

PROSPECTUS SUPPLEMENT

(TO PROSPECTUS DATED OCTOBER 8, 1997)

\$125,000,000  
 CHELSEA GCA REALTY PARTNERSHIP, L.P.

7 1/4% NOTES DUE 2007  
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Interest on the 7 1/4% Notes due 2007 (the "Notes") issued by Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), will be payable semi-annually on April 21 and October 21 of each year, beginning on April 21, 1998. The Notes will mature on October 21, 2007, but are subject to redemption at the option of the Operating Partnership, in whole or in part, at any time, at the redemption prices set forth herein, plus accrued and unpaid interest. See "Description of the Notes."

The Notes will be represented by a single fully-registered Note in book-entry form (the "Global Note") registered in the name of The Depository Trust Company (the "Depository") or its nominee. Beneficial interests in the Global Note will be shown on, and transfers thereof will be effected only through, records maintained by the Depository and, with respect to the beneficial owners' interests, by the Depository's participants. Except as described in this Prospectus Supplement, Notes in definitive form will not be issued. See "Description of the Notes -- Book-Entry, Delivery and Form."

SEE "RISK FACTORS" BEGINNING ON PAGE 3 IN THE ACCOMPANYING PROSPECTUS FOR CERTAIN FACTORS RELEVANT TO AN INVESTMENT IN THE NOTES.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

	PRICE TO PUBLIC (1)	UNDERWRITING DISCOUNT(2)	PROCEEDS TO THE OPERATING PARTNERSHIP (1)(3)
Per Note.....	99.74%	1%	98.74%
Total.....	\$124,675,000	\$1,250,000	\$123,425,000

- (1) Plus accrued interest, if any, from October 21, 1997.
- (2) The Operating Partnership and the Company (as defined herein) have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933. See "Underwriting."
- (3) Before deducting expenses payable by the Operating Partnership estimated at \$225,000.

The Notes are being offered by the several Underwriters, subject to prior sale, when, as and if issued to and accepted by the Underwriters, to approval of certain legal matters by counsel for the Underwriters and to certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and reject orders in whole or in part. It is expected that delivery of the Global Note will be made in book-entry form only through the facilities of the Depository on or about October 21, 1997 against payment therefor in immediately available funds.

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 Merrill Lynch & Co.

Goldman, Sachs & Co.

J.P. Morgan & Co.

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 The date of this Prospectus Supplement is October 16, 1997.

Chelsea GCA Realty  
[Map of United States highlighting  
the Operating Partnership's outlet centers]

The Underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Such transactions may include stabilizing and the purchase of Notes to cover syndicate short positions. For a description of these activities, see "Underwriting" herein.

## PROSPECTUS SUPPLEMENT SUMMARY

THE FOLLOWING SUMMARY IS QUALIFIED IN ITS ENTIRETY BY, AND SHOULD BE READ IN CONJUNCTION WITH, THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS OR INCORPORATED HEREIN AND THEREIN BY REFERENCE. UNLESS OTHERWISE INDICATED, THE FINANCIAL AND STATISTICAL INFORMATION CONTAINED IN THIS PROSPECTUS SUPPLEMENT IS PRESENTED AS OF JUNE 30, 1997. ALL REFERENCES TO THE OPERATING PARTNERSHIP IN THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS INCLUDE THE OPERATING PARTNERSHIP, THOSE ENTITIES OWNED OR CONTROLLED BY THE OPERATING PARTNERSHIP AND PREDECESSORS OF THE OPERATING PARTNERSHIP, UNLESS THE CONTEXT INDICATES OTHERWISE.

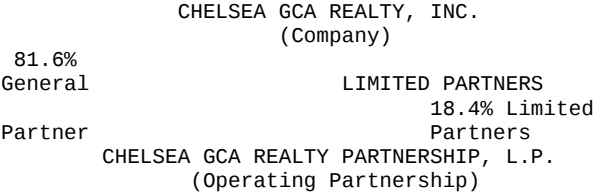
### THE OPERATING PARTNERSHIP

Chelsea GCA Realty Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"), is 81.6% owned and managed by its sole general partner, Chelsea GCA Realty, Inc. ("Chelsea GCA" or the "Company"), a self-administered and self-managed real estate investment trust ("REIT"). The Operating Partnership owns, develops, redevelops, leases, markets and manages upscale and fashion-oriented manufacturers' outlet centers. As of June 30, 1997, the Operating Partnership owned and operated 19 centers (the "Properties"), containing approximately 4.0 million square feet of gross leasable area ("GLA"), in eleven states. The Properties generally are located near densely populated, high-income metropolitan areas or at or near major tourist destinations. The Operating Partnership's existing portfolio includes properties in or near New York, Los Angeles, San Francisco, Atlanta, Sacramento, Portland (Oregon), Kansas City, Cleveland, Honolulu, the Napa Valley, Palm Springs and the Monterey Peninsula. As of June 30, 1997, the Operating Partnership's portfolio was 98% leased and contained approximately 1,100 stores with approximately 350 different tenants.

During 1996, the Properties generated weighted average reported tenant sales of \$345 per square foot. During 1996 and the first six months of 1997, the Operating Partnership's same-space sales (excluding sales attributable to increased GLA) increased 11% and 9% compared to 1995 and the first six months of 1996, respectively. Following the completion of the offering of Notes hereby (the "Offering"), assuming a price of \$42.00 per Operating Partnership common unit (based on the market price of \$42.00 per share of the Company's Common Stock (the "Common Stock") as of October 15, 1997), plus a liquidation preference of \$50.00 per Operating Partnership preferred unit, the Operating Partnership's ratio of debt to total market capitalization (defined as the value of outstanding Operating Partnership units plus total debt) will be approximately 26%.

Between the Company's initial public offering of Common Stock and the formation transactions in November 1993 ("IPO") and June 30, 1997, the Operating Partnership developed, acquired and opened approximately 2.3 million square feet of new GLA (representing a 144% increase), contained in seven new centers, one acquired center and twelve expanded centers. In March 1997, the Operating Partnership acquired Waikale Premium Outlets, a manufacturers' outlet center located near Honolulu, Hawaii with 214,000 square feet of GLA. On October 15, 1997, the Operating Partnership opened the 227,000 square foot first phase of a new center in Wrentham, Massachusetts (near the junction of Interstates 95 and 495 between Boston and Providence). The Operating Partnership also has expansion projects under construction, including a 270,000 square foot expansion of Woodbury Common Premium Outlets (Central Valley, New York--New York metropolitan area). The Operating Partnership is also in the process of entitling sites and planning development projects for 1998 and beyond. See "The Operating Partnership--Growth Strategy."

The Properties are owned by, and their operations are conducted through, the Operating Partnership. The Company is the sole general partner of, and as of June 30, 1997, owned a controlling 81.6% interest in, the Operating Partnership. As of June 30, 1997, management and directors of the Company owned approximately 14% of the Common Stock of the Company on a fully diluted basis (i.e., assuming conversion of Operating Partnership common units into Common Stock). The following chart illustrates the composition of the common units in the Operating Partnership:



THE OFFERING

All capitalized terms used herein and not defined herein have the meanings provided in "Description of the Notes." For a more complete description of the terms of the Notes specified in the following summary, see "Description of the Notes" herein and "Description of Debt Securities" in the accompanying Prospectus.

Securities Offered.....	\$125,000,000 aggregate principal amount of 7 1/4% Notes due 2007.
Maturity.....	October 21, 2007.
Interest Payment Dates.....	April 21 and October 21, beginning April 21, 1998.
Optional Redemption.....	The Notes will be redeemable at the option of the Operating Partnership, in whole or in part, at any time, at the redemption prices set forth herein, plus accrued and unpaid interest.
Ranking.....	The Notes will constitute unsecured and unsubordinated indebtedness of the Operating Partnership and will rank on a parity with all existing and future unsecured and unsubordinated indebtedness of the Operating Partnership.
Use of Proceeds.....	The net proceeds to the Operating Partnership from the Offering (approximately \$123.2 million) will be used to repay substantially all borrowings outstanding under the Credit Facilities (as defined herein), to redeem \$40 million aggregate principal amount of the Operating Partnership's Remarketed Floating Rate Reset Notes due October 23, 2001 and for general corporate purposes.
Certain Covenants.....	The Notes will contain various covenants, including the following:

LIMITATIONS ON INCURRENCE OF DEBT

- (1) The Operating Partnership will not incur any Debt, if, after giving effect thereto, the aggregate principal amount of all outstanding Debt of the Operating Partnership is greater than 60% of the sum of (i) the Operating Partnership's Total Assets as of the end of the most recent calendar quarter and (ii) the increase in the Operating Partnership's Total Assets since the end of such quarter (including any increase in the Operating Partnership's Total Assets resulting from the incurrence of such additional Debt) (the sum of the Operating Partnership's Total Assets pursuant to clauses (i) and (ii) is referred to as "Adjusted Total Assets").
- (2) The Operating Partnership will not incur any Secured Debt if, after giving effect thereto, the aggregate amount of all outstanding Secured Debt of the Operating Partnership is greater than 40% of the Operating Partnership's Adjusted Total Assets.

- (3) The Operating Partnership will not incur any Debt if the ratio of Consolidated Income Available for Debt Service for the four consecutive fiscal quarters most recently ended prior to the date of the incurrence of such Debt, on a pro forma basis, shall be less than 2.0 times the Annual Service Charge on all Debt outstanding immediately after the incurrence of such additional Debt.
- (4) The Operating Partnership will not allow any Restricted Subsidiary to incur any Debt other than intercompany Debt.

#### LIMITATIONS ON DISTRIBUTIONS

The Operating Partnership will not make any distribution unless, immediately after giving pro forma effect to such distribution, (a) no default under the Indenture, or event of default under any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Debt of the Operating Partnership, the Company or any Subsidiary, shall have occurred or be continuing, (b) the Operating Partnership could incur at least \$1.00 of Debt under the Indenture covenants limiting the incurrence of Debt and (c) the aggregate sum of all distributions shall not exceed the sum of (i) 95% of the aggregate cumulative Funds From Operations of the Operating Partnership accrued on a cumulative basis from the date of the Indenture until the end of the last fiscal quarter prior to the contemplated payment, and (ii) the aggregate Net Cash Proceeds received after the date of the Indenture from the issuance and sale of Capital Stock; PROVIDED, HOWEVER, that the foregoing limitations shall not apply to any distribution which is necessary to maintain the Company's status as a REIT if the aggregate principal amount of all outstanding Debt of the Company and the Operating Partnership on a consolidated basis at such time is less than 60% of Adjusted Total Assets.

For certain defined terms and additional covenants, see "Description of the Notes -- Certain Covenants" herein and "Description of Debt Securities -- Certain Covenants" in the accompanying Prospectus.

## THE OPERATING PARTNERSHIP

The Operating Partnership is 81.6% owned and managed by its sole general partner, the Company, a self-administered and self-managed REIT. All of the Company's operations are conducted through the Operating Partnership. The Operating Partnership owns, develops, redevelops, leases, markets and manages upscale and fashion-oriented manufacturers' outlet centers. As of June 30, 1997, the Operating Partnership owned and operated 19 centers, containing approximately 4.0 million square feet of GLA, in eleven states. The Properties generally are located near densely populated, high-income metropolitan areas or at or near major tourist destinations. The Operating Partnership's existing portfolio includes properties in or near New York, Los Angeles, San Francisco, Atlanta, Sacramento, Portland (Oregon), Kansas City, Cleveland, Honolulu, the Napa Valley, Palm Springs and the Monterey Peninsula. As of June 30, 1997, the Operating Partnership's portfolio was 98% leased and contained approximately 1,100 stores with approximately 350 different tenants.

During 1996, the Properties generated weighted average reported tenant sales of \$345 per square foot. During 1996 and the first six months of 1997, the Operating Partnership's same-space sales (excluding sales attributable to increased GLA) increased 11% and 9% compared to 1995 and the first six months of 1996, respectively. Following the completion of the Offering, assuming a price of \$42.00 per Operating Partnership common unit (based on the market price of \$42.00 per share of Common Stock as of October 15, 1997), plus a liquidation preference of \$50.00 per Operating Partnership preferred unit, the Operating Partnership's ratio of debt to total market capitalization (defined as the value of outstanding Operating Partnership units plus total debt) will be approximately 26%.

Between the IPO in November 1993 and June 30, 1997, the Operating Partnership developed, acquired and opened approximately 2.3 million square feet of new GLA (representing a 144% increase), contained in seven new centers, one acquired center and twelve expanded centers. In March 1997, the Operating Partnership acquired Waikale Premium Outlets, a manufacturers' outlet center located near Honolulu, Hawaii with 214,000 square feet of GLA. On October 15, 1997, the Operating Partnership opened the 227,000 square foot first phase of a new center in Wrentham, Massachusetts (near the junction of Interstates 95 and 495 between Boston and Providence). The Operating Partnership also has expansion projects under construction, including a 270,000 square foot expansion of Woodbury Common Premium Outlets (Central Valley, New York--New York metropolitan area). The Operating Partnership is also in the process of entitling sites and planning development projects for 1998 and beyond. See "-- Growth Strategy."

The Properties are owned by, and their operations are conducted through, the Operating Partnership. The Company is the sole general partner of, and as of June 30, 1997, owned a controlling 81.6% interest in, the Operating Partnership. As of June 30, 1997, management and directors of the Company owned approximately 14% of the Common Stock of the Company on a fully diluted basis (i.e., assuming conversion of Operating Partnership common units into Common Stock).

The Operating Partnership is a Delaware limited partnership. Its principal executive offices are located at 103 Eisenhower Parkway, Roseland, New Jersey 07068, and its telephone number is (973) 228-6111.

## THE MANUFACTURERS' OUTLET BUSINESS

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

or hampering the manufacturer's brand name. In addition, outlet stores enable manufacturers to optimize the size of production runs while maintaining control of their distribution channels.

#### COMPETITIVE POSITION

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

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

**HIGH QUALITY PROPERTY PORTFOLIO.** The Properties generated weighted average reported tenant sales during 1996 of \$345 per square foot. A significant number of the Operating Partnership's tenants, including Ann Taylor, Brooks Brothers, Burberrys, Cole-Haan, Donna Karan, Emanuel/Emanuel Ungaro, Joan & David, Jones New York, Nike, Nine West, Nautica, Polo/Ralph Lauren, Royal Doulton, Timberland, Tommy Hilfiger and Waterford Wedgwood, reported that the top store in their outlet chain during 1996 (as measured by sales per square foot or gross sales) was in one of the Operating Partnership's centers. The Operating Partnership believes that the quality of its centers gives it significant advantages in attracting customers and negotiating multi-lease transactions with tenants.

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

#### GROWTH STRATEGY

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

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

**DEVELOPING NEW CENTERS AND EXPANDING EXISTING CENTERS.** The Operating Partnership believes there will continue to be significant opportunities to develop manufacturers' outlet centers across the United States. The Operating Partnership intends to undertake such development on a selective basis, and believes that it will have a competitive advantage in doing so as a result of its development expertise, tenant relationships and access to capital. The Operating Partnership expects that the development of new



centers and the expansion of existing centers will continue to be a substantial part of its growth strategy. See "Recent Developments." The Operating Partnership believes that its development experience and strong tenant relationships enable it to determine site viability on a timely and cost-effective basis.

There can be no assurance that any development or expansion projects will be commenced or completed as scheduled.

**ACQUIRING AND REDEVELOPING CENTERS.** The Operating Partnership intends to selectively acquire individual properties and portfolios of properties that meet its strategic investment criteria as suitable opportunities arise. The Operating Partnership believes that its extensive experience in the outlet center business, access to capital markets, familiarity with real estate markets and advanced management systems will allow it to evaluate and execute acquisitions competitively. Furthermore, management believes that the Operating Partnership will be able to enhance the operation of acquired properties as a result of its (i) strong tenant relationships with both national and upscale fashion retailers, and (ii) development, marketing and management expertise as a full-service real estate organization. Additionally, the Operating Partnership may be able to acquire properties on a tax-advantaged basis through the issuance of Operating Partnership units.

There can be no assurance that any acquisitions will be consummated or, if consummated, will result in an advantageous return on investment for the Operating Partnership.

#### OPERATING STRATEGY

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

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

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

The Operating Partnership generally seeks to develop sites that can support at least 200,000 square feet of GLA and that offer the long-term opportunity to dominate their respective markets through a critical mass of tenants.

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

**PROPERTY DESIGN AND MANAGEMENT.** The Operating Partnership believes that effective property design and management are significant factors in the success of its properties and works continually to maintain

or enhance each center's physical plant, original architectural theme and high level of on-site services. Each property is designed to be compatible with its environment and is maintained to high standards of aesthetics, ambiance and cleanliness in order to promote longer visits and repeat visits by shoppers. As of June 30, 1997, of the Operating Partnership's 312 full-time and 50 part-time employees, 219 full-time and all part-time employees were involved in on-site maintenance, security, administration and marketing. Centers are generally managed by an on-site property manager with oversight from a regional operations manager.

#### FINANCING

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

The Operating Partnership currently has in place two unsecured bank revolving lines of credit with an aggregate maximum borrowing amount of \$150 million (each, a "Credit Facility" and collectively, the "Credit Facilities"). As a result of the Offering and the application of the net proceeds thereof, substantially all borrowings outstanding under the Credit Facilities will be repaid and substantially all of the Credit Facilities will be available for the Operating Partnership's growth and liquidity needs. Each Credit Facility expires on March 29, 1998 and bears interest on the outstanding balance, payable monthly, at LIBOR plus 1.15% or the prime rate, at the Operating Partnership's option. A fee on the unused portion of the Credit Facilities is payable quarterly at a rate of 0.25% per annum. The Credit Facilities' bank group is comprised of five domestic and international banks.

On October 15, 1997, the Company issued 1,000,000 shares of 8 3/8% Series A Cumulative Redeemable Preferred Stock having a liquidation preference of \$50.00 per share. Net proceeds from such issuance of approximately \$48 million were used to repay borrowings under the Credit Facilities.

Following completion of the Offering, assuming a price of \$42.00 per Operating Partnership common unit (based on the market price of \$42.00 per share of Common Stock as of October 15, 1997), plus a liquidation preference of \$50.00 per Operating Partnership preferred unit, the Operating Partnership's ratio of debt to total market capitalization (defined as the value of outstanding Operating Partnership units plus total debt) will be approximately 26%. It is the Operating Partnership's policy to limit the extent of its borrowings to less than 40% of its total market capitalization.

#### ENVIRONMENTAL MATTERS

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

#### PERSONNEL

As of June 30, 1997, the Operating Partnership had 312 full-time and 50 part-time employees. None of the employees are subject to any collective bargaining agreements, and the Operating Partnership believes it has good relations with its employees.

RECENT DEVELOPMENTS

OPERATING RESULTS

Since the IPO, the Operating Partnership has improved its operating performance by a number of measures. Total revenues for the year ended December 31, 1996 increased 26.0% to \$91.4 million compared to total revenues of \$72.5 million for 1995. Total revenues for the six months ended June 30, 1997 increased 23.3% to \$49.3 million compared to \$40.0 million for the six months ended June 30, 1996.

The Operating Partnership has maintained a portfolio occupancy rate of 98% or more since the IPO while expanding portfolio GLA substantially. The Operating Partnership's centers produced weighted average reported tenant sales of approximately \$345 per square foot in 1996, compared to \$313 and \$309 per square foot in 1995 and 1994, respectively. During the first six months of 1997, the Operating Partnership's same-space sales (excluding sales attributable to increased GLA) increased 9% compared to the first six months of 1996.

ACQUISITIONS AND EXPANSIONS

Between January 1, 1997 and June 30, 1997, the Operating Partnership added approximately 347,000 square feet of GLA to its portfolio as a result of a 214,000 square foot acquisition and three expansions totaling 133,000 square feet.

A summary of acquisition and expansion activity from January 1, 1997 through June 30, 1997 is contained below:

PROPERTY	ACQUISITION OR EXPANSION DATE(S)	GLA (SQ. FT.)	NUMBER OF STORES	CERTAIN TENANTS
As of January 1, 1997.....		3,610,000	995	
Acquisition:				
Waikēle Premium Outlets.....	March 1997	214,000	51	Bose, Donna Karan, Guess, Levi's, Nine West, Off 5th-Saks Fifth Avenue
Expansions:				
North Georgia.....	May 1997	111,000	32	Joan & David, Liz Claiborne, Williams Sonoma
Other.....		22,000	5	Donna Karan, Emanuel/Emanuel Ungaro
Total expansions.....		133,000	37	
As of June 30, 1997.....		3,957,000	1,083	

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

WAIKELE, WAIPAHU, HAWAII. Waikēle Premium Outlets, a 214,000 square foot center containing 51 stores, was acquired on March 31, 1997 and is located on Oahu Highway H-1, 15 miles west of Honolulu. The populations within a 15-mile and 30-mile radius are approximately 700,000 and 900,000, respectively. Average household income within a 30-mile radius is approximately \$63,000.

CLINTON CROSSING, CLINTON, CONNECTICUT. Clinton Crossing Premium Outlets, a 272,000 square foot center containing 67 stores, opened in September 1996 and is located approximately 22 miles east of New Haven on I-95 at Exit 63. The populations within a 30-mile, 60-mile and 100-mile radius are approximately 1.3 million, 5.1 million and 22.2 million, respectively. Average household income within a 30-mile radius is approximately \$69,000.

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

700,000, 3.6 million and 5.8 million, respectively. Average household income within a 30-mile radius is approximately \$55,000.

#### CURRENT AND FUTURE DEVELOPMENT AND EXPANSION

On October 15, 1997, the Operating Partnership opened the first phase of a new center in Wrentham, Massachusetts (near the junction of Interstates 95 and 495 between Boston and Providence). The first phase contains 227,000 square feet and 57 stores with a concentration of upscale and fashion-oriented tenants, including Barneys New York, Bose, Brooks Brothers and Donna Karan, as well as many national brand-name manufacturers.

The Operating Partnership has expansion projects at existing centers under construction and scheduled to open during the next six months, including a 270,000 square foot expansion of Woodbury Common Premium Outlets (Central Valley, New York--New York metropolitan area). The Operating Partnership is also in the process of planning development projects for completion in 1998 and beyond. These projects are in various stages of development and there can be no assurance that any of these projects will be completed or opened, or that there will not be delays in the opening or completion of any of these projects. See "The Operating Partnership -- Growth Strategy -- Developing New Centers and Expanding Existing Centers" above and "Risk Factors -- General Real Estate Investment Risks -- Risks of Development Activities" in the accompanying Prospectus.

#### STRATEGIC ALLIANCE

In May 1997, the Operating Partnership announced the formation of a strategic alliance with Simon DeBartolo Group, Inc. ("Simon") to develop and acquire high-end outlet centers with GLA of 500,000 square feet or more in the United States. The Operating Partnership and Simon will be co-managing general partners, each with 50% ownership of the joint venture and any entities formed with respect to specific projects; the Operating Partnership will have primary responsibility for the day-to-day activities of each project. In conjunction with the alliance, the Company completed the sale to Simon of 1.4 million shares of Common Stock, aggregating \$50 million, on June 16, 1997. Proceeds from the sale were used to repay borrowings under the Credit Facilities. Simon is one of the largest publicly traded real estate companies in North America as measured by market capitalization, and owns, has an interest in and or manages approximately 130 million square feet of GLA in retail and mixed-use properties.

#### PREFERRED STOCK OFFERING

On October 15, 1997, the Company issued 1,000,000 shares of 8 3/8% Series A Cumulative Redeemable Preferred Stock having a liquidation preference of \$50.00 per share. Net proceeds from such issuance of approximately \$48 million were used to repay borrowings under the Credit Facilities.

USE OF PROCEEDS

The net proceeds to the Operating Partnership from the Offering are estimated to be approximately \$123.2 million. The Operating Partnership intends to use the net proceeds of the Offering to repay substantially all borrowings outstanding under the Credit Facilities and to redeem \$40 million aggregate principal amount of the Operating Partnership's Remarketed Floating Rate Reset Notes due October 23, 2001. These notes have a current interest rate thereon of 6.5% per annum. As of October 13, 1997, borrowings under the Credit Facilities aggregated approximately \$87 million (prior to the issuance of the Company's 8 3/8% Series A Cumulative Redeemable Preferred Stock) and the average interest rate thereon was 6.9% per annum. The remaining proceeds will be used for general corporate purposes, including the development or acquisition of additional centers and the expansion of the Operating Partnership's existing centers.

CAPITALIZATION

The following table sets forth the capitalization of the Operating Partnership as of June 30, 1997, and as adjusted to give effect to the Offering and the anticipated use of the proceeds from the Offering as described under "Use of Proceeds."

	JUNE 30, 1997	
	----- HISTORICAL	AS ADJUSTED -----
	(IN THOUSANDS)	
<b>DEBT:</b>		
Credit Facilities.....	\$ 55,035	\$ 5,035(1)
7 3/4% Notes due 2001.....	99,709	99,709
Remarketed Floating Rate Reset Notes due 2001.....	100,000	60,000
7 1/4% Notes due 2007.....	--	124,675
	-----	-----
Total debt.....	254,744	289,419
	-----	-----
<b>PARTNERS' CAPITAL:</b>		
Preferred partnership units outstanding, 1,000,000 as adjusted.....	--	48,400(2)
General partner units outstanding, 15,253,000 at June 30, 1997 and as adjusted.....	249,363	249,363
Limited partner units outstanding, 3,436,000 at June 30, 1997 and as adjusted.....	49,155	49,155
	-----	-----
Total partners' capital.....	298,518	346,918
	-----	-----
Total capitalization.....	\$ 553,262	\$ 636,337
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(1) Represents the outstanding balance under the Credit Facilities as adjusted for development expenditures subsequent to June 30, 1997, including a new center (Wrentham Village), an expansion of Woodbury Common and expansions of other existing centers, less repayment of indebtedness from (i) net proceeds of approximately \$48 million from the sale of the Company's 8 3/8% Series A Cumulative Redeemable Preferred Stock and (ii) approximately \$34 million from the Offering.

(2) Represents net proceeds from the sale of 1,000,000 shares of 8 3/8% Series A Cumulative Redeemable Preferred Stock, par value \$0.01 per share, having a liquidation preference of \$50.00 per share issued by the Company on October 15, 1997.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following table sets forth selected financial and other operating data of the Operating Partnership and Chelsea GCA Properties (the "Predecessor Business") on an historical basis. The information should be read in conjunction with all of the financial statements and notes thereto included in the accompanying Prospectus and Management's Discussion and Analysis of Financial Condition and Results of Operations of the Operating Partnership included in the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 1996 and Quarterly Report on Form 10-Q for the quarter ended June 30, 1997.

The historical data as of and for the years ended December 31, 1996, 1995 and 1994 and for the period November 2, 1993 (commencement of operations) to December 31, 1993, has been derived from the historical consolidated financial statements of the Operating Partnership audited by Ernst & Young LLP, independent auditors. The historical data as of December 31, 1992 and for the period January 1, 1992 to November 1, 1993 has been derived from the historical combined financial statements of the Predecessor Business also audited by Ernst & Young LLP, independent auditors.

The financial data as of and for the six months ended June 30, 1997 and 1996 has been derived from the unaudited condensed consolidated financial statements. In management's opinion, the financial data for the six months ended June 30, 1997 and 1996 includes all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the financial position and results of operations for the periods presented.

Historical operating results, including net income, may not be comparable to future operating results. In addition, the Operating Partnership believes that the book value of the Properties, which reflects historical costs of such real estate assets less accumulated depreciation, is not indicative of the fair value of the Properties.

CHelsea GCA REALTY PARTNERSHIP, L.P. AND PREDECESSOR BUSINESS(1)  
(IN THOUSANDS EXCEPT PER UNIT, RATIO AND CENTER DATA)

	CHelsea GCA REALTY PARTNERSHIP, L.P. (CONSOLIDATED)					CHelsea GCA PROPERTIES(2) (COMBINED)		
	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,			PERIOD NOVEMBER 2, 1993 TO	PERIOD JANUARY 1, 1993 TO	YEAR ENDED
	1997	1996	1996	1995	1994	DECEMBER 31, 1993	NOVEMBER 1, 1993	DECEMBER 31, 1992
	(UNAUDITED)							
OPERATING DATA:								
Revenues:								
Base rent.....	\$ 32,849	\$ 26,423	\$ 56,390	\$ 46,025	\$ 34,415	\$ 4,913	\$ 20,551	\$ 21,370
Percentage rent....	3,082	1,679	7,402	5,336	3,595	1,488	847	2,049
Expense								
reimbursements...	12,426	10,854	24,758	19,704	13,584	2,138	8,047	8,471
Other income.....	929	1,028	2,806	1,450	1,551	369	399	873
Total revenues.....	49,286	39,984	91,356	72,515	53,145	8,908	29,844	32,763
Expenses:								
Interest.....	7,558	3,426	8,818	3,129	982	163	9,947	11,201
Operating and maintenance.....	13,527	11,596	26,979	20,984	14,337	2,176	8,917	9,422
Depreciation and amortization.....	11,968	7,168	18,965	12,823	8,982	1,358	6,255	6,040
General and administrative...	1,470	1,441	3,342	2,967	2,561	718	1,860	2,120
Other.....	1,214	1,103	1,892	1,911	1,317	203	1,393	1,140
Total expenses.....	35,737	24,734	59,996	41,814	28,179	4,618	28,372	29,923
Minority interest....	(127)	(139)	(257)	(285)	(49)	--	(1,128)	(1,640)
Net income (loss)....	\$ 13,422	\$ 14,209	\$ 30,201	\$ 29,365	\$ 24,917	\$ (5,120)	\$ 344	\$ 1,200
Net income (loss) per unit.....	\$ 0.77	\$ 0.83	\$ 1.76	\$ 1.75	\$ 1.50	\$ (0.31)	N/A	N/A
Distributions								
declared.....	\$ 22,625	\$ 19,684	\$ 40,372	\$ 35,885	\$ 31,618	\$ 4,992	N/A	N/A
declared per unit...	\$ 1.26	\$ 1.15	\$ 2.355	\$ 2.135	\$ 1.90	\$ 0.30	N/A	N/A
BALANCE SHEET DATA:								
Undepreciated real estate assets.....	\$ 631,459	\$ 463,539	\$ 512,354	\$ 415,983	\$ 332,834	\$ 243,218	\$ 192,565	\$ 158,473
Cash and equivalents.....	6,377	6,949	13,886	3,987	9,109	57,889	7,236	3,683
Adjusted total assets.....	637,836	470,488	526,240	419,970	341,943	301,107	199,801	162,156
Total assets.....	\$ 595,341	\$ 459,990	\$ 502,212	\$ 408,053	\$ 330,775	\$ 288,732	\$ 188,895	\$ 152,926
Mortgage notes								
payable.....	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 146,199	\$ 128,292
Unsecured bank debt..	55,035	49,000	--	--	--	--	--	--
Secured bank debt....	--	--	--	96,000	28,000	--	--	--
7 3/4% Notes due 2001.....	99,709	99,627	99,668	--	--	--	--	--
Remarketed Floating Rate Reset Notes due 2001.....	100,000	--	100,000	--	--	--	--	--
Obligation under capital lease.....	9,767	9,865	9,805	9,845	9,830	9,811	9,804	9,769
Debt (including capital lease)...	264,511	158,492	209,473	105,845	37,830	9,811	156,003	138,061
Partners' capital....	298,518	258,274	255,636	261,035	257,535	264,236	15,883	1,945
Total liabilities and partners' capital...	\$ 595,341	\$ 459,990	\$ 502,212	\$ 408,053	\$ 330,775	\$ 288,732	\$ 188,895	\$ 152,926

CHELSEA GCA REALTY PARTNERSHIP, L.P.  
(CONSOLIDATED)

CHELSEA GCA  
PROPERTIES(2)  
(COMBINED)

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,			PERIOD NOVEMBER 2, 1993 TO DECEMBER 31, 1993	PERIOD JANUARY 1, 1993 TO NOVEMBER 1, 1993
	1997	1996	1996	1995	1994		
	(UNAUDITED)						
RATIOS:							
Earnings to fixed charges (3).....	2.1x	2.9x	2.8x	3.6x	10.4x	16.7x	1.1x
EBITDA to Annual Service Charge (4)(8).....	3.5x	4.6x	4.6x	6.8x	25.7x	N/A	N/A
Debt to Adjusted Total Assets (5)(6).....	41.5%	33.7%	39.8%	25.2%	11.1%	N/A	N/A
Secured Debt to Adjusted Total Assets (6)(7).....	0%	0%	0%	22.9%	8.2%	N/A	N/A
Consolidated Income Available for Debt Service to Annual Service Charge (8).....	3.5x	4.6x	4.6x	6.8x	25.7x	N/A	N/A
WEIGHTED OWNERSHIP INTEREST:							
General partner.....	13,902	11,540	11,802	11,188	10,971	10,937	N/A
Limited partners.....	3,452	5,508	5,316	5,601	5,669	5,703	N/A
Weighted average units							
outstanding.....	17,354	17,048	17,118	16,789	16,640	16,640	N/A
OTHER DATA:							
EBITDA (4).....	\$ 33,075	\$ 25,844	\$ 59,143	\$ 46,653	\$ 34,930	\$ 5,811	\$ 17,674
Funds from operations (9).....	\$ 24,542	\$ 21,520	\$ 48,616	\$ 41,870	\$ 33,631	\$ 5,648	\$ 7,727
Cash flows from:							
Operating activities.....	\$ 28,765	\$ 23,690	\$ 52,898	\$ 36,330	\$ 32,522	\$ 5,057	\$ 10,397
Investing activities.....	\$(127,916)	\$(51,651)	\$(98,956)	\$(81,926)	\$(79,595)	\$(63,918)	\$(29,536)
Financing activities.....	\$ 91,642	\$ 30,923	\$ 55,957	\$ 40,474	\$ (1,707)	\$ 116,570	\$ 22,692
GLA at end of period.....	3,957	3,258	3,610	2,934	2,342	1,879	1,620
Weighted average GLA.....	3,749	3,023	3,255	2,680	2,001	1,743	1,550
Centers at end of period.....	19	17	18	16	16	13	12
New center(s) opened.....	--	1	2	1	3	1	--
Centers expanded.....	3	2	5	7	2	3	--
Center sold.....	--	--	--	1	--	--	--
Center acquired.....	1	--	--	--	--	--	--
Occupancy at end of period.....	98%	98%	98%	98%	99%	99%	99%
Operating expense recovery ratio (10).....	92%	94%	92%	94%	95%	N/A	N/A

YEAR ENDED  
DECEMBER 31,  
1992

RATIOS:	
Earnings to fixed charges (3).....	1.2x
EBITDA to Annual Service Charge (4)(8).....	N/A
Debt to Adjusted Total Assets (5)(6).....	N/A
Secured Debt to Adjusted Total Assets (6)(7).....	N/A
Consolidated Income Available for Debt Service to Annual Service Charge (8).....	N/A
WEIGHTED OWNERSHIP INTEREST:	
General partner.....	N/A
Limited partners.....	N/A
Weighted average units	
outstanding.....	N/A
OTHER DATA:	
EBITDA (4).....	\$ 20,081
Funds from operations (9).....	\$ 8,880
Cash flows from:	
Operating activities.....	\$ 9,487
Investing activities.....	\$(14,118)
Financing activities.....	\$ 6,341
GLA at end of period.....	1,444
Weighted average GLA.....	1,401
Centers at end of period.....	12
New center(s) opened.....	2
Centers expanded.....	1
Center sold.....	--
Center acquired.....	--
Occupancy at end of period.....	98%
Operating expense recovery ratio (10).....	N/A



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- (1) The selected financial data includes the combined financial statements of Chelsea GCA Properties for the periods prior to November 2, 1993 and the consolidated financial results of the Operating Partnership for the periods after November 1, 1993.
  - (2) Prior to the formation of the Operating Partnership, Chelsea GCA Properties maintained a different capital structure than at present, and therefore ratios for this period (other than earnings to fixed charges) would not be meaningful.
  - (3) For purposes of this calculation, earnings consists of income (loss) before minority interest and fixed charges before interest capitalized and amortization of loan costs capitalized. Fixed charges consists of total interest costs (expensed and capitalized), the portion of rent expense representative of interest and total amortization of deferred financing costs (expensed and capitalized).
  - (4) For purposes of this calculation, EBITDA is defined as earnings before interest, taxes, depreciation and amortization.
  - (5) As specified in the Indenture, Debt consists of indebtedness in respect of borrowed money, secured indebtedness, reimbursement obligations in connection with letters of credit and capitalized leases.
  - (6) As specified in the Indenture, Adjusted Total Assets consists of the Undepreciated Real Estate Assets and all other assets (excluding intangibles and accounts receivable) of the Operating Partnership and its subsidiaries on a consolidated basis. Undepreciated Real Estate Assets means the cost (including capital improvements) of real estate assets of the Operating Partnership and its subsidiaries, before depreciation and amortization, determined on a consolidated basis.
  - (7) As specified in the Indenture, Secured Debt consists of debt secured by any mortgage, lien, charge, pledge, encumbrance or security interest of any kind upon any property of the Operating Partnership or any of its subsidiaries.
  - (8) As specified in the Indenture, Consolidated Income Available for Debt Service consists of consolidated income of the Operating Partnership and its consolidated subsidiaries plus amounts deducted for interest, provisions for income taxes, amortization of debt discount, provisions for gains and losses on properties, depreciation and amortization, non-cash charges and amortization of deferred charges. As specified in the Indenture, Annual Service Charge as of any date means the amount which is expensed and capitalized in such period for interest on debt.

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

(10) The operating expense recovery ratio is computed by dividing expense reimbursements by operating and maintenance expenses.

FUNDS FROM OPERATIONS

The following table presents the Operating Partnership's FFO calculation for illustrative purposes:

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31, 1996
	1997	1996	
	(IN THOUSANDS, EXCEPT PER UNIT AMOUNTS)		
Net income before extraordinary item(1).....	\$ 13,422	\$ 15,111	\$ 31,103
Add back depreciation and amortization (1).....	11,856	7,065	18,747
Less amortization of deferred financing costs and depreciation of non-real estate assets.....	(736)	(656)	(1,234)
Funds from operations.....	\$ 24,542	\$ 21,520	\$ 48,616
Weighted average units outstanding.....	17,354	17,048	17,118
Distributions declared per unit.....	\$ 1.26	\$ 1.15	\$ 2.355

(1) Excludes minority interest in net income and depreciation attributed to the limited partner's interest in Solvang Designer Outlets during the six months ended June 30, 1997 and 1996 and the year ended December 31, 1996.

BUSINESS AND PROPERTIES

The Properties are upscale, fashion-oriented manufacturers' outlet centers located near large metropolitan areas, including New York, Los Angeles, San Francisco, Atlanta, Sacramento, Portland (Oregon), Kansas City and Cleveland, or at or near tourist destinations, including Honolulu, the Napa Valley, Palm Springs and the Monterey Peninsula. The Properties were 98% leased as of June 30, 1997 and contained approximately 1,100 stores with approximately 350 different tenants. During 1996, the Properties generated weighted average tenant sales of \$345 per square foot. During 1996 and the first six months of 1997, the Operating Partnership's same-space sales (excluding sales attributable to increased GLA) increased 11% and 9% compared to 1995 and the first six months of 1996, respectively.

As of June 30, 1997, the Operating Partnership operated 19 manufacturers' outlet centers. Of the 19 operating centers, 17 are owned 100% in fee and two, American Tin Cannery Premium Outlets and Lawrence Riverfront Factory Outlets, are held under long-term leases. The Operating Partnership manages all of its Properties.

Two of the Operating Partnership's outlet centers provided 38% and 34% of the Operating Partnership's total revenue for 1996 and the six months ended June 30, 1997, respectively. These included Woodbury Common (24% and 21%) and Desert Hills (14% and 13%). The loss of either center or a material decrease in revenues from either center for any reason may have a material adverse effect on the Operating Partnership. In addition, approximately 44% and 40% of the Operating Partnership's revenues for 1996 and the six months ended June 30, 1997, respectively, were derived from the Operating Partnership's centers in California.

The Operating Partnership does not consider any of the lessees at its centers to be anchor tenants and no individual tenant accounts for more than 7% of the Operating Partnership's gross revenues or total GLA. Only one tenant, combining all of its store concepts, occupies more than 4.1% of the Operating Partnership's total GLA. In view of these statistics and the Operating Partnership's past success in re-leasing available space, the Operating Partnership believes the loss of any individual tenant would not have a significant effect on future operations.

Set forth in the table below is certain information regarding the Properties as of June 30, 1997:

PROPERTY/LOCATION	YEAR OPENED	GLA (SQ. FT.)	NO. OF STORES	CERTAIN TENANTS
Woodbury Common Central Valley, NY (New York City metro area)	1985	573,000	151	Brooks Brothers, Calvin Klein, Coach Leather, Donna Karan, GAP, Polo/Ralph Lauren
Desert Hills Cabazon, CA (Palm Springs -- Los Angeles area)	1990	442,000	110	Bose, Coach Leather, Donna Karan, Eddie Bauer, Nautica, Polo/Ralph Lauren, Tommy Hilfiger
North Georgia Dawsonville, GA (Atlanta metro area)	1996	403,000	108	Bose, Brooks Brothers, Donna Karan, GAP, Off 5th-Saks Fifth Avenue, Van Heusen, Williams Sonoma
Aurora Premium Outlets Aurora, OH (Cleveland metro area)	1987	294,000	66	Ann Taylor, Brooks Brothers, Carters, Liz Claiborne, Off 5th-Saks Fifth Avenue, Reebok
Camarillo Premium Outlets Camarillo, CA (Los Angeles metro area)	1995	280,000	85	Barneys New York, Donna Karan, Jones New York, Levi's, Nine West, Off 5th-Saks Fifth Avenue
Clinton Crossing Clinton, CT (I-95/New York-New England corridor)	1996	272,000	67	Bose, Coach Leather, Donna Karan, GAP, Off 5th-Saks Fifth Avenue, Polo/Ralph Lauren
Folsom Premium Outlets Folsom, CA (Sacramento metro area)	1990	226,000	67	Bass, Jones New York, Levi's, Nike, Nine West, Off 5th-Saks Fifth Avenue

PROPERTY/LOCATION	YEAR OPENED	GLA (SQ. FT.)	NO. OF STORES	CERTAIN TENANTS
Waialeale Premium Outlets ..... Waipahu, HI (Honolulu area)	1997(1)	214,000	51	Bose, Donna Karan, Guess, Levi's, Nine West, Off 5th-Saks Fifth Avenue
Petaluma Village ..... Petaluma, CA (San Francisco metro area)	1994	196,000	52	Ann Taylor, Brooks Brothers, Levi's, Off 5th-Saks Fifth Avenue, Reebok
Napa Premium Outlets ..... Napa, CA (Napa Valley)	1994	171,000	49	Cole-Haan, Dansk, Ellen Tracy, Esprit, J. Crew, Nautica, Timberland
Columbia Gorge ..... Troutdale, OR (Portland metro area)	1991	148,000	42	Carters, Harry & David, Levi's, Mikasa, Norm Thompson
Lawrence Riverfront ..... Lawrence, KS (Kansas City metro area)	1990	146,000	39	Bass, J. Crew, Jones New York Country, Mikasa
Liberty Village ..... Flemington, NJ (New York -- Phila. metro area)	1981	144,000	57	Calvin Klein, Donna Karan, Ellen Tracy, Tommy Hilfiger, Waterford
American Tin Cannery ..... Pacific Grove, CA (Monterey Peninsula)	1987	137,000	49	Anne Klein, Carole Little, Joan & David, London Fog, Reebok, Rockport
Santa Fe Factory Stores ..... Santa Fe, NM	1993	125,000	44	Brooks Brothers, Cole-Haan, Dansk, Donna Karan, Joan & David, Mondri
Patriot Plaza ..... Williamsburg, VA (Norfolk -- Richmond area)	1986	76,000	11	Lenox, Polo/Ralph Lauren, Westpoint Stevens
Solvang Designer Outlets ..... Solvang, CA (Southern California area)	1994	52,000	15	Bass, Donna Karan, Ellen Tracy, Nautica
Mammoth Premium Outlets ..... Mammoth Lakes, CA (Yosemite National Park)	1990	35,000	11	Bass, Polo/Ralph Lauren
St. Helena Premium Outlets ..... St. Helena, CA (Napa Valley)	1992	23,000	9	Brooks Brothers, Coach Leather, Donna Karan, Joan & David
Total.....		3,957,000	1,083	

(1) Acquired in March 1997.

LEASE EXPIRATIONS

The following table sets forth, as of June 30, 1997, scheduled lease expirations, assuming none of the tenants exercise renewal options:

YEAR	NUMBER OF LEASES EXPIRING	APPROX. GLA (SQ. FT.)	AVG. BASE RENT PER SQ. FT. UNDER EXPIRING LEASES(1)	TOTAL BASE RENT UNDER EXPIRING LEASES(1)	% OF TOTAL GLA REPRESENTED BY EXPIRING LEASES
1997.....	105	366,000	\$ 12.02	\$ 4,399,000	9.5%
1998.....	125	412,000	18.87	7,776,000	10.7
1999.....	99	339,000	18.17	6,161,000	8.8
2000.....	165	553,000	19.48	10,770,000	14.4
2001.....	185	616,000	19.83	12,215,000	16.1
2002.....	125	410,000	19.92	8,169,000	10.7
2003.....	77	363,000	18.91	6,863,000	9.5
2004.....	42	226,000	16.80	3,797,000	5.9
2005.....	49	187,000	18.64	3,486,000	4.9
2006.....	42	179,000	20.30	3,633,000	4.7
2007.....	11	43,000	26.53	1,141,000	1.1
Thereafter.....	10	143,000	1.71	244,000	3.7
Total.....	1,035	3,837,000	\$ 17.89	\$ 68,654,000	100.0%

(1) Base rent is defined as the minimum payments due as of June 30, 1997 excluding periodic fixed contractual increases.

RENTAL AND OCCUPANCY RATES

The following table sets forth the average base rental rate increases per square foot upon re-leasing stores that were turned over or renewed during each of the last five calendar years and the first six months of 1997:

YEAR	STORES RE-LEASED TO NEW TENANTS			RENEWALS OF EXISTING LEASES		
	NUMBER OF STORES TURNED OVER	AVERAGE BASE RENTS (\$ PER SQUARE FOOT)		NUMBER OF STORES RENEWED	AVERAGE BASE RENTS (\$ PER SQUARE FOOT)	
		EXPIRING (LAST YR.)	NEW (FIRST YR.)		EXPIRING (LAST YR.)	NEW (FIRST YR.)
1997 (through June 30).....	27	\$ 18.86	\$ 20.99	40	\$ 18.48	\$ 19.22
1996.....	30	18.45	23.82	50	16.43	18.78
1995.....	57	18.07	20.09	70	16.23	17.03
1994.....	35	15.90	17.10	46	15.39	16.33
1993.....	60	15.52	18.33	60	15.21	16.10
1992.....	30	15.82	18.97	39	16.00	16.80

The following table shows certain information on rents and occupancy rates for the Operating Partnership over the last five years:

YEAR	OCCUPANCY	AVERAGE BASE RENT PER SQ. FT.	GLA	NUMBER OF OPERATING PROPERTIES	AGGREGATE PERCENTAGE RENTS
1996.....	98%	\$ 17.32	3,610,000	18	\$ 7,402,000
1995.....	98	17.17	2,934,000	16	5,336,000
1994.....	99	17.20	2,342,000	16	3,595,000
1993.....	99	16.09	1,879,000	13	2,335,000
1992.....	98	15.25	1,444,000	12	2,049,000

OCCUPANCY COSTS

The Operating Partnership believes that its average occupancy cost (which includes base rent, percentage rent, common area maintenance, real estate taxes, insurance and promotions) to average sales per square foot ratio is low relative to other forms of retail distribution. The following table sets forth, for each of the last five years, occupancy costs per square foot as a percentage of reported tenant sales per square foot.

YEAR	OCCUPANCY COSTS
1996.....	7.9%
1995.....	8.5
1994.....	8.4
1993.....	8.1
1992.....	8.3

SALES

Management believes that increasing tenant sales is an important element in its ability to maintain occupancy levels and to obtain higher average base rents. The Operating Partnership's same-center sales increased 11% during 1996 compared to 1995. During the first six months of 1997, same-center sales increased 9% compared to the same period in the previous year. Same-center sales includes weighted average sales per square foot reported in space open for the full duration of both comparison periods.

The following table compares weighted average sales per square foot, during each of the last five years, for tenants that report sales:

YEAR	REPORTED TENANT SALES (000'S)	WEIGHTED AVERAGE SALES PER SQ. FT.
1996.....	\$ 1,005,390	\$ 345
1995.....	748,256	313
1994.....	534,427	309
1993.....	391,388	298
1992.....	301,058	274

TENANTS

The Operating Partnership has a diversified mix of tenants, with no single tenant accounting for more than 7% of the Operating Partnership's revenue or total GLA. Only one tenant, combining all of its store concepts, occupies more than 4.1% of the Operating Partnership's GLA. In addition, only five individual store concepts each account for more than 2% of the Operating Partnership's revenue or total GLA.

The following table sets forth certain information with respect to the Operating Partnership's ten largest tenants and their store concepts as of June 30, 1997.

TENANT	NUMBER OF STORES	GLA (SQ. FT.)	% OF TOTAL GLA
<b>PHILLIPS-VAN HEUSEN CORPORATION:</b>			
Bass Company Store.....	12	90,178	2.3%
Van Heusen.....	16	70,982	1.8
Geoffrey Beene Co. Store.....	7	33,875	0.9
Geoffrey Beene Men.....	7	22,104	0.5
Izod.....	10	21,618	0.5
Gant.....	5	14,957	0.4
Bass Apparel.....	3	12,168	0.3
Bass Shoes.....	2	8,255	0.2
Tenant total.....	62	274,137	6.9%
SAKS FIFTH AVENUE.....	8	163,452	4.1%
WESTPOINT STEVENS.....	6	96,124	2.4%

TENANT	NUMBER OF STORES	GLA (SQ. FT.)	% OF TOTAL GLA
-----			
MELRU CORPORATION:			
Jones New York.....	9	29,708	0.8%
Jones NY Country.....	9	23,606	0.6
Jones NY Sport.....	6	15,431	0.4
Jones NY Factory Finale.....	2	6,464	0.2
Jones NY/Woman.....	1	5,499	0.1
Saville/Saville Woman.....	2	4,746	0.1
Jones NY Exec. Suite.....	2	3,096	0.1
Evan Picone.....	1	2,660	0.1
Jones & Co.....	1	1,857	--
Bristol Cafe.....	2	1,466	--
	---	-----	---
Tenant total.....	35	94,533	2.4 %
LCI HOLDINGS, INC.:			
Liz Claiborne.....	6	80,188	2.0 %
Elisabeth.....	1	3,527	0.1
Dana Buchman.....	1	2,012	0.1
	---	-----	---
Tenant total.....	8	85,727	2.2 %
AMERICAN COMMERCIAL, INCORPORATED:			
Mikasa Factory Store.....	10	85,184	2.2 %
SARA LEE CORPORATION:			
L'eggs/Hanes/Bali/Playtex.....	11	50,326	1.3 %
Coach Leather.....	5	13,127	0.3
Champion Hanes.....	4	10,923	0.3
Socks Galore.....	5	6,215	0.1
Mark Cross.....	2	4,078	0.1
	---	-----	---
Tenant total.....	27	84,669	2.1 %
NINE WEST GROUP:			
Banister Shoe.....	7	33,160	0.8 %
Nine West.....	12	30,240	0.8
Capezio.....	2	6,069	0.2
	---	-----	---
Tenant total.....	21	69,469	1.8 %
DRESS BARN, INC.:			
Dress Barn.....	10	51,065	1.3 %
Westport, Ltd.....	3	13,381	0.3
Westport Woman.....	1	4,005	0.1
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Tenant total.....	14	68,451	1.7 %
CORNING/REVERE.....	14	65,331	1.7 %
TOTAL.....	205	1,087,077	27.5 %
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## DESCRIPTION OF THE NOTES

The Notes constitute a separate series of securities (which are more fully described in the accompanying Prospectus) to be issued pursuant to an indenture, dated as of January 23, 1996 (as modified, amended or supplemented, the "Indenture") among the Operating Partnership, the Company and State Street Bank and Trust Company, as trustee (the "Trustee"). The terms of the Notes include those provisions contained in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"). The following description of the particular terms of the Notes offered hereby (referred to herein as the "Notes" and in the Prospectus as the "Debt Securities") supplements, and to the extent inconsistent therewith, replaces, the description of the general terms and provisions of the Debt Securities set forth in the Prospectus, to which description reference is hereby made. The following summary of the Notes is qualified in its entirety by reference to the Indenture referred to in the Prospectus and the Notes to be issued thereunder. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Prospectus or the Indenture, as the case may be.

### GENERAL

The Notes will be limited to \$125,000,000 in aggregate principal amount. The Notes will be issued in denominations of \$1,000 and integral multiples of \$1,000 in excess thereof. The Notes will mature on October 21, 2007 (the "Maturity Date"). Interest on the Notes will accrue at the rate of 7 1/4 % per annum and will be payable semi-annually in arrears on April 21 and October 21, commencing April 21, 1998 (each, an "Interest Payment Date"), to the persons in whose names the Notes are registered at the close of business on the preceding April 7 or October 7, respectively, regardless of whether such day is a business day. Interest on the Notes will accrue from October 21, 1997 or from the most recent Interest Payment Date to which interest has been paid. If any Interest Payment Date or the Maturity Date or date of earlier redemption, as the case may be, falls on a day that is not a business day, the required payment shall be made on the next business day as if it were made on the date such payment was due and no interest shall accrue on the amount so payable for the period from and after such Interest Payment Date or the Maturity Date or date of earlier redemption, as the case may be. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

The Notes will be issued only in fully-registered, book-entry form. See "--Book-Entry, Delivery and Form" below.

The Notes will constitute unsecured and unsubordinated indebtedness of the Operating Partnership and will rank on a parity with all existing and future unsecured and unsubordinated indebtedness of the Operating Partnership from time to time outstanding. Subject to certain limitations set forth in the Indenture, and as described under "Description of Debt Securities--Certain Covenants--Limitations on Incurrence of Debt" in the accompanying Prospectus, the Indenture will permit the Operating Partnership to incur secured and additional unsecured indebtedness. The Operating Partnership does not presently have outstanding any secured indebtedness. The Notes will be effectively subordinated to the prior claims of creditors under any of the Operating Partnership's secured indebtedness incurred in the future.

Reference is made to the section entitled "--Certain Covenants" below for a description of the covenants applicable to the Notes. Compliance with such covenants with respect to the Notes generally may not be waived by the Trustee unless the Holders of at least a majority in principal amount of all outstanding Notes consent to such waiver.

Except as described under "--Merger, Consolidation or Sale" and "--Certain Covenants" below and under "Description of Debt Securities--Merger, Consolidation or Sale" and "--Certain Covenants" in the accompanying Prospectus, the Indenture does not contain any other provisions that would limit the ability of the Operating Partnership to incur indebtedness or that would afford holders of the Notes protection in the event of (i) a highly leveraged or similar transaction involving the Operating Partnership, the Company



as general partner of the Operating Partnership, or any Affiliate of either such party, (ii) a change of control, or (iii) a reorganization, restructuring, merger or similar transaction involving the Operating Partnership that may adversely affect the holders of the Notes. In addition, subject to the limitations set forth under "--Merger, Consolidation or Sale" and "--Certain Covenants" below or under "Description of Debt Securities--Merger, Consolidation or Sale" and "--Certain Covenants" in the accompanying Prospectus, the Operating Partnership may, in the future, enter into certain transactions such as the sale of all or substantially all of its assets or the merger or consolidation of the Operating Partnership that would increase the amount of the Operating Partnership's indebtedness or substantially reduce or eliminate the Operating Partnership's assets, which may have an adverse effect on the Operating Partnership's ability to service its indebtedness, including the Notes. The Operating Partnership and its management have no present intention of engaging in a highly leveraged or similar transaction involving the Operating Partnership.

#### MATURITY AND OPTIONAL REDEMPTION

The Notes will mature on October 21, 2007, but are subject to redemption at the option of the Operating Partnership, in whole or in part, at any time, at a redemption price equal to the sum of (i) the principal amount of the Notes being redeemed, plus accrued and unpaid interest thereon to the redemption date, and (ii) the Make-Whole Amount (as defined below), if any, with respect to such Notes (the "Redemption Price").

If notice has been given as provided in the Indenture and funds for the redemption of any Notes called for redemption shall have been irrevocably set aside on the redemption date referred to in such notice, such Notes will cease to bear interest on the date fixed for such redemption specified in such notice and the only right of the Holders from and after the redemption date will be to receive payment of the Redemption Price upon surrender of such Notes in accordance with such notice.

Notice of any optional redemption of any Notes will be given to Holders at their addresses, as shown in the security register for the Notes, not less than 30 nor more than 60 days prior to the date fixed for redemption. The notice of redemption will specify, among other items, the Redemption Price and the principal amount of the Notes to be redeemed. If less than all of the Notes are to be redeemed, the particular Notes to be redeemed shall be selected by such method as the Trustee deems fair and appropriate.

As used herein:

"MAKE-WHOLE AMOUNT" means, in connection with any optional redemption of any Notes, the excess, if any, of (i) the aggregate present value as of the date of such redemption of each dollar of principal being redeemed and the amount of any interest (exclusive of interest accrued to the date of redemption) that would have been payable in respect of each such dollar if such redemption had not been made, determined by discounting, on a semi-annual basis, such principal and interest at the applicable Reinvestment Rate (determined on the third Business Day preceding the date such notice of redemption is given) from the respective dates on which such principal and interest would have been payable if such redemption had not been made, over (ii) the aggregate principal amount of the Notes being redeemed.

"REINVESTMENT RATE" means 0.25% plus the yield on treasury securities at a constant maturity under the heading "Week Ending" published in the most recent Statistical Release under the caption "Treasury Constant Maturities" for the maturity (rounded to the nearest month) corresponding to the remaining life to maturity, as of the payment date of the principal being redeemed. If no maturity exactly corresponds to such maturity, yields for the two published maturities most closely corresponding to such maturity shall be calculated pursuant to the immediately preceding sentence and the Reinvestment Rate shall be interpolated or extrapolated from such yields on a straight-line basis, rounding in each of such relevant periods to the nearest month. For the purpose of calculating the

Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount shall be used.

"STATISTICAL RELEASE" means the statistical release designated "H.15(519)" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States government securities adjusted to constant maturities, or, if such statistical release is not published at the time of any determination of the Make-Whole Amount, then such other reasonably comparable index which shall be designated by the Operating Partnership.

The Notes are not subject to repayment at the option of the Holders thereof. In addition, the Notes will not be entitled to the benefit of any sinking fund.

#### MERGER, CONSOLIDATION OR SALE

In addition to the restrictions on merger, consolidation or sale contained in the accompanying Prospectus (see "Description of Debt Securities -- Merger, Consolidation or Sale"), the Operating Partnership will not consolidate with or merge with or into any Person or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its assets to any other Person unless after giving pro forma effect to the consolidation, merger, sale, conveyance, transfer, lease or other disposition, the Operating Partnership or successor entity could incur at least \$1.00 of Debt (other than intercompany Debt) in accordance with the Indenture covenants limiting the incurrence of Debt.

#### CERTAIN COVENANTS

**LIMITATION ON INCURRENCE OF DEBT.** In addition to the limitations on incurrence of Debt contained in the accompanying Prospectus (see "Description of Debt Securities -- Certain Covenants -- Limitations on Incurrence of Debt"), the Operating Partnership will not allow any Restricted Subsidiary to incur any Debt other than intercompany Debt.

**LIMITATION ON DISTRIBUTIONS.** In addition to the limitations on distributions contained in the accompanying Prospectus (see "Description of Debt Securities -- Certain Covenants -- Limitations on Distributions"), the Operating Partnership will not make any distribution, by reduction of capital or otherwise (other than distributions payable in securities evidencing interests in the Operating Partnership's capital for the purpose of acquiring interests in real property or otherwise) unless, immediately after giving pro forma effect to such distribution, the Operating Partnership could incur at least \$1.00 of Debt (other than intercompany Debt) in accordance with the Indenture covenants limiting the incurrence of Debt; PROVIDED, HOWEVER, that the foregoing limitations shall not apply to any distribution which is necessary to maintain the Company's status as a REIT if the aggregate principal amount of all outstanding Debt of the Company and the Operating Partnership on a consolidated basis at such time is less than 60% of Adjusted Total Assets.

**LIMITATION ON TRANSACTIONS WITH AFFILIATES.** The Operating Partnership will not, and will not permit any Subsidiary to, directly or indirectly, enter into any transaction or series of related transactions with an Affiliate unless (i) such transaction or series of transactions is on terms that are no less favorable than those available in an arm's-length transaction with unrelated third parties, (ii) with respect to any transaction, or series of transactions, with total consideration equal to or greater than \$5.0 million, the Operating Partnership shall have delivered an officer's certificate certifying that such transaction, or series of transactions, complies with clause (i) above and such transaction or series of transactions has been approved by a majority of the Disinterested Directors, or in the case of transactions included in this clause (ii) for which there are no Disinterested Directors, the Operating Partnership shall have obtained a written opinion from a nationally recognized investment banking firm to the effect that such transaction, or series of transactions, is fair to the Operating Partnership or Subsidiary from a financial point of view and (iii) with respect to any transaction, or series of transactions, with total consideration in excess of

\$15.0 million, the Operating Partnership shall obtain a written opinion from a nationally recognized investment banking firm as described above.

**LIMITATION ON DIVIDEND AND OTHER PAYMENT RESTRICTIONS AFFECTING RESTRICTED SUBSIDIARIES.** The Operating Partnership will not, and will not permit any Restricted Subsidiary to, create or allow to exist any encumbrance that would restrict the ability of a Restricted Subsidiary to (i) pay dividends on Capital Stock, (ii) pay Debt owed to the Operating Partnership or any Subsidiary, (iii) make loans or advances to the Operating Partnership or any Subsidiary, (iv) transfer any property or assets to the Operating Partnership or any other Subsidiary, or (v) guarantee any Debt of the Operating Partnership or any Subsidiary.

**LIMITATION ON THE SALE OF CAPITAL STOCK.** The Operating Partnership will not permit any Restricted Subsidiary to issue any Capital Stock (other than to the Operating Partnership or a Restricted Subsidiary) and shall not permit any person (other than the Operating Partnership or a Subsidiary) to own any Capital Stock of any Restricted Subsidiary; PROVIDED, HOWEVER, that the foregoing shall not prohibit the issuance and sale of all, but not less than all, of the issued and outstanding Capital Stock of any Subsidiary owned by the Operating Partnership or any Subsidiary in accordance with the provisions of the Indenture.

As used herein:

"AFFILIATE" means, with respect to any specified person, (i) any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified person or (ii) any other person that owns, directly or indirectly, 10% or more of such specified person's Voting Stock or any executive officer or director of any such specified person or other person or, with respect to any natural person, any person having a relationship with such person by blood, marriage or adoption not more remote than first cousin. For the purposes of this definition, "control", when used with respect to any specified person, means the power to direct the management and policies of such person, directly or indirectly, whether through the ownership of Voting Stock, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"DISINTERESTED DIRECTOR" means, with respect to any transaction or series of transactions which a majority of the Disinterested Directors of the Company are required to approve under the Indenture or a supplemental indenture, a member of the Board of Directors who does not have any material direct or indirect financial interest in or with respect to such transaction or series of transactions.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Operating Partnership unless such Subsidiary of the Operating Partnership is an Unrestricted Subsidiary or is designated as an Unrestricted Subsidiary pursuant to the terms of the Indenture or a supplemental indenture.

"UNRESTRICTED SUBSIDIARY" means (a) any Subsidiary that at the time of determination shall be an Unrestricted Subsidiary (as designated by the Board of Directors, as provided below) and (b) any Subsidiary of an Unrestricted Subsidiary. The Board of Directors may designate any Subsidiary (including any newly acquired or newly formed Subsidiary) to be an Unrestricted Subsidiary so long as (i) neither the Operating Partnership nor any other Subsidiary is directly or indirectly liable for any Debt of such Subsidiary, (ii) no default with respect to any Debt of such Subsidiary would permit (upon notice, lapse of time or otherwise) any holder of any other Debt of the Operating Partnership or any other Subsidiary to declare a default on such other Debt or cause the payment thereof to be accelerated or payable prior to its stated maturity, (iii) neither the Operating Partnership nor any other Subsidiary has a contract, agreement, arrangement, understanding or obligation of any kind, whether written or oral, with such Subsidiary other than those that might be obtained at the time from persons who are not Affiliates of the Operating Partnership and (iv) neither the Operating Partnership nor any other Subsidiary has any obligation (1) to subscribe for additional shares of Capital Stock or other equity interest in such Subsidiary or (2) to maintain or preserve such Subsidiary's financial condition or to cause such Subsidiary to achieve certain levels of operating results. Any such designation by the Board of Directors shall be evidenced to the Trustee by filing with the Trustee a copy of the board resolution giving effect to such designation. The

Board of Directors may designate any Unrestricted Subsidiary as a Restricted Subsidiary if immediately after giving effect to such designation, there would be no event of default under the Indenture, or any event that after notice or passage of time would be an event of default, and the Operating Partnership could incur \$1.00 of additional Debt (other than intercompany Debt) in accordance with the Indenture covenants limiting the incurrence of Debt.

Reference is made to the section entitled "Description of Debt Securities -- Certain Covenants" in the accompanying Prospectus for a description of additional covenants applicable to the Notes. Compliance with the covenants described herein and such additional covenants with respect to the Notes generally may not be waived by the Board of Directors of the Company, as general partner of the Operating Partnership, or by the Trustee unless the Holders of at least a majority in principal amount of all outstanding Notes consent to such waiver; PROVIDED, HOWEVER, that the defeasance and covenant defeasance provisions of the Indenture described under "Description of Debt Securities -- Discharge, Defeasance and Covenant Defeasance" in the accompanying Prospectus will apply to the Notes, including with respect to the covenants described in this Prospectus Supplement.

#### BOOK-ENTRY, DELIVERY AND FORM

Upon issuance, the Notes will be represented by a single Global Note, which will be deposited with, or on behalf of, the Depositary and will be registered in the name of the Depositary or a nominee of the Depositary. The Global Note may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary, or by the Depositary or any such nominee to a successor depositary or a nominee of such successor depositary.

So long as the Depositary or its nominee is the registered owner of the Global Note, the Depositary or its nominee, as the case may be, will be the sole owner of the Notes represented thereby for all purposes under the Indenture and may be treated by the Operating Partnership or the Trustee as the owner of the Global Note for all purposes whatsoever. Except as otherwise provided in this section, owners of beneficial interests in the Global Note will not be entitled to receive physical delivery of certificated Notes and will not be considered the owners thereof for any purpose under the Indenture, and the Global Note shall not be exchangeable or transferable. Accordingly, each beneficial owner must rely on the procedures of the Depositary and, if such beneficial owner is not a Participant (as defined herein), on the procedures of the Participant through which such beneficial owner owns its interest in order to exercise any rights of an owner under the Global Note or the Indenture. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. Such limits and such laws may impair the ability to transfer beneficial interests in the Global Note.

None of the Operating Partnership, the Company, the Trustee, any Paying Agent or the Registrar will have responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership in the Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Global Note will be exchangeable for certificated Notes of like tenor and terms and of differing authorized denominations aggregating a like principal amount, only if the Depositary is at any time unwilling, unable or ineligible to continue as depositary and a successor depositary is not appointed by the Operating Partnership within 90 days of the Operating Partnership's receipt of notice to such effect or if the Operating Partnership, in its sole discretion, at any time determines that the Notes shall no longer be represented by such Global Note, then in either event the Global Note shall be exchanged for Notes in definitive form pursuant to the Indenture.

The following is based on information furnished by the Depository:

The Depository is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. The Depository holds securities that its participants ("Participants") deposit with the Depository. The Depository also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants of the Depository ("Direct Participants") include securities brokers and dealers (including the Underwriters), banks, trust companies, clearing corporations and certain other organizations. The Depository is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the Depository's system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to the Depository and its Participants are on file with the Securities and Exchange Commission.

Purchasers of Notes under the Depository's system must be made by or through Direct Participants, which will receive a credit for such Notes on the Depository's records. The ownership interest of each actual purchaser of each Note represented by the Global Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from the Depository of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which such Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Global Note are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificated Notes representing their beneficial ownership interests in the Global Note, except in the event that use of the book-entry system for the Global Note is discontinued.

To facilitate subsequent transfers, the Global Note deposited with, or on behalf of, the Depository will be registered in the name of the Depository's partnership nominee, Cede & Co. The deposit of the Global Note with the Depository and the registration thereof in the name of Cede & Co. effect no change in beneficial ownership. The Depository has no knowledge of the actual Beneficial Owners of the Notes represented by the Global Note; the Depository's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither the Depository nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, the Depository mails an Omnibus Proxy to the Operating Partnership as soon as possible after the applicable record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose account interests in the Notes represented by the Global Note are credited on the applicable record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made in immediately available funds to the Depository. The Depository's practice is to credit Direct Participants' accounts on the applicable payment date in accordance with their respective holdings shown on the Depository's records unless the Depository has reason to believe that it will not receive payment on such date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities, held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of the Depository, the Trustee, the Operating Partnership or the Company, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to the Depository is the responsibility of the Operating Partnership or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of the Depository, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Depository may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the Operating Partnership or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, certificated Notes are required to be printed and delivered.

The Operating Partnership may decide to discontinue use of the system of book-entry transfers through the Depository (or a successor securities depository). In that event, certificated Notes will be printed and delivered.

The information in this section concerning the Depository and the Depository's book-entry has been obtained from sources that the Operating Partnership believes to be reliable, but the Operating Partnership takes no responsibility for the accuracy thereof.

#### INFORMATION REGARDING THE TRUSTEES

The Trustee under the Indenture will be State Street Bank and Trust Company. The Trustee is the trustee with respect to the Operating Partnership's publicly issued debt securities.

## CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following summary of certain United States Federal income tax consequences of the purchase, ownership and disposition of the Notes is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (including changes in effective dates) or possible differing interpretations. The following discussion deals only with Notes held as capital assets and does not purport to deal with persons in special tax situations, such as financial institutions, banks, insurance companies, regulated investment companies, dealers in securities or currencies, persons holding Notes as a hedge against currency risks or as a position in a "straddle" for tax purposes, or persons whose functional currency is not the United States dollar. It also does not deal with holders other than original purchasers (except where otherwise specifically noted). Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of United States Federal income tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

As used herein, the term "U.S. Holder" means a beneficial owner of a Note that is for United States Federal income tax purposes (i) a citizen or resident of the United States, (ii) a corporation or partnership (including an entity treated as a corporation or a partnership for U.S. Federal income tax purposes) created or organized in or under the laws of the United States or any state thereof or the District of Columbia (except in the case of a partnership as otherwise provided by Treasury Regulations), (iii) an estate the income of which is subject to United States Federal income taxation regardless of its source, (iv) a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (v) any other person whose income or gain in respect of a Note is effectively connected with the conduct of a United States trade or business. Notwithstanding the preceding sentence, to the extent provided in regulations, certain trusts in existence on August 20, 1996 and treated as United States persons prior to such date that elect to continue to be so treated also shall be considered United States persons. As used herein, the term "non-U.S. Holder" means a beneficial owner of a Note that is not a U.S. Holder.

### U.S. HOLDERS

**PAYMENTS OF INTEREST.** Under general principles of current United States Federal income tax law, payments of interest on a debt instrument generally will be taxable to a U.S. Holder as ordinary interest income at the time such payments are accrued or are received (in accordance with the U.S. Holder's regular method of tax accounting).

**DISPOSITION OF A NOTE.** Under general principles of current United States Federal income tax law, upon the sale, exchange or retirement of a Note, a U.S. Holder generally would recognize taxable gain or loss in an amount equal to the difference, if any, between the amount realized upon the sale, exchange or retirement (other than amounts representing accrued and unpaid interest) and such U.S. Holder's adjusted tax basis in its Note. A U.S. Holder's adjusted tax basis in a Note generally would equal such U.S. Holder's initial investment in such Note. Any gain or loss realized by a U.S. Holder upon the sale, exchange or retirement of a Note generally would be long-term or short-term capital gain or loss, depending upon whether the U.S. Holder had held the Note for more than one year. The Taxpayer Relief Act of 1997 reduces the maximum rates on gains recognized upon the taxable disposition of capital assets held by individual taxpayers for more than 18 months as of the date of disposition (and would further reduce the maximum rates on such gains in the year 2001 and thereafter for certain individual taxpayers who meet specified conditions). Prospective investors should consult their own tax advisors concerning these tax law changes.

**GAIN OR INCOME RECEIVED BY A FOREIGN CORPORATION.** A foreign corporation whose income or gain in respect of a Note is effectively connected with the conduct of a United States trade or business, in addition to being subject to regular U.S. income tax, may be subject to a branch profits tax equal to 30% of its

"effectively connected earnings and profits" within the meaning of the Code for the taxable year, as adjusted for certain items, unless it qualifies for a lower rate under an applicable tax treaty (as modified by the branch profits tax rules).

#### NON-U.S. HOLDERS

A non-U.S. Holder will not be subject to United States Federal income taxes on payments of principal, premium, if any, or interest on a Note, if (i) such non-U.S. Holder does not hold a direct or indirect 10% or greater interest in the Operating Partnership or a controlled foreign corporation related to the Company and (ii) the last United States payor in the chain of payment (the "Withholding Agent") has received in the year in which a payment of interest or principal occurs, or in either of the two preceding calendar years, a statement signed by the beneficial owner of the Note under penalties of perjury certifying that such owner is not a U.S. Holder and providing the name and address of the beneficial owner. The statement may be made on a Form W-8 or a substantially similar form, and the beneficial owner must inform the Withholding Agent of any change in the information on the statement within 30 days of such change. If a Note is held through a securities clearing organization or certain other financial institutions, the organization or institution may provide a signed statement to the Withholding Agent. However, in such case, the signed statement must be accompanied by a copy of the Form W-8 or the substitute form provided by the beneficial owner to the organization or institution. Interest received by a non-U.S. Holder which does not qualify for exemption from taxation will be subject to United States Federal income tax and withholding tax at a rate of 30% unless reduced or eliminated by applicable tax treaty. The Treasury Department is considering implementation of further certification requirements aimed at determining whether the issuer of a debt obligation is related to holders thereof.

Generally, a non-U.S. Holder will not be subject to Federal income taxes on any amount which constitutes capital gain upon retirement or disposition of a Note, provided the gain is not effectively connected with the conduct of a trade or business in the United States by the non-U.S. Holder. Certain other exceptions may be applicable, and a non-U.S. Holder should consult its tax advisor in this regard.

The Treasury Department has issued regulations regarding the backup withholding rules as applied to non-U.S. Holders that unify current certification procedures and forms and unify reliance standards but generally do not substantially alter the current system of backup withholding compliance with respect to interest payment. The regulations will be generally effective with respect to distributions made after December 31, 1998, subject to compliance with certain transition rules. A non-U.S. Holder should consult its tax advisor regarding the effect these regulations will have on its reporting and certification requirements.

The Notes will not be includible in the estate of a non-U.S. Holder unless the individual holds a direct or indirect 10% or greater interest in the Operating Partnership or, at the time of such individual's death, payments in respect of the Notes would have been effectively connected with the conduct by such individual of a trade or business in the United States.

#### BACKUP WITHHOLDING

Backup withholding of United States Federal income tax at a rate of 31% may apply to payments made in respect of the Notes to registered owners who are not "exempt recipients" and who fail to provide certain identifying information (such as the registered owner's taxpayer identification number) in the required manner. Generally, individuals are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. Payments made in respect of the Notes to a U.S. Holder must be reported to the Internal Revenue Service ("IRS"), unless the U.S. Holder is an exempt recipient or establishes an exemption. Compliance with the identification procedures described in the preceding section would establish an exemption from backup withholding for those non-U.S. Holders who are not exempt recipients.



In addition, upon the sale of a Note to (or through) a broker, the broker must withhold 31% of the entire purchase price, unless either (i) the broker determines that the seller is a corporation or other exempt recipient or (ii) the seller provides, in the required manner, certain identifying information and, in the case of a non-U.S. Holder, certifies that such seller is a non-U.S. Holder (and certain other conditions are met). Such a sale must also be reported by the broker to the IRS, unless either (i) the broker determines that the seller is an exempt recipient or (ii) the seller certifies its non-U.S. status (and certain other conditions are met). Certification of the registered owner's non-U.S. status would be made normally on a Form W-8 under penalties of perjury, although in certain cases it may be possible to submit other documentary evidence.

Any amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's United States Federal income tax provided the required information is furnished to the IRS.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement, the Operating Partnership has agreed to sell to each of the Underwriters named below (the "Underwriters"), and each of the Underwriters has severally agreed to purchase, the respective principal amount of Notes set forth opposite their names below. The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Notes if any are purchased.

UNDERWRITER	PRINCIPAL AMOUNT OF NOTES
Merrill Lynch, Pierce, Fenner & Smith Incorporated.....	\$ 87,500,000
Goldman, Sachs & Co.....	18,750,000
J.P. Morgan Securities Inc.....	18,750,000
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Total.....	\$ 125,000,000
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The Operating Partnership has been advised by the Underwriters that they propose initially to offer the Notes to the public at the public offering price set forth on the cover page of this Prospectus Supplement, and to certain dealers at such price less a concession not in excess of .6% of the principal amount. The Underwriters may allow, and such dealers may reallow, a discount not in excess of .25% of the principal amount to certain other dealers. After the initial public offering, the public offering price, concession and discount may be changed.

The Notes are a new issue of securities with no established trading market. The Operating Partnership does not intend to apply for listing of the Notes on a national securities exchange or The Nasdaq Stock Market. The Operating Partnership has been advised by the Underwriters that they intend to make a market in the Notes, but are not obligated to do so and may discontinue any market making at any time without notice. No assurance can be given as to the development or liquidity of the trading market for the Notes.

Until the distribution of the Notes is completed, rules of the Securities and Exchange Commission may limit the ability of the Underwriters to bid for and purchase the Notes. As an exception to these rules, Merrill Lynch, Pierce, Fenner & Smith Incorporated ("Merrill Lynch"), as representative, will be permitted to engage in certain transactions that stabilize the price of the Notes. Such transactions consist of bids or purchases for the purpose of pegging, fixing or maintaining the price of the Notes.

If the Underwriters create a short position in the Notes in connection with the Offering, i.e., if they sell more of the Notes than are set forth on the cover page of this Prospectus Supplement, Merrill Lynch may reduce that short position by purchasing Notes in the open market.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases.

Neither the Operating Partnership nor the Underwriters makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the prices of the Notes. In addition, neither the Operating Partnership nor the Underwriters makes any representation that Merrill Lynch will engage in such transactions or that such transactions, once commenced, will be discontinued without notice.

The Operating Partnership and the Company have agreed to indemnify the Underwriters against certain liabilities, including civil liabilities under the Securities Act of 1933, as amended, or contribute to payments the Underwriters may be required to make in respect thereof.

In the ordinary course of their respective business, certain of the Underwriters and their affiliates have provided, and may in the future provide, investment banking, financial advisory and other services to the Operating Partnership and the Company.

#### LEGAL MATTERS

Certain legal matters with respect to the Notes offered hereby will be passed upon for the Operating Partnership by Stroock & Stroock & Lavan LLP, New York, New York. Certain legal matters in connection with the Offering will be passed upon for the Underwriters by Brown & Wood LLP, New York, New York.

\$500,000,000

CHELSEA GCA REALTY, INC.

COMMON STOCK, PREFERRED STOCK AND DEPOSITARY SHARES

CHELSEA GCA REALTY  
PARTNERSHIP, L.P.

DEBT SECURITIES

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Chelsea GCA Realty, Inc. (the "Company") may offer and issue from time to time (i) shares of its common stock, \$.01 par value per share (the "Common Stock"), (ii) shares of its preferred stock, \$.01 par value per share (the "Preferred Stock") and (iii) shares of Preferred Stock represented by depositary shares (the "Depositary Shares"), with an aggregate public offering price of up to \$200,000,000, in amounts, at prices and on terms to be determined at the time of offering. Chelsea GCA Realty Partnership, L.P. (the "Operating Partnership") may offer and issue from time to time in one or more series unsecured non-convertible debt securities (the "Debt Securities"), with an aggregate public offering price of up to \$300,000,000, in amounts, at prices and on terms to be determined at the time of offering. The Common Stock, Preferred Stock, Depositary Shares and Debt Securities (collectively, the "Securities") may be offered, separately or together, at prices and on terms to be set forth in one or more supplements to this Prospectus (each a "Prospectus Supplement"). If any Debt Securities issued by the Operating Partnership are rated below investment grade at the time of issuance, such Debt Securities will be fully and unconditionally guaranteed by the Company (the "Guarantees") as to payment of principal, premium, if any, and interest.

The specific terms of the Securities in respect of which this Prospectus is being delivered will be set forth in the applicable Prospectus Supplement and will include, where applicable: (i) in the case of Common Stock, any initial public offering price, (ii) in the case of Preferred Stock, the specific title and stated value, any dividend, liquidation, redemption, conversion, voting and other rights, and any initial public offering price, (iii) in the case of Depositary Shares, the fractional share of Preferred Stock represented by each Depositary Share and (iv) in the case of Debt Securities, the specific title, aggregate principal amount, currency, form (which may be registered or bearer, or certificated or global), authorized denominations, maturity, rate (or manner of calculation thereof) and time of payment of interest, terms for redemption at the option of the Operating Partnership or repayment at the option of the holder, terms for sinking fund payments, covenants and any initial public offering price. In addition, such specific terms may include limitations on direct or beneficial ownership and restrictions on transfer of the Securities, in each case as may be appropriate to preserve the status of the Company as a real estate investment trust ("REIT") for federal income tax purposes.

The applicable Prospectus Supplement will also contain information, where applicable, about certain United States federal income tax considerations relating to, and any listing on a securities exchange of, the Securities covered by such Prospectus Supplement.

SEE "RISK FACTORS" BEGINNING AT PAGE 3 OF THIS PROSPECTUS FOR A DESCRIPTION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY PURCHASERS OF THE SECURITIES.

The Securities may be offered directly or through agents designated from time to time by the Company or the Operating Partnership or to or through underwriters or dealers. If any agents or underwriters are involved in the sale of any of the Securities their names, and any applicable purchase price, fee, commission or discount arrangement between or among them, will be set forth, or will be calculable from the information set forth, in an accompanying Prospectus Supplement. No Securities may be sold by the Company or the Operating Partnership through agents, underwriters or dealers without delivery of a Prospectus Supplement describing the method and terms of the offering of such Securities. See "Plan of Distribution."

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THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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THE DATE OF THIS PROSPECTUS IS OCTOBER 8, 1997.

## AVAILABLE INFORMATION

The Company and the Operating Partnership are subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, the Company files reports, proxy statements and other information with the Securities and Exchange Commission (the "Commission") and the Operating Partnership files reports with the Commission. Such reports, proxy statements and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, as well as the regional offices of the Commission at 7 World Trade Center (13th Floor), New York, New York 10048, and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Such reports and other information filed with the Commission may also be available at the Commission's site on the World Wide Web located at <http://www.sec.gov>. Copies of such information can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Such materials can also be inspected at the office of the New York Stock Exchange, Inc. ("NYSE"), 20 Broad Street, New York, New York 10005.

The Company and the Operating Partnership have filed with the Commission a Registration Statement on Form S-3 under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the Securities. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which have been omitted in accordance with the rules and regulations of the Commission. For further information with respect to the Company, the Operating Partnership and the Securities, reference is made to the Registration Statement, including the exhibits filed as a part thereof and otherwise incorporated therein. Statements made in this Prospectus as to the contents of any contract, agreement or other document referred to are not necessarily complete; with respect to each such contract, agreement or other document filed as an exhibit to the Registration Statement, reference is made to such exhibit for a more complete description of the matter involved, and each such statement shall be deemed qualified in its entirety by such reference. Copies of the Registration Statement and the exhibits may be inspected, without charge, at the offices of the Commission, or obtained at prescribed rates from the Public Reference Section of the Commission at the address set forth above.

### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The following documents heretofore filed by the Company (Commission File No. 1-12328) and the Operating Partnership (Commission File No. 33-98136) with the Commission pursuant to the Exchange Act or the Securities Act are incorporated by reference in this Prospectus:

1. Annual Reports on Form 10-K for the year ended December 31, 1996.
2. Quarterly Reports on Form 10-Q for the quarters ended March 31, 1997 and June 30, 1997.
3. The description of the Company's Common Stock which is contained in Item 1 of the Company's registration statement on Form 8-A, as amended, filed September 8, 1993 pursuant to Section 12 of the Exchange Act.
4. Current Report on Form 8-K dated April 11, 1997.
5. The information contained in the section "Policies With Respect to Certain Activities" contained in the Registration Statement on Form S-11 (File No. 33-67870) filed on August 25, 1993, as amended.

All documents filed by the Company or the Operating Partnership pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of this Prospectus and prior to the termination of the offering of the Securities hereunder shall be deemed to be incorporated by reference herein and to be a part hereof from the date of the filing of such reports and documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is incorporated or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company and the Operating Partnership will provide a copy of any or all of such documents (exclusive of exhibits unless such exhibits are specifically incorporated by reference therein), without charge, to each person to whom this Prospectus is delivered, upon written or oral request to Investor Relations, Chelsea GCA Realty, Inc., 103 Eisenhower Parkway, Roseland, New Jersey 07068, telephone (973) 228-6111.

#### THE COMPANY AND THE OPERATING PARTNERSHIP

The Company is a self-administered and self-managed REIT which is the managing general partner of the Operating Partnership, a partnership that owns and provides development, leasing, marketing and management for upscale and fashion-oriented manufacturers' outlet centers (the "Properties"). The Company also has several properties under development. The Properties are located near large metropolitan areas or at proven tourist destinations.

All of the Company's interests in the Properties are held by, and all of its operations relating to the Properties are conducted through, the Operating Partnership. The description of business, property information, policies with respect to certain activities and management information for the Operating Partnership are virtually identical to that of the Company. Such information may be found in the Company's Annual Report on Form 10-K for the year ended December 31, 1996 and in the Company's definitive prospectus dated October 26, 1993 contained in its Registration Statement on Form S-11 (File No. 33-67870). The Company controls the Operating Partnership as the sole general partner and owner of approximately 82% of the outstanding units of partnership interests in the Operating Partnership (the "Units"). Each Unit, other than those held by the Company, may be exchanged by the holder thereof for one share (subject to certain adjustments) of Common Stock. With each such exchange, the number of Units owned by the Company, and its percentage interest in the Operating Partnership, will increase.

The Company is organized under the laws of the State of Maryland. The Operating Partnership is a Delaware limited partnership. Their principal executive office is located at 103 Eisenhower Parkway, Roseland, New Jersey 07068, telephone (973) 228-6111.

#### RISK FACTORS

Prospective investors should carefully consider, among other factors, the matters described below before purchasing Securities in the Offering.

#### NO LIMITATION IN ORGANIZATIONAL DOCUMENTS ON INCURRENCE OF DEBT

The Company intends to limit the extent of its borrowing to less than 40% of its total market capitalization (i.e., the market value of issued and outstanding shares of Common Stock and Units plus total debt), but the organizational documents of the Company do not contain any limitation on the amount or percentage of indebtedness the Company might incur. The Indenture, however, will contain limits on the Company's ability to incur indebtedness. If the Company's policy limiting borrowing were changed, the Company could become more highly leveraged, resulting in an increase in debt service that could adversely affect the Company's funds from operations and ability to make expected distributions to stockholders and in an increased risk of default on its obligations.

#### CONCENTRATION OF COMPANY'S REVENUE

Approximately 38% and 34% of the Company's revenues for the year ended December 31, 1996 and the six-month period ended June 30, 1997, respectively, were derived from the Company's two centers with the highest revenues, Woodbury Common Factory Outlets and Desert Hills Factory Stores. The loss of either of these centers or a material decrease in the revenues received from either of such centers for any reason could have a material adverse effect on the Company. In addition, approximately 44% and 40% of the Company's revenues for the year ended December 31, 1996 and the six-month period ended June 30, 1997, respectively, were derived from the Company's nine centers in California.

## ABILITY OF THE COMPANY TO PAY ON GUARANTEES

All operations of the Company are conducted by the Operating Partnership, and the only asset of the Company is its approximate 82% interest in the Operating Partnership. As a result, the Company is dependent upon the receipt of distributions or other payments from the Operating Partnership in order to meet its financial obligations, including its obligations under any Guarantees. Any Guarantees will be effectively subordinated to existing and future liabilities of the Operating Partnership. At June 30, 1997, the Operating Partnership had approximately \$255 million of indebtedness outstanding, all of which was unsecured. The Operating Partnership is a party to a loan agreement with various bank lenders which requires the Operating Partnership to comply with various financial and other covenants before it may make distributions to the Company. Although the Operating Partnership presently is in compliance with such covenants, there is no assurance that it will continue to be in compliance and that it will be able to continue to make distributions to the Company.

## RISKS IN THE EVENT OF CERTAIN TRANSACTIONS BY THE OPERATING PARTNERSHIP OR THE COMPANY

The Indenture does not contain any provisions that would afford holders of Debt Securities protection in the event of (i) a highly leveraged or similar transaction involving the Operating Partnership, the management of the Operating Partnership or the Company, or any affiliate of any such party, (ii) a change of control, or (iii) certain reorganizations, restructurings, mergers or similar transactions involving the Operating Partnership or the Company.

## LIMITATIONS ON ACQUISITION AND CHANGE IN CONTROL

**OWNERSHIP LIMIT.** The Company's Articles of Incorporation prohibit ownership of more than 7% of the outstanding Common Stock by any person. Such restriction is likely to have the effect of precluding acquisition of control of the Company by a third party without consent of the Board of Directors even if a change in control were in the interest of stockholders.

**REQUIRED CONSENT OF THE OPERATING PARTNERSHIP FOR MERGER OR OTHER SIGNIFICANT CORPORATE ACTION.** So long as the limited partners own at least 10% of the capital of the Operating Partnership, the Operating Partnership may not merge, consolidate or engage in any combination with another person or sell all or substantially all of its assets unless approved by the holders of a majority of the limited partnership Units.

**STAGGERED BOARD.** The Board of Directors of the Company has three classes of directors, the terms of which will expire in 1998, 1999 and 2000. Directors for each class will be chosen for a three-year term. The staggered terms for directors may affect the stockholders' ability to change control of the Company even if a change in control were in the stockholders' interest.

## DISTRIBUTIONS TO STOCKHOLDERS

To obtain the favorable tax treatment associated with REITs, the Company generally will be required each year to distribute to its stockholders at least 95% of its net taxable income. The ability of the Company to make such distributions is dependent upon the receipt of distributions or other payments from the Operating Partnership.

## ADVERSE IMPACT ON DISTRIBUTIONS OF FAILURE TO QUALIFY AS A REIT

The Company and the Operating Partnership intend to operate in a manner so as to permit the Company to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"). Although the Company believes that it will operate in such a manner, no assurance can be given that the Company will qualify or remain qualified as a REIT. If in any taxable year the Company were to fail to qualify as a REIT, the Company would not be allowed a deduction for distributions to stockholders in computing taxable income and would be subject to Federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates.

## RISKS RELATED TO THE MANUFACTURERS' OUTLET CENTER INDUSTRY

**COMPETITION FROM OTHER MANUFACTURERS' OUTLET CENTERS.** Numerous developers and real estate companies are engaged in the development or ownership of manufacturers' outlet centers and other commercial

properties and compete with the Company in seeking tenants for outlet centers. This results in competition for the acquisition of prime properties and for tenants who will lease space in the manufacturers' outlet centers that the Company and its competitors own or operate.

THE RELATIVELY SHORT HISTORY OF MANUFACTURERS' OUTLET CENTERS MAY NOT BE INDICATIVE OF FUTURE PERIODS. Although the manufacturers' outlet center industry has grown over the last several years, the industry represents a relatively new and rapidly growing segment of the retailing industry and, therefore, the long-term performance of these centers may not be comparable to, and cash flows may not be as predictable as, traditional retail malls.

#### GENERAL REAL ESTATE INVESTMENT RISKS

ECONOMIC PERFORMANCE AND VALUE OF CENTERS DEPENDENT ON MANY FACTORS. Real property investments are subject to varying degrees of risk. The economic performance and values of real estate can be affected by many factors, including changes in the national, regional and local economic climate, local conditions such as an oversupply of space or a reduction in demand for real estate in the area, the attractiveness of the properties to tenants, competition from other available space, the ability of the owner to provide adequate maintenance and insurance and increased operating costs.

RISKS OF DEVELOPMENT ACTIVITIES. The Company intends to actively pursue manufacturers' outlet center development projects, including the expansion of existing centers. Such projects generally require expenditure of capital as well as various forms of government and other approvals, the receipt of which cannot be assured.

DEPENDENCE ON RENTAL INCOME FROM REAL PROPERTY. Since substantially all of the Company's income is derived from rental income from real property, the Company's income and funds for distribution would be adversely affected if a significant number of the Company's tenants were unable to meet their obligations to the Company or if the Company were unable to lease a significant amount of space in its Properties on economically favorable lease terms. In addition, the terms of manufacturers' outlet store tenant leases traditionally have been significantly shorter than in traditional segments of retailing. There can be no assurance that any tenant whose lease expires in the future will renew such lease or that the Company will be able to re-lease space on economically advantageous terms.

ENVIRONMENTAL RISKS. Under various federal, state and local laws, ordinances and regulations, each of the Company and the Operating Partnership may be considered an owner or operator of real property or may have arranged for the disposal or treatment of hazardous or toxic substances and, therefore, may become liable for the costs of removal or remediation of certain hazardous substances released on or in its property or disposed of by it, as well as certain other potential costs which could relate to hazardous or toxic substances (including governmental fines and injuries to persons and property). Such liability may be imposed whether or not the Company knew of, or was responsible for, the presence of such hazardous or toxic substances.

#### USE OF PROCEEDS

The net proceeds to the Company and the Operating Partnership from the sale of the Securities offered hereby (the "Offering") will be used for general corporate purposes, which may include the repayment of existing indebtedness, the development or acquisition of additional properties as suitable opportunities arise and the renovation, expansion and improvement of the Operating Partnership's existing properties. Any proceeds from the sale of Common Stock, Preferred Stock or Depositary Shares by the Company must be invested in the Operating Partnership, which will use such proceeds for the above-described purposes. Further details relating to the use of the net proceeds will be set forth in the applicable Prospectus Supplement.

RATIOS OF EARNINGS TO COMBINED FIXED CHARGES AND  
PREFERRED STOCK DIVIDENDS

The following table sets forth the Company's and the Operating Partnership's consolidated ratios of earnings to combined fixed charges and preferred stock dividends for the periods shown:

SIX MONTHS ENDED JUNE 30, 1997	YEAR ENDED DECEMBER 31,				
	1996	1995	1994	1993	1992
2.13x	2.84x	3.59x	10.40x	1.45x	1.20x

The ratios of earnings to combined fixed charges were computed by dividing earnings by fixed charges. For this purpose, earnings consist of income from continuing operations before minority interest and fixed charges, exclusive of interest capitalized and amortization of loan costs capitalized. Fixed charges consist of interest expense (including interest costs capitalized), the portion of rent expense representative of interest and total amortization of debt issuance costs (expensed and capitalized). To date, the Company has not issued any Preferred Stock.

DESCRIPTION OF DEBT SECURITIES

The Debt Securities will be issued under an Indenture (the "Indenture"), among the Operating Partnership, the Company and State Street Bank and Trust Company, as trustee. The Indenture has been filed as an exhibit to the Registration Statement of which this Prospectus is a part and is available for inspection at the corporate trust office of the trustee at Two International Place, 5th Floor, Boston, Massachusetts or as described above under "Available Information." The Indenture is subject to, and governed by, the Trust Indenture Act of 1939, as amended (the "TIA"). The statements made hereunder relating to the Indenture and the Debt Securities to be issued thereunder are summaries of certain provisions thereof and do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all provisions of the Indenture and such Debt Securities. All section references appearing herein are to sections of the Indenture, and capitalized terms used but not defined herein shall have the respective meanings set forth in the Indenture.

GENERAL

The Debt Securities will be direct, unsecured obligations of the Operating Partnership and will rank equally with all other unsecured and unsubordinated indebtedness of the Operating Partnership. At June 30, 1997, the total outstanding debt of the Operating Partnership was approximately \$255 million, all of which was unsecured debt. The Debt Securities may be issued without limit as to aggregate principal amount, in one or more series, in each case as established from time to time in or pursuant to authority granted by a resolution of the Board of Directors of the Company as sole general partner of the Operating Partnership or as established in one or more indentures supplemental to the Indenture. All Debt Securities of one series need not be issued at the same time and, unless otherwise provided, a series may be reopened, without the consent of the holders of the Debt Securities of such series, for issuances of additional Debt Securities of such series (Section 301).

If any Debt Securities issued by the Operating Partnership are rated below investment grade at the time of issuance, such Debt Securities will be fully and unconditionally guaranteed by the Company as to payment of principal, premium, if any, and interest.

The Indenture provides that there may be more than one trustee (the "Trustee") thereunder, each with respect to one or more series of Debt Securities. Any Trustee under the Indenture may resign or be removed with respect to one or more series of Debt Securities, and a successor Trustee may be appointed to act with respect to such series (Section 608). In the event that two or more persons are acting as Trustee with respect to different series of Debt Securities, each such Trustee shall be a trustee of a trust under the Indenture separate and apart from the trust administered by any other Trustee (Section 609), and, except as otherwise indicated herein, any action described herein to be taken by a Trustee may be taken by each such Trustee with respect to, and only with respect to, the one or more series of Debt Securities for which it is Trustee under the Indenture.



Reference is made to the Prospectus Supplement relating to the series of Debt Securities being offered for the specific terms thereof, including:

- (1) the title of such Debt Securities;
- (2) the aggregate principal amount of such Debt Securities and any limit on such aggregate principal amount;
- (3) the percentage of the principal amount at which such Debt Securities will be issued and, if other than the principal amount thereof, the portion of the principal amount thereof payable upon declaration of acceleration of the maturity thereof;
- (4) the date or dates, or the method for determining such date or dates, on which the principal of such Debt Securities will be payable;
- (5) the rate or rates (which may be fixed or variable), or the method by which such rate or rates shall be determined, at which such Debt Securities will bear interest, if any;
- (6) the date or dates, or the method for determining such date or dates, from which any interest will accrue, the dates on which any such interest will be payable, the record dates for such interest payment dates, or the method by which any such date shall be determined, the person to whom such interest shall be payable, and the basis upon which interest shall be calculated if other than that of a 360-day year of twelve 30-day months;
- (7) the place or places where the principal of (and premium, if any) and interest, if any, on such Debt Securities will be payable, such Debt Securities may be surrendered for registration of transfer or exchange and notices or demands to or upon the Operating Partnership in respect of such Debt Securities and the Indenture may be served;
- (8) the period or periods within which, the price or prices at which and the terms and conditions upon which such Debt Securities may be redeemed, as a whole or in part, at the option of the Operating Partnership, if the Operating Partnership is to have such an option;
- (9) the obligation, if any, of the Operating Partnership to redeem, repay or purchase such Debt Securities pursuant to any sinking fund or analogous provision or at the option of a holder thereof, and the period or periods within which, the price or prices at which and the terms and conditions upon which such Debt Securities will be redeemed, repaid or purchased, as a whole or in part, pursuant to such obligation;
- (10) if other than U.S. dollars, the currency or currencies in which such Debt Securities are denominated and payable, which may be a foreign currency or units of two or more foreign currencies or a composite currency or currencies, and the terms and conditions relating thereto;
- (11) whether the amount of payments of principal of (and premium, if any) or interest, if any, on such Debt Securities may be determined with reference to an index, formula or other method (which index, formula or method may, but need not be, based on a currency, currencies, currency unit or units or composite currency or currencies) and the manner in which such amounts shall be determined;
- (12) the events of default or covenants of such Debt Securities, to the extent different from or in addition to those described herein;
- (13) whether such Debt Securities will be issued in certificated and/or book-entry form;
- (14) whether such Debt Securities will be in registered or bearer form and, if in registered form, the denominations thereof if other than \$1,000 and any integral multiple thereof and, if in bearer form, the denominations thereof if other than \$5,000 and terms and conditions relating thereto;
- (15) with respect to any series of Debt Securities rated below investment grade at the time of issuance, the Guarantees (the "Guaranteed Securities");
- (16) if the defeasance and covenant defeasance provisions described herein are to be inapplicable or any modification of such provisions;

- (17)if such Debt Securities are to be issued upon the exercise of debt warrants, the time, manner and place for such Debt Securities to be authenticated and delivered;
- (18)whether and under what circumstances the Operating Partnership will pay additional amounts on such Debt Securities in respect of any tax, assessment or governmental charge and, if so, whether the Operating Partnership will have the option to redeem such Debt Securities in lieu of making such payment;
- (19)with respect to any Debt Securities that provide for optional redemption or prepayment upon the occurrence of certain events (such as a change of control of the Operating Partnership), (i) the possible effects of such provisions on the market price of the Operating Partnership's or the Company's securities or in deterring certain mergers, tender offers or other takeover attempts, and the intention of the Operating Partnership to comply with the requirements of Rule 14e-1 under the Exchange Act and any other applicable securities laws in connection with such provisions; (ii) whether the occurrence of the specified events may give rise to cross-defaults on other indebtedness such that payment on such Debt Securities may be effectively subordinated; and (iii) the existence of any limitation on the Operating Partnership's financial or legal ability to repurchase such Debt Securities upon the occurrence of such an event (including, if true, the lack of assurance that such a repurchase can be effected) and the impact, if any, under the Indenture of such a failure, including whether and under what circumstances such a failure may constitute an Event of Default;
- (20)if other than the Trustee, the identity of each security registrar and/or paying agent; and
- (21)any other terms of such Debt Securities.

The Debt Securities may provide for less than the entire principal amount thereof to be payable upon declaration of acceleration of the maturity thereof ("Original Issue Discount Securities"). If material or applicable, special U.S. federal income tax, accounting and other considerations applicable to Original Issue Discount Securities will be described in the applicable Prospectus Supplement.

Except as described under "Merger, Consolidation or Sale" or as may be set forth in any Prospectus Supplement, the Indenture does not contain any other provisions that would limit the ability of the Operating Partnership or the Company to incur indebtedness or that would afford holders of the Debt Securities protection in the event of (i) a highly leveraged or similar transaction involving the Operating Partnership, the management of the Operating Partnership or the Company, or any affiliate of any such party, (ii) a change of control, or (iii) a reorganization, restructuring, merger or similar transaction involving the Operating Partnership or the Company that may adversely affect the holders of the Debt Securities. In addition, subject to the limitations set forth under "Merger, Consolidation or Sale," the Operating Partnership or the Company may, in the future, enter into certain transactions, such as the sale of all or substantially all of its assets or the merger or consolidation of the Operating Partnership or the Company, that would increase the amount of the Operating Partnership's indebtedness or substantially reduce or eliminate the Operating Partnership's assets, which may have an adverse effect on the Operating Partnership's ability to service its indebtedness, including the Debt Securities. In addition, restrictions on ownership and transfers of the Company's common stock and preferred stock which are designed to preserve its status as a REIT may act to prevent or hinder a change of control. See "Description of Common Stock -- Restrictions on Ownership" and "Description of Preferred Stock -- Restrictions on Ownership." Reference is made to the applicable Prospectus Supplement for information with respect to any deletions from, modifications of or additions to the events of default or covenants that are described below, including any addition of a covenant or other provision providing event risk or similar protection.

Reference is made to "-- Certain Covenants" below and to the description of any additional covenants with respect to a series of Debt Securities in the applicable Prospectus Supplement. Except as otherwise described in the applicable Prospectus Supplement, compliance with such covenants generally may not be waived with respect to a series of Debt Securities by the Board of Directors of the Company as sole general partner of the Operating Partnership or by the Trustee unless the Holders of at least a majority in principal amount of all outstanding Debt Securities of such series consent to such waiver, except to the extent that the

defeasance and covenant defeasance provisions of the Indenture described under "-- Discharge, Defeasance and Covenant Defeasance" below apply to such series of Debt Securities. See "-- Modification of the Indenture."

#### GUARANTEES

The Company will fully, unconditionally and irrevocably guarantee the due and punctual payment of principal of, premium, if any, and interest on any Debt Securities rated below investment grade at the time of issuance by the Operating Partnership, and the due and punctual payment of any sinking fund payments thereon, when and as the same shall become due and payable, whether at a maturity date, by declaration of acceleration, call for redemption or otherwise.

#### DENOMINATIONS, INTEREST, REGISTRATION AND TRANSFER

Unless otherwise described in the applicable Prospectus Supplement, the Debt Securities of any series which are registered securities, other than registered securities issued in global form (which may be of any denomination), shall be issuable in denominations of \$1,000 and any integral multiple thereof and the Debt Securities which are bearer securities, other than bearer securities issued in global form (which may be of any denomination), shall be issuable in denominations of \$5,000 (Section 302).

Unless otherwise specified in the applicable Prospectus Supplement, the principal of (and premium, if any) and interest on any series of Debt Securities will be payable at the corporate trust office of the Trustee, initially located at Two International Place, 5th Floor, Boston, Massachusetts, provided that, at the option of the Operating Partnership, payment of interest may be made by check mailed to the address of the Person entitled thereto as it appears in the applicable Security Register or by wire transfer of funds to such Person at an account maintained within the United States (Sections 301, 307 and 1002).

Any interest not punctually paid or duly provided for on any Interest Payment Date with respect to a Debt Security ("Defaulted Interest") will forthwith cease to be payable to the Holder on the applicable Regular Record Date and may either be paid to the Person in whose name such Debt Security is registered at the close of business on a special record date (the "Special Record Date") for the payment of such Defaulted Interest to be fixed by the Trustee, notice whereof shall be given to the Holder of such Debt Security not less than 10 days prior to such Special Record Date, or may be paid at any time in any other lawful manner, all as more completely described in the Indenture.

Subject to certain limitations imposed upon Debt Securities issued in book-entry form, the Debt Securities of any series will be exchangeable for other Debt Securities of the same series and of a like aggregate principal amount and tenor of different authorized denominations upon surrender of such Debt Securities at the corporate trust office of the Trustee referred to above. In addition, subject to certain limitations imposed upon Debt Securities issued in book-entry form, the Debt Securities of any series may be surrendered for registration of transfer thereof at the corporate trust office of the Trustee referred to above. Every Debt Security surrendered for registration of transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer. No service charge will be made for any registration of transfer or exchange of any Debt Securities, but the Trustee or the Operating Partnership may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith (Section 305). If the applicable Prospectus Supplement refers to any transfer agent (in addition to the Trustee) initially designated by the Operating Partnership with respect to any series of Debt Securities, the Operating Partnership may at any time rescind the designation of any such transfer agent or approve a change in the location through which any such transfer agent acts, except that the Operating Partnership will be required to maintain a transfer agent in each place of payment for such series. The Operating Partnership may at any time designate additional transfer agents with respect to any series of Debt Securities (Section 1002).

Neither the Operating Partnership nor the Trustee shall be required (i) to issue, register the transfer of or exchange any Debt Security if such Debt Security may be among those selected for redemption during a period beginning at the opening of business 15 days before selection of the Debt Securities to be redeemed and ending at the close of business on the day of such selection, or (ii) to register the transfer of or exchange any Registered Security so selected for redemption in whole or in part, except, in the case of any Registered

Security to be redeemed in part, the portion thereof not to be redeemed, or (iii) to exchange any Bearer Security so selected for redemption except that such a Bearer Security may be exchanged for a Registered Security of that series and like tenor, PROVIDED that such Registered Security shall be simultaneously surrendered for redemption, or (iv) to issue, register the transfer of or exchange any Security which has been surrendered for repayment at the option of the Holder, except the portion, if any, of such Debt Security not to be so repaid (Section 305).

#### MERGER, CONSOLIDATION OR SALE

The Operating Partnership or the Company may consolidate with, or sell, lease or convey all or substantially all of its assets to, or merge with or into, any other entity, provided that (a) the Operating Partnership or the Company, as the case may be, shall be the continuing entity, or the successor entity (if other than the Operating Partnership or the Company, as the case may be,) formed by or resulting from any such consolidation or merger or which shall have received the transfer of such assets shall expressly assume payment of the principal of (and premium, if any) and interest on all the Debt Securities and the due and punctual performance and observance of all of the covenants and conditions contained in the Indenture; (b) immediately after giving effect to such transaction, no Event of Default under the Indenture, and no event which, after notice or the lapse of time, or both, would become such an Event of Default, shall have occurred and be continuing; and (c) an officer's certificate and legal opinion covering such conditions shall be delivered to the Trustee (Sections 801 and 803).

#### CERTAIN COVENANTS

**LIMITATIONS ON INCURRENCE OF DEBT.** The Operating Partnership will not, and will not permit any Subsidiary to, incur any Debt (as defined below), other than intercompany debt (representing Debt to which the only parties are the Company, the Operating Partnership and any of their Subsidiaries (but only so long as such Debt is held solely by any of the Company, the Operating Partnership and any Subsidiary) that is subordinate in right of payment to the Debt Securities) if, immediately after giving effect to the incurrence of such additional Debt, the aggregate principal amount of all outstanding Debt of the Operating Partnership and its Subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles is greater than 60% of the sum of (i) the Operating Partnership's Total Assets (as defined below) as of the end of the calendar quarter covered in the Operating Partnership's Annual Report on Form 10-K or Quarterly Report on Form 10-Q, as the case may be, most recently filed with the Commission (or, if such filing is not permitted under the Exchange Act, with the Trustee) prior to the incurrence of such additional Debt and (ii) the increase in Total Assets from the end of such quarter including, without limitation, any increase in Total Assets resulting from the incurrence of such additional Debt (such increase together with the Operating Partnership's Total Assets shall be referred to as the "Adjusted Total Assets") (Section 1011).

In addition to the foregoing limitations on the incurrence of Debt, the Operating Partnership will not, and will not permit any Subsidiary to, incur any Debt secured by any mortgage, lien, charge, pledge, encumbrance or security interest of any kind upon any of the property of the Operating Partnership or any Subsidiary ("Secured Debt"), whether owned at the date of the Indenture or thereafter acquired, if, immediately after giving effect to the incurrence of such additional Secured Debt, the aggregate principal amount of all outstanding Secured Debt of the Operating Partnership and its Subsidiaries on a consolidated basis is greater than 40% of the Operating Partnership's Adjusted Total Assets.

In addition to the foregoing limitations on the incurrence of Debt, the Operating Partnership will not, and will not permit any Subsidiary to, incur any Debt if the ratio of Consolidated Income Available for Debt Service to the Annual Service Charge (in each case as defined below) for the four consecutive fiscal quarters most recently ended prior to the date on which such additional Debt is to be incurred shall have been less than 2.0 to 1, on a pro forma basis after giving effect to the incurrence of such Debt and to the application of the proceeds therefrom, and calculated on the assumption that (i) such Debt and any other Debt incurred by the Operating Partnership or its Subsidiaries since the first day of such four-quarter period and the application of the proceeds therefrom, including to refinance other Debt, had occurred at the beginning of such period, (ii) the repayment or retirement of any other Debt by the Operating Partnership or its Subsidiaries since the first day of such four-quarter period had been incurred, repaid or retired at the

beginning of such period (except that, in making such computation, the amount of Debt under any revolving credit facility shall be computed based upon the average daily balance of such Debt during such period), (iii) the income earned on any increase in Adjusted Total Assets since the end of such four-quarter period had been earned, on an annualized basis, during such period, and (iv) in the case of any acquisition or disposition by the Operating Partnership or any Subsidiary of any asset or group of assets since the first day of such four-quarter period, including, without limitation, by merger, stock purchase or sale, or asset purchase or sale, such acquisition or disposition or any related repayment of Debt had occurred as of the first day of such period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation.

For purposes of the foregoing provisions regarding the limitation on the incurrence of Debt, Debt shall be deemed to be "incurred" by the Operating Partnership and its Subsidiaries on a consolidated basis whenever the Operating Partnership and its Subsidiaries on a consolidated basis shall create, assume, guarantee or otherwise become liable in respect thereof.

**LIMITATIONS ON DISTRIBUTIONS.** The Operating Partnership will not make any distribution, by reduction of capital or otherwise (other than distributions payable in securities evidencing interests in the Operating Partnership's capital for the purpose of acquiring interests in real property or otherwise) unless, immediately after giving pro forma effect to such distribution (a) no default under the Indenture or event of default under any mortgage, indenture or instrument under which there may be issued, or by which there may be secured or evidenced, any Debt of the Operating Partnership, the Company or any Subsidiary shall have occurred or be continuing, and (b) the aggregate sum of all distributions made after the date of the Indenture shall not exceed the sum of (i) 95% of the aggregate cumulative Funds From Operations of the Operating Partnership accrued on a cumulative basis from the date of the Indenture until the end of the last fiscal quarter prior to the contemplated payment, and (ii) the aggregate Net Cash Proceeds received by the Operating Partnership after the date of the Indenture from the issuance and sale of Capital Stock of the Operating Partnership or the Company; provided, however, that the foregoing limitation shall not apply to any distribution or other action which is necessary to maintain the Company's status as a REIT, under the Code, if the aggregate principal amount of all outstanding Debt of the Company and the Operating Partnership on a consolidated basis at such time is less than 60% of Adjusted Total Assets (Section 1012).

Notwithstanding the foregoing, the Operating Partnership will not be prohibited from making the payment of any distribution within 30 days of the declaration thereof if at such date of declaration such payment would have complied with the provisions of the immediately preceding paragraph.

**EXISTENCE.** Except as permitted under "Merger, Consolidation or Sale," the Operating Partnership and the Company are required to do or cause to be done all things necessary to preserve and keep in full force and effect their existence, rights and franchises; PROVIDED, HOWEVER, that the Operating Partnership or the Company shall not be required to preserve any right or franchise if it determines that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Holders of the Debt Securities (Section 1007).

**MAINTENANCE OF PROPERTIES.** The Operating Partnership is required to cause all of its material properties used or useful in the conduct of its business or the business of any Subsidiary to be maintained and kept in good condition, repair and working order and supplied with all necessary equipment and to cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Operating Partnership may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; PROVIDED, HOWEVER, that the Operating Partnership and its Subsidiaries shall not be prevented from selling or otherwise disposing for value their respective properties in the ordinary course of business (Section 1005).

**INSURANCE.** The Operating Partnership is required to, and is required to cause each of its Subsidiaries to, keep all of its insurable properties insured against loss or damage at least equal to their then full insurable value with financially sound and reputable insurance companies (Section 1006).

**PAYMENT OF TAXES AND OTHER CLAIMS.** The Operating Partnership and the Company are required to pay or discharge or cause to be paid or discharged, before the same shall become delinquent, (i) all taxes, assessments and governmental charges levied or imposed upon them or any Subsidiary or upon their income, profits or property or that of any Subsidiary, and (ii) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a lien upon the property of the Operating Partnership, the Company or any Subsidiary; PROVIDED, HOWEVER, that the Operating Partnership and the Company shall not be required to pay or discharge or cause to be paid or discharged any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings (Section 1013).

**PROVISION OF FINANCIAL INFORMATION.** The Holders of Debt Securities will be provided with copies of the annual reports and quarterly reports of the Operating Partnership. Whether or not the Operating Partnership is subject to Section 13 or 15(d) of the Exchange Act and for so long as any Debt Securities are outstanding, the Operating Partnership will, to the extent permitted under the Exchange Act, be required to file with the Commission the annual reports, quarterly reports and other documents which the Operating Partnership would have been required to file with the Commission pursuant to such Section 13 or 15(d) (the "Financial Statements") if the Operating Partnership were so subject, such documents to be filed with the Commission on or prior to the respective dates (the "Required Filing Dates") by which the Operating Partnership would have been required so to file such documents if the Operating Partnership were so subject. The Operating Partnership will also in any event (x) within 15 days of each Required Filing Date (i) transmit by mail to all Holders of Debt Securities, as their names and addresses appear in the Security Register, without cost to such Holders, copies of the annual reports and quarterly reports which the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections and (ii) file with the Trustee copies of the annual reports, quarterly reports and other documents which the Operating Partnership would have been required to file with the Commission pursuant to Section 13 or 15(d) of the Exchange Act if the Operating Partnership were subject to such Sections and (y) if filing such documents by the Operating Partnership with the Commission is not permitted under the Exchange Act, promptly upon written request and payment of the reasonable cost of duplication and delivery, supply copies of such documents to any prospective Holder (Section 1014).

As used herein and in the Prospectus Supplement:

"ANNUAL SERVICE CHARGE" as of any date means the amount which is expensed and capitalized in any 12-month period for interest on Debt.

"CAPITAL STOCK" of any Person means any and all shares, interests, rights to purchase, warrants, options, participations, rights in or other equivalents (however designated) of such Person's capital stock or other equity participations, including partnership interests, whether general or limited, in such Person, including any preferred stock, and any rights (other than debt securities convertible into capital stock), warrants or options exchangeable for or convertible into such capital stock, whether now outstanding or issued after the date of this Prospectus.

"CONSOLIDATED INCOME AVAILABLE FOR DEBT SERVICE" for any period means Consolidated Net Income (as defined below) of the Operating Partnership and its Subsidiaries (i) plus amounts which have been deducted for (a) interest on Debt of the Operating Partnership and its Subsidiaries, (b) provision for taxes of the Operating Partnership and its Subsidiaries based on income, (c) amortization of debt discount, (d) depreciation and amortization, (e) the effect of any noncash charge resulting from a change in accounting principles in determining Consolidated Net Income for such period, (f) amortization of deferred charges and (g) provisions for or realized losses on properties and (ii) less amounts which have been included for gains on properties.

"CONSOLIDATED NET INCOME" for any period means the amount of consolidated net income (or loss) of the Operating Partnership and its Subsidiaries for such period determined on a consolidated basis in accordance with generally accepted accounting principles.

"DEBT" means any indebtedness, whether or not contingent, in respect of (i) borrowed money evidenced by bonds, notes, debentures or similar instruments, (ii) indebtedness secured by any mortgage, pledge, lien, charge, encumbrance or any security interest existing on property, (iii) the reimbursement obligations, contingent or otherwise, in connection with any letters of credit actually issued or amounts representing the balance deferred and unpaid of the purchase price of any property except any such balance that constitutes an accrued expense or trade payable or (iv) any lease of property which would be reflected on a consolidated balance sheet as a capitalized lease in accordance with generally accepted accounting principles, in the case of items of indebtedness under (i) through (iii) above to the extent that any such items (other than letters of credit) would appear as a liability on a consolidated balance sheet in accordance with generally accepted accounting principles, and also includes, to the extent not otherwise included, any obligation to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), indebtedness of another person.

"FUNDS FROM OPERATIONS" ("FFO") for any period means the Consolidated Net Income of the Operating Partnership and its Subsidiaries for such period without giving effect to depreciation and amortization, gains or losses from extraordinary items, gains or losses on sales of real estate (exclusive of out-parcel sales), gains or losses on investments in marketable securities and any provision/benefit for income taxes for such period, plus the allocable portion, based on the Operating Partnership's ownership interest, of funds from operations of unconsolidated joint ventures, all determined on a consistent basis. Management considers FFO an appropriate measure of performance of an equity REIT. FFO does not represent net income or cash flows as defined by generally accepted accounting principles ("GAAP") and should not be considered an alternative to net income as an indicator of operating performance or to cash from operations under GAAP, and is not necessarily indicative of cash available to fund cash needs.

"NET CASH PROCEEDS" means the proceeds of any issuance or sale of Capital Stock or options, warrants or rights to purchase Capital Stock, in the form of cash or Cash Equivalents, including payments in respect of deferred payment obligations when received in the form of, or stock or other assets when disposed for, cash or Cash Equivalents (except to the extent that such obligations are financed or sold with recourse to the Operating Partnership or any Subsidiary), net of attorney's fees, accountant's fees and brokerage, consultation, underwriting and other fees and expenses actually incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"SUBSIDIARY" means any entity of which the Operating Partnership or one or more other Subsidiaries owns or controls, directly or indirectly, more than 50% of the shares of Voting Stock.

"TOTAL ASSETS" as of any date means the sum of (i) the Operating Partnership's and its Subsidiaries' Undepreciated Real Estate Assets and (ii) all other assets of the Operating Partnership and its Subsidiaries on a consolidated basis determined in accordance with generally accepted accounting principles (but excluding intangibles and accounts receivable).

"UNDEPRECIATED REAL ESTATE ASSETS" as of any date means the cost (original cost plus capital improvements) of real estate assets of the Operating Partnership and its Subsidiaries on such date, before depreciation and amortization, determined on a consolidated basis in accordance with generally accepted accounting principles.

"VOTING STOCK" means stock having general voting power under ordinary circumstances to elect at least a majority of the board of directors, managers or trustees, provided that stock that carries only the right to vote conditionally on the happening of an event shall not be considered Voting Stock.

ADDITIONAL COVENANTS. Any additional or different covenants of the Operating Partnership or the Company with respect to any series of Debt Securities will be set forth in the Prospectus Supplement relating thereto.

#### EVENTS OF DEFAULT, NOTICE AND WAIVER

The Indenture provides that the following events are "Events of Default" with respect to any series of Debt Securities issued thereunder: (a) default for 30 days in the payment of any installment of interest on

any Debt Security of such series; (b) default in the payment of the principal of (or premium, if any, on) any Debt Security of such series at its maturity; (c) default in making any sinking fund payment as required for any Debt Security of such series; (d) default in the performance of any other covenant of the Operating Partnership or the Company contained in the Indenture (other than a covenant added to the Indenture solely for the benefit of a series of Debt Securities issued thereunder other than such series), such default having continued for 60 days after written notice as provided in the Indenture; (e) default in the payment of an aggregate principal amount exceeding \$5,000,000 of any evidence of recourse indebtedness of the Operating Partnership or the Company or any mortgage, indenture or other instrument under which such indebtedness is issued or by which such indebtedness is secured, such default having occurred after the expiration of any applicable grace period and having resulted in the acceleration of the maturity of such indebtedness, but only if such indebtedness is not discharged or such acceleration is not rescinded or annulled; (f) certain events of bankruptcy, insolvency or reorganization, or court appointment of a receiver, liquidator or trustee of the Operating Partnership, the Company or any Significant Subsidiary or any of their respective property; and (g) any other Event of Default provided with respect to a particular series of Debt Securities. The term "Significant Subsidiary" means each significant subsidiary (as defined in Regulation S-X promulgated under the Securities Act) of the Operating Partnership or the Company (Section 501).

If an Event of Default under the Indenture with respect to Debt Securities of any series at the time Outstanding occurs and is continuing, then in every such case the Trustee or the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of that series may declare the principal amount (or, if the Debt Securities of that series are Original Issue Discount Securities or Indexed Securities, such portion of the principal amount as may be specified in the terms thereof) of all of the Debt Securities of that series to be due and payable immediately by written notice thereof to the Operating Partnership and the Company (and to the Trustee if given by the Holders). However, at any time after such a declaration of acceleration with respect to Debt Securities of such series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) has been made, but before a judgment or decree for payment of the money due has been obtained by the Trustee, the Holders of not less than a majority in principal amount of Outstanding Debt Securities of such series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) may rescind and annul such declaration and its consequences if (a) the Operating Partnership or the Company shall have deposited with the Trustee all required payments of the principal of (and premium, if any) and interest on the Debt Securities of such series (or of all Debt Securities then Outstanding under the Indenture, as the case may be), plus certain fees, expenses, disbursements and advances of the Trustee and (b) all Events of Default, other than the non-payment of accelerated principal of (or specified portion thereof), or premium (if any) or interest on the Debt Securities of such series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) have been cured or waived as provided in the Indenture (Section 502). The Indenture also provides that the Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) may waive any past default with respect to such series and its consequences, except a default (x) in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series or (y) in respect of a covenant or provision contained in the Indenture that cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security affected thereby (Section 513).

The Trustee will be required to give notice to the Holders of Debt Securities within 90 days of a default under the Indenture unless such default has been cured or waived; PROVIDED, HOWEVER, that the Trustee may withhold notice to the Holders of any series of Debt Securities of any default with respect to such series (except a default in the payment of the principal of (or premium, if any) or interest on any Debt Security of such series or in the payment of any sinking fund installment in respect of any Debt Security of such series) if specified Responsible Officers of the Trustee consider such withholding to be in the interest of such Holders (Section 602).

The Indenture provides that no Holders of Debt Securities of any series may institute any proceedings, judicial or otherwise, with respect to the Indenture or for any remedy thereunder, except in the case of failure of the Trustee, for 60 days, to act after it has received a written request to institute proceedings in



respect of an Event of Default from the Holders of not less than 25% in principal amount of the Outstanding Debt Securities of such series, as well as an offer of reasonable indemnity (Section 507). This provision will not prevent, however, any holder of Debt Securities from instituting suit for the enforcement of payment of the principal of (and premium, if any) and interest on such Debt Securities at the respective due dates thereof (Section 508).

Subject to provisions in the Indenture relating to its duties in case of default, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any Holders of any series of Debt Securities then Outstanding under the Indenture, unless such Holders shall have offered to the Trustee thereunder reasonable security or indemnity (Section 601). The Holders of not less than a majority in principal amount of the Outstanding Debt Securities of any series (or of all Debt Securities then Outstanding under the Indenture, as the case may be) shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or of exercising any trust or power conferred upon the Trustee. However, the Trustee may refuse to follow any direction which is in conflict with any law or the Indenture, or which may be unduly prejudicial to the holders of Debt Securities of such series not joining therein (Section 512).

Within 120 days after the close of each fiscal year, the Operating Partnership or the Company must deliver to the Trustee a certificate, signed by one of several specified officers of the Company, stating whether or not such officer has knowledge of any default under the Indenture and, if so, specifying each such default and the nature and status thereof (Sections 1009 and 1010).

#### MODIFICATION OF THE INDENTURE

Modifications and amendments of the Indenture will be permitted to be made only with the consent of the Holders of not less than a majority in principal amount of all Outstanding Debt Securities or series of Outstanding Debt Securities which are affected by such modification or amendment; PROVIDED, HOWEVER, that no such modification or amendment may, without the consent of the Holder of each such Debt Security affected thereby, (a) change the Stated Maturity of the principal of, or premium (if any) or any installment of interest on, any such Debt Security, reduce the principal amount of, or the rate or amount of interest on, or any premium payable on redemption of, any such Debt Security, or reduce the amount of principal of an Original Issue Discount Security that would be due and payable upon declaration of acceleration of the maturity thereof or would be provable in bankruptcy, or adversely affect any right of repayment of the holder of any such Debt Security, change the place of payment, or the coin or currency, for payment of principal of, premium, if any, or interest on any such Debt Security or impair the right to institute suit for the enforcement of any payment on or with respect to any such Debt Security; (b) reduce the above-stated percentage of outstanding Debt Securities of any series necessary to modify or amend the Indenture, to waive compliance with certain provisions thereof or certain defaults and consequences thereunder or to reduce the quorum or voting requirements set forth in the Indenture; (c) modify or affect in any manner adverse to the Holders the terms and conditions of the obligations of the Company in respect of the payment of principal (and premium, if any) and interest on any Guaranteed Securities; or (d) modify any of the foregoing provisions or any of the provisions relating to the waiver of certain past defaults or certain covenants, except to increase the required percentage to effect such action or to provide that certain other provisions may not be modified or waived without the consent of the Holder of such Debt Security (Section 902).

The Indenture provides that the Holders of not less than a majority in principal amount of a series of Outstanding Debt Securities have the right to waive compliance by the Operating Partnership and/or the Company with certain covenants relating to such series of Debt Securities in the Indenture (Section 1008).

Modifications and amendments of the Indenture will be permitted to be made by the Operating Partnership, the Company and the Trustee without the consent of any Holder of Debt Securities for any of the following purposes: (i) to evidence the succession of another Person to the Operating Partnership as obligor or the Company as guarantor under the Indenture; (ii) to add to the covenants of the Operating Partnership or the Company for the benefit of the Holders of all or any series of Debt Securities or to surrender any right or power conferred upon the Operating Partnership or the Company in the Indenture; (iii) to add Events of Default for the benefit of the Holders of all or any series of Debt Securities; (iv) to add

or change any provisions of the Indenture to facilitate the issuance of, or to liberalize certain terms of, Debt Securities in bearer form, or to permit or facilitate the issuance of Debt Securities in uncertificated form, PROVIDED that such action shall not adversely affect the interests of the Holders of the Debt Securities of any series in any material respect; (v) to amend or supplement any provisions of the Indenture, PROVIDED that no such amendment or supplement shall materially adversely affect the interests of the Holders of any Debt Securities then Outstanding; (vi) to secure the Debt Securities; (vii) to establish the form or terms of Debt Securities of any series; (viii) to provide for the acceptance of appointment by a successor Trustee or facilitate the administration of the trusts under the Indenture by more than one Trustee; (ix) to cure any ambiguity, defect or inconsistency in the Indenture, PROVIDED that such action shall not adversely affect the interests of Holders of Debt Securities of any series in any material respect; or (x) to supplement any of the provisions of the Indenture to the extent necessary to permit or facilitate defeasance and discharge of any series of such Debt Securities, PROVIDED that such action shall not adversely affect the interests of the Holders of the Debt Securities of any series in any material respect (Section 901). In addition, with respect to Guaranteed Securities, without the consent of any Holder of Debt Securities the Company, or a subsidiary thereof, may directly assume the due and punctual payment of the principal of, any premium and interest on all the Guaranteed Securities and the performance of every covenant of the Indenture on the part of the Operating Partnership to be performed or observed. Upon any such assumption, the Company or such subsidiary shall succeed to, and be substituted for and may exercise every right and power of, the Operating Partnership under the Indenture with the same effect as if the Company or such subsidiary had been the issuer of the Guaranteed Securities and the Operating Partnership shall be released from all obligations and covenants with respect to the Guaranteed Securities. No such assumption shall be permitted unless the Company has delivered to the Trustee (i) an officers' certificate and an opinion of counsel, stating, among other things, that the Guarantee and all other covenants of the Company in the Indenture remain in full force and effect and (ii) an opinion of independent counsel that the Holders of Guaranteed Securities shall have no United States federal tax consequences as a result of such assumption, and that, if any Debt Securities are then listed on the New York Stock Exchange, that such Debt Securities shall not be delisted as a result of such assumption.

The Indenture provides that in determining whether the Holders of the requisite principal amount of Outstanding Debt Securities of a series have given any request, demand, authorization, direction, notice, consent or waiver thereunder or whether a quorum is present at a meeting of Holders of Debt Securities, (i) the principal amount of an Original Issue Discount Security that shall be deemed to be Outstanding shall be the amount of the principal thereof that would be due and payable as of the date of such determination upon declaration of acceleration of the maturity thereof, (ii) the principal amount of a Debt Security denominated in a foreign currency that shall be deemed Outstanding shall be the U.S. dollar equivalent, determined on the issue date for such Debt Security, of the principal amount (or, in the case of an Original Issue Discount Security, the U.S. dollar equivalent on the issue date of such Debt Security of the amount determined as provided in (i) above), (iii) the principal amount of an Indexed Security that shall be deemed Outstanding shall be the principal face amount of such Indexed Security at original issuance, unless otherwise provided with respect to such Indexed Security pursuant to the Indenture, and (iv) Debt Securities owned by the Operating Partnership or any other obligor upon the Debt Securities or any affiliate of the Operating Partnership or of such other obligor shall be disregarded.

The Indenture contains provisions for convening meetings of the Holders of Debt Securities of a series (Section 1501). A meeting will be permitted to be called at any time by the Trustee, and also, upon request, by the Operating Partnership, the Company (in respect of a series of Guaranteed Securities) or the holders of at least 10% in principal amount of the Outstanding Debt Securities of such series, in any such case upon notice given as provided in the Indenture (Section 1502). Except for any consent that must be given by the Holder of each Debt Security affected by certain modifications and amendments of the Indenture, any resolution presented at a meeting or adjourned meeting duly reconvened at which a quorum is present will be permitted to be adopted by the affirmative vote of the Holders of a majority in principal amount of the Outstanding Debt Securities of that series; PROVIDED, HOWEVER, that, except as referred to above, any resolution with respect to any request, demand, authorization, direction, notice, consent, waiver or other action that may be made, given or taken by the Holders of a specified percentage, which is less than a majority, in

principal amount of the Outstanding Debt Securities of a series may be adopted at a meeting or adjourned meeting duly reconvened at which a quorum is present by the affirmative vote of the Holders of such specified percentage in principal amount of the Outstanding Debt Securities of that series. Any resolution passed or decision taken at any meeting of Holders of Debt Securities of any series duly held in accordance with the Indenture will be binding on all Holders of Debt Securities of that series. The quorum at any meeting called to adopt a resolution, and at any reconvened meeting, will be Persons holding or representing a majority in principal amount of the Outstanding Debt Securities of a series; PROVIDED, HOWEVER, that if any action is to be taken at such meeting with respect to a consent or waiver which may be given by the Holders of not less than a specified percentage in principal amount of the Outstanding Debt Securities of a series, the Persons holding or representing such specified percentage in principal amount of the Outstanding Debt Securities of such series will constitute a quorum (Section 1504).

Notwithstanding the foregoing provisions, any action to be taken at a meeting of Holders of Debt Securities of any series with respect to any action that the Indenture expressly provides may be taken by the Holders of a specified percentage which is less than a majority in principal amount of the Outstanding Debt Securities of a series may be taken at a meeting at which a quorum is present by the affirmative vote of Holders of such specified percentage in principal amount of the Outstanding Debt Securities of such series (Section 1504).

#### DISCHARGE, DEFEASANCE AND COVENANT DEFEASANCE

The Operating Partnership may discharge certain obligations to Holders of any series of Debt Securities that have not already been delivered to the Trustee for cancellation and that either have become due and payable or will become due and payable within one year (or scheduled for redemption within one year) by irrevocably depositing with the Trustee, in trust, funds in such currency or currencies, currency unit or units or composite currency or currencies in which such Debt Securities are payable in an amount sufficient to pay the entire indebtedness on such Debt Securities in respect of principal (and premium, if any) and interest to the date of such deposit (if such Debt Securities have become due and payable) or to the Stated Maturity or Redemption Date, as the case may be (Section 401).

The Indenture provides that, unless the provisions of Section 402 are made inapplicable to the Debt Securities of or within any series pursuant to Section 301 of the Indenture, the Operating Partnership may elect either (a) to defease and discharge itself and the Company (if such Debt Securities are Guaranteed Securities) from any and all obligations with respect to such Debt Securities (except for the obligation to pay additional amounts, if any, upon the occurrence of certain events of tax, assessment or governmental charge with respect to payments on such Debt Securities and the obligations to register the transfer or exchange of such Debt Securities, to replace temporary or mutilated, destroyed, lost or stolen Debt Securities, to maintain an office or agency in respect of such Debt Securities and to hold moneys for payment in trust) ("defeasance") (Section 402) or (b) to release itself and the Company (if such Debt Securities are Guaranteed Securities) from their obligations with respect to such Debt Securities under certain sections of the Indenture (including the restrictions described under "Certain Covenants") and, if provided pursuant to Section 301 of the Indenture, their obligations with respect to any other covenant, and any omission to comply with such obligations shall not constitute a default or an Event of Default with respect to such Debt Securities ("covenant defeasance") (Section 402), in either case upon the irrevocable deposit by the Operating Partnership or the Company (if the Debt Securities are Guaranteed Securities) with the Trustee, in trust, of an amount, in such currency or currencies, currency unit or units or composite currency or currencies in which such Debt Securities are payable at Stated Maturity, or Government Obligations (as defined below), or both, applicable to such Debt Securities which through the scheduled payment of principal and interest in accordance with their terms will provide money in an amount sufficient to pay the principal of (and premium, if any) and interest on such Debt Securities, and any mandatory sinking fund or analogous payments thereon, on the scheduled due dates therefor.

Such a trust will only be permitted to be established if, among other things, the Operating Partnership or the Company (if such Debt Securities are Guaranteed Securities) has delivered to the Trustee an Opinion of Counsel (as specified in the Indenture) to the effect that the Holders of such Debt Securities will not

recognize income, gain or loss for U.S. federal income tax purposes as a result of such defeasance or covenant defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such defeasance or covenant defeasance had not occurred, and such Opinion of Counsel, in the case of defeasance, must refer to and be based upon a ruling of the Internal Revenue Service or a change in applicable United States federal income tax law occurring after the date of the Indenture (Section 402).

"Government Obligations" means securities which are (i) direct obligations of the United States of America or the government which issued the foreign currency in which the Debt Securities of a particular series are payable, for the payment of which its full faith and credit is pledged or (ii) obligations of a person controlled or supervised by and acting as an agency or instrumentality of the United States of America or such government which issued the foreign currency in which the Debt Securities of such series are payable, the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America or such other government, which, in either case, are not callable or redeemable at the option of the issuer thereof, and shall also include a depository receipt issued by a bank or trust company as custodian with respect to any such Government Obligation or a specific payment of interest on or principal of any such Government Obligation held by such custodian for the account of the holder of a depository receipt, PROVIDED that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the Government Obligation or the specific payment of interest on or principal of the Government Obligation evidenced by such depository receipt.

Unless otherwise provided in the applicable Prospectus Supplement, if after the Operating Partnership or the Company (if the Debt Securities are Guaranteed Securities) has deposited funds and/or Government Obligations to effect defeasance or covenant defeasance with respect to Debt Securities of any series, (a) the Holder of a Debt Security of such series is entitled to, and does, elect pursuant to the Indenture or the terms of such Debt Security to receive payment in a currency, currency unit or composite currency other than that in which such deposit has been made in respect of such Debt Security, or (b) a Conversion Event (as defined below) occurs in respect of the currency, currency unit or composite currency in which such deposit has been made, the indebtedness represented by such Debt Security shall be deemed to have been, and will be, fully discharged and satisfied through the payment of the principal of (and premium, if any) and interest on such Debt Security as they become due out of the proceeds yielded by converting the amount so deposited in respect of such Debt Security into the currency, currency unit or composite currency in which such Debt Security becomes payable as a result of such election or such Conversion Event based on the applicable market exchange rate. "Conversion Event" means the cessation of use of (i) a currency, currency unit or composite currency both by the government of the country which issued such currency and for the settlement of transactions by a central bank or other public institutions of or within the international banking community, (ii) the ECU both within the European Monetary System and for the settlement of transactions by public institutions of or within the European Community or (iii) any currency unit or composite currency other than the ECU for the purposes for which it was established. Unless otherwise provided in the applicable Prospectus Supplement, all payments of principal of (and premium, if any) and interest on any Debt Security that is payable in a foreign currency that ceases to be used by its government of issuance shall be made in U.S. dollars.

In the event the Operating Partnership effects covenant defeasance with respect to any Debt Securities and such Debt Securities are declared due and payable because of the occurrence of any Event of Default other than the Event of Default described in clause (d) under "Event of Default, Notice and Waiver" with respect to sections no longer applicable to such Debt Securities or described in clause (g) under "Events of Default, Notice and Waiver" with respect to any other covenant as to which there has been covenant defeasance, the amount in such currency, currency unit or composite currency in which such Debt Securities are payable, and Government Obligations on deposit with the Trustee, will be sufficient to pay amounts due on such Debt Securities at the time of their Stated Maturity but may not be sufficient to pay amounts due on

such Debt Securities at the time of the acceleration resulting from such Event of Default. However, the Operating Partnership and the Company (if such Debt Securities are Guaranteed Securities) would remain liable to make payment of such amounts due at the time of acceleration.

The applicable Prospectus Supplement may further describe the provisions, if any, permitting such defeasance or covenant defeasance, including any modifications to the provisions described above, with respect to the Debt Securities of or within a particular series.

#### NO CONVERSION RIGHTS

The Debt Securities will not be convertible into or exchangeable for any capital stock of the Company or equity interest in the Operating Partnership.

#### GLOBAL SECURITIES

The Debt Securities of a series may be issued in whole or in part in the form of one or more global securities (the "Global Securities") that will be deposited with, or on behalf of, a depositary (the "Depositary") identified in the applicable Prospectus Supplement relating to such series. Global Securities may be issued in either registered or bearer form and in either temporary or permanent form. The specific terms of the depositary arrangement with respect to a series of Debt Securities will be described in the applicable Prospectus Supplement relating to such series.

#### DESCRIPTION OF PREFERRED STOCK

##### GENERAL

The Company is authorized to issue 5,000,000 shares of preferred stock, \$.01 par value per share, of which no Preferred Stock was outstanding at the date hereof.

The following description of the Preferred Stock sets forth certain general terms and provisions of the Preferred Stock to which any Prospectus Supplement may relate. The statements below describing the Preferred Stock are in all respects subject to and qualified in their entirety by reference to the applicable provisions of the Company's Articles of Incorporation (the "Articles of Incorporation") and Bylaws and any applicable articles supplementary to the Articles of Incorporation designating terms of a series of Preferred Stock (a "Designating Amendment").

The issuance of Preferred Stock could adversely affect the voting power, dividend rights and other rights of holders of Common Stock. Issuance of Preferred Stock also could, depending on the terms of such issue, either impede, delay, prevent or facilitate a merger, tender offer or change in control of the Company. Although the Board of Directors is required to make a determination as to the best interests of the stockholders of the Company when issuing Preferred Stock, the Board could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of the stockholders might believe to be in the best interests of the Company or in which stockholders might receive a premium for their shares over the then prevailing market price. Management believes that the availability of Preferred Stock will provide the Company with increased flexibility in structuring possible future financing and acquisitions and in meeting other needs that might arise.

##### TERMS

Subject to the limitations prescribed by the Articles of Incorporation, the Board of Directors is authorized to fix the number of shares constituting each series of Preferred Stock and the designations and powers, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions thereof, including such provisions as may be desired concerning voting, redemption, dividends, dissolution or the distribution of assets, conversion or exchange, and such other subjects or matters as may be fixed by resolution of the Board of Directors. The Preferred Stock will, when issued, be fully paid and nonassessable by the Company and will have no preemptive rights.

Reference is made to the Prospectus Supplement relating to the Preferred Stock offered thereby for specific terms, including:

- (1) The title and stated value of such Preferred Stock;
- (2) The number of shares of such Preferred Stock offered, the liquidation preference per share and the offering price of such Preferred Stock;
- (3) The dividend rate(s), period(s) and/or payment date(s) or method(s) of calculation thereof applicable to such Preferred Stock;
- (4) The date from which dividends on such Preferred Stock shall accumulate, if applicable;
- (5) The procedures for any auction and remarketing, if any, for such Preferred Stock;
- (6) The provision for a sinking fund, if any, for such Preferred Stock;
- (7) The provision for redemption, if applicable, of such Preferred Stock;
- (8) Any listing of such Preferred Stock on any securities exchange;
- (9) The terms and conditions, if applicable, upon which such Preferred Stock will be convertible into Common Stock of the Company, including the conversion price (or manner of calculation thereof);
- (10) Whether interests in such Preferred Stock will be represented by Depositary Shares;
- (11) Any other specific terms, preferences, rights, limitations or restrictions of such Preferred Stock;
- (12) A discussion of federal income tax considerations applicable to such Preferred Stock;
- (13) The relative ranking and preferences of such Preferred Stock as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company;
- (14) Any limitations on issuance of any series of Preferred Stock ranking senior to or on a parity with such series of Preferred Stock as to dividend rights and rights upon liquidation, dissolution or winding up of the affairs of the Company; and
- (15) Any limitations on direct or beneficial ownership and restrictions on transfer, in each case as may be appropriate to preserve the status of the Company as a REIT.

#### RANK

Unless otherwise specified in the Prospectus Supplement, the Preferred Stock will, with respect to dividend rights and rights upon liquidation, dissolution or winding up of the Company, rank (i) senior to all classes or series of Common Stock of the Company, and to all equity securities ranking junior to such Preferred Stock; (ii) on a parity with all equity securities issued by the Company the terms of which specifically provide that such equity securities rank on a parity with the Preferred Stock; and (iii) junior to all equity securities issued by the Company the terms of which specifically provide that such equity securities rank senior to the Preferred Stock. The term "equity securities" does not include convertible debt securities.

#### DIVIDENDS

Holders of the Preferred Stock of each series will be entitled to receive, when, as and if declared by the Board of Directors of the Company, out of assets of the Company legally available for payment, cash dividends at such rates and on such dates as will be set forth in the applicable Prospectus Supplement. Each such dividend shall be payable to holders of record as they appear on the share transfer books of the Company on such record dates as shall be fixed by the Board of Directors of the Company.

Dividends on any series of the Preferred Stock may be cumulative or non-cumulative, as provided in the applicable Prospectus Supplement. Dividends,

if cumulative, will be cumulative from and after the date set forth in the applicable Prospectus Supplement. If the Board of Directors of the Company fails to declare a dividend payable on a dividend payment date on any series of the Preferred Stock for which dividends are

non-cumulative, then the holders of such series of the Preferred Stock will have no right to receive a dividend in respect of the dividend period ending on such dividend payment date, and the Company will have no obligation to pay the dividend accrued for such period, whether or not dividends on such series are declared payable on any future dividend payment date.

If Preferred Stock of any series is outstanding, no dividends will be declared or paid or set apart for payment on any capital stock of the Company of any other series ranking, as to dividends, on a parity with or junior to the Preferred Stock of such series for any period unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Preferred Stock of such series for all past dividend periods and the then current dividend period or (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends for the then current dividend period have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the Preferred Stock of such series. When dividends are not paid in full (or a sum sufficient for such full payment is not so set apart) upon Preferred Stock of any series and the shares of any other series of Preferred Stock ranking on a parity as to dividends with the Preferred Stock of such series, all dividends declared upon Preferred Stock of such series and any other series of Preferred Stock ranking on a parity as to dividends with such Preferred Stock shall be declared pro rata so that the amount of dividends declared per share of Preferred Stock of such series and such other series of Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the Preferred Stock of such series (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend) and such other series of Preferred Stock bear to each other. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments on Preferred Stock of such series which may be in arrears.

Except as provided in the immediately preceding paragraph, unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends on the Preferred Stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred Stock of such series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, no dividends (other than in shares of Common Stock or other capital shares ranking junior to the Preferred Stock of such series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or other distribution shall be declared or made upon the Common Stock, or any other capital shares of the Company ranking junior to or on a parity with the Preferred Stock of such series as to dividends or upon liquidation, nor shall any shares of Common Stock, or any other capital shares of the Company ranking junior to or on a parity with the Preferred Stock of such series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any such shares) by the Company (except by conversion into or exchange for other capital shares of the Company ranking junior to the Preferred Stock of such series as to dividends and upon liquidation).

#### REDEMPTION

If so provided in the applicable Prospectus Supplement, the Preferred Stock will be subject to mandatory redemption or redemption at the option of the Company, as a whole or in part, in each case upon the terms, at the times and at the redemption prices set forth in such Prospectus Supplement.

The Prospectus Supplement relating to a series of Preferred Stock that is subject to mandatory redemption will specify the number of shares of such Preferred Stock that shall be redeemed by the Company in each year commencing after a date to be specified, at a redemption price per share to be specified, together with an amount equal to all accrued and unpaid dividends thereon (which shall not, if such Preferred Stock does not have a cumulative dividend, include any accumulation in respect of unpaid dividends for prior dividend periods) to the date of redemption. The redemption price may be payable in



cash or other property, as specified in the applicable Prospectus Supplement. If the redemption price for Preferred Stock of any series is payable only from the net proceeds of the issuance of capital shares of the Company, the terms of such Preferred Stock may provide that, if no such capital shares shall have been issued or to the extent the net proceeds from any issuance are insufficient to pay in full the aggregate redemption price then due, such Preferred Stock shall automatically and mandatorily be converted into the applicable capital shares of the Company pursuant to conversion provisions specified in the applicable Prospectus Supplement.

Notwithstanding the foregoing, unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends on all shares of any series of Preferred Stock shall have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividend periods and the then current dividend period, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred Stock of any series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, no shares of any series of Preferred Stock shall be redeemed unless all outstanding Preferred Stock of such series is simultaneously redeemed; PROVIDED, HOWEVER, that the foregoing shall not prevent the purchase or acquisition of Preferred Stock of such series to preserve the REIT status of the Company or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Preferred Stock of such series. In addition, unless (i) if such series of Preferred Stock has a cumulative dividend, full cumulative dividends on all outstanding shares of any series of Preferred Stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for all past dividends periods and the then current dividend period, and (ii) if such series of Preferred Stock does not have a cumulative dividend, full dividends on the Preferred Stock of any series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for payment for the then current dividend period, the Company shall not purchase or otherwise acquire directly or indirectly any shares of Preferred Stock of such series (except by conversion into or exchange for capital shares of the Company ranking junior to the Preferred Stock of such series as to dividends and upon liquidation); PROVIDED, HOWEVER, that the foregoing shall not prevent the purchase or acquisition of Preferred Stock of such series to preserve the REIT status of the Company or pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Preferred Stock of such series.

If fewer than all of the outstanding shares of Preferred Stock of any series are to be redeemed, the number of shares to be redeemed will be determined by the Company and such shares may be redeemed pro rata from the holders of record of such shares in proportion to the number of such shares held or for which redemption is requested by such holder (with adjustments to avoid redemption of fractional shares) or by lot in a manner determined by the Company.

Notice of redemption will be mailed at least 30 days but not more than 60 days before the redemption date to each holder of record of Preferred Stock of any series to be redeemed at the address shown on the share transfer books of the Company. Each notice shall state: (i) the redemption date; (ii) the number of shares and series of the Preferred Stock to be redeemed; (iii) the redemption price; (iv) the place or places where certificates for such Preferred Stock are to be surrendered for payment of the redemption price; (v) that dividends on the shares to be redeemed will cease to accrue on such redemption date; and (vi) the date upon which the holder's conversion rights, if any, as to such shares shall terminate. If fewer than all the shares of Preferred Stock of any series are to be redeemed, the notice mailed to each such holder thereof shall also specify the number of shares of Preferred Stock to be redeemed from each such holder. If notice of redemption of any Preferred Stock has been given and if the funds necessary for such redemption have been set aside by the Company in trust for the benefit of the holders of any Preferred Stock so called for redemption, then from and after the redemption date dividends will cease to accrue on such Preferred Stock, and all rights of the holders of such shares will terminate, except the right to receive the redemption price.

## LIQUIDATION PREFERENCE

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, then, before any distribution or payment shall be made to the holders of any Common Stock or any other class or series of capital shares of the Company ranking junior to the Preferred Stock in the distribution of assets upon any liquidation, dissolution or winding up of the Company, the holders of each series of Preferred Stock shall be entitled to receive out of assets of the Company legally available for distribution to shareholders liquidating distributions in the amount of the liquidation preference per share (set forth in the applicable Prospectus Supplement), plus an amount equal to all dividends accrued and unpaid thereon (which shall not include any accumulation in respect of unpaid dividends for prior dividend periods if such Preferred Stock does not have a cumulative dividend). After payment of the full amount of the liquidating distributions to which they are entitled, the holders of Preferred Stock will have no right or claim to any of the remaining assets of the Company. In the event that, upon any such voluntary or involuntary liquidation, dissolution or winding up, the available assets of the Company are insufficient to pay the amount of the liquidating distributions on all outstanding Preferred Stock and the corresponding amounts payable on all shares of other classes or series of capital shares of the Company ranking on a parity with the Preferred Stock in the distribution of assets, then the holders of the Preferred Stock and all other such classes or series of capital shares shall share ratably in any such distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled.

If liquidating distributions shall have been made in full to all holders of Preferred Stock, the remaining assets of the Company shall be distributed among the holders of any other classes or series of capital shares ranking junior to the Preferred Stock upon liquidation, dissolution or winding up, according to their respective rights and preferences and in each case according to their respective number of shares. For such purposes, the consolidation or merger of the Company with or into any other corporation, trust or entity, or the sale, lease or conveyance of all or substantially all of the property or business of the Company, shall not be deemed to constitute a liquidation, dissolution or winding up of the Company.

## VOTING RIGHTS

Holders of the Preferred Stock will not have any voting rights, except as set forth below or as otherwise from time to time required by law or as indicated in the applicable Prospectus Supplement.

Whenever dividends on any shares of Preferred Stock shall be in arrears for six or more consecutive quarterly periods, the holders of such shares of Preferred Stock (voting separately as a class with all other series of preferred stock upon which like voting rights have been conferred and are exercisable) will be entitled to vote for the election of two additional directors of the Company at a special meeting called by the holders of record of at least ten percent (10%) of any series of Preferred Stock so in arrears (unless such request is received less than 90 days before the date fixed for the next annual or special meeting of the stockholders) or at the next annual meeting of stockholders, and at each subsequent annual meeting until (i) if such series of Preferred Stock has a cumulative dividend, all dividends accumulated on such shares of Preferred Stock for the past dividend periods and the then current dividend period shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment or (ii) if such series of Preferred Stock does not have a cumulative dividend, four consecutive quarterly dividends shall have been fully paid or declared and a sum sufficient for the payment thereof set aside for payment. In such case, the entire Board of Directors of the Company will be increased by two directors.

Unless provided otherwise for any series of Preferred Stock, so long as any shares of Preferred Stock remain outstanding, the Company will not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of each series of Preferred Stock outstanding at the time, given in person or by proxy, either in writing or at a meeting (such series voting separately as a class), (i) authorize or create, or increase the authorized or issued amount of, any class or series of capital stock ranking prior to such Preferred Stock with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up or reclassify any authorized capital stock of the Company into such shares, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase any such shares; or (ii) amend, alter or repeal the provisions of the Company's Articles of Incorporation or the Designating Amendment for

such series of Preferred Stock, whether by merger, consolidation or otherwise (an "Event"), so as to materially and adversely affect any right, preference, privilege or voting power of such series of Preferred Stock or the holders thereof; PROVIDED, HOWEVER, with respect to the occurrence of any of the Events set forth in (ii) above so long as the Preferred Stock remains outstanding with the terms thereof materially unchanged, taking into account that upon the occurrence of an Event, the Company may not be the surviving entity, the occurrence of any such Event shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting power of holders of Preferred Stock and provided further that (x) any increase in the amount of the authorized Preferred Stock or the creation or issuance of any other series of Preferred Stock, or (y) any increase in the amount of authorized shares of such series or any other series of Preferred Stock, in each case ranking on a parity with or junior to the Preferred Stock of such series with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up, shall not be deemed to materially and adversely affect such rights, preferences, privileges or voting powers.

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

#### CONVERSION RIGHTS

The terms and conditions, if any, upon which any series of Preferred Stock is convertible into shares of Common Stock will be set forth in the applicable Prospectus Supplement relating thereto. Such terms will include the number of shares of Common Stock into which the shares of Preferred Stock are convertible, the conversion price (or manner of calculation thereof), the conversion period, provisions as to whether conversion will be at the option of the holders of the Preferred Stock or the Company, the events requiring an adjustment of the conversion price and provisions affecting conversion in the event of the redemption of such series of Preferred Stock.

#### SHAREHOLDER LIABILITY

As discussed below under "Description of Common Stock -- General," applicable Maryland law provides that no shareholder, including holders of Preferred Stock, shall be personally liable for the acts and obligations of the Company and that the funds and property of the Company shall be the only recourse for such acts or obligations.

#### RESTRICTIONS ON OWNERSHIP

As discussed below under "Description of Common Stock -- Restrictions on Ownership," for the Company to qualify as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), not more than 50% in value of its outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year. Therefore, the Designating Amendment for each series of Preferred Stock may contain provisions restricting the ownership and transfer of the Preferred Stock. The applicable Prospectus Supplement will specify any additional ownership limitation relating to a series of Preferred Stock.

#### REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent for the Preferred Stock will be set forth in the applicable Prospectus Supplement.

#### DESCRIPTION OF DEPOSITARY SHARES

##### GENERAL

The Company may issue receipts ("Depositary Receipts") for Depositary Shares, each of which will represent a fractional interest of a share of a particular series of Preferred Stock, as specified in the applicable Prospectus Supplement. Shares of Preferred Stock of each series represented by the Depositary Shares will be deposited under a separate Deposit Agreement (each, a "Deposit Agreement") among the Company, the depositary named therein (the "Preferred Stock Depositary") and the holders from time to time of the Depositary Receipts. Subject to the terms of the Deposit Agreement, each owner of a Depositary

Receipt will be entitled, in proportion to the fractional interest of a share of a particular series of Preferred Stock represented by the Depositary Shares evidenced by such Depositary Receipt, to all the rights and preferences of the Preferred Stock represented by such Depositary Shares (including dividend, voting, conversion, redemption and liquidation rights).

The Depositary Shares will be evidenced by Depositary Receipts issued pursuant to the applicable Deposit Agreement. Immediately following the issuance and delivery of the Preferred Stock by the Company to the Preferred Stock Depositary, the Company will cause the Preferred Stock Depositary to issue, on behalf of the Company, the Depositary Receipts. Copies of the applicable form of Deposit Agreement and Depositary Receipt may be obtained from the Company upon request.

#### DIVIDENDS AND OTHER DISTRIBUTIONS

The Preferred Stock Depositary will distribute all cash dividends or other cash distributions received in respect of the Preferred Stock to the record holders of Depositary Receipts evidencing the related Depositary Shares in proportion to the number of such Depositary Receipts owned by such holders, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the Preferred Stock Depositary.

In the event of a distribution other than in cash, the Preferred Stock Depositary will distribute property received by it to the record holders of Depositary Receipts entitled thereto, subject to certain obligations of holders to file proofs, certificates and other information and to pay certain charges and expenses to the Preferred Stock Depositary, unless the Preferred Stock Depositary determines that it is not feasible to make such distribution, in which case the Preferred Stock Depositary may, with the approval of the Company, sell such property and distribute the net proceeds from such sale to such holders.

#### WITHDRAWAL OF STOCK

Upon surrender of the Depositary Receipts at the corporate trust office of the Preferred Stock Depositary (unless the related Depositary Shares have previously been called for redemption), the holders thereof will be entitled to delivery at such office, to or upon such holders' order, of the number of whole or fractional shares of the Preferred Stock and any money or other property represented by the Depositary Shares evidenced by such Depositary Receipts. Holders of Depositary Receipts will be entitled to receive whole or fractional shares of the related Preferred Stock on the basis of the proportion of Preferred Stock represented by each Depositary Share as specified in the applicable Prospectus Supplement, but holders of such shares of Preferred Stock will not thereafter be entitled to receive Depositary Shares therefor. If the Depositary Receipts delivered by the holder evidence a number of Depositary Shares in excess of the number of Depositary Shares representing the number of shares of Preferred Stock to be withdrawn, the Preferred Stock Depositary will deliver to such holder at the same time a new Depositary Receipt evidencing such excess number of Depositary Shares.

#### REDEMPTION OF DEPOSITARY SHARES

Whenever the Company redeems shares of Preferred Stock held by the Preferred Stock Depositary, the Preferred Stock Depositary will redeem as of the same redemption date the number of Depositary Shares representing shares of the Preferred Stock so redeemed, provided the Company shall have paid in full to the Preferred Stock Depositary the redemption price of the Preferred Stock to be redeemed plus an amount equal to any accrued and unpaid dividends thereon to the date fixed for redemption. The redemption price per Depositary Share will be equal to the redemption price and any other amounts per share payable with respect to the Preferred Stock. If fewer than all the Depositary Shares are to be redeemed, the Depositary Shares to be redeemed will be selected pro rata (as nearly as may be practicable without creating fractional Depositary Shares) or by any other equitable method determined by the Company.

From and after the date fixed for redemption, all dividends in respect of the shares of Preferred Stock so called for redemption will cease to accrue, the Depositary Shares so called for redemption will no longer be deemed to be outstanding and all rights of the holders of the Depositary Receipts evidencing the Depositary

Shares so called for redemption will cease, except the right to receive any moneys payable upon such redemption and any money or other property to which the holders of such Depositary Receipts were entitled upon such redemption upon surrender thereof to the Preferred Stock Depositary.

#### VOTING OF THE PREFERRED STOCK

Upon receipt of notice of any meeting at which the holders of the Preferred Stock are entitled to vote, the Preferred Stock Depositary will mail the information contained in such notice of meeting to the record holders of the Depositary Receipts evidencing the Depositary Shares which represent such Preferred Stock. Each record holder of Depositary Receipts evidencing Depositary Shares on the record date (which will be the same date as the record date for the Preferred Stock) will be entitled to instruct the Preferred Stock Depositary as to the exercise of the voting rights pertaining to the amount of Preferred Stock represented by such holder's Depositary Shares. The Preferred Stock Depositary will vote the amount of Preferred Stock represented by such Depositary Shares in accordance with such instructions, and the Company will agree to take all reasonable action which may be deemed necessary by the Preferred Stock Depositary in order to enable the Preferred Stock Depositary to do so. The Preferred Stock Depositary will abstain from voting the amount of Preferred Stock represented by such Depositary Shares to the extent it does not receive specific instructions from the holders of Depositary Receipts evidencing such Depositary Shares. The Preferred Stock Depositary shall not be responsible for any failure to carry out any instruction to vote, or for the manner or effect of any such vote made, as long as any such action or non-action is in good faith and does not result from negligence or wilful misconduct of the Preferred Stock Depositary.

#### LIQUIDATION PREFERENCE

In the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, the holders of each Depositary Receipt will be entitled to the fraction of the liquidation preference accorded each share of Preferred Stock represented by the Depositary Share evidenced by such Depositary Receipt, as set forth in the applicable Prospectus Supplement.

#### CONVERSION OF PREFERRED STOCK

The Depositary Shares, as such, are not convertible into Common Stock or any other securities or property of the Company, except in connection with certain conversions in connection with the preservation of the Company's status as a REIT. See "Description of Preferred Stock -- Restrictions on Ownership." Nevertheless, if so specified in the applicable Prospectus Supplement relating to an offering of Depositary Shares, the Depositary Receipts may be surrendered by holders thereof to the Preferred Stock Depositary with written instructions to the Preferred Stock Depositary to instruct the Company to cause conversion of the Preferred Stock represented by the Depositary Shares evidenced by such Depositary Receipts into whole shares of Common Stock, other shares of Preferred Stock of the Company or other shares of capital stock, and the Company has agreed that upon receipt of such instructions and any amounts payable in respect thereof, it will cause the conversion thereof utilizing the same procedures as those provided for delivery of Preferred Stock to effect such conversion. If the Depositary Shares evidenced by a Depositary Receipt are to be converted in part only, a new Depositary Receipt or Receipts will be issued for any Depositary Shares not to be converted. No fractional shares of Common Stock will be issued upon conversion, and if such conversion will result in a fractional share being issued, an amount will be paid in cash by the Company equal to the value of the fractional interest based upon the closing price of the Common Stock on the last business day prior to the conversion.

#### AMENDMENT AND TERMINATION OF THE DEPOSIT AGREEMENT

The form of Depositary Receipt evidencing the Depositary Shares which represent the Preferred Stock and any provision of the Deposit Agreement may at any time be amended by agreement between the Company and the Preferred Stock Depositary. However, any amendment that materially and adversely alters the rights of the holders of Depositary Receipts or that would be materially and adversely inconsistent with the rights granted to holders of the related Preferred Stock will not be effective unless such amendment has been approved by the existing holders of at least two-thirds of the Depositary Shares evidenced by the Depositary Receipts then outstanding. No amendment shall impair the right, subject to certain exceptions in the Deposit Agreement, of any holder of Depositary Receipts to surrender any Depositary Receipt with

instructions to deliver to the holder the related Preferred Stock and all money and other property, if any, represented thereby, except in order to comply with law. Every holder of an outstanding Depositary Receipt at the time any such amendment becomes effective shall be deemed, by continuing to hold such Receipt, to consent and agree to such amendment and to be bound by the Deposit Agreement as amended thereby.

The Deposit Agreement may be terminated by the Company upon not less than 30 days' prior written notice to the Preferred Stock Depositary if (i) such termination is necessary to preserve the Company's status as a REIT or (ii) a majority of each series of Preferred Stock affected by such termination consents to such termination, whereupon the Preferred Stock Depositary shall deliver or make available to each holder of Depositary Receipts, upon surrender of the Depositary Receipts held by such holder, such number of whole or fractional shares of Preferred Stock as are represented by the Depositary Shares evidenced by such Depositary Receipts together with any other property held by the Preferred Stock Depositary with respect to such Depositary Receipt. The Company has agreed that if the Deposit Agreement is terminated to preserve the Company's status as a REIT, then the Company will use its best efforts to list the Preferred Stock issued upon surrender of the related Depositary Shares on a national securities exchange. In addition, the Deposit Agreement will automatically terminate if (i) all outstanding Depositary Shares shall have been redeemed, (ii) there shall have been a final distribution in respect of the related Preferred Stock in connection with any liquidation, dissolution or winding up of the Company and such distribution shall have been distributed to the holders of Depositary Receipts evidencing the Depositary Shares representing such Preferred Stock or (iii) each share of the related Preferred Stock shall have been converted into capital stock of the company not so represented by Depositary Shares.

#### CHARGES OF PREFERRED STOCK DEPOSITARY

The Company will pay all transfer and other taxes and governmental charges arising solely from the existence of the Deposit Agreement. In addition, the Company will pay the fees and expenses of the Preferred Stock Depositary in connection with the performance of its duties under the Deposit Agreement. However, holders of Depositary Receipts will pay certain other transfer and other taxes and governmental charges as well as the fees and expenses of the Preferred Stock Depositary for any duties requested by such holders to be performed which are outside of those expressly provided for in the Deposit Agreement.

#### RESIGNATION AND REMOVAL OF DEPOSITARY

The Preferred Stock Depositary may resign at any time by delivering to the Company notice of its election to do so, and the Company may at any time remove the Preferred Stock Depositary, any such resignation or removal to take effect upon the appointment of a successor Preferred Stock Depositary. A successor Preferred Stock Depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company having its principal office in the United States and having a combined capital and surplus of at least \$50,000,000.

#### MISCELLANEOUS

The Preferred Stock Depositary will forward to holders of Depositary Receipts any reports and communications from the Company which are received by the Preferred Stock Depositary with respect to the related Preferred Stock.

Neither the Preferred Stock Depositary nor the Company will be liable if it is prevented from or delayed in, by law or any circumstances beyond its control, performing its obligations under the Deposit Agreement. The obligations of the Company and the Preferred Stock Depositary under the Deposit Agreement will be limited to performing their duties thereunder in good faith and without negligence (in the case of any action or inaction in the voting of Preferred Stock represented by the Depositary Shares), gross negligence or willful misconduct, and the Company and the Preferred Stock Depositary will not be obligated to prosecute or defend any legal proceeding in respect of any Depositary Receipts, Depositary Shares or shares of Preferred Stock represented thereby unless satisfactory indemnity is furnished. The Company and the Preferred Stock Depositary may rely on written advice of counsel or accountants, or information provided by persons presenting shares of Preferred Stock represented thereby for deposit, holders of Depositary Receipts or other persons believed in good faith to be competent to give such information, and on documents believed in good faith to be genuine and signed by a proper party.

In the event the Preferred Stock Depository shall receive conflicting claims, requests or instructions from any holders of Depository Receipts, on the one hand, and the Company, on the other hand, the Preferred Stock Depository shall be entitled to act on such claims, requests or instructions received from the Company.

#### DESCRIPTION OF COMMON STOCK

##### GENERAL

The authorized capital stock of the Company includes 50 million shares of Common Stock, \$.01 par value per share. Each outstanding share of Common Stock will entitle the holder to one vote on all matters presented to stockholders for a vote and cumulative voting is not permitted. Holders of the Common Stock do not have preemptive rights. At August 8, 1997, there were 15,264,086 shares of Common Stock outstanding.

All shares of Common Stock issued and sold will be duly authorized, fully paid, and non-assessable. Distributions may be paid to the holders of Common Stock if and when declared by the Board of Directors of the Company out of funds legally available therefor. The Company has paid quarterly dividends, beginning with a dividend for the portion of the quarter from the closing of the Company's initial public offering in November 1993 (the "IPO").

Under Maryland law, stockholders are generally not liable for the Company's debts or obligations. If the Company is liquidated, subject to the right of any holders of Preferred Stock to receive preferential distributions, each outstanding share of Common Stock will be entitled to participate pro rata in the assets remaining after payment of, or adequate provision for, all known debts and liabilities of the Company.

##### CERTAIN PROVISIONS OF THE COMPANY'S ARTICLES OF INCORPORATION

The Company's Board of Directors is divided into three classes of directors, each class constituting approximately one-third of the total number of directors, with the classes serving staggered terms. At each annual meeting of stockholders, the class of directors to be elected at such meeting will be elected for a three-year term and the directors in the other two classes will continue in office. The Company believes that classified directors will help to assure the continuity and stability of the Board of Directors and the Company's business strategies and policies as determined by the Board. The use of a staggered board may render more difficult a change in control of the Company or removal of incumbent management.

##### RESTRICTIONS ON OWNERSHIP

For the Company to qualify as a REIT under the Code, not more than 50% in value of its outstanding Common Stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code) during the last half of a taxable year and the Common Stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (or during a proportionate part of a shorter taxable year). To satisfy the above ownership requirements and certain other requirements for qualification as a REIT, the Board of Directors has adopted, and the stockholders prior to the IPO approved, a provision in the Articles of Incorporation restricting the ownership or acquisition of shares of Common Stock.

##### REGISTRAR AND TRANSFER AGENT

The Registrar and Transfer Agent for the Common Stock is Boston EquiServe, L.P., Boston, Massachusetts.

##### PLAN OF DISTRIBUTION

The Company and the Operating Partnership may sell the Securities to one or more underwriters for public offering and sale by them or may sell the Securities to investors directly or through agents. Any such underwriter or agent involved in the offer and sale of the Securities will be named in the applicable Prospectus Supplement.

Underwriters may offer and sell the Securities at a fixed price or prices, which may be changed, at prices related to the prevailing market prices at the time of sale or at negotiated prices. The Company and the

Operating Partnership also may, from time to time, authorize underwriters acting as their agents to offer and sell the Securities upon the terms and conditions as are set forth in the applicable Prospectus Supplement. In connection with the sale of Securities, underwriters may be deemed to have received compensation from the Company or the Operating Partnership in the form of underwriting discounts or commissions and may also receive commissions from purchasers of Securities for whom they may act as agent. Underwriters may sell Securities to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or commissions from the purchasers for whom they may act as agent.

Any underwriting compensation paid by the Company or the Operating Partnership to underwriters or agents in connection with the offering of Securities, and any discounts, concessions or commissions allowed by underwriters to participating dealers, are set forth in the applicable Prospectus Supplement. Underwriters, dealers and agents participating in the distribution of the Securities may be deemed to be underwriters, and any discounts and commissions received by them and any profit realized by them on resale of the Securities may be deemed to be underwriting discounts and commissions, under the Securities Act of 1933 (the "Securities Act"). Underwriters, dealers and agents may be entitled, under agreements entered into with the Company and the Operating Partnership, to indemnification against and contribution toward certain civil liabilities, including liabilities under the Securities Act.

If so indicated in the applicable Prospectus Supplement, the Company and the Operating Partnership will authorize dealers acting as their agents to solicit offers by certain institutions to purchase Securities from them at the public offering price set forth in such Prospectus Supplement pursuant to Delayed Delivery Contracts ("Contracts") providing for payment and delivery on the date or dates stated in such Prospectus Supplement. Each Contract will be for an amount not less than, and the aggregate principal amount of Securities sold pursuant to Contracts shall be not less nor more than, the respective amounts stated in the applicable Prospectus Supplement. Institutions with whom Contracts, when authorized, may be made include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions, and other institutions but will in all cases be subject to the approval of the Company and the Operating Partnership. Contracts will not be subject to any conditions except (i) the purchase by an institution of the Securities covered by its Contracts shall not at the time of delivery be prohibited under the laws of any jurisdiction in the United States to which such institution is subject, and (ii) if the Securities are being sold to underwriters, the Company and the Operating Partnership shall have sold to such underwriters the total principal amount of the Securities less the principal amount thereof covered by Contracts.

Certain of the underwriters and their affiliates may be customers of, engage in transactions with and perform services for the Company and the Operating Partnership in the ordinary course of business.



#### LEGAL MATTERS

The validity of the issuance of the Securities offered hereby will be passed upon for the Company and the Operating Partnership by Stroock & Stroock & Lavan LLP of New York, New York. Certain legal matters in connection with the Securities offered hereby will be passed upon for any underwriters, dealers or agents by Brown & Wood LLP of New York, New York.

#### EXPERTS

The consolidated financial statements and schedule of the Company at December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, incorporated herein by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 1996, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The consolidated financial statements and schedule of the Operating Partnership at December 31, 1996 and 1995, and for each of the three years in the period ended December 31, 1996, incorporated herein by reference from the Operating Partnership's Annual Report on Form 10-K for the year ended December 31, 1996, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

The statement of revenues and certain expenses of Waikele Factory Outlet Stores for the year ended December 31, 1996, incorporated herein by reference from the Company's Current Report on Form 8-K dated April 11, 1997, has been audited by Ernst & Young LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such financial statement is incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

NO DEALER, SALESMAN OR OTHER INDIVIDUAL HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS IN CONNECTION WITH THE OFFERING MADE BY THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, THE OPERATING PARTNERSHIP OR THE UNDERWRITERS. NEITHER THE DELIVERY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS NOR ANY SALE MADE HEREUNDER AND THEREUNDER SHALL, UNDER ANY CIRCUMSTANCE, CREATE AN IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE FACTS SET FORTH IN THIS PROSPECTUS SUPPLEMENT OR IN THE PROSPECTUS OR IN THE AFFAIRS OF THE COMPANY OR THE OPERATING PARTNERSHIP SINCE THE DATE HEREOF. THIS PROSPECTUS SUPPLEMENT AND THE PROSPECTUS DO NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR IN WHICH THE PERSON MAKING SUCH OFFER OR SOLICITATION IS NOT QUALIFIED TO DO SO OR TO ANYONE TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION.

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\$125,000,000

CHELSEA GCA REALTY  
PARTNERSHIP, L.P.

7 1/4% NOTES DUE 2007

PROSPECTUS SUPPLEMENT

Merrill Lynch & Co.  
Goldman, Sachs & Co.  
J.P. Morgan & Co.

October 16, 1997