instrument or document filed as part of, an exhibit to, or in connection with said Annual Report or amendments thereto; and the undersigned does hereby ratify and confirm as his own act and deed all that said attorneys-in-fact and agents shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents, effective as of the 22nd day of March, 1999.

/s/ Cecil D. Conlee

Cecil D. Conlee

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, Blake Eagle, a director of Cornerstone Properties Inc. (the "Company"), do hereby constitute and appoint John S. Moody, Kevin P. Mahoney and Thomas P. Loftus, and each of them, my true and lawful attorneys-in-fact and agents, to do any and all acts and things and to execute any and all instruments which said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the said Securities

Exchange Act of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign for, on behalf of and in the name of the undersigned as a director of the Company, such Annual Report and any amendments thereto filed with the Securities and Exchange Commission and any instrument or document filed as part of, an exhibit to, or in connection with said Annual Report or amendments thereto; and the undersigned does hereby ratify and confirm as his own act and deed all that said attorneys-in-fact and agents shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents, effective as of the 22nd day of March, 1999.

/s/ Blake Eagle

Blake Eagle

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, Hans C. Mautner, a director of Cornerstone Properties Inc. (the "Company"), do hereby constitute and appoint John S. Moody, Kevin P. Mahoney and Thomas P. Loftus, and each of them, my true and lawful attorneys-in-fact and agents, to do any and all acts and things and to execute any and all instruments which said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the said Securities Exchange Act of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign for, on behalf of and in the name of the undersigned as a director of the Company, such Annual Report and any amendments thereto filed with the Securities and Exchange Commission and any instrument or document filed as part of, an exhibit to, or in connection with said Annual Report or amendments thereto; and the undersigned does hereby ratify and confirm as his own act and deed all that said attorneys-in-fact and agents shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents, effective as of the 22nd day of March, 1999.

/s/ Hans C. Mautner

Hans C. Mautner

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, Lutz Mellinger, a director of Cornerstone Properties Inc. (the "Company"), do hereby constitute and appoint John S. Moody, Kevin P. Mahoney and Thomas P. Loftus, and each of them, my true and lawful attorneys-in-fact and agents, to do any and all acts and things and to execute any and all instruments which said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the said Securities Exchange Act of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign for, on behalf of and in the name of the undersigned as a director of the Company, such Annual Report and any amendments thereto filed with the Securities and Exchange Commission and any instrument or document filed as part of, an exhibit to, or in connection with said Annual Report or amendments thereto; and the undersigned does hereby ratify and confirm as his own act and deed all that said attorneys-in-fact and agents shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents, effective as of the 22nd day of March, 1999.

/s/ Lutz Mellinger

Lutz Mellinger

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, Craig R. Stapleton, a director of Cornerstone Properties Inc. (the "Company"), do hereby constitute and appoint John S. Moody, Kevin P. Mahoney and Thomas P. Loftus, and each of them, my true and lawful attorneys-in-fact and agents, to do any and all acts and things and to execute any and all instruments which said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the said Securities Exchange Act of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign for, on behalf of and in the name of the undersigned as a director of the Company, such Annual Report and any amendments thereto filed with the Securities and Exchange Commission and any instrument or document filed

as part of, an exhibit to, or in connection with said Annual Report or amendments thereto; and the undersigned does hereby ratify and confirm as his own act and deed all that said attorneys-in-fact and agents shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents, effective as of the 22nd day of March, 1999.

/s/ Craig R. Stapleton

Craig R. Stapleton

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, Donald G. Fisher, a director of Cornerstone Properties Inc. (the "Company"), do hereby constitute and appoint John S. Moody, Kevin P. Mahoney and Thomas P. Loftus, and each of them, my true and lawful attorneys-in-fact and agents, to do any and all acts and things and to execute any and all instruments which said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the said Securities Exchange Act of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign for, on behalf of and in the name of the undersigned as a director of the Company, such Annual Report and any amendments thereto filed with the Securities and Exchange Commission and any instrument or document filed as part of, an exhibit to, or in connection with said Annual Report or amendments thereto; and the undersigned does hereby ratify and confirm as his own act and deed all that said attorneys-in-fact and agents shall do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has subscribed these presents, effective as of the 22nd day of March, 1999.

/s/ Donald G. Fisher

Donald G. Fisher

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS:

THAT I, Randall A. Hack, a director of Cornerstone Properties Inc. (the

"Company"), do hereby constitute and appoint John S. Moody, Kevin P. Mahoney and Thomas P. Loftus, and each of them, my true and lawful attorneys-in-fact and agents, to do any and all acts and things and to execute any and all instruments which said attorney and agent may deem necessary or advisable to enable the Company to comply with the Securities Exchange Act of 1934, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission in respect thereof, in connection with the filing under the said Securities Exchange Act of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Annual Report"), including specifically, but without limiting the generality of the foregoing, the power and authority to sign for, on behalf of and in the name of the undersigned as a director of the Company, such Annual Report and any amendments thereto filed with the Securities and Exchange Commission and any instrument or document filed as part of, an exhibit to, or in connection with said Annual Report or amendments thereto; and the undersigned does hereby ratify and confirm as his own act and deed all that said attorneys-in-fact and agents shall do or cause to be done by virtue hereof.

_____ IN WITNESS WHEREOF, the undersigned has subscribed these presents, effective as of the 22nd day of March, 1999.

/s/ Randall A. Hack

Randall A. Hack

<TABLE> <S> <C>

<ARTICLE> 5

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	12-MOS
<FISCAL-YEAR-END>	DEC-31-1998
<PERIOD-START>	JAN-01-1998
<PERIOD-END>	DEC-31-1998
<CASH>	61,869
<SECURITIES>	0
<RECEIVABLES>	64,493
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	81,674
<PP&E>	4,195,611
<DEPRECIATION>	288,448
<TOTAL-ASSETS>	4,281,984
<CURRENT-LIABILITIES>	116,945
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	50,000
<COMMON>	1,788,567
<OTHER-SE>	(1,700)
<TOTAL-LIABILITY-AND-EQUITY>	4,281,984
<SALES>	0
<TOTAL-REVENUES>	359,486
<CGS>	0
<TOTAL-COSTS>	262,173
<OTHER-EXPENSES>	9,545
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	67,533
<INCOME-PRETAX>	87,768
<INCOME-TAX>	0
<INCOME-CONTINUING>	87,768
<DISCONTINUED>	0
<EXTRAORDINARY>	4,303
<CHANGES>	0
<NET-INCOME>	83,465
<EPS-PRIMARY>	0.80
<EPS-DILUTED>	0.80

</TABLE>