
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2017
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission File Number: 001-36008

Rexford Industrial Realty, Inc.

(Exact name of registrant as specified in its charter)

MARYLAND
(State or other jurisdiction of incorporation or organization)

46-2024407
(I.R.S. Employer Identification No.)

11620 Wilshire Boulevard, Suite 1000,
Los Angeles, California
(Address of principal executive offices)

90025
(Zip Code)

(310) 966-1680
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of common stock outstanding at July 31, 2017 was 71,092,052.

REXFORD INDUSTRIAL REALTY, INC.
QUARTERLY REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2017
TABLE OF CONTENTS

PART I.	<u>FINANCIAL INFORMATION</u>	
	<u>Item 1.</u>	<u>Financial Statements</u>
		<u>Consolidated Balance Sheets as of June 30, 2017 (unaudited) and December 31, 2016</u>
		<u>Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2017 and 2016 (unaudited)</u>
		<u>Consolidated Statements of Comprehensive Income (Loss) for the Six Months Ended June 30, 2017 and 2016 (unaudited)</u>
		<u>Consolidated Statements of Changes in Equity for the Six Months Ended June 30, 2017 and 2016 (unaudited)</u>
		<u>Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2017 and 2016 (unaudited)</u>
		<u>Notes to the Consolidated Financial Statements</u>
	<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>
	<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	<u>Item 4.</u>	<u>Controls and Procedures</u>
PART II.	<u>OTHER INFORMATION</u>	
	<u>Item 1.</u>	<u>Legal Proceedings</u>
	<u>Item 1A.</u>	<u>Risk Factors</u>
	<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	<u>Item 3.</u>	<u>Defaults Upon Senior Securities</u>
	<u>Item 4.</u>	<u>Mine Safety Disclosures</u>
	<u>Item 5.</u>	<u>Other Information</u>
	<u>Item 6.</u>	<u>Exhibits</u>
		<u>Signatures</u>

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited and in thousands – except share and per share data)

	June 30, 2017	December 31, 2016
ASSETS		
Land	\$ 763,622	\$ 683,919
Buildings and improvements	923,760	811,614
Tenant improvements	43,717	38,644
Furniture, fixtures and equipment	167	174
Construction in progress	25,792	17,778
Total real estate held for investment	1,757,058	1,552,129
Accumulated depreciation	(153,163)	(135,140)
Investments in real estate, net	1,603,895	1,416,989
Cash and cash equivalents	13,118	15,525
Note receivable, net	—	5,934
Rents and other receivables, net	2,644	2,749
Deferred rent receivable, net	13,628	11,873
Deferred leasing costs, net	9,448	8,672
Deferred loan costs, net	2,239	847
Acquired lease intangible assets, net	41,087	36,365
Acquired indefinite-lived intangible	5,156	5,170
Interest rate swap asset	4,399	5,594
Other assets	7,388	5,290
Acquisition related deposits	2,250	—
Total Assets	\$ 1,705,252	\$ 1,515,008
LIABILITIES & EQUITY		
Liabilities		
Notes payable	\$ 561,530	\$ 500,184
Interest rate swap liability	1,094	2,045
Accounts payable, accrued expenses and other liabilities	14,298	13,585
Dividends payable	10,642	9,282
Acquired lease intangible liabilities, net	10,785	9,130
Tenant security deposits	16,721	15,187
Prepaid rents	5,204	3,455
Total Liabilities	620,274	552,868
Equity		
Rexford Industrial Realty, Inc. stockholders' equity		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; 5.875% series A cumulative redeemable preferred stock, liquidation preference \$25.00 per share, 3,600,000 shares outstanding at June 30, 2017 and December 31, 2016	86,651	86,651
Common Stock, \$0.01 par value 490,000,000 shares authorized and 71,122,902 and 66,454,375 shares outstanding at June 30, 2017 and December 31, 2016, respectively	708	662
Additional paid in capital	1,027,282	907,834
Cumulative distributions in excess of earnings	(56,992)	(59,277)
Accumulated other comprehensive income	3,216	3,445
Total stockholders' equity	1,060,865	939,315
Noncontrolling interests	24,113	22,825
Total Equity	1,084,978	962,140
Total Liabilities and Equity	\$ 1,705,252	\$ 1,515,008

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited and in thousands – except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
RENTAL REVENUES				
Rental income	\$ 31,132	\$ 26,119	\$ 60,746	\$ 49,618
Tenant reimbursements	5,172	4,119	10,327	7,677
Other income	115	259	347	572
TOTAL RENTAL REVENUES	36,419	30,497	71,420	57,867
Management, leasing and development services	145	111	271	245
Interest income	218	—	445	—
TOTAL REVENUES	36,782	30,608	72,136	58,112
OPERATING EXPENSES				
Property expenses	9,536	7,959	18,758	15,502
General and administrative	5,123	4,521	10,209	8,123
Depreciation and amortization	14,515	12,610	28,114	23,824
TOTAL OPERATING EXPENSES	29,174	25,090	57,081	47,449
OTHER EXPENSES				
Acquisition expenses	20	635	405	1,110
Interest expense	4,302	3,716	8,300	6,970
TOTAL OTHER EXPENSES	4,322	4,351	8,705	8,080
TOTAL EXPENSES	33,496	29,441	65,786	55,529
Equity in income from unconsolidated real estate entities	—	62	11	123
Loss on extinguishment of debt	—	—	(22)	—
Gains on sale of real estate	16,569	11,563	19,237	11,563
NET INCOME	19,855	12,792	25,576	14,269
Less: net income attributable to noncontrolling interest	(531)	(418)	(663)	(470)
NET INCOME ATTRIBUTABLE TO REXFORD INDUSTRIAL REALTY, INC.	19,324	12,374	24,913	13,799
Less: preferred stock dividends	(1,322)	—	(2,644)	—
Less: earnings allocated to participating securities	(156)	(75)	(247)	(153)
NET INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS	\$ 17,846	\$ 12,299	\$ 22,022	\$ 13,646
Net income attributable to common stockholders per share - basic and diluted	\$ 0.26	\$ 0.19	\$ 0.33	\$ 0.23
Weighted average shares of common stock outstanding - basic	67,920,773	64,063,337	67,135,319	59,666,468
Weighted average shares of common stock outstanding - diluted	68,331,234	64,304,713	67,483,100	59,860,831
Dividends declared per common share	\$ 0.145	\$ 0.135	\$ 0.290	\$ 0.270

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited and in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 19,855	\$ 12,792	\$ 25,576	\$ 14,269
Other comprehensive loss: cash flow hedge adjustment	(996)	(2,650)	(244)	(4,407)
Comprehensive income	18,859	10,142	25,332	9,862
Comprehensive income attributable to noncontrolling interests	(495)	(368)	(648)	(358)
Comprehensive income attributable to Rexford Industrial Realty, Inc.	<u>\$ 18,364</u>	<u>\$ 9,774</u>	<u>\$ 24,684</u>	<u>\$ 9,504</u>

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited and in thousands – except share data)

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2017	\$ 86,651	66,454,375	\$ 662	\$ 907,834	\$ (59,277)	\$ 3,445	\$ 939,315	\$ 22,825	\$ 962,140
Issuance of common stock	—	4,567,161	45	120,490	—	—	120,535	—	120,535
Offering costs	—	—	—	(2,181)	—	—	(2,181)	—	(2,181)
Share-based compensation	—	84,439	1	1,197	—	—	1,198	1,655	2,853
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(17,253)	—	(404)	—	—	(404)	—	(404)
Conversion of units to common stock	—	34,180	—	346	—	—	346	(346)	—
Net income	2,644	—	—	—	22,269	—	24,913	663	25,576
Other comprehensive loss	—	—	—	—	—	(229)	(229)	(15)	(244)
Preferred stock dividends	(2,644)	—	—	—	—	—	(2,644)	—	(2,644)
Common stock dividends	—	—	—	—	(19,984)	—	(19,984)	—	(19,984)
Distributions	—	—	—	—	—	—	—	(669)	(669)
Balance at June 30, 2017	<u>\$ 86,651</u>	<u>71,122,902</u>	<u>\$ 708</u>	<u>\$ 1,027,282</u>	<u>\$ (56,992)</u>	<u>\$ 3,216</u>	<u>\$ 1,060,865</u>	<u>\$ 24,113</u>	<u>\$ 1,084,978</u>

	Preferred Stock	Number of Shares	Common Stock	Additional Paid-in Capital	Cumulative Distributions in Excess of Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2016	\$ —	55,598,684	\$ 553	\$ 722,722	\$ (48,103)	\$ (3,033)	\$ 672,139	\$ 21,605	\$ 693,744
Issuance of common stock	—	10,350,000	103	182,574	—	—	182,677	—	182,677
Offering costs	—	—	—	(8,352)	—	—	(8,352)	—	(8,352)
Share-based compensation	—	71,650	1	964	—	—	965	996	1,961
Shares acquired to satisfy employee tax withholding requirements on vesting restricted stock	—	(11,681)	—	(204)	—	—	(204)	—	(204)
Conversion of units to common stock	—	27,079	—	287	—	—	287	(287)	—
Acquisition of real estate portfolio	—	—	—	—	—	—	—	125	125
Net income	—	—	—	—	13,799	—	13,799	470	14,269
Other comprehensive loss	—	—	—	—	—	(4,295)	(4,295)	(112)	(4,407)
Common stock dividends	—	—	—	—	(16,429)	—	(16,429)	—	(16,429)
Distributions	—	—	—	—	—	—	—	(600)	(600)
Balance at June 30, 2016	\$ —	66,035,732	\$ 657	\$ 897,991	\$ (50,733)	\$ (7,328)	\$ 840,587	\$ 22,197	\$ 862,784

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

REXFORD INDUSTRIAL REALTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited and in thousands)

	Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 25,576	\$ 14,269
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income from unconsolidated real estate entities	(11)	(123)
Provision for doubtful accounts	629	814
Depreciation and amortization	28,114	23,824
Amortization of (below) above market lease intangibles, net	(318)	56
Accretion of loan origination fees	(150)	—
Deferred interest income on notes receivable	84	—
Loss on extinguishment of debt	22	—
Gain on sale of real estate	(19,237)	(11,563)
Amortization of debt issuance costs	563	485
Accretion of premium on notes payable	(94)	(118)
Equity based compensation expense	2,740	1,887
Straight-line rent	(1,952)	(2,017)
Change in working capital components:		
Rents and other receivables	(524)	(774)
Deferred leasing costs	(2,069)	(2,245)
Other assets	(2,364)	(48)
Accounts payable, accrued expenses and other liabilities	(1,768)	(1,119)
Tenant security deposits	680	1,171
Prepaid rents	1,359	(144)
Net cash provided by operating activities	31,280	24,355
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of investments in real estate	(240,447)	(228,131)
Capital expenditures	(16,883)	(15,305)
Acquisition related deposits	(2,250)	(400)
Distributions from unconsolidated real estate entities	11	—
Principal repayments of note receivable	6,000	—
Proceeds from sale of real estate	64,406	20,435
Net cash used in investing activities	(189,163)	(223,401)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock, net	118,354	174,439
Proceeds from notes payable	265,000	263,000
Repayment of notes payable	(203,234)	(178,690)
Debt issuance costs	(2,110)	(1,924)
Debt extinguishment costs	(193)	—
Dividends paid to preferred stockholders	(2,644)	—
Dividends paid to common stockholders	(18,643)	(15,020)
Distributions paid to common unitholders	(650)	(600)
Repurchase of common shares to satisfy employee tax withholding requirements	(404)	(204)
Net cash provided by financing activities	155,476	241,001
Increase in cash, cash equivalents and restricted cash	(2,407)	41,955
Cash, cash equivalents and restricted cash, beginning of period	15,525	5,201
Cash, cash equivalents and restricted cash, end of period	\$ 13,118	\$ 47,156
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of capitalized interest of \$924 and \$882 for the six months ended June 30, 2017 and 2016, respectively)	\$ 8,073	\$ 6,404
Supplemental disclosure of noncash investing and financing transactions:		
Capital expenditure accruals	\$ 2,363	\$ 1,278
Accrual of dividends	\$ 10,642	\$ 9,212
Accrual of offering costs	\$ —	\$ 114

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

REXFORD INDUSTRIAL REALTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service real estate investment trust (“REIT”) focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013, and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate principally located in Southern California infill markets, and, from time to time, acquire or provide mortgage debt secured by industrial property. As of June 30, 2017, our consolidated portfolio consisted of 139 properties with approximately 16.2 million rentable square feet. In addition, we currently manage 19 properties with approximately 1.2 million rentable square feet.

The terms “us,” “we,” “our,” and the “Company” as used in these financial statements refer to Rexford Industrial Realty, Inc. and its subsidiaries (including our Operating Partnership).

Basis of Presentation

As of June 30, 2017, and December 31, 2016, and for the three and six months ended June 30, 2017 and 2016, the financial statements presented are the consolidated financial statements of Rexford Industrial Realty, Inc. and its subsidiaries, including our Operating Partnership. All significant intercompany balances and transactions have been eliminated in the consolidated financial statements.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2016 Annual Report on Form 10-K and the notes thereto. Any references to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

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

We consolidate all entities that are wholly owned and those in which we own less than 100% but control, as well as any variable interest entities in which we are the primary beneficiary. We evaluate our ability to control an entity and whether the entity is a variable interest entity and we are the primary beneficiary through consideration of the substantive terms of the arrangement to identify which enterprise has the power to direct the activities of a variable interest entity that most significantly impacts the entity’s economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. Investments in entities in which we do not control but over which we have the ability to exercise significant influence over operating and financial policies are presented under the equity method. Investments in entities that we do not control and over which we do not exercise significant influence are carried at the lower of cost or fair value, as appropriate. Our ability to correctly assess our influence and/or control over an entity affects the presentation of these investments in our consolidated financial statements.

2. Summary of Significant Accounting Policies

Cash and Cash Equivalents

Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less. The carrying amount approximates fair value due to the short-term maturity of these investments.

Restricted Cash

Restricted cash is generally comprised of cash proceeds from property sales that are being held by qualified intermediaries for purposes of facilitating tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code ("1031 Exchange"). As of June 30, 2017, and December 31, 2016, we did not have a balance in restricted cash.

Notes Receivable

We record notes receivable at the unpaid principal balance, net of any deferred origination fees, purchase discounts or premiums and valuation allowances, as applicable. We amortize net deferred origination fees, which are comprised of loan fees collected from the borrower, and purchase discounts or premiums over the contractual life of the loan using the effective interest method and immediately recognize in income any unamortized balances if the loan is repaid before its contractual maturity.

On July 1, 2016, we made a \$6.0 million mortgage loan secured by a 64,965 rentable square foot industrial property located in Rancho Cucamonga, California, that was subsequently repaid by the borrower on June 23, 2017. In connection with this origination, we collected a \$0.3 million loan fee from the borrower. The loan bore interest at 10% per annum and had a stated maturity date of June 30, 2017. Additionally, the borrower had the option to defer up to \$14 thousand of interest, otherwise payable per month, to be added to the principal to be paid in full on the maturity date. At the time of repayment, the outstanding principal balance on the loan was \$6.2 million.

Investments in Real Estate

Acquisitions

On January 5, 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2017-01, Business Combinations - Clarifying the Definition of a Business ("ASU 2017-01"), which provides a new framework for determining whether transactions should be accounted for as acquisitions of assets or businesses. ASU 2017-01 clarifies that when substantially all of the fair value of the gross assets acquired or disposed of is concentrated in a single identifiable asset or a group of similar assets, the set of assets and activities is not a business. ASU 2017-01 also revises the definition of a business to include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create an output. ASU 2017-01 is effective for annual periods beginning after December 15, 2017, and interim periods within those fiscal years, and early adoption is permitted.

Effective January 1, 2017, we early adopted ASU 2017-01. We evaluated the acquisitions that we completed during the six months ended June 30, 2017, and determined that under the new framework these transactions should be accounted for as asset acquisitions. See Note 3.

We evaluate each of our property acquisitions to determine whether the acquired set of assets and activities (collectively referred to as a "set") meets the definition of a business and will need to be accounted for as a business combination. A set would fail to qualify as a business if either (i) substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets or (ii) the set is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. An acquired process is considered substantive if (i) the process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce), that is skilled, knowledgeable, and experienced in performing the process, (ii) the process cannot be replaced without significant cost, effort, or delay or (iii) the process is considered unique or scarce.

We expect that most of our property acquisitions will generally not meet the revised definition of a business because substantially all of the fair value is concentrated in a single identifiable asset or group of similar identifiable assets or because the acquisition does not include a substantive process.

When we acquire a property that meets the business combination accounting criteria, we allocate the purchase price to the various components of the acquisition based upon the fair value of each component on the acquisition date. The components

typically include land, building and improvements, tenant improvements, intangible assets related to above and below market leases, intangible assets related to in-place leases, debt and other assumed assets and liabilities. Acquisition related costs are expensed as incurred. Because of the timing or complexity of completing certain fair value adjustments, the initial purchase price allocation may be incomplete at the end of a reporting period, in which case we may record provisional purchase price allocation amounts based on information available at the acquisition date. Subsequent adjustments to provisional amounts are recognized during the measurement period, which cannot exceed one year from the date of acquisition.

For acquisitions that do not meet the business combination accounting criteria, we allocate the cost of the acquisition, which includes any associated acquisition costs, to the individual assets and liabilities assumed on a relative fair value basis. As there is no measurement period concept for an asset acquisition, the allocated cost of the acquired assets should be finalized in the period in which the acquisition occurred.

We determine the fair value of the tangible assets of an acquired property by valuing the property as if it were vacant. This “as-if vacant” value is estimated using an income, or discounted cash flow, approach that relies upon Level 3 inputs, which are unobservable inputs based on the Company’s assumptions about the assumptions a market participant would use. These Level 3 inputs include discount rates, capitalization rates, market rents and comparable sales data for similar properties. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. In determining the “as-if-vacant” value for the properties we acquired during the six months ended June 30, 2017, we used discount rates ranging from 6.25% to 9.50% and capitalization rates ranging from 5.25% to 7.50%.

In determining the fair value of intangible lease assets or liabilities, we also consider Level 3 inputs. Acquired above- and below-market leases are valued based on the present value of the difference between prevailing market rates and the in-place rates measured over a period equal to the remaining term of the lease for above-market leases and the initial term plus the term of any below-market fixed rate renewal options for below-market leases, if applicable. The estimated fair value of acquired in-place at-market tenant leases are the costs that would have been incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the value associated with leasing commissions, legal and other costs, as well as the estimated period necessary to lease such property that would be incurred to lease the property to its occupancy level at the time of its acquisition. In determining the fair value of acquisitions completed during the six months ended June 30, 2017, we used an estimated average lease-up period ranging from six to eighteen months.

The difference between the fair value and the face value of debt assumed in connection with an acquisition is recorded as a premium or discount and amortized to “interest expense” over the life of the debt assumed. The valuation of assumed liabilities is based on our estimate of the current market rates for similar liabilities in effect at the acquisition date.

Capitalization of Costs

We capitalize direct costs incurred in developing, renovating, rehabilitating and improving real estate assets as part of the investment basis. This includes certain general and administrative costs, including payroll, bonus and non-cash equity compensation of the personnel performing development, renovations and rehabilitation if such costs are identifiable to a specific activity to get the real estate asset ready for its intended use. During the development and construction periods of a project, we also capitalize interest, real estate taxes and insurance costs. We cease capitalization of costs upon substantial completion of the project, but no later than one year from cessation of major construction activity. If some portions of a project are substantially complete and ready for use and other portions have not yet reached that stage, we cease capitalizing costs on the completed portion of the project but continue to capitalize for the incomplete portion of the project. Costs incurred in making repairs and maintaining real estate assets are expensed as incurred.

We capitalized interest costs of \$0.5 million and \$0.4 million during the three months ended June 30, 2017 and 2016, respectively, and \$0.9 million and \$0.9 million during the six months ended June 30, 2017 and 2016, respectively. We capitalized real estate taxes and insurance costs aggregating \$0.3 million and \$0.2 million during the three months ended June 30, 2017 and 2016, respectively, and \$0.6 million and \$0.4 million during the six months ended June 30, 2017 and 2016, respectively. We capitalized compensation costs for employees who provide construction services of \$0.5 million and \$0.3 million during the three months ended June 30, 2017 and 2016, respectively, and \$0.8 million and \$0.5 million during the six months ended June 30, 2017 and 2016, respectively.

Depreciation and Amortization

Real estate, including land, building and land improvements, tenant improvements, furniture, fixtures and equipment and intangible lease assets and liabilities are stated at historical cost less accumulated depreciation and amortization, unless circumstances indicate that the cost cannot be recovered, in which case, the carrying value of the property is reduced to estimated fair value as discussed below in our policy with regards to impairment of long-lived assets. We estimate the depreciable portion of our real estate assets and related useful lives in order to record depreciation expense.

The values allocated to buildings, site improvements, in-place lease intangibles and tenant improvements are depreciated on a straight-line basis using an estimated remaining life of 10-30 years for buildings, 5-20 years for site improvements, and the shorter of the estimated useful life or respective lease term for in-place lease intangibles and tenant improvements.

As discussed above in—*Investments in Real Estate—Acquisitions*, in connection with property acquisitions, we may acquire leases with rental rates above or below the market rental rates. Such differences are recorded as an acquired lease intangible asset or liability and amortized to “rental income” over the remaining term of the related leases.

Our estimate of the useful life of our assets is evaluated upon acquisition and when circumstances indicate a change in the useful life has occurred, which requires significant judgment regarding the economic obsolescence of tangible and intangible assets.

Deferred Leasing Costs

We capitalize costs directly related to the successful origination of a lease. These costs include leasing commissions paid to third parties for new leases or lease renewals, as well as an allocation of compensation costs, including payroll, bonus and non-cash equity compensation of employees who spend time on lease origination activities. In determining the amount of compensation costs to be capitalized for these employees, allocations are made based on estimates of the actual amount of time spent working on successful leases in comparison to time spent on unsuccessful origination efforts. We capitalized compensation costs for these employees of \$0.2 million and \$0.1 million during the three months ended June 30, 2017 and 2016, respectively, and \$0.4 million and \$0.2 million during the six months ended June 30, 2017 and 2016, respectively.

Impairment of Long-Lived Assets

In accordance with the provisions of the Impairment or Disposal of Long-Lived Assets Subsections of ASC Topic 360: *Property, Plant, and Equipment*, we assess the carrying values of our respective long-lived assets, including goodwill, whenever events or changes in circumstances indicate that the carrying amounts of these assets may not be fully recoverable.

Recoverability of real estate assets is measured by comparison of the carrying amount of the asset to the estimated future undiscounted cash flows. In order to review real estate assets for recoverability, we consider current market conditions as well as our intent with respect to holding or disposing of the asset. The intent with regards to the underlying assets might change as market conditions and other factors change. Fair value is determined through various valuation techniques; including discounted cash flow models, applying a capitalization rate to estimated net operating income of a property, quoted market values and third-party appraisals, where considered necessary. The use of projected future cash flows is based on assumptions that are consistent with estimates of future expectations and the strategic plan used to manage our underlying business. If our analysis indicates that the carrying value of the real estate asset is not recoverable on an undiscounted cash flow basis, we will recognize an impairment charge for the amount by which the carrying value exceeds the current estimated fair value of the real estate property.

Assumptions and estimates used in the recoverability analyses for future cash flows, discount rates and capitalization rates are complex and subjective. Changes in economic and operating conditions or our intent with respect to our investment that occur subsequent to our impairment analyses could impact these assumptions and result in future impairment of our real estate properties.

Investment in Unconsolidated Real Estate Entities

Investment in unconsolidated real estate entities in which we have the ability to exercise significant influence (but not control) are accounted for under the equity method of investment. Under the equity method, we initially record our investment at cost, and subsequently adjust for equity in earnings or losses and cash contributions and distributions. Any difference between the carrying amount of these investments on the balance sheet and the underlying equity in net assets is amortized as an adjustment to equity in income (loss) from unconsolidated real estate entities over the life of the related asset. Under the

equity method of accounting, our net equity investment is reflected within the consolidated balance sheets, and our share of net income or loss from the joint venture is included within the consolidated statements of operations. Furthermore, distributions received from equity method investments are classified as either operating cash inflows or investing cash inflows in the consolidated statements of cash flows using the “nature of the distribution approach,” in which each distribution is evaluated on the basis of the source of the payment. See Note 11.

Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with our initial taxable year ended December 31, 2013. To qualify as a REIT, we are required (among other things) to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to matters such as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we are generally not subject to corporate-level income tax on the earnings distributed currently to our stockholders. If we fail to qualify as a REIT in any taxable year, and were unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

In addition, we are subject to taxation by various state and local jurisdictions, including those in which we transact business or reside. Our non-taxable REIT subsidiaries, including our Operating Partnership, are either partnerships or disregarded entities for federal income tax purposes. Under applicable federal and state income tax rules, the allocated share of net income or loss from disregarded entities and flow-through entities such as partnerships is reportable in the income tax returns of the respective equity holders. Accordingly, no income tax provision is included in the accompanying consolidated financial statements for the three and six months ended June 30, 2017 and 2016.

We periodically evaluate our tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of June 30, 2017, and December 31, 2016, we have not established a liability for uncertain tax positions.

Derivative Instruments and Hedging Activities

FASB ASC Topic 815: Derivatives and Hedging (“ASC 815”), provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity’s financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the Company’s objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments.

As required by ASC 815, we record all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, and whether we have elected to designate a derivative in a hedging relationship and apply hedge accounting and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability, or firm commitment attributable to a particular risk, such as interest rate risk, are considered fair value hedges. Derivatives designated and qualifying as a hedge of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transactions in a cash flow hedge. We may enter into derivative contracts that are intended to economically hedge certain risks, even though hedge accounting does not apply or we elect not to apply hedge accounting. See Note 7.

Revenue Recognition

We recognize revenue from rent, tenant reimbursements and other revenue sources once all of the following criteria are met: persuasive evidence of an arrangement exists, the delivery has occurred or services rendered, the fee is fixed and determinable and collectability is reasonably assured. Minimum annual rental revenues are recognized in rental revenues on a straight-line basis over the term of the related lease. Rental revenue recognition commences when the tenant takes possession or controls the physical use of the leased space.

Estimated reimbursements from tenants for real estate taxes, common area maintenance and other recoverable operating expenses are recognized as revenues in the period that the expenses are incurred. Subsequent to year-end, we perform final reconciliations on a lease-by-lease basis and bill or credit each tenant for any cumulative annual adjustments. Lease termination fees, which are included in rental income in the accompanying consolidated statements of operations, are recognized when the related lease is canceled and we have no continuing obligation to provide services to such former tenant.

Revenues from management, leasing and development services are recognized when the related services have been provided and earned.

The recognition of gains on sales of real estate requires us to measure the timing of a sale against various criteria related to the terms of the transaction, as well as any continuing involvement in the form of management or financial assistance associated with the property. If the sales criteria are not met, we defer gain recognition and account for the continued operations of the property by applying the finance, profit-sharing or leasing method. If the sales criteria have been met, we further analyze whether profit recognition is appropriate using the full accrual method. If the criteria to recognize profit using the full accrual method have not been met, we defer the gain and recognize it when the criteria are met or use the installment or cost recovery method as appropriate under the circumstances.

Valuation of Receivables

We may be subject to tenant defaults and bankruptcies that could affect the collection of outstanding receivables. In order to mitigate these risks, we perform credit reviews and analyses on prospective tenants before significant leases are executed and on existing tenants before properties are acquired. We specifically analyze aged receivables, customer credit-worthiness, historical bad debts and current economic trends when evaluating the adequacy of the allowance for doubtful accounts. As a result of our periodic analysis, we maintain an allowance for estimated losses that may result from the inability of our tenants to make required payments. This estimate requires significant judgment related to the lessees' ability to fulfill their obligations under the leases. We believe our allowance for doubtful accounts is adequate for our outstanding receivables for the periods presented. If a tenant is insolvent or files for bankruptcy protection and fails to make contractual payments beyond any allowance, we may recognize additional bad debt expense in future periods equal to the net outstanding balances, which include amounts recognized as straight-line revenue not realizable until future periods.

Rents and other receivables, net and deferred rent receivable, net consisted of the following as of June 30, 2017 and December 31, 2016 (in thousands):

	<u>June 30, 2017</u>	<u>December 31, 2016</u>
Rents and other receivables	\$ 4,910	\$ 5,565
Allowance for doubtful accounts	(2,266)	(2,816)
Rents and other receivables, net	<u>\$ 2,644</u>	<u>\$ 2,749</u>
Deferred rent receivable	\$ 13,694	\$ 11,903
Allowance for doubtful accounts	(66)	(30)
Deferred rent receivable, net	<u>\$ 13,628</u>	<u>\$ 11,873</u>

We recorded the following provision for doubtful accounts, including amounts related to deferred rents, as a reduction to rental revenues in our consolidated statements of operations for the three and six months ended June 30, 2017 and 2016 (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Provision for doubtful accounts	\$ 340	\$ 368	\$ 666	\$ 833

Equity Based Compensation

We account for equity based compensation in accordance with ASC Topic 718 *Compensation - Stock Compensation*. Total compensation cost for all share-based awards is based on the estimated fair market value on the grant date. For share-based awards that vest based solely on a service condition, we recognize compensation cost on a straight-line basis over the total requisite service period for the entire award. For share-based awards that vest based on a market or performance condition, we recognize compensation cost on a straight-line basis over the requisite service period of each separately vesting tranche. Forfeitures are recognized in the period in which they occur. See Note 12.

Equity Offering Costs

Underwriting commissions and offering costs related to our common stock issuances have been reflected as a reduction of additional paid-in capital. Underwriting commissions and offering costs related to our preferred stock issuance have been reflected as a direct reduction of the preferred stock balance.

Earnings Per Share

We calculate earnings per share ("EPS") in accordance with ASC 260 - Earnings Per Share ("ASC 260"). Under ASC 260, nonvested share-based payment awards that contain non-forfeitable rights to dividends are participating securities and, therefore, are included in the computation of basic EPS pursuant to the two-class method. The two-class method determines EPS for each class of common stock and participating securities according to dividends declared (or accumulated) and their respective participation rights in undistributed earnings.

Basic EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period.

Diluted EPS is calculated by dividing the net income (loss) attributable to common stockholders by the weighted average number of shares of common stock outstanding determined for the basic EPS computation plus the effect of any dilutive securities. We include unvested shares of restricted stock and unvested LTIP units in the computation of diluted EPS by using the more dilutive of the two-class method or treasury stock method. We include unvested performance units as contingently issuable shares in the computation of diluted EPS once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted EPS calculation. See Note 13.

Segment Reporting

Management views the Company as a single reportable segment based on its method of internal reporting in addition to its allocation of capital and resources.

Recently Issued Accounting Pronouncements

Changes to GAAP are established by the FASB in the form of ASUs to the FASB's Accounting Standards Codification. We consider the applicability and impact of all ASUs.

On May 10, 2017, the FASB issued ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting ("ASU 2017-09"), which clarifies the scope of modification accounting for share-based compensation arrangements by providing guidance on the types of changes to the terms and conditions of share-based compensation awards to which an entity would be required to apply modification accounting under ASC 718. ASU 2017-09 is effective for annual periods beginning after December 15, 2017, and early adoption is permitted. We are currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

On February 25, 2016, the FASB issued ASU 2016-02, Leases (Topic 842) ("ASU 2016-02"), which requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The ASU also requires lessees to classify leases as either finance or operating leases based on whether or not the lease is effectively a financed purchase of the leased asset by the lessee. This classification is used to evaluate whether the lease expense should be recognized based on an effective interest method or on a straight-line basis over the term of the lease. Additionally, ASU 2016-02 will require that lessees and lessors capitalize, as initial direct costs, only those costs that are incurred due to the execution of a lease. As a result, compensation costs related to employees who spend time on lease

origination activities, regardless of whether their time leads to a successful lease, will no longer be capitalized as initial direct costs and instead will be expensed as incurred. Lessors will continue to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases, and operating leases. ASU 2016-02 is effective for annual periods beginning after December 15, 2018, and early adoption is permitted. ASU 2016-02 requires the use of a modified retrospective approach for all leases existing at, or entered into after, the beginning of the earliest period presented in the consolidated financial statements, with certain practical expedients available. We are currently assessing the impact of the guidance on our consolidated financial statements and notes to our consolidated financial statements.

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 establishes principles for reporting the nature, amount, timing and uncertainty of revenues and cash flows arising from an entity’s contracts with customers. The core principle of the new standard is that an entity recognizes revenue to represent the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 does not apply to lease contracts within the scope of Leases (Topic 840) except to the extent the lease contract contains non-leasing components. For public entities, ASU 2014-09 is effective for annual reporting periods, including interim reporting periods within those periods, beginning after December 15, 2017. Early application is permitted for annual periods beginning after December 15, 2016. ASU 2014-09 permits the use of either the full retrospective transition method or a modified retrospective transition method. We have formed an implementation project team and are currently working on the evaluation and implementation of the guidance as it relates to property management and leasing services revenue and other property-related revenues that may fall under the scope of ASU 2014-09. We expect to adopt ASU 2014-09 on January 1, 2018, using the modified retrospective transition method.

Adoption of New Accounting Pronouncements

On November 17, 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic 230) - Restricted Cash (“ASU 2016-18”), which requires an entity’s reconciliation of the beginning of period and end of period amounts shown in the statement of cash flows to include with cash and cash equivalents, amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, with early adoption permitted. We early adopted ASU 2016-18, effective January 1, 2017, with retrospective application to our consolidated statements of cash flows. Accordingly, we have included restricted cash with cash and cash equivalents in our reconciliation of beginning of period and end of period amounts shown in our consolidated statements of cash flows for all periods presented. As a result of the adoption of ASU 2016-18, changes in restricted cash are no longer presented as a separate line item within cash flows from investing activities in our consolidated statements of cash flows since we have included restricted cash with cash and cash equivalents in our reconciliation of beginning and end of period amounts shown in our consolidated statements of cash flows. As a result, for the six months ended June 30, 2016, we had net cash used in investing activities of \$223.4 million instead of \$241.4 million as previously reported, since we had \$18.0 million of restricted cash at June 30, 2016. This \$18.0 million of restricted cash represented proceeds from the sale of two properties that were being held in a qualified intermediary account in anticipation of a 1031 Exchange.

On August 26, 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments (“ASU 2016-15”), which addresses certain classification issues related to the statement of cash flows, including: (i) debt prepayment or debt extinguishment costs, (ii) contingent consideration payments made after a business combination and (iii) distributions received from equity method investees. ASU 2016-15 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. Early adoption is permitted, including adoption in an interim period. We early adopted ASU 2016-15, effective July 1, 2016, and elected, as part of the adoption, to classify distributions received from equity method investees under the “nature of the distribution approach,” in which each distribution is evaluated on the basis of the source of the payment and classified as either operating cash inflows or investing cash inflows. The adoption of ASU 2016-15 did not affect have a material impact on our consolidated statements of cash flows.

3. Investments in Real Estate

Acquisitions

The following table summarizes the wholly-owned industrial property we acquired during the six months ended June 30, 2017:

Property	Submarket	Date of Acquisition	Rentable Square Feet	Number of Buildings	Contractual Purchase Price ⁽¹⁾ (in thousands)
28903 Avenue Paine ⁽²⁾	Los Angeles - San Fernando Valley	2/17/2017	111,346	1	\$ 17,060
2390 Ward Avenue ⁽³⁾	Ventura	4/28/2017	138,700	1	16,499
Safari Business Center ⁽⁴⁾	Inland Empire - West	5/24/2017	1,138,090	16	141,200
4175 Conant Street ⁽⁵⁾	Los Angeles - South Bay	6/14/2017	142,593	1	30,600
5421 Argosy Avenue ⁽⁵⁾	Orange County - West	6/15/2017	35,321	1	5,300
14820-14830 Carmenita Road ⁽²⁾	Los Angeles - Mid-counties	6/30/2017	198,062	3	30,650
Total 2017 Wholly-Owned Property Acquisitions			1,764,112	23	\$ 241,309

- (1) Represents the gross contractual purchase price before prorations and closing costs. Does not include capitalized acquisition costs totaling \$0.6 million.
- (2) This acquisition was funded with available cash on hand and borrowings under our unsecured revolving credit facility.
- (3) This acquisition was partially funded through a 1031 Exchange using \$6.5 million of net cash proceeds from the sale of our property located at 9375 Archibald Avenue and borrowings under our unsecured revolving credit facility.
- (4) This acquisition was partially funded through a 1031 Exchange using \$39.7 million of net cash proceeds from the sale of our property located at 2535 Midway Drive, borrowings under our unsecured revolving credit facility and available cash on hand.
- (5) This acquisition was funded with available cash on hand.

The following table summarizes the fair value of amounts allocated to each major class of asset and liability for the acquisitions noted in the table above, as of the date of each acquisition (in thousands):

	Total 2017 Acquisitions
Assets:	
Land	\$ 107,350
Buildings and improvements	120,364
Tenant improvements	3,924
Acquired lease intangible assets ⁽¹⁾	12,867
Other acquired assets ⁽²⁾	143
Total assets acquired	244,648
Liabilities:	
Acquired lease intangible liabilities ⁽³⁾	2,687
Other assumed liabilities ⁽²⁾	1,514
Total liabilities assumed	4,201
Net assets acquired	\$ 240,447

- (1) Represents in-place leases and above-market leases with weighted average amortization periods of 5.1 years and 11.2 years, respectively.
- (2) Includes other working capital assets acquired and liabilities assumed, at the time of acquisition.
- (3) Represents below-market leases with a weighted average amortization period of 3.2 years.

The following table sets forth the results of operations for the three and six months ended June 30, 2017, for the properties acquired during the six months ended June 30, 2017, included in the consolidated statements of operations from the date of acquisition (in thousands):

	Three Months Ended June 30, 2017	Six Months Ended June 30, 2017
Total revenues	\$ 1,391	\$ 1,391
Net income	\$ (262)	\$ (280)

The following table sets forth unaudited pro-forma financial information (in thousands) as if the closing of our acquisitions during the six months ended June 30, 2017, had occurred on January 1, 2016. These unaudited pro-forma results have been prepared for comparative purposes only and include certain adjustments, such as (i) increased rental revenues for the amortization of the net amount of above- and below-market rents acquired in the acquisitions, (ii) increased depreciation and amortization expenses as a result of tangible and intangible assets acquired in the acquisitions and (iii) increased interest expense for borrowings associated with these acquisitions. These pro-forma results have not been adjusted for property sales completed during the six months ended June 30, 2017. These unaudited pro-forma results do not purport to be indicative of what operating results would have been had the acquisitions actually occurred on January 1, 2016, and may not be indicative of future operating results.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Total revenues	\$ 39,222	\$ 34,134	\$ 78,324	\$ 65,170
Net income attributable to common stockholders	\$ 18,664	\$ 11,541	\$ 22,748	\$ 12,195
Net income attributable to common stockholders per share - basic	\$ 0.27	\$ 0.18	\$ 0.34	\$ 0.19
Net income attributable to common stockholders per share - diluted	\$ 0.27	\$ 0.18	\$ 0.34	\$ 0.19

Dispositions

The following table summarizes the property we sold during the six months ended June 30, 2017:

Property	Submarket	Date of Disposition	Rentable Square Feet	Contractual Sales Price⁽¹⁾ (in thousands)	Gain Recorded (in thousands)
9375 Archibald Avenue	Inland Empire West	3/31/2017	62,677	\$ 6,875	\$ 2,668
2535 Midway Drive	San Diego - Central	5/17/2017	373,744	\$ 40,050	\$ 15,974
2811 Harbor Boulevard	Orange County - Airport	6/28/2017	126,796	\$ 18,700	\$ 595
Total			<u>563,217</u>	<u>\$ 65,625</u>	<u>\$ 19,237</u>

(1) Represents the gross contractual sales price before commissions, prorations and other closing costs.

4. Intangible Assets

The following table summarizes our acquired lease intangible assets, including the value of in-place leases and above-market tenant leases, and our acquired lease intangible liabilities, including below-market tenant leases and above-market ground leases (in thousands):

	June 30, 2017		December 31, 2016	
Acquired Lease Intangible Assets:				
In-place lease intangibles	\$	78,873	\$	68,234
Accumulated amortization		(43,633)		(37,648)
In-place lease intangibles, net		35,240		30,586
Above-market tenant leases		10,901		10,191
Accumulated amortization		(5,054)		(4,412)
Above-market tenant leases, net		5,847		5,779
Acquired lease intangible assets, net	\$	41,087	\$	36,365
Acquired Lease Intangible Liabilities:				
Below-market tenant leases	\$	(15,112)	\$	(12,426)
Accumulated accretion		4,492		3,477
Below-market tenant leases, net		(10,620)		(8,949)
Above-market ground lease		(290)		(290)
Accumulated accretion		125		109
Above-market ground lease, net		(165)		(181)
Acquired lease intangible liabilities, net	\$	(10,785)	\$	(9,130)

The following table summarizes the amortization related to our acquired lease intangible assets and liabilities for the reported periods noted below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
In-place lease intangibles ⁽¹⁾	\$ 3,149	\$ 3,402	\$ 6,105	\$ 6,288
Net above (below)-market tenant leases ⁽²⁾	\$ (193)	\$ 67	\$ (302)	\$ 72
Above-market ground lease ⁽³⁾	\$ (8)	\$ (8)	\$ (16)	\$ (16)

- (1) The amortization of in-place lease intangibles is recorded to depreciation and amortization expense in the consolidated statements of operations for the periods presented.
- (2) The amortization of net above (below)-market tenant leases is recorded as a decrease (increase) to rental revenues in the consolidated statements of operations for the periods presented.
- (3) The accretion of the above-market ground lease is recorded as a decrease to property expenses in the consolidated statements of operations for the periods presented.

5. Notes Payable

The following table summarizes the balance of our indebtedness as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017		December 31, 2016	
Principal amount	\$	564,242	\$	502,476
Less: unamortized discount and debt issuance costs ⁽¹⁾		(2,712)		(2,292)
Carrying value	\$	561,530	\$	500,184

- (1) Excludes unamortized debt issuance costs related to our unsecured revolving credit facility, which are presented in the line item "Deferred loan costs, net" in the consolidated balance sheets.

The following table summarizes the components and significant terms of our indebtedness as of June 30, 2017, and December 31, 2016 (dollars in thousands):

	June 30, 2017		December 31, 2016		Contractual Maturity Date	Stated Interest Rate ⁽¹⁾	Effective Interest Rate ⁽²⁾
	Principal Amount	Unamortized Discount and Debt Issuance Costs	Principal Amount	Unamortized Discount and Debt Issuance Costs			
Secured Debt							
\$60M Term Loan ⁽³⁾	\$ 59,282	\$ (165)	\$ 59,674	\$ (204)	8/1/2019 ⁽⁴⁾	LIBOR+1.90%	3.95%
Gilbert/La Palma ⁽⁵⁾	2,839	(141)	2,909	(145)	3/1/2031	5.125%	5.41%
12907 Imperial Highway ⁽⁶⁾	5,121	115	5,182	180	4/1/2018	5.950%	3.38%
1065 Walnut Street	—	—	9,711	192	2/1/2019	N/A	N/A
Unsecured Debt							
\$100M Term Loan Facility	100,000	(384)	100,000	—	2/14/2022	LIBOR+1.20% ⁽⁷⁾	3.18% ⁽⁸⁾
Revolving Credit Facility	72,000	—	—	—	2/12/2021 ⁽⁹⁾	LIBOR+1.10% ⁽⁷⁾⁽¹⁰⁾	2.32%
\$225M Term Loan Facility	225,000	(1,539)	225,000	(1,680)	1/14/2023	LIBOR+1.50% ⁽⁷⁾	2.85%
Guaranteed Senior Notes	100,000	(598)	100,000	(635)	8/6/2025	4.290%	4.36%
Total	\$ 564,242	\$ (2,712)	\$ 502,476	\$ (2,292)			

(1) Reflects the contractual interest rate under the terms of the loan, as of June 30, 2017.

(2) Reflects the effective interest rate as of June 30, 2017, which includes the effect of the amortization of discounts/premiums and debt issuance costs and the effect of interest rate swaps that are effective as of June 30, 2017.

(3) This term loan is secured by six properties. Beginning August 15, 2016, monthly payments of interest and principal are based on a 30-year amortization table. As of June 30, 2017, the interest rate on this variable-rate term loan has been effectively fixed through the use of two interest rate swaps, one of which is an amortizing swap. See Note 7 for details.

(4) One additional one-year extension available at the borrower's option.

(5) Monthly payments of interest and principal are based on a 20-year amortization table.

(6) Monthly payments of interest and principal are based on a 30-year amortization table, with a balloon payment at maturity.

(7) The LIBOR margin will range from 1.20% to 1.70% for the \$100.0 million term loan facility, 1.10% to 1.50% for the revolving credit facility and 1.50% to 2.25% for the \$225.0 million term loan facility depending on the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value, or leverage ratio, which is measured on a quarterly basis.

(8) As of June 30, 2017, the interest on the \$100.0 million term loan facility has been effectively fixed through the use of two interest rate swaps. See Note 7 for details.

(9) Two additional six-month extensions available at the borrower's option.

(10) The unsecured revolving credit facility is subject to an applicable facility fee which is calculated as a percentage of the total lenders' commitment amount, regardless of usage. The applicable facility fee will range from 0.15% to 0.30% depending upon our leverage ratio.

The following table summarizes the contractual debt maturities and scheduled amortization payments, excluding debt discounts/premiums and debt issuance costs, as of June 30, 2017, and does not consider extension options available to us as noted in the table above (in thousands):

July 1, 2017 - December 31, 2017	\$	526
2018		5,991
2019		58,266
2020		166
2021		72,175
Thereafter		427,118
Total	\$	564,242

Loan Repayment

On March 20, 2017, we repaid the \$9.7 million outstanding balance on the 1065 Walnut Street mortgage loan in advance of the February 1, 2019 maturity date. In connection with the repayment, we incurred prepayment fees of \$0.2 million which is included in loss on extinguishment of debt in the accompanying consolidated statements of operations. The loss on extinguishment of debt also includes the write-off of the unamortized debt premium of \$0.2 million.

Amended Credit Agreement

On February 14, 2017, we amended our \$300.0 million senior unsecured credit facility by entering into a second amended and restated credit agreement (the "Amended Credit Agreement"), which provides for a \$450.0 million senior unsecured credit facility, comprised of a \$350.0 million unsecured revolving credit facility (the "Amended Revolver") and a \$100.0 million unsecured term loan facility (the "Amended Term Loan"). The Amended Revolver is scheduled to mature on February 12, 2021, and has two six-month extension options available, and the Amended Term Loan is scheduled to mature on February 14, 2022. Under the terms of the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate \$550.0 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the Amended Term Loan, additional term loan tranches or any combination of the foregoing.

Interest on the Amended Credit Agreement, is generally to be paid based upon, at our option, either (i) LIBOR plus an applicable margin that is based upon our leverage ratio or (ii) the Base Rate (which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the Eurodollar Rate plus 1.00%) plus an applicable margin that is based on our leverage ratio. The margins for the Amended Revolver range in amount from 1.10% to 1.50% for LIBOR-based loans and 0.10% to 0.50% for Base Rate-based loans, depending on our leverage ratio. The margins for the Amended Term Loan range in amount from 1.20% to 1.70% for LIBOR-based loans and 0.20% to 0.70% for Base Rate-based loans, depending on our leverage ratio.

If we attain one additional investment grade rating by one or more of Standard & Poor's or Moody's Investor Services to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Amended Credit Agreement to be based on such rating. In that event, the margins for the Amended Revolver will range in amount from 0.825% to 1.55% for LIBOR-based loans and 0.00% to 0.55% for Base Rate-based loans, depending on such rating. The margins for the Amended Term Loan will range in amount from 0.90% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for Base Rate-based loans, depending on such rating.

In addition to the interest payable on amounts outstanding under the Amended Revolver, we are required to pay an applicable facility fee, based upon our leverage ratio, on each lender's commitment amount under the Amended Revolver, regardless of usage. The applicable facility fee will range in amount from 0.15% to 0.30%, depending on our leverage ratio. In the event that we convert the pricing structure to be based on an investment-grade rating, the applicable facility fee will range in amount from 0.125% to 0.30%, depending on such rating.

The Amended Credit Agreement is guaranteed by the Company and by substantially all of the current and to-be-formed subsidiaries of the Operating Partnership that own an unencumbered property. The Amended Credit Agreement is not secured by the Company's properties or by equity interests in the subsidiaries that hold such properties.

The Amended Revolver and the Amended Term Loan may be voluntarily prepaid in whole or in part at any time without premium or penalty. Amounts borrowed under the Amended Term Loan and repaid or prepaid may not be reborrowed.

The Amended Credit Facility contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the Amended Credit Facility and other loan documentation, cross-defaults to certain other indebtedness, and bankruptcy and other insolvency defaults. If an event of default occurs and is continuing under the Amended Credit Facility, the unpaid principal amount of all outstanding loans, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

On June 30, 2017, we had \$72.0 million outstanding under the Amended Revolver, leaving \$278.0 million available for additional borrowings.

Debt Covenants

The Amended Credit Facility, the \$225 million unsecured term loan facility (the “\$225 Million Term Loan Facility”) and the \$100 million unsecured guaranteed senior notes (the “\$100 Million Notes”), all include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

- Maintaining a ratio of total indebtedness to total asset value of not more than 60%;
- For the Amended Credit Facility and the \$225 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;
- For the \$100 Million Notes, maintaining a ratio of secured debt to total asset value of not more than 40%;
- Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;
- Maintaining a minimum tangible net worth of at least the sum of (i) \$760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;
- Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) to fixed charges of at least 1.50 to 1.0;
- Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%; and
- Maintaining a ratio of unencumbered NOI (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.0.

The Amended Credit Facility, the \$225 Million Term Loan Facility and the \$100 Million Notes also provide that our distributions may not exceed the greater of (i) 95.0% of our funds from operations or (ii) the amount required for us to qualify and maintain our status as a REIT and avoid the payment of federal or state income or excise tax in any 12-month period.

Additionally, subject to the terms of the \$100 Million Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the \$100 Million Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Notes agreement, and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Notes will become due and payable at the option of the purchasers.

Our \$60.0 million term loan contains a financial covenant that is tested on a quarterly basis, which requires us to maintain a minimum Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.00.

We were in compliance with all of our required quarterly debt covenants as of June 30, 2017.

6. Operating Leases

We lease space to tenants primarily under non-cancelable operating leases that generally contain provisions for a base rent plus reimbursement for certain operating expenses. Operating expense reimbursements are reflected in the consolidated statements of operations as tenant reimbursements.

Future minimum base rent under operating leases as of June 30, 2017, is summarized as follows (in thousands):

Twelve months ended June 30,		
2018	\$	119,416
2019		102,034
2020		83,231
2021		60,653
2022		39,417
Thereafter		97,154
Total	\$	501,905

The future minimum base rent in the table above excludes tenant reimbursements, amortization of adjustments for deferred rent receivables and the amortization of above/below-market lease intangibles.

7. Interest Rate Swaps

Risk Management Objective of Using Derivatives

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources and duration of our debt funding and the use of derivative financial instruments. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used to manage differences in the amount, timing and duration of our known or expected cash payments principally related to our borrowings.

Derivative Instruments

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movements. To accomplish this objective, we primarily use interest rate swaps as part of our interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional value. We do not use derivatives for trading or speculative purposes.

The effective portion of the change in fair value of derivatives designated and qualifying as cash flow hedges is initially recorded in accumulated other comprehensive income/(loss) ("AOCI") and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is immediately recognized in earnings.

The following table sets forth a summary of our interest rate swaps at June 30, 2017 and December 31, 2016 (dollars in thousands):

Derivative Instrument	Effective Date	Maturity Date	Interest Strike Rate	Fair Value		Current Notional Value ⁽¹⁾	
				June 30, 2017	December 31, 2016	June 30, 2017	December 31, 2016
Assets⁽²⁾:							
Interest Rate Swap	2/14/2018	1/14/2022	1.349%	\$ 2,588	\$ 3,245	\$ —	\$ —
Interest Rate Swap	8/14/2018	1/14/2022	1.406%	\$ 1,811	\$ 2,349	\$ —	\$ —
Liabilities⁽³⁾:							
Interest Rate Swap	1/15/2015	2/15/2019	1.826%	\$ 175	\$ 338	\$ 30,000	\$ 30,000
Interest Rate Swap	7/15/2015	2/15/2019	2.010%	\$ 253	\$ 440	\$ 29,282	\$ 29,674
Interest Rate Swap	8/14/2015	12/14/2018	1.790%	\$ 255	\$ 529	\$ 50,000	\$ 50,000
Interest Rate Swap	2/16/2016	12/14/2018	2.005%	\$ 411	\$ 738	\$ 50,000	\$ 50,000

(1) Represents the notional value of swaps that are effective as of the balance sheet date presented.

- (2) The fair value of these interest rate swaps is included in the line item “Interest rate swap asset” in the accompanying consolidated balance sheets.
(3) The fair value of these interest rate swaps is included in the line item “Interest rate swap liability” in the accompanying consolidated balance sheets.

Derivative instruments that are subject to master netting arrangements and qualify for net presentation in the consolidated balance sheets are presented on a gross basis in the consolidated balance sheets as of June 30, 2017 and December 31, 2016. As of June 30, 2017, if we had recognized these derivative instruments on a net basis, we would have reported an interest rate swap asset of \$3.7 million and an interest rate swap liability of \$0.4 million, which represent the net balances after the effect of offsetting with counterparties where we had both derivative assets and derivative liabilities.

The following table sets forth the impact of our interest rate swaps on our consolidated statements of operations for the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Interest Rate Swaps in Cash Flow Hedging Relationships:				
Amount of loss recognized in AOCI on derivatives (effective portion)	\$ (1,358)	\$ (3,243)	\$ (1,054)	\$ (5,501)
Amount of loss reclassified from AOCI into earnings under “Interest expense” (effective portion)	\$ (362)	\$ (593)	\$ (810)	\$ (1,094)
Amount of gain (loss) recognized in earnings under “Interest expense” (ineffective portion and amount excluded from effectiveness testing)	\$ —	\$ —	\$ —	\$ —

During the next twelve months, we estimate that an additional \$0.8 million will be reclassified from AOCI as an increase to interest expense.

Credit-risk-related Contingent Features

Certain of our agreements with our derivative counterparties contain a provision where if we default on any of our indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender within a specified time period, then we could also be declared in default on its derivative obligations.

Certain of our agreements with our derivative counterparties contain provisions where if a merger or acquisition occurs that materially changes our creditworthiness in an adverse manner, we may be required to fully collateralize our obligations under the derivative instrument.

8. Fair Value Measurements

We have adopted FASB Accounting Standards Codification Topic 820: Fair Value Measurements and Disclosure (“ASC 820”). ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity’s own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which

are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

Recurring Measurements – Interest Rate Swaps

Currently, we use interest rate swap agreements to manage our interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves.

To comply with the provisions of ASC 820, we incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by ourselves and our counterparties. However, as of June 30, 2017, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, we have determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The table below sets forth the estimated fair value of our interest rate swaps as of June 30, 2017 and December 31, 2016, which we measure on a recurring basis by level within the fair value hierarchy (in thousands).

	Fair Value Measurement Using			
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>June 30, 2017</i>				
Interest Rate Swap Asset	\$ 4,399	\$ —	\$ 4,399	\$ —
Interest Rate Swap Liability	\$ (1,094)	\$ —	\$ (1,094)	\$ —
<i>December 31, 2016</i>				
Interest Rate Swap Asset	\$ 5,594	\$ —	\$ 5,594	\$ —
Interest Rate Swap Liability	\$ (2,045)	\$ —	\$ (2,045)	\$ —

Financial Instruments Disclosed at Fair Value

The carrying amounts of cash and cash equivalents, rents and other receivables, other assets, accounts payable, accrued expenses and other liabilities, and tenant security deposits approximate fair value because of their short-term nature.

The fair value of our notes payable was estimated by calculating the present value of principal and interest payments, using currently available market rates, adjusted with a credit spread, and assuming the loans are outstanding through contractual maturity date.

The table below sets forth the carrying value and the estimated fair value of our notes payable as of June 30, 2017 and December 31, 2016 (in thousands):

Liabilities	Fair Value Measurement Using				Carrying Value
	Total Fair Value	Quoted Price in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Notes Payable at:					
June 30, 2017	\$ 568,495	\$ —	\$ —	\$ 568,495	\$ 561,530
December 31, 2016	\$ 507,733	\$ —	\$ —	\$ 507,733	\$ 500,184

9. Related Party Transactions

Howard Schwimmer

We engage in transactions with Howard Schwimmer, our Co-Chief Executive Officer, earning management fees and leasing commissions from entities controlled individually by Mr. Schwimmer. Fees and commissions earned from these entities are included in “Management, leasing and development services” in the consolidated statements of operations. We recorded \$0.1 million and \$0.1 million for the three months ended June 30, 2017 and 2016, respectively, and \$0.2 million and \$0.1 million for the six months ended in June 30, 2017 and 2016, respectively, in management, leasing and development services revenue.

10. Commitments and Contingencies

Legal

From time to time, we are party to various lawsuits, claims and legal proceedings that arise in the ordinary course of business. We are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial condition or results of operations.

Environmental

We generally will perform environmental site assessments at properties we are considering acquiring. After the acquisition of such properties, we continue to monitor the properties for the presence of hazardous or toxic substances. From time to time, we acquire properties with known adverse environmental conditions. If at the time of acquisition, losses associated with environmental remediation obligations are probable and can be reasonably estimated, we record a liability.

On February 25, 2014, we acquired the property located at West 228th Street. Before purchasing the property during the due diligence phase, we engaged a third party environmental consultant to perform various environmental site assessments to determine the presence of any environmental contaminants that might warrant remediation efforts. Based on their investigation, they determined that hazardous substances existed at the property and that additional assessment and remediation work would likely be required to satisfy regulatory requirements. The total remediation costs were estimated to be \$1.3 million, which includes remediation, processing and oversight costs.

To address the estimated costs associated with the environmental issues at the West 228th Street property, we entered into an Environmental Holdback Escrow Agreement (the “Holdback Agreement”) with the former owner, whereby \$1.4 million was placed into an escrow account to be used to pay remediation costs. To fund the \$1.4 million, the escrow holder withheld \$1.3 million of the purchase price, which would have otherwise been paid to the seller at closing, and the Company funded an additional \$0.1 million. According to the Holdback Agreement, the seller has no liability or responsibility to pay for remediation costs in excess of \$1.3 million.

As of June 30, 2017, and December 31, 2016, we had a \$1.1 million and \$1.1 million contingent liability recorded in our consolidated balance sheets included in the line item “Accounts payable and accrued expenses,” reflecting the estimated remaining cost to remediate environmental liabilities at West 228th Street that existed prior to the acquisition date. As of

June 30, 2017, and December 31, 2016, we also had a \$1.1 million and \$1.1 million corresponding indemnification asset recorded in our consolidated balance sheets included in the line item “Other assets,” reflecting the estimated costs we expect the former owner to cover pursuant to the Holdback Agreement.

We expect that the resolution of the environmental matters relating to the above will not have a material impact on our consolidated financial condition, results of operations or cash flows. However, we cannot assure you that we have identified all environmental liabilities at our properties, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that such environmental liabilities arise. Furthermore, we cannot assure you that future changes to environmental laws or regulations and their application will not give rise to loss contingencies for future environmental remediation.

Rent Expense

As of June 30, 2017, we lease a parcel of land that is currently being sub-leased to a tenant for a parking lot. The ground lease is scheduled to expire on June 1, 2062. We recognized rental expense for our ground lease in the amount of \$36 thousand and \$36 thousand for the three months ended June 30, 2017 and 2016, respectively, and \$0.1 million and \$0.1 million for the six months ended June 30, 2017 and 2016, respectively. As part of conducting our day-to-day business, we also lease office space under operating leases. We recognized rental expense for our corporate and satellite office leases in the amount of \$0.1 million and \$0.1 million for the three months ended June 30, 2017 and 2016, respectively, and \$0.2 million and \$0.3 million for the six months ended June 30, 2017 and 2016, respectively.

The future minimum commitment under our ground lease and corporate and satellite office leases as of June 30, 2017, is as follows (in thousands):

	Office Leases		Ground Lease	
July 1, 2017 through December 31, 2017	\$	314	\$	72
2018		676		144
2019		459		144
2020		126		144
2021		120		144
Thereafter		—		5,820
Total	\$	1,695	\$	6,468

On September 14, 2016 (the “Effective Date”), we entered into a ground lease for approximately 1.58 million square feet of land located in Corona, California, with the intention to develop buildings on the site. Under the terms of the ground lease, we had up to 420 days from the Effective Date, subject to certain conditions, to satisfy and waive certain contingencies, or terminate the ground lease for any reason. On March 13, 2017, we terminated the ground lease. As a result of the termination, we wrote-off \$0.3 million of previously incurred transaction costs to the line item “Acquisition expenses” in the consolidated statements of operations.

Tenant and Construction Related

As of June 30, 2017, we had commitments of approximately \$11.9 million for tenant improvement and construction work under the terms of leases with certain of our tenants and contractual agreements with our construction vendors.

Concentrations of Credit Risk

We have deposited cash with financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. Although we have deposits at institutions in excess of federally insured limits as of June 30, 2017, we do not believe we are exposed to significant credit risk due to the financial position of the institutions in which those deposits are held.

As of June 30, 2017, all of our properties are located in the Southern California infill markets. The ability of the tenants to honor the terms of their respective leases is dependent upon the economic, regulatory and social factors affecting the markets in which the tenants operate.

During the six months ended June 30, 2017, no single tenant accounted for more than 5% of our total consolidated rental revenues.

11. Investment in Unconsolidated Real Estate Entities

On July 6, 2016, we acquired the property located at 3233 Mission Oaks Boulevard (the "JV Property") from our joint venture (the "JV") for a contract price of \$25.7 million. Prior to the acquisition, our ownership interest in the JV property was 15.0%. As a result of the acquisition, we own 100% of the JV property and are accounting for it on a consolidated basis.

Following the sale of the JV property, the JV distributed all of its available cash, with the exception of a small amount of working capital which was retained to cover any residual costs associated with the winding down of the JV. During the six months ended June 30, 2017, the remaining assets were liquidated by the JV and we received a final distribution in the amount of \$11 thousand which is reported in the line item "Equity in income from unconsolidated real estate entities" in the consolidated statements of operations.

Management Services

During the time that the JV owned the JV Property, we performed property and construction management services for the JV Property. We earned fees and commissions for these services totaling zero and \$18 thousand for the three months ended June 30, 2017 and 2016, respectively, and zero and \$0.1 million for the six months ended June 30, 2017 and 2016, respectively, which are included in the line item "Management, leasing and development services" in the consolidated statements of operations.

12. Equity

Common Stock

On June 12, 2017, we established a new at-the-market equity offering program (the "\$150 Million ATM Program") pursuant to which we may sell from time to time up to an aggregate of \$150.0 million of our common stock through sales agents. The ATM Program replaces our previous \$125.0 million at-the-market equity offering program, which was established on April 17, 2015 (the "\$125 Million ATM Program"). As of June 30, 2017, all \$125.0 million of shares of our common stock under the Prior ATM Program have been sold.

During the six months ended June 30, 2017, we sold 4,390,917 shares of our common stock under the \$125 Million ATM Program, at a weighted average price of \$26.35 per share, for gross proceeds of \$115.7 million, and net proceeds of \$114.0 million, after deducting the sales agents' fee. During the six months ended June 30, 2017, we also sold 176,244 shares of our common stock under the \$150 Million ATM Program, at a weighted average price of \$27.51 per share, for gross proceeds of \$4.8 million, and net proceeds of \$4.8 million, after deducting the sales agents' fee. As of June 30, 2017, we had the capacity to issue up to an additional \$145.2 million of common stock under the \$150 Million ATM Program. Actual sales going forward, if any, will depend on a variety of factors, including among others, market conditions, the trading price of our common stock, determinations by us of the appropriate sources of funding for us and potential uses of funding available to us.

Noncontrolling Interests

Noncontrolling interests in our Operating Partnership relate to interests in the Operating Partnership that are not owned by us. As of June 30, 2017, noncontrolling interests consisted of 1,932,816 OP Units and 41,668 fully-vested LTIP units and represented approximately 2.7% of our Operating Partnership. OP Units and shares of our common stock have essentially the same economic characteristics, as they share equally in the total net income or loss and distributions of our Operating Partnership. Investors who own OP Units have the right to cause our Operating Partnership to redeem any or all of their units in our Operating Partnership for an amount of cash per unit equal to the then current market value of one share of common stock, or, at our election, shares of our common stock on a one-for-one basis.

During the six months ended June 30, 2017, 34,180 OP Units were converted into an equivalent number of shares of common stock, resulting in the reclassification of \$0.3 million of noncontrolling interest to Rexford Industrial Realty, Inc.'s stockholders' equity.

2013 Incentive Award Plan

In July 2013, we established the Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. 2013 Incentive Award Plan (the “Plan”), pursuant to which we may make grants of stock options, restricted stock, dividend equivalents, stock payments, restricted stock units, performance shares, LTIP units of partnership interest in our Operating Partnership (“LTIP units”), performance units in our Operating Partnership (“Performance Units”), and other stock based and cash awards to our non-employee directors, employees and consultants. The aggregate number of shares of our common stock, LTIP units and Performance Units that may be issued or transferred pursuant to the Plan is 2,272,689 shares (of which 835,942 shares of common stock, LTIP units and Performance Units remain available for issuance as of June 30, 2017).

Shares of our restricted common stock generally may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution or, subject to the consent or the administrator of the Plan, a domestic relations order, unless and until all restrictions applicable to such shares have lapsed. Such restrictions generally expire upon vesting. Shares of our restricted common stock are participating securities and have full voting rights and nonforfeitable rights to dividends.

LTIP units and Performance Units are each a class of limited partnership units in the Operating Partnership. Initially, LTIP units and performance units do not have full parity with OP Units with respect to liquidating distributions. However, upon the occurrence of certain events described in the Operating Partnership’s partnership agreement, the LTIP units and Performance Units can over time achieve full parity with the OP Units for all purposes. If such parity is reached, vested LTIP units and Performance Units may be converted into an equal number of OP Units, and, upon conversion, enjoy all rights of OP Units. LTIP Units, whether vested or not, receive the same quarterly per-unit distributions as OP Units, which equal the per-share distributions on shares of our common stock. Performance Units that have not vested receive a quarterly per-unit distribution equal to 10% of the distributions paid on OP Units.

The following table sets forth our share-based award activity for the six months ended June 30, 2017:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units
Balance at January 1, 2017	287,827	241,691	514,998
Granted	99,584	—	—
Forfeited	(15,145)	—	—
Vested ⁽¹⁾	(59,887)	—	—
Balance at June 30, 2017	312,379	241,691	514,998

- (1) During the six months ended June 30, 2017, 17,253 shares of the Company’s common stock were tendered in accordance with the terms of the Plan to satisfy minimum statutory tax withholding requirements associated with the vesting of restricted shares of common stock.

The following table sets forth the vesting schedule of all unvested share-based awards outstanding as of June 30, 2017:

	Unvested Awards		
	Restricted Common Stock	LTIP Units	Performance Units ⁽¹⁾
July 1, 2017 - December 31, 2017	119,198	70,837	—
2018	76,911	70,842	315,998
2019	55,595	70,838	199,000
2020	40,066	29,174	—
2021	20,609	—	—
Total	312,379	241,691	514,998

- (1) Represents the maximum number of Performance Units that would be earned on December 14, 2018 and December 29, 2019, in the event that specified maximum total shareholder return (“TSR”) goals are achieved over the three-year performance period from December 15, 2015 through December 14, 2018 and the three-year performance period from December 29, 2016 through December 28, 2019, respectively. The number of Performance Units that ultimately vest will be based on both the Company’s absolute TSR and TSR performance relative to a peer group over each three-year performance period. The maximum number of Performance Units will be earned under the awards if the Company both (i) achieves 50% or higher absolute TSR, inclusive of all dividends paid, over each performance period and (ii) finishes in the 75th or greater percentile of the peer group for TSR over each three-year performance period.

The following table sets forth the amounts expensed and capitalized for all share-based awards for the reported periods presented below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Expensed share-based compensation ⁽¹⁾	\$ 1,394	\$ 954	\$ 2,740	\$ 1,887
Capitalized share-based compensation ⁽²⁾	64	41	113	74
Total share-based compensation	\$ 1,458	\$ 995	\$ 2,853	\$ 1,961

- (1) Amounts expensed are included in “General and administrative” and “Property expenses” in the accompanying consolidated statements of operations.
- (2) Amounts capitalized, which relate to employees who provide construction and leasing services, are included in “Building and improvements” and “Deferred leasing costs, net” in the consolidated balance sheets.

As of June 30, 2017, there was \$9.1 million of total unrecognized compensation expense related to all unvested share-based awards expected to vest, of which we estimate \$0.6 million will be capitalized for employees who provide construction and leasing services. As of June 30, 2017, this total unrecognized compensation expense is expected to be recognized over a weighted average remaining period of 28 months.

Changes in Accumulated Other Comprehensive Income

The following table summarizes the changes in our accumulated other comprehensive income balance for the six months ended June 30, 2017 and 2016, which consists solely of adjustments related to our cash flow hedges (in thousands):

	Six Months Ended June 30,	
	2017	2016
Beginning Balance	\$ 3,445	\$ (3,033)
Other comprehensive income before reclassifications	(1,054)	(5,501)
Amounts reclassified from accumulated other comprehensive income to interest expense	810	1,094
Net current period other comprehensive income	(244)	(4,407)
Less other comprehensive income attributable to noncontrolling interests	15	112
Other comprehensive income attributable to common stockholders	(229)	(4,295)
Ending Balance	\$ 3,216	\$ (7,328)

13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Numerator:				
Net income	\$ 19,855	\$ 12,792	\$ 25,576	\$ 14,269
Less: Preferred stock dividends	(1,322)	—	(2,644)	—
Less: Net income attributable to noncontrolling interests	(531)	(418)	(663)	(470)
Less: Net income attributable to participating securities	(156)	(75)	(247)	(153)
Net income attributable to common stockholders	\$ 17,846	\$ 12,299	\$ 22,022	\$ 13,646
Denominator:				
Weighted average shares of common stock outstanding – basic	67,920,773	64,063,337	67,135,319	59,666,468
Effect of dilutive securities - performance units	410,461	241,376	347,781	194,363
Weighted average shares of common stock outstanding – diluted	68,331,234	64,304,713	67,483,100	59,860,831
Earnings per share — Basic				
Net income attributable to common stockholders	\$ 0.26	\$ 0.19	\$ 0.33	\$ 0.23
Earnings per share — Diluted				
Net income attributable to common stockholders	\$ 0.26	\$ 0.19	\$ 0.33	\$ 0.23

Unvested share-based payment awards that contain non-forfeitable rights to dividends, whether paid or unpaid, are accounted for as participating securities. As such, unvested shares of restricted stock, unvested LTIP Units and unvested Performance Units are considered participating securities. Participating securities are included in the computation of basic EPS pursuant to the two-class method. The two-class method determines EPS for each class of common stock and each participating security according to dividends declared (or accumulated) and their respective participation rights in undistributed earnings. Participating securities are also included in the computation of diluted EPS using the more dilutive of the two-class method or treasury stock method for unvested shares of restricted stock and LTIP Units, and by determining if certain market conditions have been met at the reporting date for unvested Performance Units.

The effect of including unvested shares of restricted stock and unvested LTIP Units using the treasury stock method was excluded from our calculation of weighted average shares of common stock outstanding – diluted, as their inclusion would have been anti-dilutive.

Performance Units, which are subject to vesting based on the Company outperforming certain absolute and relative TSR levels over a three-year performance period, are included as contingently issuable shares in the calculation of diluted EPS when TSR has been achieved at or above the threshold levels specified in the award agreements, assuming the reporting period is the end of the performance period, and the effect is dilutive. As of June 30, 2017, for the performance awards granted in 2015, the Company's TSR performance relative to a designated peer group was above the 75th percentile, or maximum level, and the Company's absolute TSR was above the maximum level. As of June 30, 2017, for the performance awards granted in 2016, the Company's TSR performance relative to a designated peer group was above the 75th percentile, or maximum level, and the Company's absolute TSR was below the threshold level. The corresponding number of dilutive securities have been included in the computation of the weighted average diluted shares above, since they were more dilutive than using the two-class method of computing EPS.

We also consider the effect of other potentially dilutive securities, including OP Units, which may be redeemed for shares of our common stock under certain circumstances, and include them in our computation of diluted EPS when their inclusion is dilutive.

14. Subsequent Events

Acquisitions

On July 3, 2017, we acquired a property located at 3002-3072 Inland Empire Boulevard in Ontario, California for a contract price of \$26.9 million using cash proceeds drawn from our Amended Revolver. The property consists of four multi-tenant building totaling 218,407 rentable square feet.

On July 11, 2017, we acquired a property located at 17000 Kingsview Avenue and 800 Sandhill Avenue in Carson, California for a contract price of \$14.0 million using cash proceeds drawn from our Amended Revolver. The property consists of one multi-tenant building totaling 100,121 rentable square feet.

On July 18, 2017, we acquired the Rancho Pacifica Industrial Park located in Rancho Dominguez, California for a contract price of \$210.5 million. The acquisition was funded with cash proceeds from the issuance of \$125.0 million of senior guaranteed notes and by drawing on our Amended Revolver. The property consists of six multi-tenant buildings totaling 1.2 million rentable square feet.

On July 20, 2017, we acquired a property located at 11190 White Birch Drive in Rancho Cucamonga, California for a contract price of \$19.8 million using cash proceeds drawn from our Amended Revolver. The property consists of one single-tenant building with 201,035 rentable square feet.

On July 28, 2017, we acquired a property located at 4832-4850 Azusa Canyon Road in Irwindale, California for a contract price of \$14.6 million using cash proceeds drawn from our Amended Revolver. The property consists of one single-tenant building with 87,421 rentable square feet.

Note Purchase Agreement

On July 13, 2017, we entered into a Note Purchase and Guarantee Agreement (the "NPGA") which provides for the private placement of \$125.0 million of our Operating Partnership's senior guaranteed notes, maturing on July 13, 2027, with a fixed annual interest rate of 3.93% (the "\$125 Million Notes"). On July 13, 2017, we completed the issuance of the \$125 Million Notes.

Interest on the \$125 Million Notes will be payable quarterly on the thirteenth day of January, April, July and October in each year, commencing on October 13, 2017. We may prepay at any time all or, from time to time, any part of the \$125 Million Notes, in amounts not less than \$2.5 million of the \$125 Million Notes then outstanding at (i) 100% of the principal amount so prepaid and (ii) the Make-Whole Amount (as defined in the NPGA).

The NPGA contains a series of financial and other covenants with which we must comply. The financial covenants are the same as those that we must comply with under the \$100 Million Notes (see Note 5). Subject to the terms of the NPGA and the \$125 Million Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, Make-Whole Amount, or interest under the \$125 Million Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the NPGA, and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the Make-Whole Amount on the outstanding \$125 Million Notes will become due and payable at the option of the purchasers.

Our obligations under the \$125 Million Notes are fully and unconditionally guaranteed by us and certain of our subsidiaries.

Dividends Declared

On July 31, 2017, our board of directors declared a quarterly cash dividend of \$0.145 per share of common stock and a quarterly cash distribution of \$0.145 per OP Unit, to be paid on October 16, 2017, to holders of record as of September 29, 2017. Also on July 31, 2017, our board of directors declared a quarterly cash dividend of \$0.36719 per share of our 5.875% Series A Cumulative Redeemable Preferred Stock, to be paid on September 29, 2017, to preferred stockholders of record as of September 15, 2017.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and the related notes thereto that appear in Part I, Item 1 “Financial Statements” of this Quarterly Report on Form 10-Q. The terms “Company,” “we,” “us,” and “our” refer to Rexford Industrial Realty, Inc. and its consolidated subsidiaries except where the context otherwise requires.

Forward-Looking Statements

We make statements in this quarterly report that are forward-looking statements, which are usually identified by the use of words such as “anticipates,” “believes,” “expects,” “intends,” “may,” “might,” “plans,” “estimates,” “projects,” “seeks,” “should,” “will,” “result” and variations of such words or similar expressions. Our forward-looking statements reflect our current views about our plans, intentions, expectations, strategies and prospects, which are based on the information currently available to us and on assumptions we have made. Although we believe that our plans, intentions, expectations, strategies and prospects as reflected in or suggested by our forward-looking statements are reasonable, we can give no assurance that our plans, intentions, expectations, strategies or prospects will be attained or achieved and you should not place undue reliance on these forward-looking statements. Furthermore, actual results may differ materially from those described in the forward-looking statements and may be affected by a variety of risks and factors including, without limitation:

- the competitive environment in which we operate;
- real estate risks, including fluctuations in real estate values and the general economic climate in local markets and competition for tenants in such markets;
- decreased rental rates or increasing vacancy rates;
- potential defaults on or non-renewal of leases by tenants;
- potential bankruptcy or insolvency of tenants;
- acquisition risks, including failure of such acquisitions to perform in accordance with expectations;
- the timing of acquisitions and dispositions;
- potential natural disasters such as earthquakes, wildfires or floods;
- the consequence of any future security alerts and/or terrorist attacks;
- national, international, regional and local economic conditions;
- the general level of interest rates;
- potential changes in the law or governmental regulations that affect us and interpretations of those laws and regulations, including changes in real estate and zoning or real estate investment trust (“REIT”) tax laws, and potential increases in real property tax rates;
- financing risks, including the risks that our cash flows from operations may be insufficient to meet required payments of principal and interest and we may be unable to refinance our existing debt upon maturity or obtain new financing on attractive terms or at all;
- lack of or insufficient amounts of insurance;
- our failure to complete acquisitions;
- our failure to successfully integrate acquired properties;
- our ability to qualify and maintain our qualification as a REIT;
- our ability to maintain our current investment grade rating by Fitch;
- litigation, including costs associated with prosecuting or defending pending or threatened claims and any adverse outcomes; and
- possible environmental liabilities, including costs, fines or penalties that may be incurred due to necessary remediation of contamination of properties presently owned or previously owned by us.

Accordingly, there is no assurance that our expectations will be realized. Except as otherwise required by the federal securities laws, we disclaim any obligations or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. The reader should review carefully our financial statements and the notes thereto, as well as the section entitled “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2016.

Company Overview

Rexford Industrial Realty, Inc. is a self-administered and self-managed full-service REIT focused on owning and operating industrial properties in Southern California infill markets. We were formed as a Maryland corporation on January 18, 2013, and Rexford Industrial Realty, L.P. (the “Operating Partnership”), of which we are the sole general partner, was formed as a Maryland limited partnership on January 18, 2013. Through our controlling interest in our Operating Partnership and its subsidiaries, we own, manage, lease, acquire and develop industrial real estate principally located in Southern California infill markets, and, from time to time, acquire or provide mortgage debt secured by industrial property. We are organized and conduct our operations to qualify as a REIT under the Internal Revenue Code of 1986 (the “Code”), as amended, and generally are not subject to federal taxes on our income to the extent we distribute our income to our shareholders and maintain our qualification as a REIT.

As of June 30, 2017, our consolidated portfolio consisted of 139 properties with approximately 16.2 million rentable square feet. In addition, we currently manage an additional 19 properties with approximately 1.2 million rentable square feet.

Our goal is to generate attractive risk-adjusted returns for our stockholders by providing superior access to industrial property investments and mortgage debt secured by industrial property in high-barrier Southern California infill markets. Our target markets provide us with opportunities to acquire both stabilized properties generating favorable cash flow, as well as properties where we can enhance returns through value-add renovations and redevelopment. Scarcity of available space and high barriers limiting new construction all contribute to create superior long-term supply/demand fundamentals within our target infill Southern California industrial property markets. With our vertically integrated platform and extensive value-add investment and management capabilities, we believe we are in a position to take advantage of the opportunities in our markets to achieve our objectives.

2017 Year to Date Highlights

Acquisitions

- During the first quarter of 2017, we acquired one property with 0.1 million rentable square feet, for a gross purchase price of \$17.1 million.
- During the second quarter of 2017, we acquired an industrial business park consisting of 16 buildings totaling approximately 1.1 million rentable square feet, for a gross purchase price of \$141.2 million. We also acquired four additional properties with a combined 0.5 million rentable square feet, for a total gross purchase price of \$83.0 million.
- Subsequent to June 30, 2017, we acquired five properties with a combined 1.8 million rentable square feet, for a total gross purchase price of \$285.7 million.

Repositioning

- During the second quarter of 2017, we completed the lease-up of two of our value-add repositioning properties located at 679-691 Anderson Street and 18118 Broadway Street.

Dispositions

- During the first quarter of 2017, we sold one property with 0.1 million rentable square feet, for a gross sales price of \$6.9 million.
- During the second quarter of 2017, we sold two properties with a combined 0.5 million rentable square feet, for a total gross sales price of \$58.8 million. Net cash proceeds of \$39.7 million from one of the dispositions were used to partially fund the acquisition of the industrial business park noted above, as part of a 1031 Exchange transactions.

Financing

- In February 2017, we entered into an agreement for a \$450 million senior unsecured credit facility, comprised of a \$350 million unsecured revolving credit facility that will mature in February 2021, with two six-month extensions available, and a \$100 million unsecured term loan facility that will mature in February 2022. Borrowings under the \$350 million unsecured revolving credit facility bear interest at LIBOR plus an applicable margin that will range from 1.10% to 1.50% per annum depending on our leverage ratio, and the \$100 million unsecured term loan facility bears interest at LIBOR plus an applicable margin that will range from 1.20% to 1.70% per annum depending on our leverage ratio.
- In March 2017, we repaid the \$9.7 million outstanding balance on one of our secured mortgage loans in advance of the February 1, 2019 maturity date.

- In July 2017, we completed a private placement of \$125 million 10-year senior notes at a fixed annual interest rate of 3.93%

Equity

- During the first quarter of 2017, we sold 168,685 shares of common stock under our at-the-market equity offering program for gross proceeds of \$3.9 million, or approximately \$23.16 per share.
- During the second quarter of 2017, we sold 4,398,476 shares of common stock under our at-the-market equity offering program for gross proceeds of \$116.6 million, or approximately \$26.52 per share.

Factors That May Influence Future Results of Operations

Market Fundamentals

Our operating results depend upon the infill Southern California industrial real estate market.

The infill Southern California industrial real estate sector has continued to exhibit strong fundamentals. These high-barrier infill markets are characterized by a relative scarcity of available product, operating at above 98% occupancy, coupled with limited ability to introduce new supply due to high land and development costs and a dearth of developable land in markets experiencing a net reduction in supply as more industrial property is converted to non-industrial uses than can be delivered. Consequently, available industrial supply continues to decrease in many of our target infill submarkets, landlord concessions are reducing and construction deliveries are falling short of demand. Meanwhile, underlying tenant demand within our infill markets continues to demonstrate growth, illustrated or driven by strong re-leasing spreads, an expanding regional population, substantial growth in e-commerce transaction and delivery volumes, as well as further compression of delivery time-frames to consumers and to businesses, increasing the significance of last-mile facilities for timely fulfillment. Despite potential concerns related to global growth, possible changes to trade and tariff policies and the threat of rising interest rates, we continue to observe a number of positive trends within our target infill markets that we expect will continue through the remainder of 2017.

In Los Angeles County, strong positive market trends continued into the second quarter of 2017, as market occupancy maintained historic highs and asking lease rates increased quarter-over-quarter. We expect that rents will continue the upward trend and increase throughout the remainder of 2017, as occupancy is at near capacity levels and new development is limited by a lack of land availability and an increase in land and development costs.

In Orange County, industrial fundamentals remained positive as rents continued their upward trend and vacancy in the market slightly decreased quarter-over-quarter. We expect that strong tenant demand coupled with the continued low availability of industrial product in this region, primarily due to re-zoning of available land to residential or mixed-use, will cause leasing rates to continue to grow during the remainder of 2017.

In San Diego, the market fundamentals continued to be strong during the second quarter of 2017. Asking lease rates remained steady during the second quarter after reaching a record high during the first quarter of 2017, and overall vacancy in the market decreased slightly quarter-over-quarter.

In Ventura County, occupancy remains at historically high levels and there was a slight decrease in vacancy quarter-over-quarter, while asking lease rates were unchanged quarter-over-quarter.

Lastly, in the Inland Empire, new industrial product continues to be absorbed well in the market. In the Inland Empire West, which contains the infill markets in which we operate, vacancy remains at historically low levels and asking lease rates were unchanged quarter-over-quarter. We expect the outlook for the Inland Empire West to remain positive throughout the remainder of 2017. We generally do not focus on properties located within the Inland Empire East sub-market where the development and construction pipeline for new supply is substantial.

Acquisitions and Redevelopment of Properties

The Company's growth strategy comprises acquiring leased, stabilized properties as well as properties with value-add opportunities to improve functionality and to deploy our value-driven asset management programs in order to increase cash flow and value. A key component of our growth strategy is to acquire properties through off-market and lightly marketed transactions that are often operating at below-market occupancy or below-market rent at the time of acquisition or that have near-term lease roll-over or that provide opportunities to add-value through functional or physical repositioning and improvements. Through various redevelopment, repositioning, and professional leasing and marketing strategies, we seek to increase the properties' functionality and attractiveness to prospective tenants and, over time, to stabilize the properties at occupancy rates that meet or exceed market rates.

A repositioning can consist of a range of improvements to a property. This may include a complete structural renovation of a property whereby we convert large underutilized spaces into a series of smaller and more functional spaces, or it may include the creation of additional square footage, the modernization of the property site, the elimination of functional obsolescence, the addition or enhancement of loading areas and truck access, the enhancement of fire-life-safety systems or other accretive improvements. Because each repositioning effort is unique and determined based on the property, targeted tenants and overall trends in the general market and specific submarket, the timing and effect of the repositioning on our rental revenue and occupancy levels will vary, and, as a result, will affect the comparison of our results of operations from period to period with limited predictability.

As of June 30, 2017, seven of our properties were in various stages of redevelopment and repositioning and two of our properties were in the lease-up stage. The table below sets forth a summary of these nine properties, as well as one future repositioning project that we will begin in the near term, and two properties that were fully leased during the second quarter of 2017. In addition to the properties in the table below, we also have a range of smaller spaces in value-add repositioning or renovation, which, due to their smaller size, are not presented below, however, in the aggregate, may be substantial.

Property (Submarket)	Market	Total Property Rentable Square Feet	Vacant Rentable Square Feet Under Repositioning/Lease-up	Estimated Construction Period ⁽¹⁾		Total Property Leased % at 6/30/17
				Start	Completion	
Current Repositioning:						
14750 Nelson (San Gabriel Valley) ⁽²⁾	LA	147,360	147,360	3Q-2016	1Q-2018	—%
301-445 Figueroa Street (South Bay) ⁽³⁾	LA	133,925	49,346	4Q-2016	3Q-2017	63%
3880 Valley Boulevard (San Gabriel Valley)	LA	108,703	108,703	1Q-2017	3Q-2017	—%
12131 Western Avenue (West OC)	OC	207,953	107,953	1Q-2017	3Q-2017	48%
28903 Avenue Paine (SF Valley) ⁽⁴⁾	LA	111,346	111,346	1Q-2017	4Q-2018	—%
228th Street (South Bay) ⁽⁵⁾	LA	89,236	23,749	1Q-2016	4Q-2017	66%
3233 Mission Oaks Blvd (Ventura):						
Unit 3233-H	VC	455,864	42,035	1Q-2017	3Q-2017	57%
Unit 3233	VC	455,864	107,965	2Q-2017	2Q-2018	57%
Total			698,457			
Lease-up Stage:						
1601 Alton Parkway (OC Airport)	OC	124,273	15,159	4Q-2014	3Q-2017	88%
9401 De Soto Avenue (SF Valley)	LA	150,831	150,831	2Q-2015	1Q-2016	—%
Total			165,990			
Future Repositioning:						
9615 Norwalk Boulevard (Mid-Counties) ⁽⁶⁾	LA	38,362	—	1Q-2018	1Q-2019	100%
Total Current Repositioning, Lease-up Stage and Future Repositioning			864,447			
Completed and Leased-up:						
679-691 S. Anderson Street (Central LA)	LA	47,490	—	N/A	N/A	100%
18118 S. Broadway Street (South Bay)	LA	78,183	—	N/A	N/A	100%

- (1) The estimated construction period is subject to change as a result of a number of factors including but not limited to permit requirements, delays in construction, changes in scope, and other unforeseen circumstances.
- (2) The total property rentable square feet in the table above reflects the square footage of the existing building that was acquired. Upon completion of the project, the property will be approximately 200,000 square feet, which reflects an increase in square footage from the construction of two additional buildings on the excess land.

- (3) The property located at 301-445 Figueroa has 14 units which will be repositioned in various phases, beginning with four units aggregating 49,346 RSF that are currently vacant. The estimated construction and stabilization periods presented above reflect the completion of these four units as well as planned exterior work.
- (4) The total property rentable square feet in the table above reflects the square footage of the building that was acquired. Upon completion of the project, the property will be approximately 224,000 square feet, which reflects an increase in square footage from the construction of one additional building on the excess land.
- (5) The property located at 228th Street includes eight buildings, of which three buildings aggregating 23,749 rentable square feet were under repositioning as of June 30, 2017.
- (6) 9615 Norwalk has 10.26 acres of partially paved storage yard/industrial land that is under a month-to-month lease as of June 30, 2017. We plan to construct a new building with approximately 200,000 rentable square feet after the lease is terminated.

Properties that are nonoperational as a result of repositioning or redevelopment activity may qualify for varying levels of interest, insurance and real estate tax capitalization during the development and construction period. An increase in our repositioning and development activities resulting from value-add acquisitions could cause an increase in the asset balances qualifying for interest, insurance and tax capitalization in future periods. We capitalized \$0.5 million and \$0.9 million of interest expense and \$0.3 million and \$0.6 million of insurance and real estate tax expense during the three and six months ended June 30, 2017, respectively, related to our repositioning and redevelopment projects.

Rental Revenues

Our operating results depend primarily upon generating rental revenue from the properties in our consolidated portfolio. The amount of rental revenue generated by these properties is affected by our ability to maintain or increase occupancy levels and rental rates at our properties, which will depend upon our ability to lease vacant space and re-lease expiring space at favorable rates.

Occupancy Rates

As of June 30, 2017, our consolidated portfolio, inclusive of space in repositioning as described in the subsequent paragraph, was approximately 91.4% occupied, while our stabilized consolidated portfolio exclusive of such space was approximately 96.5% occupied. We believe the opportunity to increase occupancy at our properties will be an important driver of future revenue growth. An opportunity to drive this growth will derive from the lease-up of recently completed repositioning projects and the completion and lease-up of repositioning projects that are currently under construction and planned for near-term construction.

As summarized in the table under “*Acquisitions and Redevelopment of Properties*” above, as of June 30, 2017, nine of our properties with a combined 0.9 million vacant rentable square feet, were in various stages of redevelopment, repositioning or lease-up. Vacant repositioning space and lease-up space at these nine properties are concentrated in our Los Angeles, Orange County and Ventura markets, and represent 5.3% of our total consolidated portfolio square footage as of June 30, 2017. Including vacant repositioning space and lease-up space at these nine properties, our weighted average occupancy rate as of June 30, 2017, in Los Angeles, Orange County and Ventura was 90.5%, 92.0% and 83.1%, respectively. Excluding vacant repositioning space and lease-up space at these nine properties, our weighted average occupancy rate as of June 30, 2017, in these markets was 98.5%, 97.0% and 90.9%, respectively. We believe that a significant portion of our long-term future growth will come from the completion of these projects currently under repositioning as well as from the identification of new opportunities for redevelopment and repositioning, whether in our existing portfolio or through new investments, which may vary from period to period subject to market conditions.

Leasing Activity and Rental Rates

The following tables set forth our leasing activity for new and renewal leases for the six months ended June 30, 2017:

New Leases									
Quarter	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾	GAAP Leasing Spreads ⁽²⁾⁽⁴⁾	Cash Leasing Spreads ⁽³⁾⁽⁴⁾			
Q1-2017	65	423,766	4.7	\$ 10.44	32.2%	20.4%			
Q2-2017	52	310,950	4.0	\$ 9.94	31.3%	24.2%			
Total/Weighted Average	117	734,716	4.4	\$ 10.23	31.8%	21.9%			

Renewals							Expiring Leases		
Quarter	Number of Leases	Rentable Square Feet	Weighted Average Lease Term (in years)	Effective Rent Per Square Foot ⁽¹⁾	GAAP Leasing Spreads ⁽²⁾⁽⁵⁾	Cash Leasing Spreads ⁽³⁾⁽⁵⁾	Number of Leases	Rentable Square Feet ⁽⁶⁾	Retention % ⁽⁷⁾
Q1-2017	74	439,602	3.3	\$ 10.41	17.9%	9.6%	136	1,248,787	56.6%
Q2-2017	87	469,766	3.5	\$ 10.57	16.5%	5.9%	127	771,093	70.8%
Total/Weighted Average	161	909,368	3.4	\$ 10.49	17.2%	7.7%	263	2,019,880	62.6%

- (1) Effective rent per square foot is the average base rent calculated in accordance with GAAP, over the term of the lease, expressed in dollars per square foot per year. Includes all new and renewal leases that were executed during the quarter.
- (2) Calculated as the change between GAAP rents for new or renewal leases and the expiring GAAP rents on the expiring leases for the same space.
- (3) Calculated as the change between cash rents for new or renewal leases and the expiring cash rents on the expiring leases for the same space.
- (4) The GAAP and cash re-leasing spreads for new leases executed during the six months ended June 30, 2017, exclude 32 leases aggregating 212,635 rentable square feet for which space was vacant when the property was acquired or there was no comparable lease data. Comparable leases generally exclude: (i) space that has never been occupied under our ownership, (ii) recently repositioned/redeveloped space, (iii) space that has been vacant for over one year, (iv) space with different lease structures (for example, a change from a gross lease to a modified gross lease or an increase or decrease in the leased square footage) or (v) space with lease terms shorter than six months.
- (5) The GAAP and cash re-leasing rent spreads for renewal leases executed during the six months ended June 30, 2017, exclude 3 leases aggregating 16,499 rentable square feet for which space was vacant when the property was acquired or there was no comparable lease data. Comparable leases generally exclude: (i) space with different lease structures or (ii) space with lease terms shorter than six months.
- (6) Includes four leases with 442,654 rentable square feet that expired during the six months ended June 30, 2017, for which the space was placed into repositioning after each tenant vacated.
- (7) Retention is calculated as renewal lease square footage plus relocation/expansion square footage, divided by the square footage of leases expiring during the period. Retention excludes leases associated with space that is placed into repositioning after the tenant vacates.

Our leasing activity is impacted both by our redevelopment and repositioning efforts, as well as by market conditions. While we reposition a property, its space may become unavailable for leasing until completion of our repositioning efforts. During the six months ended June 30, 2017, we completed the lease-up of two of our value-add repositioning properties located at 679-691 Anderson Street and 18118 Broadway Street, and as of as of June 30, 2017, we have two additional properties in the lease-up stage. We also have four repositioning projects with construction completion periods estimated for the third quarter of 2017, and four additional projects where we have commenced repositioning work and that have construction completion periods ranging from the fourth quarter of 2017 to the fourth quarter of 2018. We expect these properties to have positive

impacts on our leasing activity and revenue generation as we complete our value-add repositioning plan and place these properties in service.

Scheduled Lease Expirations

Our ability to re-lease space subject to expiring leases is affected by economic and competitive conditions in our markets and by the relative desirability of our individual properties, which may impact our results of operations. The following table sets forth a summary schedule of lease expirations for leases in place as of June 30, 2017, for each of the ten full and partial calendar years beginning with 2017 and thereafter, plus space that is available and under current repositioning.

Year of Lease Expiration	Number of Leases Expiring	Total Rentable Square Feet ⁽¹⁾	Percentage of Total Owned Square Feet	Annualized Base Rent ⁽²⁾	Percentage of Total Annualized Base Rent ⁽³⁾	Annualized Base Rent per Square Foot ⁽⁴⁾
Available	—	588,757	3.6%	\$ —	—%	\$ —
Current Repositioning ⁽⁵⁾	—	698,457	4.3%	\$ —	—%	\$ —
MTM Tenants ⁽⁶⁾	99	351,183	2.2%	\$ 2,794	2.1%	\$ 7.95
Remainder of 2017	187	1,419,038	8.7%	\$ 12,602	9.5%	\$ 8.88
2018	352	2,252,875	13.9%	\$ 20,559	15.5%	\$ 9.13
2019	276	2,296,725	14.2%	\$ 20,587	15.5%	\$ 8.96
2020	202	2,374,376	14.6%	\$ 21,079	15.9%	\$ 8.88
2021	103	2,592,387	16.0%	\$ 22,371	16.9%	\$ 8.63
2022	62	1,313,605	8.1%	\$ 10,148	7.7%	\$ 7.73
2023	15	488,229	3.0%	\$ 5,225	3.9%	\$ 10.70
2024	11	695,500	4.3%	\$ 6,421	4.9%	\$ 9.23
2025	3	133,671	0.8%	\$ 1,563	1.2%	\$ 11.69
2026	7	338,904	2.1%	\$ 3,857	2.9%	\$ 11.38
Thereafter	7	677,939	4.2%	\$ 5,307	4.0%	\$ 7.83
Total Consolidated Portfolio	1,324	16,221,646	100.0%	\$ 132,513	100.0%	\$ 8.87

(1) Represents the contracted square footage upon expiration.

(2) Calculated as monthly contracted base rent (in thousands) per the terms of such lease, as of June 30, 2017, multiplied by 12. Excludes billboard and antenna revenue and rent abatements.

(3) Calculated as annualized base rent set forth in this table divided by annualized base rent for the total portfolio as of June 30, 2017.

(4) Calculated as annualized base rent for such leases divided by the leased square feet for such leases as of June 30, 2017.

(5) Represents space at seven of our properties that were classified as current repositioning as of June 30, 2017. Refer to the table under “Acquisitions and Redevelopment of Properties” for a summary of these properties.

(6) Represents tenants under month-to-month (“MTM”) leases or having holdover tenancy. Includes 61 MTM leases aggregating 62,590 rentable square feet at our property located at 14723-14825 Oxnard Street, where due to number and the small size of spaces, we typically only enter into MTM leases.

As of June 30, 2017, in addition to 0.6 million rentable square feet of currently available space in our portfolio and 0.7 million rentable square feet of vacant space under repositioning, leases representing 8.7% and 13.9% of the aggregate rentable square footage of our portfolio are scheduled to expire during the remainder of 2017 and 2018, respectively. During the six months ended June 30, 2017, we renewed 161 leases for 909,368 rentable square feet, resulting in a 62.6% retention rate. Our retention rate during the period was impacted by our strategy to roll certain tenants at below-market rents and to replace them with higher quality tenants paying higher rents. During the six months ended June 30, 2017, new and renewal leases had a weighted average term of 4.4 and 3.4 years, respectively, and we expect future new and renewal leases to have similar terms.

The leases scheduled to expire during the remainder of 2017 and 2018 represent approximately 9.5% and 15.5% respectively, of the total annualized base rent for our portfolio as of June 30, 2017. We estimate that, on a weighted average basis, in-place rents of leases scheduled to expire during the remainder of 2017 and 2018 are currently below current market asking rents, although individual units or properties within any particular submarket may currently be leased either above, below, or at the current market asking rates within that submarket. As described in the above Market Fundamentals section, we expect market dynamics to remain strong into the foreseeable future and these positive trends provide a favorable environment for additional increases in lease renewal rates. Accordingly, we expect the remainder of 2017 will show positive renewal rates

and leasing spreads. We also expect that 2018 lease expirations will show positive growth upon renewal; however, it is difficult to predict market conditions that far into the future.

Property Expenses

Our property expenses generally consist of utilities, real estate taxes, insurance, site repair and maintenance costs, and the allocation of overhead costs. For the majority of our properties, our property expenses are recovered, in part, by either the triple net provisions or modified gross expense reimbursements in tenant leases. The majority of our leases also comprise contractual three percent annual rental rate increases meant, in part, to help mitigate potential increases in property expenses over time. However, the terms of our leases vary, and, in some instances, we may absorb property expenses. Our overall financial results will be impacted by the extent to which we are able to pass-through property expenses to our tenants.

Taxable REIT Subsidiary

As of June 30, 2017, our Operating Partnership indirectly and wholly owns Rexford Industrial Realty and Management, Inc., which we refer to as the services company. We have elected, together with our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT, provided a taxable REIT subsidiary may not operate or manage a lodging facility or health care facility or provide rights to any brand name under which any lodging facility or health care facility is operated. We may form additional taxable REIT subsidiaries in the future, and our Operating Partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. Any income earned by our taxable REIT subsidiaries will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable) as a regular corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries. Our taxable REIT subsidiary is a C-corporation subject to federal and state income tax, however it has a cumulative unrecognized net operation loss carryforward and therefore there is no income tax provision for the six months ended June 30, 2017 and 2016.

Critical Accounting Policies

In our 2016 Annual Report on Form 10-K, we identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements. We have not made any material changes to our critical accounting policies during the period covered by this report.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for the reporting periods. Actual amounts may differ from these estimates and assumptions. Management evaluates these estimates on an ongoing basis, based upon information currently available and on various assumptions that it believes are reasonable as of the date hereof. In addition, other companies in similar businesses may use different estimation policies and methodologies, which may affect the comparability of our results of operations and financial condition to those of other companies. See Note 2 to our consolidated financial statements for a discussion of our accounting policies.

Results of Operations

Our consolidated results of operations are often not comparable from period to period due to the effect of property acquisitions and dispositions completed during the comparative reporting periods. Our "Total Portfolio" represents all of the properties owned during the reported periods. To eliminate the effect of changes in our Total Portfolio due to acquisitions and dispositions and to highlight the operating results of our on-going business, we have separately presented the results of our "Same Properties Portfolio."

For the three and six months ended June 30, 2017 and 2016, our Same Properties Portfolio includes all properties in our industrial portfolio that were wholly-owned by us as of January 1, 2016, and still owned by us as of June 30, 2017, which consisted of 114 properties aggregating approximately 11.2 million rentable square feet. Results for our Same Properties Portfolio exclude the joint venture property disposed of during 2016, any properties that were acquired or sold during the period from January 1, 2016, through June 30, 2017, interest income from our note receivable, interest expense and corporate general and administrative expenses. In addition to the properties included in our Same Properties Portfolio, our Total Portfolio

includes the 26 properties aggregating approximately 5.1 million rentable square feet that were purchased between January 1, 2016, and June 30, 2017, and the eight properties aggregating approximately 0.9 million rentable square feet that were sold between January 1, 2016, and June 30, 2017.

As of June 30, 2017 and 2016, our Same Properties Portfolio occupancy was approximately 93.5% and 91.5%, respectively. For the three months ended June 30, 2017 and 2016, our Same Properties Portfolio weighted average occupancy was approximately 93.3% and 91.1%, respectively. Comparatively, our Same Properties Portfolio weighted average occupancy was approximately 93.8% and 91.4% for the six months ended June 30, 2017 and 2016, respectively.

Comparison of the Three Months Ended June 30, 2017 to the Three Months Ended June 30, 2016

The following table summarizes the historical results of operations for our Same Properties Portfolio and Total Portfolio for the three months ended June 30, 2017 and 2016 (dollars in thousands):

	Same Properties Portfolio				Total Portfolio			
	Three Months Ended June 30,		Increase/(Decrease)	%	Three Months Ended June 30,		Increase/(Decrease)	%
	2017	2016			2017	2016		
RENTAL REVENUES								
Rental income	\$ 24,551	\$ 22,647	\$ 1,904	8.4 %	\$ 31,132	\$ 26,119	\$ 5,013	19.2 %
Tenant reimbursements	3,752	3,368	384	11.4 %	5,172	4,119	1,053	25.6 %
Other income	93	241	(148)	(61.4)%	115	259	(144)	(55.6)%
TOTAL RENTAL REVENUES	28,396	26,256	2,140	8.2 %	36,419	30,497	5,922	19.4 %
Management, leasing and development services	—	—	—	— %	145	111	34	30.6 %
Interest income	—	—	—	— %	218	—	218	— %
TOTAL REVENUES	28,396	26,256	2,140	8.2 %	36,782	30,608	6,174	20.2 %
EXPENSES								
Property expenses	7,640	6,778	862	12.7 %	9,536	7,959	1,577	19.8 %
General and administrative	—	—	—	— %	5,123	4,521	602	13.3 %
Depreciation and amortization	9,924	10,537	(613)	(5.8)%	14,515	12,610	1,905	15.1 %
TOTAL OPERATING EXPENSES	17,564	17,315	249	1.4 %	29,174	25,090	4,084	16.3 %
OTHER EXPENSES								
Acquisition expenses	—	—	—	— %	20	635	(615)	(96.9)%
Interest expense	—	—	—	— %	4,302	3,716	586	15.8 %
TOTAL OTHER EXPENSES	—	—	—	— %	4,322	4,351	(29)	(0.7)%
TOTAL EXPENSES	17,564	17,315	249	1.4 %	33,496	29,441	4,055	13.8 %
Equity in income from unconsolidated real estate entities	—	—	—		—	62	(62)	
Gains on sale of real estate	—	—	—		16,569	11,563	5,006	
NET INCOME	\$ 10,832	\$ 8,941	\$ 1,891		\$ 19,855	\$ 12,792	\$ 7,063	

Rental Income

Our Same Properties Portfolio and Total Portfolio rental income increased by \$1.9 million, or 8.4%, and \$5.0 million, or 19.2%, respectively, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016. The increase in our Same Properties Portfolio rental income is primarily due to the increase in the weighted average occupancy of the portfolio for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at six of our properties subsequent to June 30, 2016, as well as the increase in average rental rates on new and renewal leases. Our Total Portfolio rental income was also positively impacted by the incremental revenues from the 26 properties we acquired between January 1, 2016, and June 30, 2017.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased by \$0.4 million, or 11.4%, and \$1.1 million, or 25.6%, respectively, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016. The increase in our Same Properties Portfolio tenant reimbursements is primarily due to an increase in recoverable operating expenses and timing differences in completing prior year recoverable expense reconciliations for comparable periods and an increase in the weighted average occupancy for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at six of our properties subsequent to June 30, 2016. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 26 properties we acquired between January 1, 2016 and June 30, 2017.

Other Income

Our Same Properties Portfolio and Total Portfolio other income decreased by \$0.1 million, or 61.4%, and \$0.1 million, or 55.6%, respectively, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, primarily due to a decrease in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue increased by \$34 thousand, or 30.6%, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, primarily due to an increase in fees and commissions earned from managing properties not owned by us (see Note 9 to the consolidated financial statements for additional details), partially offset by a decrease in management fees from the joint venture as a result of the sale of the final joint venture property in July 2016.

Interest Income

Interest income for the three months ended June 30, 2017, relates to a \$6.0 million mortgage loan that we made on July 1, 2016, which was subsequently repaid on June 23, 2017. The loan was secured by an industrial property located in Rancho Cucamonga, California and bore interest at 10.0% per annum. See Note 2 in the consolidated financial statements for additional details.

Property Expenses

Our Same Properties Portfolio and Total Portfolio property expenses increased by \$0.9 million, or 12.7%, and \$1.6 million, or 19.8%, respectively, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016. The increase in our Same Properties Portfolio property expenses is primarily due to an increase in repairs and maintenance expense and overhead costs for comparable periods and non-comparable insurance reimbursements received during the three months ended June 30, 2016. Our Total Portfolio property expenses was also impacted by incremental expenses from the 26 properties we acquired between January 1, 2016, and June 30, 2017.

General and Administrative

Our Total Portfolio general and administrative expenses increased \$0.6 million, or 13.3%, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, primarily due to a \$0.4 million increase in non-cash equity compensation expense primarily related to equity grants made in December 2016, and a \$0.2 million increase in payroll and employment related costs primarily due to an increase in headcount.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased by \$0.6 million, or 5.8%, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, primarily due to acquired lease related intangible assets for several of our properties becoming fully depreciated after June 30, 2016, partially offset by an increase in depreciation expense related to capital improvements completed subsequent to January 1, 2016. Our Total Portfolio depreciation and amortization expense increased \$1.9 million, or 15.1%, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, primarily due to the incremental expense from the 26 properties we acquired between January 1, 2016, and June 30, 2017, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by \$0.6 million, or 96.9%, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, due to the adoption of ASU 2017-01, *Business Combinations - Clarifying the Definition of a Business* (“ASU 2017-01”), effective January 1, 2017. See Note 2 in the consolidated financial statements for additional details. Under ASU 2017-01, the five properties that we acquired during the three months ended June 30, 2017, were accounted for as asset acquisitions, and the related acquisition costs were capitalized as part of the purchase price of the acquisition on a relative fair value basis. In comparison, the 11 properties that we acquired during the three months ended June 30, 2016, were accounted for as business combinations, and the related acquisition costs were expensed as incurred.

Interest Expense

Our Total Portfolio interest expense increased by \$0.6 million, or 15.8%, during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, primarily due to the increase in our average outstanding debt balance as well as an increase in the average LIBOR rate for comparable periods. The increase in our average outstanding debt balance was primarily due to an increase in borrowings on our unsecured revolving credit facility as well as the exercise of the \$100 million accordion feature on our \$225 million term loan facility during three months ended June 30, 2016. The increase was partially offset by a decrease in interest from the 1065 Walnut Street mortgage loan, which we prepaid in advance of maturity on March 20, 2017.

Equity in Income from Unconsolidated Real Estate Entities

Our Total Portfolio equity in income from unconsolidated real estate entities decreased by \$0.1 million during the three months ended June 30, 2017, compared to the three months ended June 30, 2016, due to the acquisition of the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from our joint venture (the “JV”) on July 6, 2016.

Gains on Sale of Real Estate

During the three months ended June 30, 2017, we recognized gains on sale of real estate of \$16.6 million from the disposition of our properties located at 2535 Midway Drive and 2811 Harbor Boulevard. During the three months ended June 30, 2016, we recognized gains on sale of real estate of \$11.6 million from the disposition of our properties located at 6010 North Paramount Boulevard, 1840 Dana Street and 12910 East Mulberry Drive.

Comparison of the Six Months Ended June 30, 2017 to the Six Months Ended June 30, 2016

The following table summarizes the historical results of operations for our Same Properties Portfolio and Total Portfolio for the six months ended June 30, 2017 and 2016 (dollars in thousands):

	Same Properties Portfolio				Total Portfolio			
	Six Months Ended June 30,		Increase/(Decrease)	%	Six Months Ended June 30,		Increase/(Decrease)	%
	2017	2016			2017	2016		
RENTAL REVENUES								
Rental income	\$ 48,527	\$ 45,183	\$ 3,344	7.4 %	\$ 60,746	\$ 49,618	\$ 11,128	22.4 %
Tenant reimbursements	7,702	6,886	816	11.9 %	10,327	7,677	2,650	34.5 %
Other income	302	420	(118)	(28.1)%	347	572	(225)	(39.3)%
TOTAL RENTAL REVENUES	56,531	52,489	4,042	7.7 %	71,420	57,867	13,553	23.4 %
Management, leasing and development services	—	—	—	— %	271	245	26	10.6 %
Interest income	—	—	—	— %	445	—	445	— %
TOTAL REVENUES	56,531	52,489	4,042	7.7 %	72,136	58,112	14,024	24.1 %
EXPENSES								
Property expenses	15,136	13,957	1,179	8.4 %	18,758	15,502	3,256	21.0 %
General and administrative	—	—	—	— %	10,209	8,123	2,086	25.7 %
Depreciation and amortization	19,943	21,237	(1,294)	(6.1)%	28,114	23,824	4,290	18.0 %
TOTAL OPERATING EXPENSES	35,079	35,194	(115)	(0.3)%	57,081	47,449	9,632	20.3 %
OTHER EXPENSES								
Acquisition expenses	—	—	—	— %	405	1,110	(705)	(63.5)%
Interest expense	—	—	—	— %	8,300	6,970	1,330	19.1 %
TOTAL OTHER EXPENSES	—	—	—	— %	8,705	8,080	625	7.7 %
TOTAL EXPENSES	35,079	35,194	(115)	(0.3)%	65,786	55,529	10,257	18.5 %
Equity in income from unconsolidated real estate entities	—	—	—		11	123	(112)	
Loss on extinguishment of debt	—	—	—		(22)	—	(22)	
Gain on sale of real estate	—	—	—		19,237	11,563	7,674	
NET INCOME	\$ 21,452	\$ 17,295	\$ 4,157		\$ 25,576	\$ 14,269	\$ 11,307	

Rental Income

Our Same Properties Portfolio and Total Portfolio rental income increased \$3.3 million, or 7.4%, and \$11.1 million, or 22.4%, respectively, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016. The increase in our Same Properties Portfolio is primarily due to the increase in the weighted average occupancy of the portfolio for comparable periods which was driven by the completion of repositioning work and subsequent lease-up of space at six of our properties subsequent to January 1, 2016, as well as the increase in average rental rates on new and renewal leases. Our Total Portfolio rental income was also positively impacted by the incremental revenues from the 26 properties we acquired between January 1, 2016 and June 30, 2017.

Tenant Reimbursements

Our Same Properties Portfolio and Total Portfolio tenant reimbursements revenue increased \$0.8 million, or 11.9%, and \$2.7 million, or 34.5%, respectively, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016. The increase in our Same Properties Portfolio tenant reimbursements revenue is primarily due to timing differences in completing prior year recoverable expense reconciliations for comparable periods, an increase in recoverable operating expenses and an increase in the weighted average occupancy of the portfolio for comparable periods, which was driven by the completion of repositioning work and subsequent lease-up of space at six of our properties subsequent to June 30, 2016. Our Total Portfolio tenant reimbursements revenue was also impacted by the incremental reimbursements from the 26 properties we acquired between January 1, 2016 and June 30, 2017.

Other Income

Our Same Properties Portfolio and Total Portfolio other income decreased \$0.1 million, or 28.1%, and \$0.2 million, or 39.3%, respectively, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016. The decrease in our Same Properties Portfolio other income is primarily due to a decrease in late fee income. The decrease in Total Portfolio other income is primarily due to the decrease in filming income at one of our properties and a decrease in late fee income.

Management, Leasing and Development Services

Our Total Portfolio management, leasing and development services revenue increased by \$26 thousand, or 10.6%, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016, primarily due to an increase in fees and commissions earned from managing properties not owned by us, partially offset by a decrease in management fees from the JV as a result of the sale of the final joint venture property in July 2016.

Interest Income

Interest income for the six months ended June 30, 2017, relates to the \$6.0 million mortgage loan that we made on July 1, 2016, which was subsequently repaid on June 23, 2017. The loan was secured by an industrial property located in Rancho Cucamonga, California and bore interest at 10.0% per annum. See Note 2 in the consolidated financial statements for additional details.

Property Expenses

Our Same Properties Portfolio and Total Portfolio property expenses increased by \$1.2 million, or 8.4%, and \$3.3 million, or 21.0%, respectively, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016. The increase in our Same Properties Portfolio property expenses is primarily due to an increase in overhead costs and repairs and maintenance expense for comparable periods and non-comparable insurance reimbursements received during the six months ended June 30, 2016. Our Total Portfolio property expenses were also impacted by the incremental expenses from the 26 properties we acquired between January 1, 2016, and June 30, 2017.

General and Administrative

Our Total Portfolio general and administrative expenses increased \$2.1 million, or 25.7%, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016. The increase is primarily due to the following: (i) a \$0.8 million increase in non-cash equity compensation expense primarily due to equity grants made in December 2016, (ii) a non-comparable \$0.6 million insurance reimbursement of legal fees related to prior litigation received during the six months ended June 30, 2016, (iii) a \$0.5 million increase in payroll and employment related costs, (iv) a \$0.2 million increase in bonus expense, and (v) a \$0.2 million increase in other various expenses. These increases were partially offset by a \$0.2 million decrease in professional services and consulting fees.

Depreciation and Amortization

Our Same Properties Portfolio depreciation and amortization expense decreased \$1.3 million, or 6.1%, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016, primarily due to acquired lease related intangible assets for several of our properties becoming fully depreciated during the six months ended June 30, 2017, and the year ended December 31, 2016, partially offset by an increase in depreciation expense related to capital improvements. Our Total Portfolio depreciation and amortization expense increased \$4.3 million, or 18.0%, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016, primarily due to incremental expense from the 26 properties we acquired between January 1, 2016, and June 30, 2017, and an increase in depreciation expense related to capital improvements, partially offset by the decrease in our Same Properties Portfolio depreciation and amortization expense noted above.

Acquisition Expenses

Our Total Portfolio acquisition expenses decreased by \$0.7 million, or 63.5%, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016, primarily due to the adoption of ASU 2017-01, effective January 1, 2017. Under ASU 2017-01, the six properties that we acquired during the six months ended June 30, 2017, were accounted for as asset acquisitions, and the related acquisition costs were capitalized as part of the purchase price of the acquisition on a relative fair value basis. In comparison, the 13 properties that we acquired during the six months ended June 30, 2016, were accounted for as business combinations, and the related acquisition costs were expensed as incurred. The decrease in acquisition expenses due to the adoption of ASU 2017-01, was partially offset by an increase resulting from the write-off of previously incurred transaction costs related to the termination of a ground lease in March 2017 (see Note 10 in the consolidated financial statements for additional details).

Interest Expense

Our Total Portfolio interest expense increased by \$1.3 million, or 19.1%, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016. This was primarily due to the increase in our average outstanding debt balance as well as an increase in the average LIBOR rate for comparable periods. The increase in our average outstanding debt balance was primarily due to the \$225 million term loan facility we entered into during the six months ended June 30, 2016, as well as an increase in borrowings on our unsecured revolving credit facility. The increase was partially offset by a decrease in interest expense from the 1065 Walnut Street mortgage loan, which we prepaid in advance of maturity on March 20, 2017.

Equity in Income from Unconsolidated Real Estate Entities

Our Total Portfolio equity in income from unconsolidated real estate entities decreased by \$0.1 million, during the six months ended June 30, 2017, compared to the six months ended June 30, 2016, due to the acquisition of the remaining 85% ownership interest in the property located at 3233 Mission Oaks Boulevard from the JV on July 6, 2016.

Loss on Extinguishment of Debt

On March 20, 2017, we repaid the mortgage loan secured by the property located at 1065 E. Walnut Avenue in advance of the maturity date of February 1, 2019. The loss on extinguishment of debt of \$22 thousand for the six months ended June 30, 2017, represents \$0.2 million of prepayment penalties, partially offset by the \$0.2 million write-off of the unamortized loan premium.

Gains on Sale of Real Estate

During the six months ended June 30, 2017, we recognized gains on sale of real estate of \$19.2 million from the disposition of our properties located at 9375 Archibald Avenue, 2535 Midway Drive and 2811 Harbor Boulevard. During the six months ended June 30, 2016, we recognized gains on sale of real estate of \$11.6 million from the disposition of our properties located at 6010 North Paramount Boulevard, 1840 Dana Street and 12910 East Mulberry Drive.

Non-GAAP Supplemental Measure: Funds From Operations

We calculate funds from operations (“FFO”) attributable to common stockholder in accordance with the standards established by the National Association of Real Estate Investment Trusts (“NAREIT”). FFO represents net income (loss) (computed in accordance with accounting principles generally accepted in the United States (“GAAP”)), excluding gains (or losses) from sales of depreciable operating property, impairment losses, real estate related depreciation and amortization (excluding amortization of deferred financing costs) and after adjustments for unconsolidated joint ventures.

Management uses FFO as a supplemental performance measure because, in excluding real estate related depreciation and amortization, gains and losses from property dispositions, and asset impairments, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of performance used by other REITs, FFO may be used by investors as a basis to compare our operating performance with that of other REITs.

However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other equity REITs may not calculate or interpret FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs’ FFO. FFO should not be used as a measure of our liquidity, and is not indicative of funds available for our cash needs, including our ability to pay dividends.

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to FFO (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 19,855	\$ 12,792	\$ 25,576	\$ 14,269
Add:				
Depreciation and amortization	14,515	12,610	28,114	23,824
Depreciation and amortization from unconsolidated joint ventures ⁽¹⁾	—	5	—	10
Deduct:				
Gains on sale of real estate	16,569	11,563	19,237	11,563
Gain on acquisition of unconsolidated joint venture property	—	—	11	—
Funds From Operations (FFO)	\$ 17,801	\$ 13,844	\$ 34,442	\$ 26,540
Less: preferred stock dividends	(1,322)	—	(2,644)	—
Less: FFO attributable to noncontrolling interest ⁽²⁾	(468)	(421)	(917)	(870)
Less: FFO attributable to participating securities ⁽³⁾	(138)	(114)	(275)	(238)
FFO attributable to common stockholders	\$ 15,873	\$ 13,309	\$ 30,606	\$ 25,432

- (1) Amount represents our 15% ownership interest in the JV that owned the property located at 3233 Mission Oaks Boulevard for all periods, prior to our acquiring the remaining 85% ownership interest on July 6, 2016.
- (2) Noncontrolling interests represent holders of outstanding common units of the Company's operating partnership that are owned by unit holders other than the Company.
- (3) Participating securities include unvested shares of restricted stock, unvested LTIP units and unvested performance units.

Non-GAAP Supplemental Measure: NOI and Cash NOI

Net operating income (“NOI”) is a non-GAAP measure which includes the revenue and expense directly attributable to our real estate properties. NOI is calculated as total revenue from real estate operations including i) rental income ii) tenant reimbursements, and iii) other income less property expenses (before interest expense, depreciation and amortization). We use NOI as a supplemental performance measure because, in excluding real estate depreciation and amortization expense, general and administrative expenses, interest expense, gains (or losses) on sale of real estate and other non-operating items, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that NOI will be useful to investors as a basis to compare our operating performance with that of other REITs. However, because NOI excludes depreciation and amortization expense and captures neither the changes in the value of our properties that result from use or market conditions, nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties (all of which have real economic effect and could materially impact our results from operations), the utility of NOI as a measure of our performance is limited. Other equity REITs may not calculate NOI in a similar manner and, accordingly, our NOI may not be comparable to such other REITs’ NOI. Accordingly, NOI should be considered only as a supplement to net income as a measure of our performance. NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs. NOI should not be used as a substitute for cash flow from operating activities in accordance with GAAP.

NOI on a cash-basis (“Cash NOI”) is a non-GAAP measure, which we calculate by adding or subtracting from NOI i) fair value lease revenue and ii) straight-line rental revenue adjustments. We use Cash NOI, together with NOI, as a supplemental performance measure. Cash NOI should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs. Cash NOI should not be used as a substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth the revenue and expense items comprising NOI and the adjustments to calculate Cash NOI (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Rental income	\$ 31,132	\$ 26,119	\$ 60,746	\$ 49,618
Tenant reimbursements	5,172	4,119	10,327	7,677
Other income	115	259	347	572
Total operating revenues	36,419	30,497	71,420	57,867
Property expenses	9,536	7,959	18,758	15,502
Net Operating Income	\$ 26,883	\$ 22,538	\$ 52,662	\$ 42,365
Amortization of (below) above market lease intangibles, net	(201)	60	(318)	56
Straight line rental revenue adjustment	(996)	(922)	(1,952)	(2,017)
Cash Net Operating Income	\$ 25,686	\$ 21,676	\$ 50,392	\$ 40,404

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to NOI and Cash NOI (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 19,855	\$ 12,792	\$ 25,576	\$ 14,269
Add:				
General and administrative	5,123	4,521	10,209	8,123
Depreciation and amortization	14,515	12,610	28,114	23,824
Acquisition expenses	20	635	405	1,110
Interest expense	4,302	3,716	8,300	6,970
Loss on extinguishment of debt	—	—	22	—
Deduct:				
Management, leasing and development services	145	111	271	245
Interest income	218	—	445	—
Equity in income from unconsolidated real estate entities	—	62	11	123
Gains on sale of real estate	16,569	11,563	19,237	11,563
Net Operating Income	\$ 26,883	\$ 22,538	\$ 52,662	\$ 42,365
Amortization of (below) above market lease intangibles, net	(201)	60	(318)	56
Straight line rental revenue adjustment	(996)	(922)	(1,952)	(2,017)
Cash Net Operating Income	\$ 25,686	\$ 21,676	\$ 50,392	\$ 40,404

Non-GAAP Supplemental Measure: EBITDA

We believe that earnings before interest expense, income taxes, depreciation and amortization (“EBITDA”) is helpful to investors as a supplemental measure of our operating performance as a real estate company because it is a direct measure of the actual operating results of our industrial properties. We also use this measure in ratios to compare our performance to that of our industry peers. However, our industry peers may not calculate EBITDA in the same manner as we do and, accordingly, our EBITDA may not be comparable to our peers’ EBITDA. Accordingly, EBITDA should be considered only as a supplement to net income (loss) as a measure of our performance.

The following table sets forth a reconciliation of net income, the most directly comparable financial measure calculated and presented in accordance with GAAP, to EBITDA (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net income	\$ 19,855	\$ 12,792	\$ 25,576	\$ 14,269
Interest expense	4,302	3,716	8,300	6,970
Depreciation and amortization	14,515	12,610	28,114	23,824
Proportionate share of real estate related depreciation and amortization from unconsolidated joint venture	—	5	—	10
EBITDA	\$ 38,672	\$ 29,123	\$ 61,990	\$ 45,073

Liquidity and Capital Resources

Overview

Our short-term liquidity requirements consist primarily of funds to pay for operating expenses, interest expense, general and administrative expenses, capital expenditures, tenant improvements and leasing commissions, and distributions to our common and preferred stockholders and holders of common units of partnership interests in our Operating Partnership (“OP Units”). We expect to meet our short-term liquidity requirements through available cash on hand, cash flow from operations, by drawing on our unsecured revolving credit facility and by issuing shares of common stock pursuant to the ATM Program described below.

Our long-term liquidity needs consist primarily of funds necessary to pay for acquisitions, recurring and non-recurring capital expenditures and scheduled debt maturities. We intend to satisfy our long-term liquidity needs through net cash flow from operations, proceeds from long-term secured and unsecured financings, borrowings available under our unsecured revolving credit facility, the issuance of equity securities, including preferred stock, and proceeds from selective real estate dispositions as we identify capital recycling opportunities.

As of June 30, 2017, our cash and cash equivalents were \$13.1 million and we had \$72.0 million outstanding under our unsecured revolving credit facility, leaving \$278.0 million available for future borrowings.

Sources of Liquidity

Cash Flow from Operations

Cash flow from operations is one of our key sources of liquidity and is primarily dependent upon: (i) the occupancy levels and lease rates at our properties, (ii) our ability to collect rent, (iii) the level of operating costs we incur and (iv) our ability to pass through operating expenses to our tenants. We are subject to a number of risks related to general economic and other unpredictable conditions, which have the potential to affect our overall performance and resulting cash flows from operations. However, based on our current portfolio mix and business strategy, we anticipate that we will be able to generate positive cash flows from operations.

ATM Program

On June 12, 2017, we established a new at-the-market equity offering program (the “\$150 Million ATM Program”) pursuant to which we may sell from time to time up to an aggregate of \$150.0 million of our common stock through sales agents. The \$150 Million ATM Program replaces our previous \$125.0 million at-the-market equity offering program, which was established on April 17, 2015 (the “\$125 Million ATM Program”). All \$125.0 million of shares of our common stock under the \$125 Million ATM Program have been sold.

During the six months ended June 30, 2017, we sold 4,390,917 shares of our common stock under the \$125 Million ATM Program, at a weighted average price of \$26.35 per share, for gross proceeds of \$115.7 million, and net proceeds of \$114.0 million, after deducting the sales agents’ fee. During the six months ended June 30, 2017, we sold 176,244 shares of our common stock under the \$150 Million ATM Program, at a weighted average price of \$27.51 per share, for gross proceeds of \$4.8 million, and net proceeds of \$4.8 million, after deducting the sales agents’ fee. As of June 30, 2017, we had the capacity to issue up to an additional \$145.2 million of common stock under the \$150 Million ATM Program.

Future sales, if any, will depend on a variety of factors to be determined by us from time to time, including among others, market conditions, the trading price of our common stock and capital needs. We intend to use the net proceeds from the offering of shares under the \$150 Million ATM Program, if any, to fund potential acquisition opportunities, repay amounts outstanding from time to time under our unsecured revolving credit facility or other debt financing obligations, to fund our development or redevelopment activities and/or for general corporate purposes.

Equity Offerings

We evaluate the capital markets on an ongoing basis for opportunities to raise capital, and as circumstances warrant, we may issue additional securities, from time to time, to fund acquisitions, for the repayment of long-term debt upon maturity and for other general corporate purposes. Any future issuance, however, is dependent upon market conditions, available pricing and capital needs and there can be no assurance that we will be able to complete any such offerings of securities.

Capital Recycling

We continuously evaluate opportunities for the potential disposition of properties in our portfolio when we believe such disposition is appropriate in view of our business objectives. In evaluating these opportunities, we consider a variety of criteria including, but not limited to, local market conditions and lease rates, asset type and location, as well as potential uses of proceeds and tax considerations. Tax considerations include entering into tax-deferred like-kind exchanges under Section 1031 of the Internal Revenue Code ("1031 Exchange"), when possible, to defer some or all of the taxable gains, if any, on dispositions.

During the six months ended June 30, 2017, we completed the sale of three of our properties located at 9375 Archibald Avenue, 2535 Midway Drive and 2811 Harbor Boulevard for an aggregate gross sales price of \$65.6 million and net cash proceeds of \$64.4 million. Total net cash proceeds of \$46.3 million from two of the dispositions were used to partially fund the acquisition of two properties as part of two 1031 Exchange transactions.

We anticipate continuing to selectively and opportunistically dispose of properties, however, the timing of any potential future dispositions will depend on market conditions and our capital needs. Our ability to dispose of selective properties on advantageous terms, or at all, is dependent upon a number of factors including the availability of credit to potential buyers to purchase properties at prices that we consider acceptable.

Amended Credit Agreement

On February 14, 2017, we amended our \$300 million unsecured credit facility (the "Prior Credit Facility") by entering into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement"), which provides for a \$450.0 million senior unsecured credit facility, comprised of a \$350.0 million unsecured revolving credit facility (the "Amended Revolver") and a \$100.0 million unsecured term loan facility (the "Amended Term Loan"). The Amended Revolver is scheduled to mature on February 12, 2021, and has two six-month extension options available for a maximum maturity date of February 14, 2022, subject to certain conditions and the payment of an additional fee. The Amended Term Loan is scheduled to mature on February 14, 2022. Under the terms of the Amended Credit Agreement, we may request additional lender commitments up to an additional aggregate \$550.0 million, which may be comprised of additional revolving commitments under the Amended Revolver, an increase to the Amended Term Loan, additional term loan tranches or any combination of the foregoing.

Interest on the Amended Credit Agreement, is generally to be paid based upon, at our option, either (i) LIBOR plus an applicable margin that is based upon our leverage ratio or (ii) the Base Rate (which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the administrative agent's prime rate or (c) the Eurodollar Rate plus 1.00%) plus an applicable margin that is based on our leverage ratio. The margins for the Amended Revolver range in amount from 1.10% to 1.50% for LIBOR-based loans and 0.10% to 0.50% for Base Rate-based loans, depending on our leverage ratio. The margins for the Amended Term Loan range in amount from 1.20% to 1.70% for LIBOR-based loans and 0.20% to 0.70% for Base Rate-based loans, depending on our leverage ratio.

If we attain one additional investment grade rating by one or more of Standard & Poor's or Moody's Investor Services to complement our current investment grade Fitch rating, we may elect to convert the pricing structure under the Amended Credit Agreement to be based on such rating. In that event, the margins for the Amended Revolver will range in amount from 0.825% to 1.550% for LIBOR-based loans and 0.00% to 0.55% for Base Rate-based loans, depending on such rating. The margins for the Amended Term Loan will range in amount from 0.90% to 1.75% for LIBOR-based loans and 0.00% to 0.75% for Base Rate-based loans, depending on such ratings.

In addition to the interest payable on amounts outstanding under the Amended Revolver, we are required to pay an applicable facility fee, based upon our leverage ratio, on the aggregate amount of each lender's Revolving Credit Commitment (whether or not such Revolving Credit Commitment is drawn), as defined in the Amended Credit Agreement. The applicable facility fee will range in amount from 0.15% to 0.30%, depending on our leverage ratio. In the event that we convert the pricing structure to be based on an investment-grade rating, the applicable facility fee will range in amount from 0.125% to 0.30%, depending on such rating.

The Amended Credit Agreement is guaranteed by the Company and by substantially all of the current and to-be-formed subsidiaries of the Operating Partnership that own an unencumbered property. The Amended Credit Agreement is not secured by the Company's properties or by equity interests in the subsidiaries that hold such properties.

The Amended Revolver and the Amended Term Loan may be voluntarily prepaid in whole or in part at any time without premium or penalty. Amounts borrowed under the Amended Term Loan and repaid or prepaid may not be reborrowed.

The Amended Credit Facility contains usual and customary events of default including defaults in the payment of principal, interest or fees, defaults in compliance with the covenants set forth in the Amended Credit Facility and other loan documentation, cross-defaults to certain other indebtedness, and bankruptcy and other insolvency defaults. If an event of

default occurs and is continuing under the Amended Credit Facility, the unpaid principal amount of all outstanding loans, together with all accrued unpaid interest and other amounts owing in respect thereof, may be declared immediately due and payable.

As of the filing date of this Quarterly Report on Form 10-Q, we had borrowings of \$234.0 million outstanding under the Amended Revolver, leaving \$116.0 million available for future borrowings.

Note Purchase and Guarantee Agreement

On July 13, 2017, we entered into a Note Purchase and Guarantee Agreement (the “NPGA”) for the private placement of \$125.0 million of senior guaranteed notes, maturing on July 13, 2027, with a fixed annual interest rate of 3.93% (the “\$125 Million Notes”), and interest payable quarterly, commencing on October 13, 2017. On July 13, 2017, we completed the issuance of the \$125 Million Notes. The proceeds were used to partially fund the acquisition of a property comprised of six multi-tenant buildings totaling 1.2 million rentable square feet with a contract price of \$210.5 million.

Investment Grade Rating

During 2015, we obtained investment grade ratings of BBB- from Fitch Ratings on our Prior Credit Facility and \$100 million guaranteed senior notes (the “\$100 Million Notes”). In April 2016, we also obtained the same rating on our \$225 million term loan facility (the “\$225 Million Term Loan Facility”). These were most recently affirmed in August 2016, with a stable outlook. In August 2016, we also obtained an investment grade rating of BB from Fitch Ratings on our 5.875% series A Cumulative Redeemable Preferred Stock (the “Series A Preferred Stock”). Our credit ratings are based on our operating performance, liquidity and leverage ratios, overall financial position and other factors employed by the credit rating agencies in their rating analysis of us, and, although it is our intent to maintain our investment grade credit rating, there can be no assurance that we will be able to maintain our current credit ratings. In the event our current credit ratings are downgraded, it may become difficult or more expensive to obtain additional financing or refinance existing indebtedness as maturities become due.

Uses of Liquidity

Acquisitions

One of our most significant liquidity needs has historically been for the acquisition of real estate properties. Year to date, we have acquired 11 properties with a combined 3.5 million rentable square feet for a total gross purchase price of \$527.1 million, and we are actively monitoring a volume of properties in our markets that we believe represent attractive potential investment opportunities to continue to grow our business. As of the filing date of this Quarterly Report on Form 10-Q, we have approximately \$27.7 million of acquisitions under contract or letter of intent. While the actual number of acquisitions that we complete will be dependent upon a number of factors, in the short term, we expect to fund our acquisitions through available cash on hand, cash flows from operations, borrowings available under the Amended Revolver, recycling capital through property dispositions and, in the long term, through the issuance of equity securities or proceeds from long-term secured and unsecured financings.

Recurring and Nonrecurring Capital Expenditures

Capital expenditures are considered part of both our short-term and long-term liquidity requirements. As discussed above under — Factors that May Influence Future Results — Acquisitions and Redevelopment of Properties, as of June 30, 2017, nine of our properties were in various stages of redevelopment and repositioning or lease-up, and we anticipate beginning repositioning work on one additional property in 2018. We currently estimate that approximately \$50.7 million of capital will be required over the next seven quarters (3Q-2017 through 1Q-2019) to complete the redevelopment and repositioning of these properties. This estimate, however, is based on our current construction plans and budgets, both of which are subject to change as a result of a number of factors. If we are unable to complete construction on schedule or within budget, we could incur increased construction costs and experience potential delays in leasing the properties. We expect to fund these projects through a combination of cash flow from operations, the issuance of common stock under the \$150 Million ATM Program and borrowings available under the Amended Revolver.

The following table sets forth certain information regarding non-recurring and recurring capital expenditures at the properties in our portfolio as follows (dollars in thousands):

	Six Months Ended June 30, 2017				
	Q2-2017	Q1-2017	Total	Square Feet ⁽¹⁾	Per Square Foot ⁽²⁾
Non-Recurring Capital Expenditures ⁽³⁾	\$ 8,282	\$ 5,388	\$ 13,670	9,142,696	\$ 1.50
Recurring Capital Expenditures ⁽⁴⁾	857	390	1,247	15,281,893	\$ 0.08
Total Capital Expenditures	\$ 9,139	\$ 5,778	\$ 14,917		

- (1) For non-recurring capital expenditures, reflects the aggregate square footage of the properties in which we incurred such capital expenditures. For recurring capital expenditures reflects the weighted average square footage of our consolidated portfolio during the period.
- (2) Per square foot amounts are calculated by dividing the aggregate capital expenditure costs by the square footage as defined in (1) above.
- (3) Non-recurring capital expenditures are expenditures made in respect of a property for improvement to the appearance of such property or any other major upgrade or renovation of such property, and further includes capital expenditures for seismic upgrades, or capital expenditures for deferred maintenance existing at the time such property was acquired.
- (4) Recurring capital expenditures are expenditures made in respect of a property for maintenance of such property and replacement of items due to ordinary wear and tear including, but not limited to, expenditures made for maintenance or replacement of parking lot, roofing materials, mechanical systems, HVAC systems and other structural systems.

Commitments and Contractual Obligations

The following table sets forth our principal obligations and commitments as of June 30, 2017, including (i) scheduled principal payments and debt maturities, (ii) periodic interest payments related to our outstanding indebtedness and interest rate swaps, (iii) office and ground lease payments and (iv) other contractual obligations (in thousands):

	Payments by Period						
	Total	Remainder of 2017	2018	2019	2020	2021	Thereafter
Principal payments and debt maturities	\$ 564,242	\$ 526	\$ 5,991	\$ 58,266	\$ 166	\$ 72,175	\$ 427,118
Interest payments - fixed-rate debt	37,840	2,369	4,528	4,420	4,412	4,403	17,708
Interest payments - variable-rate debt ⁽¹⁾	55,219	6,149	12,054	11,281	10,226	8,753	6,756
Interest rate swap payments ⁽²⁾	2,894	549	1,267	389	338	338	13
Office lease payments	1,695	314	676	459	126	120	—
Ground lease payments	6,468	72	144	144	144	144	5,820
Contractual obligations ⁽³⁾	11,869	11,869	—	—	—	—	—
Total	\$ 680,227	\$ 21,848	\$ 24,660	\$ 74,959	\$ 15,412	\$ 85,933	\$ 457,415

- (1) Based on the 1-month LIBOR rate of 1.22389%, as of June 30, 2017.
- (2) Reflects the estimated payments to counterparties assuming that the 1-month LIBOR rate is equal to 1.22389% from the effective date through the maturity date of each respective interest rate swap.
- (3) Includes total commitments for tenant improvement and construction work related to obligations under certain tenant leases and vendor contracts. We anticipate these obligations to be paid as incurred through the remainder of 2017 and 2018. As the timing of these obligations is subject to a number of factors, for purposes of this table, we have included the full amount under "Remainder of 2017".

Dividends and Distributions

In order to maintain our qualification as a REIT, we are required to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income tax, we intend to distribute a percentage

of our cash flow on a quarterly basis to holders of our common stock. In addition, we intend to make distribution payments to holders of OP Units and dividend payments to holders of our preferred stock.

On July 31, 2017, our board of directors declared a quarterly cash dividend of \$0.145 per share of common stock and a quarterly cash distribution of \$0.145 per OP Unit, to be paid on October 16, 2017, to holders of record as of September 29, 2017. Also on July 31, 2017, our board of directors declared a quarterly cash dividend of \$0.36719 per share of the Series A Preferred Stock, to be paid on September 29, 2017, to preferred stockholders of record as of September 15, 2017.

Consolidated Debt

The following table sets forth certain information with respect to our consolidated debt outstanding as of June 30, 2017:

	Maturity Date	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	Maturity Date of Effective Swaps
Secured Debt:					
\$60M Term Loan	8/1/2019 ⁽³⁾	LIBOR + 1.90%	3.817% ⁽⁴⁾	\$ 59,282	2/15/2019
Gilbert/La Palma	3/1/2031	5.125%	5.125%	2,839	—
12907 Imperial Highway	4/1/2018	5.950%	5.950%	5,121	—
Unsecured Debt:					
Amended Term Loan Facility	2/14/2022	LIBOR + 1.20% ⁽⁵⁾	3.098% ⁽⁶⁾	100,000	12/14/2018
Amended Revolver ⁽⁷⁾	2/12/2021 ⁽⁸⁾	LIBOR + 1.10% ⁽⁵⁾	2.324%	72,000	—
\$225M Term Loan Facility	1/14/2023	LIBOR + 1.50% ⁽⁵⁾	2.724% ⁽⁹⁾	225,000	—
Guaranteed Senior Notes	8/6/2025	4.290%	4.290%	100,000	—
Total Consolidated			<u>3.173%</u>	<u>\$ 564,242</u>	

- (1) Includes the effect of interest rate swaps that were effective as of June 30, 2017. Assumes a 1-month LIBOR rate of 1.22389% as of June 30, 2017, as applicable. Excludes the effect of amortization of debt issuance costs, discounts/premiums and the facility fee on the Amended Revolver.
- (2) Excludes unamortized debt issuance costs and discounts/premiums aggregating \$2.7 million as of June 30, 2017.
- (3) One additional one-year extension is available, if certain conditions are satisfied.
- (4) As of June 30, 2017, this term loan has been effectively fixed at 3.817% through the use of two interest rate swaps as follows: (i) \$30 million at 3.726% with an effective date of January 15, 2015 and (ii) \$29.3 million at 3.91% with an effective date of July 15, 2015.
- (5) The LIBOR margin will range from 1.20% to 1.70% for the Amended Term Loan, 1.10% to 1.50% for the Amended Revolver and 1.50% to 2.25% for the \$225 Million Term Loan Facility depending on our leverage ratio, which is the ratio of our outstanding consolidated indebtedness to the value of our consolidated gross asset value. This leverage ratio is measured on a quarterly basis, and as a result, the effective interest rate will fluctuate from period to period.
- (6) As of June 30, 2017, the Amended Term Loan has been effectively fixed at 1.8975% plus the applicable LIBOR margin through the use of two interest rate swaps as follows: (i) \$50 million with a strike rate of 1.79% with an effective date of August 14, 2015, and (ii) \$50 million with a strike rate of 2.005% with an effective date of February 16, 2016.
- (7) The Amended Revolver is subject to an applicable facility fee which is calculated as a percentage of the total lenders' commitment amount, regardless of usage. The applicable facility fee will range from 0.15% to 0.30% depending upon our leverage ratio.
- (8) Two additional six-month extensions available at the borrower's option.
- (9) As of June 30, 2017, we have executed two interest rate swaps that will effectively fix the interest on the \$225 Million Term Loan Facility as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from February 14, 2018, to January 14, 2022, and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018, to January 14, 2022.

The following table summarizes the composition of our consolidated debt between fixed-rate and variable-rate and secured and unsecured debt as of June 30, 2017:

	Average Term Remaining (in years)	Stated Interest Rate	Effective Interest Rate ⁽¹⁾	Principal Balance (in thousands) ⁽²⁾	% of Total
Fixed vs. Variable:					
Fixed	5.4	3.78%	3.78%	\$ 267,242	47%
Variable	5.1	LIBOR + 1.40%	2.63%	\$ 297,000	53%
Secured vs. Unsecured:					
Secured	2.5		4.03%	\$ 67,242	12%
Unsecured	5.6		3.06%	\$ 497,000	88%

(1) Includes the effect of interest rate swaps that were effective as of June 30, 2017. Excludes the effect of amortization of debt issuance costs, discounts/premiums and the facility fee on the Amended Revolver. Assumes a 1-month LIBOR rate of 1.22389% as of June 30, 2017, as applicable.

(2) Excludes unamortized debt issuance costs and discount/premiums aggregating \$2.7 million as of June 30, 2017.

At June 30, 2017, we had total consolidated indebtedness of \$564.2 million, excluding unamortized debt issuance costs and discounts/premiums, with a weighted average interest rate of 3.173% and an average term-to-maturity of 5.2 years. As of June 30, 2017, \$267.2 million, or 47% of our outstanding indebtedness had an interest rate that was effectively fixed under either the terms of the loan (\$108.0 million) or an interest rate swap (\$159.3 million). We have two interest rate swaps that will effectively fix the interest on the \$225 Million Term Loan Facility as follows: (i) \$125 million at 1.349% plus the applicable LIBOR margin from February 14, 2018 to January 14, 2022 and (ii) \$100 million at 1.406% plus the applicable LIBOR margin from August 14, 2018 to January 14, 2022. If these two interest rate swaps were effective as of June 30, 2017, our consolidated debt would be 87% fixed-rate and 13% variable-rate.

At June 30, 2017, we had consolidated indebtedness of \$564.2 million, reflecting a net debt to total combined market capitalization of approximately 20.9%. Our total market capitalization is defined as the sum of the market value of our outstanding preferred stock plus the market value of our common stock excluding shares of nonvested restricted stock, plus the aggregate value of common units not owned by us, plus the value of our net debt. Our net debt is defined as our consolidated indebtedness less cash and cash equivalents.

Debt Covenants

The Amended Credit Agreement, the \$225 Million Term Loan Facility, the \$100 Million Notes and the \$125 Million Notes all include a series of financial and other covenants that we must comply with, including the following covenants which are tested on a quarterly basis:

- Maintaining a ratio of total indebtedness to total asset value of not more than 60%;
- For the Amended Credit Facility and the \$225 Million Term Loan Facility, maintaining a ratio of secured debt to total asset value of not more than 45%;
- For the \$100 Million Notes and the \$125 Million Notes, maintaining a ratio of secured debt to total asset value of not more than 40%;
- Maintaining a ratio of total secured recourse debt to total asset value of not more than 15%;
- Maintaining a minimum tangible net worth of at least the sum of (i) \$760,740,750, and (ii) an amount equal to at least 75% of the net equity proceeds received by the Company after September 30, 2016;
- Maintaining a ratio of adjusted EBITDA (as defined in each of the loan agreements) to fixed charges of at least 1.50 to 1.0;
- Maintaining a ratio of total unsecured debt to total unencumbered asset value of not more than 60%;
- Maintaining a ratio of unencumbered NOI (as defined in each of the loan agreements) to unsecured interest expense of at least 1.75 to 1.0.

The Amended Credit Agreement, the \$225 Million Term Loan Facility, the \$100 Million Notes and the \$125 Million Notes also contain limitations on our ability to pay distributions on our common stock. Specifically, our cash dividends may not exceed the greater of (1) 95% of our FFO (as defined in the credit agreement) and (2) the amount required for us to qualify

and maintain our REIT status. If an event of default exists, we may only make distributions sufficient to qualify and maintain our REIT status.

Additionally, subject to the terms of the \$100 Million Notes and the \$125 Million Notes, upon certain events of default, including, but not limited to, (i) a default in the payment of any principal, make-whole payment amount, or interest under the Notes, (ii) a default in the payment of certain of our other indebtedness, (iii) a default in compliance with the covenants set forth in the Notes agreement and (iv) bankruptcy and other insolvency defaults, the principal and accrued and unpaid interest and the make-whole payment amount on the outstanding Notes will become due and payable at the option of the purchasers.

Our \$60 million term loan contains the following financial covenants:

- Maintaining a Debt Service Coverage Ratio (as defined in the term loan agreement) of at least 1.10 to 1.00, to be tested quarterly;
- Maintaining Unencumbered Liquid Assets (as defined in the term loan agreement) of not less than (i) \$5 million, or (ii) \$8 million if we elect to have Line of Credit Availability (as defined in the term loan agreement) included in the calculation, of which \$2 million must be cash or cash equivalents, to be tested annually as of December 31 of each year;
- Maintaining a minimum Fair Market Net Worth (as defined in the term loan agreement) of at least \$75 million, to be tested annually as of December 31 of each year.

We were in compliance with all of our quarterly debt covenants as of June 30, 2017.

Off Balance Sheet Arrangements

As of June 30, 2017, we did not have any off-balance sheet arrangements.

Cash Flows

Comparison of the Six Months Ended June 30, 2017 to the Six Months Ended June 30, 2016

The following table summarizes the changes in net cash flows associated with our operating, investing, and financing activities for the six months ended June 30, 2017 and 2016 (in thousands):

	Six Months Ended June 30,		Change
	2017	2016	
Cash provided by operating activities	\$ 31,280	\$ 24,355	\$ 6,925
Cash used in investing activities	\$ (189,163)	\$ (223,401)	\$ 34,238
Cash provided by financing activities	\$ 155,476	\$ 241,001	\$ (85,525)

Net cash provided by operating activities. Net cash provided by operating activities increased by \$6.9 million to \$31.3 million for the six months ended June 30, 2017, compared to \$24.4 million for the six months ended June 30, 2016. The increase was primarily attributable to incremental cash flows from property acquisitions completed after January 1, 2016, and the increase in Cash NOI from our Same Properties Portfolio, partially offset by higher cash paid for interest for comparable periods and changes in working capital.

Net cash used in investing activities. Net cash used in investing activities decreased by \$34.2 million to \$189.2 million for the six months ended June 30, 2017, compared to \$223.4 million for the six months ended June 30, 2016. The decrease was primarily attributable to the \$44.0 million increase in net proceeds received from the sale of our properties for comparable periods, as well as proceeds of \$6.0 million from the collection of notes receivable during the six months ended June 30, 2017, partially offset by a \$14.2 million decrease in cash paid for property acquisitions, including related deposits, for comparable periods.

Net cash provided by financing activities. Net cash provided by financing activities decreased by \$85.5 million to \$155.5 million for the six months ended June 30, 2017, compared to \$241.0 million for the six months ended June 30, 2016. The change was primarily attributable to the decrease in cash proceeds from borrowings on our \$225 Million Term Loan Facility of \$225.0 million, the \$56.1 million decrease in cash proceeds from the sale of common stock, the \$9.9 million repayment of one of our secured mortgage loans, inclusive of a \$0.2 million early prepayment premium, during the six months ended June 30, 2017, and a \$6.3 million increase in the payment of dividends and distributions resulting from an increase in the number of common shares outstanding and the issuance of the Series A Preferred Stock in August 2016. The decrease was partially offset by the \$127.0 million increase in draws on our unsecured revolving credit facility and the \$85.5 decrease in paydowns made on our unsecured revolving credit facility, for comparable periods.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk refers to the risk of loss from adverse changes in market prices and interest rates. A key market risk we face is interest rate risk. We are exposed to interest rate changes primarily as a result of debt used to satisfy various short-term and long-term liquidity needs, which bears interest at variable rates. We use interest rate swaps to manage, or hedge, interest rate risks related to our borrowings. Because actual interest rate movements over time are uncertain, our swaps pose potential interest rate risks, notably if interest rates fall. We also expose ourselves to credit risk, which we attempt to minimize by contracting with highly-rated banking financial counterparties. For a summary of our outstanding variable-rate debt, see Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. For a summary of our interest rate swaps, see Note 7 to our consolidated financial statements.

As of June 30, 2017, interest on our \$60.0 million amortizing term loan has been effectively fixed through the use of two interest rate swaps, with notional values of \$30.0 million and \$29.3 million, respectively. The first interest rate swap, which is effective for the period from January 15, 2015 to February 15, 2019, currently fixes the annual interest rate payable at 3.726%. The second interest rate swap, which is an amortizing swap, is effective for the period from July 15, 2015 to February 15, 2019, and currently fixes the annual interest rate payable at 3.91%.

As of June 30, 2017, interest on the \$100 million Amended Term Loan has been effectively fixed through the use of two interest rate swaps, each with a notional value of \$50.0 million. The first interest rate swap has an effective date of August 14, 2015, and a maturity date of December 14, 2018, and the second interest rate swap has an effective date of February 16, 2016, and a maturity date of December 14, 2018. The two interest rate swaps currently fix the annual interest rate payable on the Amended Term Loan as follows: 1.79% for the first \$50.0 million and 2.005% for the second \$50.0 million, plus an applicable margin under the terms of the Amended Credit Agreement.

During 2016, we entered into two interest rate swap transactions to manage our exposure to fluctuations in variable interest rate associated with the \$225 Million Term Loan Facility. The first interest rate swap has a notional value of \$125.0 million, an effective date of February 14, 2018, and a maturity date of January 14, 2022. The second interest rate swap has a notional value of \$100.0 million, an effective date of August 14, 2018, and a maturity date of January 14, 2022. When these interest rate swaps become effective, they will fix the annual interest rate payable on the \$225 Million Term Loan Facility as follows: 1.349% for \$125.0 million of the principal outstanding and 1.406% for the remaining \$100.0 million of principal outstanding, plus an applicable margin under the terms of the \$225 Million Term Loan Facility.

At June 30, 2017, we had total consolidated indebtedness, excluding unamortized debt issuance costs and discounts/premiums, of \$564.2 million. Of this total amount, \$267.2 million, or 47%, had an interest rate that was effectively fixed under the terms of the loan or an interest rate swap. The remaining \$297.0 million, or 53%, comprises our variable-rate debt. Based upon the amount of variable-rate debt outstanding as of June 30, 2017, if LIBOR were to increase by 50 basis points, the increase in interest expense on our variable-rate debt would decrease our future earnings and cash flows by approximately \$1.5 million annually. If LIBOR were to decrease by 50 basis points, the decrease in interest expense on our variable-rate debt would increase our future earnings and cash flows by approximately \$1.5 million annually.

Interest risk amounts are our management's estimates and were determined by considering the effect of hypothetical interest rates on our financial instruments. We calculate interest sensitivity by multiplying the amount of variable rate debt outstanding by the respective change in rate. The sensitivity analysis does not take into consideration possible changes in the balances or fair value of our floating rate debt or the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, this analysis assumes no changes in our financial structure.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the Security and Exchange Commission’s rules and forms and that such information is accumulated and communicated to management, including the Co-Chief Executive Officers and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of management, including our Co-Chief Executive Officers and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures as of June 30, 2017, the end of the period covered by this report.

Based on the foregoing, our Co-Chief Executive Officers and Chief Financial Officer concluded that, as of June 30, 2017, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. No changes to our internal control over financial reporting were identified that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are party to various lawsuits, claims and legal proceedings that arise in the ordinary course of business. We are not currently a party to any legal proceedings that we believe would reasonably be expected to have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

Please refer to our Risk Factors as set forth in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2016. There have been no material changes to the risk factors as set forth in these documents.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) Unregistered Sales of Equity Securities

None.

(b) Use of Proceeds

None.

(c) Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or approximate dollar value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2017 to April 30, 2017 ⁽¹⁾	5,264	\$ 24.16	N/A	N/A
May 1, 2017 to May 31, 2017	—	—	N/A	N/A
June 1, 2017 to June 30, 2017	—	—	N/A	N/A
	<u>5,264</u>	<u>\$ 24.16</u>	N/A	N/A

- (1) In April 2017, these shares were tendered by certain of our employees to satisfy minimum statutory tax withholding obligations related to the vesting of restricted shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit	
3.1	Articles of Amendment and Restatement of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.1 of Form S-11/A, filed by the registrant on July 15, 2013 (Registration No. 333-188806))
3.2	Rexford Industrial Realty, Inc. Second Amended and Restated Bylaws of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.1 of Form 8-K, filed by the registrant on May 26, 2017)
3.3	Articles Supplementary designating the Series A Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 3.3 of Form 8-A, filed by the registrant on August 15, 2016)
3.4	Third Amended and Restated Agreement of Limited Partnership of Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 3.2 of Form 8-K, filed by the registrant on August 16, 2016)
4.1	Form of Certificate of Common Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form S-11/A, filed by the registrant on July 15, 2013 (Registration No. 333-188806))
4.2	Form of Specimen Certificate of Series A Preferred Stock of Rexford Industrial Realty, Inc. (incorporated by reference to Exhibit 4.1 of Form 8-A, filed by the registrant on August 15, 2016)
10.1*	Agreement of Purchase and Sale by and between Safari Industrial Corporation, as Seller, and Rexford Industrial Realty, L.P., as Purchaser, dated as of May 2, 2017, as amended on July 10, 2017
10.2*	Agreement of Purchase and Sale by and between SVF Safari, LLC, as Seller, and Rexford Industrial Realty, L.P., as Purchaser, dated as of May 2, 2017, as amended on July 10, 2017
10.3*	Second Amendment to Note Purchase and Guarantee Agreement, dated as of June 16, 2017, among Rexford Industrial Realty, L.P., Rexford Industrial Realty, Inc. and the purchasers named therein
10.4	Employment Agreement, effective as of June 26, 2017, between David Lanzer, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 10.1 of Form 8-K, filed by the registrant on June 29, 2017)
10.5	First Amendment to Employment Agreement, effective as of June 26, 2017, between Michael S. Frankel, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 10.2 of Form 8-K, filed by the registrant on June 29, 2017)
10.6	First Amendment to Employment Agreement, effective as of June 26, 2017, between Howard Schwimmer, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 10.3 of Form 8-K, filed by the registrant on June 29, 2017)
10.7	First Amendment to Employment Agreement, effective as of June 26, 2017, between Adeel Khan, Rexford Industrial Realty, Inc. and Rexford Industrial Realty, L.P. (incorporated by reference to Exhibit 10.4 of Form 8-K, filed by the registrant on June 29, 2017)
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.3*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.3*	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.1*	The registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Changes in Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) the Notes to the Consolidated Financial Statements (unaudited) that have been detail tagged.

* Filed herein

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto authorized.

Rexford Industrial Realty, Inc.

August 3, 2017

/s/ Michael S. Frankel

Michael S. Frankel

Co-Chief Executive Officer (Principal Executive Officer)

August 3, 2017

/s/ Howard Schwimmer

Howard Schwimmer

Co-Chief Executive Officer (Principal Executive Officer)

August 3, 2017

/s/ Adeel Khan

Adeel Khan

Chief Financial Officer

(Principal Financial and Accounting Officer)

AGREEMENT OF PURCHASE AND SALE

For
Safari Buildings 1-6, Ontario, California 91761

THIS AGREEMENT OF PURCHASE AND SALE ("Agreement"), dated for reference purposes as of May 2, 2017, is made and entered into by and between "Purchaser" (as identified in Subsection 1.1.1 below) and "Seller" (as identified in Subsection 1.1.2 below), with reference and respect to the following facts and circumstances:

A. Defined terms are indicated herein by initial capital letters. Defined terms shall have the meanings set forth herein, whether or not such terms are used before or after the definitions are set forth.

B. Purchaser desires to purchase the Property (as identified and/or defined in Section 1.2 below) and Seller desires to sell the Property, all upon as well as subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing facts and circumstances, the obligations and undertakings hereinafter set forth, including without limitation the covenants, agreements, representations and/or warranties of the parties set forth herein, as well as the sums to be paid by Purchaser to Seller, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, Purchaser and Seller do hereby agree as follows:

ARTICLE 1: PROPERTY/PURCHASE PRICE

1.1 Certain Basic Terms:

1.1.1 Purchaser and Notice Address:

Rexford Industrial Realty, L.P.
11620 Wilshire Blvd., Suite 1000
Los Angeles, California 90025
Attention: Howard Schwimmer, Co-Chief Executive
Officer, and
David E. Lanzer, Esq., General Counsel
Telephone: 310.966.1680
Facsimile: 310.966.1690
E-Mail: howards@rexfordindustrial.com
dlanzer@rexfordindustrial.com

With a copy to Purchaser's counsel as follows:

Greenberg Glusker Fields Claman & Machtinger
1900 Avenue of the Stars, 21st Floor
Los Angeles, California 90067
Attention: Kenneth S. Fields, Esq.
Telephone: 310.201.7462
Facsimile: 310.201.2376
E-Mail: KFields@greenbergglusker.com

1.1.2 Seller and Notice Address:

(Prior to June 6, 2017)
Safari Industrial Corporation
c/o American Realty Advisors
801 North Brand Boulevard, Suite 800
Glendale, California 91203
Attention: Stanley L. Iezman
Telephone: (818) 409-3227
Facsimile: (818) 545-8460
E-Mail: siezman@americanreal.com

(From and after June 6, 2017)
Safari Industrial Corporation
c/o American Realty Advisors
515 South Flower Street, 49th Floor
Los Angeles, California 90071
Attention: Stanley L. Iezman
Telephone: (213) 233-5700
E-Mail: siezman@americanreal.com

With an additional copy to Asset Manager as follows:

American Realty Advisors
150 North Wacker Drive, Suite 1300
Chicago, Illinois 60606
Attention: Bill Pantazopoulos
Telephone: (312) 216-4711
Facsimile: (312) 905-2005
E-Mail: bpantazopoulos@americanreal.com

And a copy to Seller's counsel as follows:

Barack Ferrazzano Kirschbaum & Nagelberg LLP
200 West Madison Street, Suite 3900
Chicago, Illinois 60606
Attention: Brett A. Feinberg
Telephone: (312) 629-5168
Facsimile: (312) 984-3150
E-Mail: brett.feinberg@bfkn.com

1.1.3 Title Company:

Chicago Title Insurance Company
4041 MacArthur Blvd., Suite 400
Newport Beach, California 92660
Attention: John Premac
Telephone: (949) 724-3111
Facsimile: (949) 724-3181
E-Mail: premacj@ctt.com

With a copy to:

Chicago Title Insurance Company
725 South Figueroa Street, Suite 200
Los Angeles, CA 90017
Telephone:(213) 612-4132
Facsimile:(213) 612-4133
E-Mail:Mike.Slinger@ctt.com

with title responsibilities and credit to be shared between such offices, or such other office of Chicago Title Insurance Company ("Title Company") as Purchaser and Seller may mutually agree upon in writing.

1.1.4 Escrow Holder:

Chicago Title Company
725 South Figueroa Street, Suite 200
Los Angeles, California 90017
Attention:Patricia M. Schlageck
Telephone:(213) 488-4358
Facsimile:(213) 612-4193
E-Mail:patricia.schlageck@ctt.com

or such other office of Chicago Title Insurance Company ("Escrow Holder") as Purchaser and Seller may mutually agree upon in writing.

- 1.1.5 Effective Date: The latest date of execution by Seller or Purchaser, as indicated on the signature page of this Agreement ("Effective Date").
- 1.1.6 Purchase Price: \$50,200,000.00 ("Purchase Price").
- 1.1.7 Earnest Money: \$1,400,000.00, including (i.e., plus) interest earned thereon while being held by Escrow Holder only ("Earnest Money").
- 1.1.8 Due Diligence Period: The period commencing on the Effective Date and ending at 5:00 p.m. Pacific Time on May 5, 2017 ("Due Diligence Period").
- 1.1.9 Closing Date: May 19, 2017 ("Closing Date"), subject to extension as set forth herein.
- 1.1.10 Broker: CBRE, Inc. ("Broker")
- 1.1.11 Independent Contract Consideration: \$100.00 ("Independent Contract Consideration"); and see Section 1.4 below.

1.2 Property. Subject to the terms and conditions of this Agreement, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, all of Seller's right, title and interest, if any, in and to the following property (collectively, the "Property"), without warranty except as is expressly and specifically set forth otherwise in this Agreement:

1.2.1 The "Real Property," being the land described in Exhibit A attached hereto, together with (i) all improvements located thereon ("Improvements"), (ii) all and singular rights, benefits, privileges, easements, tenements, hereditaments, and appurtenances thereon or in anywise appertaining to such real property, and (iii) any and all strips and gores and any land lying in the bed of any street, road or alley, open or proposed, adjoining such real property.

1.2.2 Seller's interest, as landlord, in the "Leases" (each, individually, a "Lease"), being all leases of the Improvements, and all amendments thereof and including all leases which may be made by Seller on or after the Effective Date and prior to Closing as permitted by this Agreement, together with all security deposits made pursuant thereto. A schedule of pending new lease deals and renewal/extension deals for existing Leases in progress prior to March 25, 2017 (the "Pending Lease Deals"), are set forth on Exhibit I attached hereto.

1.2.3 The "Tangible Personal Property," being all equipment, machinery, furniture, furnishings, supplies and other tangible personal property owned by Seller, and Seller's interest in any such property leased by Seller, which is now or hereafter both located at and used in connection with the operation, ownership or management of the Real Property. The Tangible Personal Property shall include, without limitation, the office furniture and equipment located in the onsite leasing office and, to the extent owned by Seller, those items set forth on Schedule 1.2.3 attached hereto.

1.2.4 The "Intangible Personal Property," being the intangible personal property related to the Real Property and the Improvements, as follows (but, in any event, only to the extent legally and otherwise assignable): (i) all trade names, trademarks, logos, trade colors and service marks associated with the Real Property and the Improvements, including Seller's rights and interests, if any, and without representation or warranty, in the name or names of the Real Property (e.g., "Safari Business Park" and "Safari Business Center"); (ii) domain names, websites and social media sites owned and/or under the control of Seller, if any, related to the Real Property and the Improvements, including without limitation, the content of any such websites or social media sites; (iii) the plans and specifications and other architectural and engineering drawings for the Improvements (to the extent in Seller's or Asset Manager's actual possession); (iv) if still in effect, guaranties and warranties received by Seller from any contractor, manufacturer or other person or entity in connection with the construction, operation or ownership of the Property; (v) governmental permits, approvals and licenses related to the construction or operation of the Property; and (vi) the Service Contracts to be assumed by Purchaser pursuant to Section 2.3 below.

Purchaser and Seller acknowledge and agree that the Property consists of six (6) industrial buildings, which together with the Real Property, Improvements, Leases, Tangible Personal Property and Intangible Personal Property pertaining to each such building shall be referred to herein individually as a "Building" and collectively, as the "Buildings."

1.3 Earnest Money. Within two (2) business days after the Effective Date, Purchaser shall deposit \$1,400,000.00 as the Earnest Money with Escrow Holder. The Earnest Money shall be in readily available funds (i.e., cash by wire transfer). While being held by Escrow Holder, the Earnest Money shall be placed in a federally insured interest bearing account or accounts. Except as otherwise provided herein (e.g., upon return to Purchaser pursuant to an express right explicitly set forth in this Agreement or payment to and retention by Seller as liquidated damages), the Earnest Money shall be applied as a credit to the Purchase Price at Closing. If this Agreement terminates prior to the expiration of the Due Diligence Period pursuant to any express right of Purchaser to terminate this Agreement, the Earnest Money shall be refunded to Purchaser immediately upon request, and all further rights and obligations of the parties under this Agreement shall terminate, except for any provisions which, by their terms, survive the termination of this Agreement. Except as otherwise specifically provided in this Agreement, upon expiration of the Due Diligence Period, the Earnest Money shall be considered nonrefundable and shall be held and disbursed by Escrow Holder pursuant to Subsection 2.2.1, Section 2.4, Section 3.2, Section 4.2, Section 4.3, Section 7.3, Section 8.1, Section 8.2 and Article 9 as well as any other applicable provision of this Agreement.

1.4 Independent Contract Consideration. Notwithstanding anything to the contrary contained in this Agreement, if this Agreement is terminated for any reason which entitles Purchaser to the return of the Earnest Money, then the sum of One Hundred and No/100 Dollars (\$100.00) of such Earnest Money (the "Independent Contract Consideration") shall be paid to Seller from the Earnest Money, which amount Seller and Purchaser have bargained for and agreed to as independent and sufficient consideration for Seller's execution and delivery of this Agreement. The Independent Contract Consideration is non-refundable and separate consideration from any other payment or deposit required by this Agreement, and Seller shall retain the Independent Contract Consideration upon any termination of this Agreement notwithstanding any other provision of this Agreement to the contrary.

1.5 Allocation of Purchase Price and Earnest Money. Purchaser and Seller agree to allocate the Purchase Price and the Earnest Money among the Buildings comprising the Property in accordance with the allocations set forth on Schedule 1.5 attached hereto. The provisions of this Section 1.5 shall survive the Closing.

ARTICLE 2: INSPECTION

2.1 Seller's Delivery of Specified Documents. To the extent such items are in Seller's (or American Realty Advisor's ("Asset Manager") or PM Realty Group's ("Property Manager")) actual possession, Seller shall provide (or has provided) to Purchaser the following or a copy of the same (the "Property Information") on or before the Effective Date:

2.1.1 Financial Information. The most recently available operating income statements respecting the Property for the three (3) calendar years preceding the Effective Date (or such lesser period as Seller has held record title to the Property);

2.1.2 Tax Bills. Copies of real property tax bills and personal property tax bills for the past three (3) calendar years (or such lesser period as Seller has held record title to the Property).

2.1.3 Leases. The Leases, together with all amendments, guaranties, assignments, and subleases thereto;

2.1.4 Service Contracts. Copies of all service, maintenance, supply, equipment rental, and other contracts and agreements (collectively, the "Service Contracts"), as well as any unexpired warranties, related to the operation or maintenance of the Property;

2.1.5 Title Policy. Seller's existing owner's policy of title insurance (with the amount of insurance deleted); and

2.1.6 Survey. That certain survey of the Property prepared by JRN Civil Engineers dated January 31, 2017 (File No. 16193).

Notwithstanding anything contained in this Agreement to the contrary, in no event shall Seller be required to deliver or make available any documents or other information that is/are privileged, confidential or proprietary, including, without limitation, appraisals, budgets and property condition reports or property assessments. From time to time, Seller, Asset Manager or Seller's Broker may make to Purchaser certain disclosures, including without limitation any disclosures required by law. After written request from Seller, upon receipt of any such disclosure, Purchaser shall prepare, execute and date an acknowledgment of the receipt and review thereof and return the same to Seller.

2.2 Due Diligence.

2.2.1 Purchaser shall, at Purchaser's sole cost and expense, have access to the Property (subject to the terms of this Agreement) until the Closing Date but shall only have through the last day of the Due Diligence Period in which to, in Purchaser's sole and absolute judgment and discretion, determine whether the Property is acceptable to Purchaser; provided however, Purchaser hereby waives all seismic hazard related due diligence inspections. Purchaser shall promptly notify Seller, in writing, upon Purchaser's receipt of the draft environmental site assessment with respect to the Real Property from Purchaser's consultant. Notwithstanding anything to the contrary in this Agreement, Purchaser may terminate this Agreement by giving written notice of termination to Seller ("Due Diligence Termination Notice"), so long as such notice is received by Seller at or before 5:00 p.m. Pacific Time on the last day of the Due Diligence Period. Unless Purchaser timely delivers the Due Diligence Termination Notice to Seller, this Agreement shall continue in full force and effect and Purchaser shall have no further right or opportunity to terminate this Agreement pursuant to this Subsection 2.2.1. If this Agreement terminates pursuant to this Subsection 2.2.1, the Earnest Money (but not the Independent Contract Consideration) shall be refunded to Purchaser immediately upon Purchaser's written request, Purchaser shall return and/or deliver to Seller all documents, information, reports, etc., including without limitation the Property Information, provided in physical form by Seller, including Asset Manager,

Property Manager and Broker, and all further rights and obligations of the parties under this Agreement shall terminate except any provisions which by their terms survive the termination of this Agreement. In the event Purchaser so elects to terminate this Agreement, then Purchaser shall also deliver to Seller, upon Seller's written request, copies of all third party reports, investigations and studies, other than economic analyses (collectively, the "Reports" and, individually, a "Report") prepared for, and delivered to, Purchaser in connection with its due diligence review of the Property provided that Seller reimburses Purchaser for the actual cost incurred by Purchaser to obtain the Reports; provided that Seller shall have no right to receive such Reports if the transaction contemplated by this Agreement does not close as a result of a Seller default. Such Reports shall be delivered to Seller without any representation or warranty as to the completeness or accuracy of the Reports or any other matter relating thereto, and Seller shall have no right to rely on any Report without the written consent of the party preparing same. Purchaser's obligations under and pursuant to this Subsection 2.2.1 shall survive any termination of this Agreement.

2.2.2 Subject always to the terms of the Leases, including the rights of the tenants under and/or pursuant to such Leases, upon at least twenty-four (24) hours' prior written notice to Seller, and after providing to Seller reasonably satisfactory evidence of appropriate liability insurance (i.e., at least \$1,000,000.00 in coverage pursuant to a commercial general liability insurance policy, written on an occurrence basis, issued by an insurance company reasonably acceptable to Seller and which includes a certificate of insurance naming Seller, Asset Manager and Property Manager as additional insureds), Purchaser shall have reasonable access to the Property for the purpose of conducting surveys, architectural, engineering, geotechnical and environmental inspections and tests (including, but subject to the qualifications, limitations and prohibitions set forth hereinbelow, intrusive inspection and sampling, if there is a reasonable basis for the same and provided Purchaser gives Seller two (2) business days' prior notice of any intrusive inspection or sampling, Purchaser obtains Seller's prior written consent which, with respect to intrusive inspection or sampling, may be granted or withheld in Seller's sole discretion and, prior to performing the same, Purchaser delivers a certificate of insurance to Seller evidencing that Purchaser has in place reasonable amounts of liability insurance for its activities on the Property and has named Seller, Asset Manager and Property Manager as additional insureds thereunder), and any other inspections, studies, or non-invasive tests reasonably required by Purchaser. Purchaser and its agents, employees, and representatives shall, subject to the terms of this Agreement, have a continuing right of reasonable access to the Property during the pendency of this Agreement for the purposes permitted by this Agreement. In the course of its investigations, Purchaser may make (solely for the purpose of requesting copies of existing reports or the current zoning of the Property and without identifying the proposed sale) inquiries to third parties, such as municipal, local and other government officials and representatives, and Seller consents to such inquiries, subject to the following: (a) Purchaser shall not contact tenants or Seller's lenders, contractors or property managers without Seller's consent, which consent shall not be unreasonably withheld, conditioned or delayed, but may (for example) be conditioned upon Seller or Seller's representative(s), if Seller so elects, being present, either in person or by telephone; and (b) Purchaser shall not request any governmental inspection or investigation of the Property. In any event, Purchaser shall not cause the Property to be encumbered by any liens and Purchaser will indemnify, defend, and hold Seller, Asset Manager, Property Manager and the Property free and harmless of, from and against any and all claims, demands, losses, liabilities, costs and expenses, including attorneys' fees, but excluding consequential and punitive damages ("Claims") asserted against Seller, Asset Manager, Property Manager or the Property or otherwise caused or suffered as a result of any such entry by Purchaser, its agents, representatives, employees, contractors and/or other consultants. The foregoing indemnity shall not, however, apply to the extent of (i) the mere discovery of a pre-existing condition at the Property; but it shall apply otherwise, including, without limitation, in the event and to the extent Purchaser's investigation, due diligence and/or other acts or omissions cause, contribute to or exacerbate such or any other condition, or (ii) any Claims attributable to the negligence or intentional misconduct of Seller, Asset Manager or Property Manager. If any inspection, test or other entry disturbs the Property, Purchaser will restore the Property to the same condition as existed prior to any such inspection, test or other entry. The obligations of Purchaser under the preceding three (3) sentences shall survive the Closing or the termination of this Agreement.

2.3 Service Contracts. Within ten (10) days of the Effective Date, Purchaser will indicate in a written notice to Seller which Service Contract(s) Purchaser will assume and which Service Contract(s) will be terminated by Seller at or prior to Closing, provided Seller shall have no obligation to terminate (i) any Service Contract(s) which by its (their) terms cannot be terminated without penalty or payment of a fee or (ii) any Service Contract Purchaser desires to be terminated but with respect to which Purchaser does not provide to Seller sufficient advance notice of the desired termination. If Purchaser fails to timely deliver such written notice, Purchaser shall be deemed to have assumed all of

the Service Contracts. Purchaser will assume the obligations arising from and after the Closing Date under those Service Contracts which Purchaser has agreed to assume (or is deemed to have assumed) or which Seller is not required to terminate as set forth above. Seller shall terminate at Closing all Service Contracts that are not so assumed. Notwithstanding the foregoing, Seller shall terminate at Closing, and Purchaser shall not assume, any property or asset management agreement, any leasing services agreement and any insurance affecting the Property; and, notwithstanding anything contained in this Agreement to the contrary, such agreements and/or contracts shall not, in any event, be or be deemed to be Service Contracts.

2.4 Estoppel Certificates. Seller shall make commercially reasonable efforts to obtain and deliver to Purchaser, prior to the Closing, tenant estoppel certificates from all tenants under Leases in the form of Exhibit H attached hereto or such other form as is required or permitted by the relevant Lease(s). In the event that, as of the date that is five (5) business days prior to the originally scheduled Closing Date, Seller is unable to obtain said estoppel certificates from (i) RFS Sports, Inc., (ii) National Oak Distributors, Inc., (iii) Rochling Engineered Plastics (each, a "Key Tenant" and collectively, the "Key Tenants"), and (iv) tenants (including Key Tenants) leasing, in the aggregate, not less than seventy-five percent (75%) of the total leased rentable square feet of the Improvements (together the "Estoppel Delivery Requirement"), then Seller shall have the right to deliver a written notice to Purchaser extending the Closing Date until the earlier to occur of (a) the date that is five (5) business days after the satisfaction of the Estoppel Delivery Requirement or (b) the date that is thirty (30) days after the originally scheduled Closing Date. In the event that, (1) as of the Closing Date (as the same may be extended pursuant to the immediately preceding sentence), Seller is unable to satisfy the Estoppel Delivery Requirement, or (2) Purchaser does not approve an estoppel certificate (if permitted pursuant to the terms of this provision), Purchaser may elect (in a written notice delivered to Seller and Escrow Holder prior to the Closing) to terminate this Agreement and receive a return of the Earnest Money; and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above. However, the failure of Seller to obtain any tenant estoppel certificate, notwithstanding Seller's commercially reasonable efforts (or the refusal of Seller to correct any claimed default by landlord under a Lease) shall not be and shall not be deemed to be a breach of or default under this Agreement. Purchaser may disapprove any signed tenant estoppel certificate (i) dated earlier than the Effective Date, (ii) which contains material changes (including a claimed default by landlord), or (iii) which contains a material error in the factual information set forth therein based on the applicable Lease. Notwithstanding anything to the contrary contained herein, if a tenant modifies or deletes Section 7 of the form estoppel attached hereto as Exhibit H, such modification and/or deletion shall not invalidate such estoppel certificate. Seller may, but need not, satisfy up to one-fifth (1/5th) of the seventy-five percent (75%) requirement set forth herein by providing a landlord estoppel(s) on substantially the same form as the tenant estoppel; provided, however, that (A) a landlord estoppel certificate shall not be acceptable in lieu of a tenant estoppel certificate for any of the Key Tenants, and (B) if Seller subsequently obtains an estoppel certificate meeting the requirements of this Section 2.4 from a tenant for which Seller has delivered a landlord estoppel certificate, then the related delivered landlord estoppel certificate shall be null and void, and Purchaser shall accept such estoppel certificate in its place.

ARTICLE 3: TITLE AND SURVEY REVIEW

3.1 Delivery of Title Commitment and Survey. If not already provided, Seller and/or Purchaser shall request that Title Company cause to be prepared and delivered to Purchaser and its counsel (as well as to Seller and its counsel), as soon as reasonably practicable after the Effective Date, a commitment for title insurance or preliminary title report issued by Title Company (the "Title Commitment"), in the amount of the Purchase Price, with Purchaser as the proposed insured, accompanied by copies of all documents referred to in the Title Commitment. Seller has ordered a current ALTA-ACSM Urban survey of the Property ("Survey") and shall provide a copy of said Survey to Purchaser upon Seller's receipt of the Survey. If Purchaser elects to obtain the same, Purchaser shall order copies of Uniform Commercial Code searches in the name of Seller and the Property issued by the Title Company or a search company acceptable to Purchaser ("UCC Searches").

3.2 Title Review and Cure. During the Due Diligence Period, Purchaser shall review title to the Property as disclosed by the Title Commitment and the Survey. Also during the Due Diligence Period, Seller will reasonably cooperate with Purchaser in curing any reasonable objections Purchaser may have with respect to matters disclosed on the Title Commitment of which Purchaser notifies Seller at least five (5) days prior to the expiration of the Due Diligence Period; provided, however, that (i) Seller shall not have any obligation to spend money or incur any other obligation,

liability or duty in connection with such cooperation, except as hereafter provided in this Section 3.2; (ii) Purchaser shall have no obligation to accept any cure proposed by Seller; and (iii) except as otherwise specifically provided below in this Section 3.2, Purchaser shall have no right to terminate this Agreement after the expiration of the Due Diligence Period as a result of the existence or continued existence of title or survey matters, issues and/or objections, except as set forth below with respect to a revision to the Title Commitment. Seller shall have no obligation to cure title objections except financing liens of an ascertainable amount created by, under or through Seller (as well as past due and payable taxes and assessments and mechanic's liens resulting from work performed by, or at the direction of, Seller (but expressly excluding mechanics liens resulting from work performed by, or at the direction of, a tenant)), which liens Seller shall cause to be released (at Seller's expense, including any recording fees incurred or to be incurred in connection therewith) at or prior to the Closing. Seller further agrees to remove (at Seller's expense, including any recording fees incurred or to be incurred in connection therewith) any exceptions or encumbrances to title which are voluntarily created by, under or through Seller after the Effective Date without Purchaser's consent. In addition to Purchaser's termination right as set forth in Subsection 2.2.1, Purchaser may terminate this Agreement and receive a refund of the Earnest Money (but not the Independent Contract Consideration) if the Title Company revises the Title Commitment after the expiration of the Due Diligence Period to add or modify any exceptions which materially adversely affect the Property, or to add or modify the conditions to obtaining any endorsement requested by Purchaser and agreed to be provided by Title Company during the Due Diligence Period, if such additions or modifications are in writing, are not reasonably acceptable to Purchaser and are not removed by the Closing Date (and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above). Seller's obligations as set forth in, but as limited by, the second, third and fourth sentences of this Section 3.2 shall apply to all matters disclosed by any revision to the Title Commitment by the Title Company after expiration of the Due Diligence Period, and Purchaser shall have the right to object to such newly disclosed matters described in the immediately preceding sentence by written notice to Seller and Escrow Holder delivered no later than three (3) business days following receipt of such revision to the Title Commitment. The term "Permitted Exceptions" shall mean and include the following: (i) the exceptions that are a part of the promulgated title insurance form (i.e., the so-called "general exceptions" or "standard exceptions," whether or not the same are printed, preprinted or otherwise), except to the extent the same are removed as a result of (a) Seller providing an Owner's Affidavit, ALTA Statement and/or Gap Indemnity or other affidavit as contemplated by Section 3.3 below or (b) Purchaser's actions, at Purchaser's sole cost and expense, including, without limitation, the provision (or update) of a Survey, if Purchaser so elects; (ii) the specific exceptions (i.e., the "special" or other exceptions that are not part of the promulgated title insurance form) in the Title Commitment that Title Company has not agreed to insure over or remove from the Title Commitment as of the end of the Due Diligence Period and that Seller is not required to remove as provided above; (iii) matters created by, through or under Purchaser; (iv) items shown on the Survey which have not been removed as of the end of the Due Diligence Period; (v) real estate taxes not yet due and payable; (vi) the rights of tenants pursuant to the Leases; and (vii) the impact of any federal, state, local and other laws, rules, regulations and ordinances, including without limitation, zoning ordinances.

3.3 Delivery of Title Policy at Closing. The parties shall instruct Title Company to issue at Closing, or to unconditionally commit at Closing to issue, to Purchaser, the Title Company's most current form of standard (i.e., not extended) ALTA (or other customarily provided non-ALTA) owner's coverage (the "Owner's Policy") insuring Purchaser's title to the Property in the amount of the Purchase Price, subject only to the Permitted Exceptions as well as any and all other standard or required exclusions. If further coverage (e.g., ALTA or ALTA extended coverage) or endorsements are desired by Purchaser, Purchaser shall order the same directly from Title Company and shall undertake all actions which may be required as a condition to the issuance of such further coverage or endorsements. Seller shall not be obligated to undertake any action or pay any monies as a condition precedent to the issuance of such further coverage or endorsements to the Owner's Policy which would not otherwise be required of Seller in regard to the issuance of a standard coverage owner's policy or to remove any standard exceptions therefrom requiring more of Seller than delivery of (i) a "Gap Indemnity" (e.g., an indemnity for the so-called title "gap") in the form of Exhibit F attached hereto and (ii) an "Owner's Affidavit," "ALTA Statement" or other affidavit in the form of Exhibit G attached hereto.

3.4 Title and Survey Costs; Escrow Fees. The cost to prepare the Title Commitment and the premium for the (base/standard) Owner's Policy shall be paid by Seller. At Closing, Purchaser shall reimburse Seller for the cost incurred by Seller to procure the Survey. The premium for any upgrade to ALTA extended coverage (i.e., providing for the deletion of regional exceptions) and/or any other upgrade in coverage, including without limitation endorsements,

and the cost of any UCC Searches, litigation searches and the like shall be paid by Purchaser. Except as otherwise provided herein, Escrow Holder's charges and/or fees shall be paid as follows: one-half (½) by Seller and one-half (½) by Purchaser. Except as otherwise provided in this Agreement, all other charges shall be allocated in accordance with customary practice for commercial real estate transactions in the locale of the Property (i.e., Ontario, California).

ARTICLE 4: OPERATIONS AND RISK OF LOSS

4.1 Ongoing Operations. During the pendency of this Agreement:

4.1.1 Performance under Leases and Service Contracts. Seller will perform, in a manner consistent with its prior performance, the obligations of landlord under the Leases as well as its monetary obligations under the Service Contracts and other agreements that may affect the Property.

4.1.2 New Contracts. Seller will not enter into, amend or terminate any contract that will be an obligation affecting the Property subsequent to the Closing, except contracts entered into, amended or terminated in the ordinary course of business that are terminable without cause and without penalty on not more than thirty (30) days' prior notice.

4.1.3 Maintenance of Improvements. Subject to Section 4.2 and Section 4.3 below (as well as the obligations of tenants under Leases (e.g., Purchaser shall not look to Seller for the performance of maintenance required by a tenant under a Lease), Seller shall use commercially reasonable efforts to maintain all Improvements in their present condition and repair (ordinary wear and tear, damage and destruction, as well as rights and obligations of tenants, excepted).

4.1.4 Removal of Personal Property. Seller will not remove any Tangible Personal Property, except as may be required for necessary repair or replacement, and replacement shall be of equal quality and quantity as existed as of the time of its removal as reasonably determined by Seller.

4.1.5 Leasing Arrangements. During the pendency of this Agreement, Seller will continue to lease and otherwise operate the Property in accordance with Seller's usual custom and practice; provided, however, that after the date that is three (3) business days prior to the expiration of the Due Diligence Period, Seller will not voluntarily amend, terminate or enter into any Lease without Purchaser's prior written consent in each instance, which consent shall not be unreasonably withheld, conditioned or delayed. Seller shall provide Purchaser with a copy of any executed term sheet or executed letter of intent for any new Lease and for any renewal, extension or early termination of an existing Lease (provided, however, that if such renewal, extension or early termination is made pursuant to an express right in the existing Lease, then Seller shall not be required to provide such term sheet or letter of intent to the extent that all rental amounts payable during the renewal or extension term, or fees payable in connection with the early termination, are set forth with specificity in the existing Lease and are not being modified). Without limiting the foregoing, Purchaser agrees to give Seller written notice of approval or disapproval of a proposed amendment, termination or new Lease within three (3) business days after Purchaser's receipt of (i) a copy of such amendment, termination or Lease, (ii) any reasonably relevant supporting documentation, including without limitation financial information, in Seller's possession, (iii) Seller's written request for approval, and (iv) information regarding tenant improvement costs and brokerage commissions to be incurred with respect to the amendment, termination or Lease. If Purchaser fails to timely deliver a written notice of approval or disapproval, Purchaser shall be deemed to have provided its approval.

4.1.6 Notices. Seller shall promptly furnish to Purchaser copies of any written notices received by Seller after the Effective Date, which notices relate to (i) any suit, judgment or other proceeding filed, entered or threatened with respect to the Property or Seller's use or ownership thereof, (ii) any actual or contemplated changes in zoning of the Property or any other legal requirement which would adversely affect the operation, use, ownership or maintenance of the Property, (iii) any notices from any governmental agencies or other authorities that the Property is in violation of any Federal, state, county or municipal law, code, rule or regulation applicable to the Property, and (iv) any default by any other party or notice of claim of default by Seller made by any other party under any of the Leases or the Service Contracts.

4.1.7 Insurance. Seller shall keep continuously in full force and effect from the Effective Date through the day upon which the Closing occurs all insurance policies carried by Seller with respect to the Property, including, without limitation, earthquake insurance.

4.2 Damage. In the event of any material damage to or destruction of the Improvements or any portion thereof, Purchaser may, at its option by notice to Seller given within ten (10) days after Seller notifies Purchaser of such damage or destruction (and, if necessary, the Closing Date shall be extended to give Purchaser the full ten (10) day period to make such election), either (i) terminate this Agreement, in which event the Earnest Money (but not the Independent Contract Consideration) shall be immediately returned to Purchaser (and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above), or (ii) proceed under this Agreement, receive an assignment of the payment of any insurance proceeds (including calculated rent loss insurance, if any, applicable to any period on and after the Closing Date) due Seller as a result of such damage or destruction and assume responsibility for such repair, and Purchaser shall (except as provided for below and subject to the limitations herein) receive a credit at Closing for any deductible, uninsured or Seller/self-insured amount under applicable property or casualty/liability insurance policies less any costs or expenses incurred by Seller prior to the Closing in connection with the repair of such damage. Purchaser and Seller shall collaboratively work together to file such claim for all of the damage which may reasonably be claimed under the insurance policy or insurance policies; provided, however, any final settlement of such claim shall be determined by Seller. If the Improvements are not materially damaged, then Purchaser shall not (except as otherwise expressly provided below) have the right to terminate this Agreement, but Seller shall, at its cost, repair the damage before the Closing in a manner reasonably satisfactory to Purchaser or, if repairs cannot be completed before the Closing or if Seller otherwise elects (in Seller's sole discretion) not to commence or complete such repairs, assign to Purchaser the payment of any insurance proceeds (including calculated rent loss insurance, if any, applicable to any period on and after the Closing Date) due Seller as a result of such damage or destruction (less any amounts expended by Seller for repairs made by Seller prior to Closing). For the purposes of this Agreement, "material damage" and "materially damaged" means damage (i) based upon reasonable contractor repair/restoration estimates obtained by Seller exceeding ten percent (10%) of the Purchase Price to repair or (ii) that would permit tenants leasing in the aggregate twenty percent (20%) or more of the rentable square footage of the Property to terminate their Leases pursuant to the terms thereof (unless a sufficient number of such tenants waive in writing their right to terminate, no later than two (2) business days prior to the last day upon which Purchaser may elect to terminate this Agreement pursuant to this Section 4.2, such that tenants with remaining termination rights lease in the aggregate less than such twenty percent (20%) threshold in the Property). Notwithstanding anything contained herein to the contrary, in the event (y) of an uninsured loss reasonably estimated to be in excess of \$25,000.00, and (z) Seller, in Seller's sole discretion, notifies Purchaser, in writing, that Seller has elected not to provide Purchaser with a credit, at Closing, for the estimated amount of such uninsured loss in excess of \$25,000.00 (less any costs incurred by Seller prior to Closing in connection with the repair of such damage), then Purchaser may terminate this Agreement by delivering written notice to Seller prior to the earlier to occur of (1) the date that is five (5) business days after Purchaser receives the written notice from Seller as described in clause (z) above or (2) the Closing Date, in which event the Earnest Money shall be returned to Purchaser and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above. For the purposes of the immediately preceding sentence, an "uninsured loss" shall include, but not be limited to, any loss or portion thereof that is not covered by insurance or falls under or within the deductible amount of the relevant insurance policy or policies. Seller shall make the election set forth in clause (z) above on or prior to the date that is ten (10) business days after Seller obtains knowledge of the amount of the uninsured loss, based upon reasonable contractor repair/restoration estimates obtained by Seller (such date, the "Uninsured Loss Determination Date"); provided, however, that if the Uninsured Loss Determination Date has not occurred as of the Closing Date, then Purchaser or Seller may elect to extend the Closing Date until the date that is five (5) business days after the Uninsured Loss Determination Date occurs provided Seller delivers written notice to Purchaser of such election to extend the Closing Date prior to the occurrence of the then scheduled Closing Date.

4.3 Condemnation. In the event any proceedings in eminent domain are threatened in writing or instituted by any body or entity having the power of eminent domain with respect to the entire Property or any material portion thereof as reflected in a written notice received by Seller, Purchaser may, at its option by notice to Seller given within ten (10) days after Seller notifies Purchaser of such proceedings (and if necessary the Closing Date shall be extended to give Purchaser the full ten (10) day period to make such election), either (i) terminate this Agreement, in which case the Earnest Money (but not the Independent Contract Consideration) shall be immediately returned to Purchaser (and

such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above), or (ii) proceed under this Agreement, in which event Seller shall, at the Closing, assign to Purchaser its entire right, title and interest in and to any condemnation award, and Purchaser shall have the right during the pendency of this Agreement to participate in negotiations with the condemning authority in respect of such matter. A “material portion”, as used herein, shall be deemed to be subject to the eminent domain proceedings if (i) the Estimated Value of the portion of the Property taken exceeds ten percent (10%) of the Purchase Price or (ii) the taking would permit tenants leasing in the aggregate twenty (20%) or more of the rentable square footage in the entire Property to terminate their Leases pursuant to the terms thereof (unless a sufficient number of such tenants waive in writing their right to terminate, no later than two (2) business days prior to the last day upon which Purchaser may elect to terminate this Agreement pursuant to this Section 4.3, such that tenants with remaining termination rights lease in the aggregate less than such twenty percent (20%) threshold in the Property). The phrase “Estimated Value” shall mean an estimate obtained from a M.A.I. appraiser, who has at least five (5) years’ experience evaluating property located in the county where the Real Property is located, similar in nature and function to that of the Property, selected by Seller and approved by Purchaser.

4.4 Termination. If this Agreement is terminated as set forth in Section 4.2 or Section 4.3, the Earnest Money (but not the Independent Contract Consideration) shall be refunded to Purchaser, and all further rights and obligations of the parties under this Agreement shall terminate except for any provisions which, by their terms, survive the termination of this Agreement (and such termination shall otherwise be in accordance with the last four (4) sentences of Subsection 2.2.1 above).

ARTICLE 5: CLOSING

5.1 Closing. The consummation of the transaction contemplated herein (“Closing”) shall occur on the Closing Date at the offices of Escrow Holder. Closing shall occur through an escrow with Escrow Holder. Funds shall be deposited into and held by Escrow Holder in a closing escrow account with a bank satisfactory to Purchaser and Seller. Upon satisfaction or completion of all closing conditions and deliveries, the parties shall direct Escrow Holder to, and Escrow Holder shall, immediately record and deliver the closing documents to the appropriate parties and make disbursements according to closing statements executed by Seller and Purchaser. Escrow Holder shall (and does, by its execution of this Agreement, hereby) agree in writing with Purchaser (i) that deposit of the Deed with the appropriate recorder’s office (or that Escrow Holder holds the Deed for as well as in anticipation of depositing it with the recorder’s office, shall do so and that the same) constitutes Escrow Holder’s representation that Escrow Holder is holding the closing documents (other than the Deed, if already deposited with the recorder’s office), closing funds and closing statements and is prepared and irrevocably committed to disburse the closing funds in accordance with the closing statements and (ii) that release of funds to Seller shall irrevocably commit Title Company to issue the Owner’s Policy in accordance with this Agreement. Provided such supplemental escrow instructions are not in conflict with this Agreement as it may be amended in writing from time to time, Seller and Purchaser agree to execute such supplemental escrow instructions as may be appropriate to enable Escrow Holder to comply with the terms of this Agreement; however, the supplemental escrow instructions shall not act to extend or provide any extension of any period(s) of performance, notice, grace or cure under this Agreement unless specifically referenced and agreed to, in writing, by both Purchaser and Seller or their respective counsel. Seller and Purchaser agree that the Closing may occur on a “gap” basis, in which event Seller shall deliver to the Title Company a “Gap Indemnity” (e.g., an indemnity for the so-called title “gap”) in the form of Exhibit F attached hereto or such other form as reasonably required by the Title Company.

5.2 Conditions to the Parties’ Obligations to Close. In addition to all other conditions set forth herein, the obligation of Seller, on the one hand, and Purchaser, on the other hand, to consummate the transactions contemplated hereunder shall be contingent upon the following:

5.2.1. The other party’s representations and warranties as set forth in, and subject to the terms of, Article 7 below shall be true and correct in all material respects as of the Effective Date and the Closing Date;

5.2.2. As of the Closing Date, the other party shall have performed its obligations hereunder and all deliveries to be made at or before Closing have been tendered;

5.2.3. There shall exist no pending actions, suits, arbitrations, claims, attachments, proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings, against the other party that would materially and adversely affect the operation or value of the Property or the other party's ability to perform its obligations under this Agreement;

5.2.4. There shall exist no pending action, suit or proceeding with respect to the other party before or by any court or administrative agency which seeks to restrain or prohibit, or to obtain damages or a discovery order with respect to, this Agreement or the consummation of the transactions contemplated hereby; and

5.2.5. The Title Company shall be irrevocably committed to issue the Owner's Policy in accordance with the provisions of Section 3.3.

So long as a party is not in default hereunder, if any condition to such party's obligation to proceed with the Closing hereunder has not been satisfied as of the Closing Date, such party may, in its sole discretion, terminate this Agreement by delivering written notice to the other party on or before the Closing Date (provided that any notice from any party alleging a failure of a condition shall also give the other party at least five (5) business days to correct or otherwise address the same; provided that no such cure period shall be provided to Seller or Purchaser, as the case may be, on account of the failure to timely deliver the items set forth in Section 5.3 and Section 5.4), or elect to close notwithstanding the non-satisfaction of such condition, in which event such party shall be deemed to have waived any such condition without any adjustment to the Purchase Price; if the party electing to terminate pursuant to this sentence is Purchaser, then such party (i.e., Purchaser) shall also be entitled to a refund of the Earnest Money (but not the Independent Contract Consideration); however, if the party electing to terminate is Seller, then such party (i.e., Seller) may (for example, as a result of a Purchaser's breach, default or failure to perform) be entitled to the Earnest Money as liquidated damages pursuant to Section 9.4 as well as any other applicable terms and provisions of this Agreement. In the event such party elects to close, notwithstanding the non-satisfaction of such condition, THERE SHALL BE NO LIABILITY ON THE PART OF ANY OTHER PARTY HERETO FOR BREACHES OF COVENANTS, REPRESENTATIONS AND/OR WARRANTIES OF WHICH THE PARTY ELECTING TO CLOSE HAD ACTUAL KNOWLEDGE AT OR PRIOR TO THE CLOSING; provided, however, that the foregoing shall not release or relieve Purchaser from its indemnity and related obligations under this Agreement which survive the Closing. Notwithstanding any termination in accordance with the foregoing and except as provided in the immediately preceding sentence and in Section 7.5, the failure of a condition which also constitutes a breach by a party of an obligation of such party shall not relieve such breaching party from any liability it would otherwise have under this Agreement for such breach.

5.3 Seller's Deliveries in Escrow. At least one (1) business day prior to the Closing Date (or no later than on the Closing Date if the parties elect to close on a so-called "GAP"), Seller shall deliver in escrow to the Escrow Holder the following:

5.3.1 Deed. A grant deed in the form attached hereto as Exhibit C, executed and acknowledged by Seller, conveying to Purchaser the Real Property, subject to the Permitted Exceptions and such other matters as are permitted or contemplated by the terms of this Agreement (the "Deed");

5.3.2 Bill of Sale and Assignment of Leases and Contracts. A Bill of Sale and Assignment of Leases and Contracts in the form of Exhibit D attached hereto (the "Assignment"), executed and acknowledged by Seller, vesting in Purchaser title to the property described therein, subject, however, to the Permitted Exceptions and other matters permitted by this Agreement, to the extent applicable;

5.3.3 State Law Disclosures. Such disclosures and reports as are required by applicable state and local law in connection with the conveyance of real property;

5.3.4 FIRPTA. (i) A Foreign Investment in Real Property Tax Act affidavit executed by Seller (or, if Seller is a disregarded entity, by the other appropriate entity; i.e., an affidavit executed by Seller or another appropriate entity to the effect that Seller or such other entity is not a "foreign person" within the meaning of Internal

Revenue Code Section 1445 or successor statutes) substantially in the form of Exhibit E attached hereto or another appropriate form or documentation of exemption (“FIRPTA Affidavit”); if Seller fails to provide the FIRPTA Affidavit on or before the Closing Date, Seller may instead elect to permit Purchaser to proceed with withholding and remittance to the Internal Revenue Service as provided by federal law; and (ii) An affidavit (e.g., Real Estate Withholding Certificate/California Form 593-C) executed by Seller to the effect that Seller is not a “non-resident” within the meaning of California Revenue and Tax Code Section 18662 or successor statutes or otherwise providing that withholding or other deduction under California law is not required; if Seller does not provide such affidavit and/or documentation of exemption on or before the Closing Date, Seller may instead elect to permit Purchaser to proceed to deduct the appropriate sum from Seller’s proceeds and remit the same to the Franchise Tax Board;

5.3.5 Authority. Evidence of the existence, organization and authority of Seller and of the authority of the persons executing documents on behalf of Seller reasonably satisfactory to Escrow Holder and Title Company; and

5.3.6 Additional Documents. Any additional documents that Purchaser, Escrow Holder or Title Company may reasonably require for the proper consummation of the transaction contemplated by this Agreement and not resulting in any additional obligation, liability or duty of or to Seller.

5.4 Purchaser’s Deliveries in Escrow. At least one (1) business day prior to the Closing Date (or no later than on the Closing Date if the parties elect to close on a so-called “GAP”), Purchaser shall deliver in escrow to Escrow Holder the following:

5.4.1 Purchase Price. The Purchase Price, less the Earnest Money that is applied to the Purchase Price, plus or minus applicable prorations, in immediate, same-day federal funds wired for credit into Escrow Holder’s escrow account;

5.4.2 Bill of Sale and Assignment of Leases and Contracts. The Assignment, executed by Purchaser;

5.4.3 State Law Disclosures. Such disclosures and reports as are required by applicable state and local law in connection with the conveyance of real property; and

5.4.4 Additional Documents. Any additional documents that Seller, Escrow Holder or Title Company may reasonably require for the proper consummation of the transaction contemplated by this Agreement.

5.5 Closing Statements. At least one (1) business day prior to the Closing Date (or no later than on the Closing Date if the parties elect to close on a so-called “GAP”), Seller and Purchaser shall deposit with the Escrow Holder executed closing statements consistent with this Agreement in the form required by Escrow Holder.

5.6 Title Policy. Title Company shall deliver (or be irrevocably committed to issue) to Purchaser the Owner’s Policy in accordance with the provisions of Section 3.3.

5.7 Possession. Seller shall deliver possession of the Property to Purchaser at the Closing subject only to the Permitted Exceptions and such other matters as are permitted or contemplated by this Agreement, including, without limitation, the rights of tenants and others under the Leases and the other Permitted Exceptions.

5.8 Delivery of Certain Items. Immediately after the Closing (and subject to Section 2.1), Seller shall deliver to the offices of Purchaser’s property manager (or the Property or such other place as directed by Purchaser that is reasonably convenient for Seller), to the extent in Seller’s (or its Asset Manager’s or Property Manager’s) possession, the following: the originals of any Leases and assigned Service Contracts; keys as well as any security codes for the Property; and any “as-built” plans and specifications and other available plans and specifications relating to the Property.

5.9 Notice to Tenants. Seller and Purchaser shall deliver to each tenant under a Lease immediately after the Closing a notice regarding the sale in substantially the form of or required by Exhibit K attached hereto or such other form as may be required by or to comply with applicable law(s).

5.10 Reporting Person. Seller and Purchaser hereby designate Escrow Holder as the "Reporting Person" as such term is utilized in Section 6045(e) of the Internal Revenue Code of 1986, as amended. Purchaser agrees to provide Escrow Holder with such information as may be required for Escrow Holder to file a Form 1099 and/or any other required form relative to the Closing with the Internal Revenue Service and/or any other appropriate or applicable governmental agency. Escrow Holder shall provide a copy of the filed Form 1099 and/or any other filed form to Seller and Purchaser simultaneously with it being provided to the Internal Revenue Service or otherwise.

ARTICLE 6: PRORATIONS

6.1 Prorations. Except as otherwise provided herein, the items in this Section 6.1 shall be prorated between Seller and Purchaser as of the close of the day (i.e., 11:59 p.m. Pacific Time) immediately preceding the Closing Date:

6.1.1 Taxes and Assessments. General real estate taxes and assessments imposed by governmental authority and rent taxes, if any (collectively, "Taxes"), as well as any assessments by private covenant constituting a lien or charge on the Property, paid or payable during the then-current calendar year or other current tax or other period. If the Closing occurs prior to the receipt by Seller of the tax bill for (i.e., payable in) the calendar year or other applicable tax period in which the Closing occurs, Purchaser and Seller shall prorate such Taxes for such calendar year or other applicable tax period based upon the most recent ascertainable assessed values and tax rates, which proration shall be subject to readjustment in accordance with Section 6.2.

6.1.2 Collected Rent. All collected rent and other income (and any applicable state or local tax on rent) under Leases in effect on the Closing Date; for the purposes of this Subsection 6.1.2, the term "rent" shall mean and include so-called "additional rent," including, without limitation, any operating expense pass-throughs, so-called "CAM" or common area maintenance charges, and the like. Seller shall be charged with any rentals collected by Seller before Closing but applicable to any period of time after Closing. Uncollected rent and other income shall not be prorated. If Purchaser collects delinquencies after Closing, Purchaser shall apply such rent to the obligations then due and owing to Purchaser for its period of ownership and to reasonable costs of collection actually incurred, remitting the balance, if any, to Seller. Purchaser shall bill and attempt to collect such delinquent rent in the ordinary course of business, but shall not be obligated to engage a collection agency or to take legal action to collect any delinquencies. To the extent not applicable to periods prior to the Closing, rent received by Seller after the Closing shall be immediately forwarded by Seller to Purchaser for disposition in accordance with this Subsection 6.1.2. From and after the date that is sixty (60) days after the Closing, Seller shall have the right to seek collection of any delinquent rents or any other amounts owed by tenants to Seller (see, for example, Section 6.2 below in this regard) for or relating to any period prior to the Closing; Seller shall not, however, have the right to bring eviction proceedings. At Closing, Seller shall provide Purchaser with a credit for any free base rent under the Leases with Arms Global and Lipond that is applicable to the period after the Closing.

6.1.3 Utilities. Utilities, including water, sewer, electric, and gas, based upon the last reading of meters prior to the Closing. Seller shall endeavor to obtain meter readings on the day before the Closing Date and, if such readings are obtained, there shall be no proration of such items. Seller shall pay at Closing the bills therefor for the period to the day preceding the Closing, and Purchaser shall pay the bills therefor for the period subsequent thereto. If the utility company will not issue separate bills, Purchaser will receive a credit against (or, if appropriate, a reimbursement from) the Purchase Price for Seller's portion and will pay the entire bill prior to delinquency after Closing. If Seller has paid any utilities more than thirty (30) days in advance in the ordinary course of business, then Purchaser shall be charged its portion of such payment at Closing.

6.1.4 Leasing Commissions. Purchaser shall be entitled to a credit at Closing for all outstanding leasing commissions and locator's and finder's fees (collectively, "Commissions"), due to leasing or other agents payable in connection with (i) the existing term of Leases in effect as of March 25, 2017, and (ii) the Pending Lease

Deals, as set forth on Exhibit I attached hereto. For new Leases (other than the Pending Lease Deals) entered into on or after March 25, 2017 (as well as extensions, expansions or renewals of Leases granted or exercised on or after March 25, 2017), Commissions shall be prorated as of the Closing Date between Seller and Purchaser on the basis of Seller's and Purchaser's respective periods of ownership in relation to the benefit (i.e., the term) of the relevant Lease, extension, expansion or renewal.

6.1.5 Fees and Charges under Service Contracts. Fees and charges under the Service Contracts that are being assigned to and assumed by Purchaser at the Closing, on the basis of the periods to which such Service Contracts relate.

6.1.6 Tenant Improvement Costs and/or Allowances. Purchaser shall be entitled to a credit at Closing for all outstanding tenant improvement costs and allowances as well as free rent due to tenants in connection with (i) the existing term of Leases in effect as of March 25, 2017, and (ii) the Pending Lease Deals, as set forth on Exhibit I attached hereto. For new Leases (other than the Pending Lease Deals) entered into on or after March 25, 2017 (as well as extensions, expansions or renewals of Leases granted or exercised on or after March 25, 2017), all tenant improvement costs and allowances as well as free rent due to tenants shall be prorated as of the Closing Date between Seller and Purchaser on the basis of Seller's and Purchaser's respective periods of ownership in relation to the cost, allowance or concession of the relevant Lease, extension, expansion or renewal.

6.1.7 Miscellaneous. Such other apportionments and adjustments as are customarily apportioned in similar types of property in the county in which the Property is situated.

6.1.8 Timing. Notwithstanding anything contained in this Agreement to the contrary, in the event that the Closing and the routing of the Purchase Price proceeds by Title Company to Seller's designated account does not occur on or before 12:01 p.m. Pacific Time on the Closing Date, the parties shall re-prorate, such that Seller shall be afforded the income and expenses of the day of Closing, rather than Purchaser.

6.2 Final Adjustments After Closing.

6.2.1 Final Bills and Adjustments. In the event that final bills are not available or cannot be issued prior to Closing for any item being prorated under Section 6.1, then Purchaser and Seller agree to allocate such items on a fair and equitable basis as soon as such bills are available; final adjustment is to be made as soon as reasonably possible after the Closing, but in any event prior to the date that is ninety (90) days after Closing. Payments in connection with the final adjustment shall be due within thirty (30) days of written notice.

6.2.2 Operating Expense Pass-Throughs. Seller, as landlord under the Leases, may currently be collecting from tenants under the Leases additional rent to cover taxes, insurance, utilities, maintenance and other operating costs and expenses (collectively, "Operating Expense Pass-Throughs") incurred by Seller in connection with the ownership, operation, maintenance and management of the Property. If Seller has collected estimated payments of Operating Expense Pass-Throughs in excess of or in an amount less than any tenant's share of such expenses with respect to the period during which Seller owned the Property, then the parties shall make an adjusting payment between them when the correct amounts can be determined, but in any event prior to the date that is ninety (90) days after Closing, subject, however, to the following: Purchaser shall indemnify, defend and hold Seller, as well as Asset Manager and Property Manager, free and harmless of, from and against any and all claims, demands, losses, liabilities, damages, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred or suffered, arising out of, resulting from or in any way relating to any failure or alleged failure by Purchaser in crediting and/or reimbursing a tenant for an overpayment which overpayment is credited or reimbursed by Seller to Purchaser for further credit or reimbursement hereunder.

6.2.3 Survival. Each party's obligations, liabilities and duties under this Section 6.2 shall survive the Closing.

6.3 Tenant Deposits. As of the Closing, Purchaser shall assume Seller's obligations related to tenant security deposits, but only to the extent they are credited or otherwise transferred to Purchaser. Each party's obligations,

liabilities and duties under this Section 6.3 shall survive the Closing; provided, however, that Seller's obligations, liabilities and duties under this Section 6.3 shall be limited by and expire upon the expiration of the survival/limitation period described in Section 7.3.

6.4 Utility Deposits. Seller shall receive a credit for the amount of deposits, if any, with utility companies that are transferable and that are assigned to Purchaser at the Closing.

6.5 Documentary Transfer Taxes; Recording Fees. Seller shall pay all documentary transfer taxes imposed in connection with recording the Deed, but not any other instrument (including without limitation any deed of trust, mortgage or other security device or instrument given in connection with any financing obtained by Purchaser). However, Purchaser shall pay all recording fees due and/or owing in connection with said recording(s); Seller's obligation for recording fees, if any, is set forth in and limited by Section 3.2.

6.6 Commissions. Each of Seller and Purchaser represent and warrant to the other that it has not dealt with any real estate broker, sales person or finder in connection with this transaction other than Broker. If, but only if, the transaction contemplated by this Agreement is closed, Seller shall pay Broker in accordance with their separate agreement. Purchaser acknowledges and agrees that Broker is an independent contractor and that neither Broker nor any other broker, agent, representative or any other person or entity is authorized to make any agreement or representation for or on behalf of Seller. Additionally, Purchaser acknowledges and agrees that Seller shall not be responsible for the payment of any broker, agent, representative or any other person or entity retained by Purchaser. Subject to the foregoing terms of this Subsection 6.6, in the event of any claim for broker's or finder's fees or commissions in connection with the negotiation, execution or consummation of this Agreement or the transactions contemplated hereby, each party shall indemnify and hold harmless the other party from and against any such claim by a broker, finder, agent or other representative claiming by, through or under the indemnifying party. Each party's obligations, liabilities and duties under this Section 6.6 shall survive the Closing or any termination of this Agreement; however, Seller's liability under this Section 6.6 shall not be subject to the "Cap" referenced in Section 7.5.

6.7 Real Estate Tax Protests. All real estate assessment protests and proceedings affecting the Property ("Tax Appeals") for years prior to the year in which Closing occurs will be prosecuted under Seller's direction and control. Tax Appeals for the tax year in which Closing occurs (if any) and for any subsequent tax years will be prosecuted under Purchaser's direction and control. In the event of any reduction in the assessed valuation of the Property for any such fiscal year, the net amount of any tax savings shall, (a) with respect to fiscal years ending prior to the Closing, be payable to Seller and, (b) with respect to the fiscal year in which the Closing shall occur, after deduction of expenses and attorneys' fees, be adjusted between Seller and Purchaser as of the day before the Closing Date. If any reduction in assessment shall be granted for a fiscal year in, or prior to, the year in which Closing occurs in the form of a credit for taxes payable at or after Closing, Seller shall be entitled to receive a sum equal to Seller's prorated share of such credit when granted. This Section 6.7 shall survive Closing.

ARTICLE 7: REPRESENTATIONS AND WARRANTIES

7.1 Seller's Representations and Warranties. As a material inducement to Purchaser to execute this Agreement and consummate this transaction, Seller represents and warrants to Purchaser as follows:

7.1.1 Organization and Authority. Seller is duly organized, validly existing, and in good standing as a corporation in the State of Delaware. Seller has the full right and authority and has obtained any and all consents required to enter into this Agreement and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Seller at the Closing will be, authorized and duly executed and constitutes, or will constitute, as appropriate, the valid and binding obligation of Seller, enforceable in accordance with their terms.

7.1.2 Conflicts. There is no agreement to which Seller is a party or, to Seller's knowledge, binding on Seller which is in conflict with this Agreement.

7.1.3 Pending Actions and Proceedings. Except as set forth in Exhibit J attached hereto or in any material, information or document delivered or otherwise made available by Seller to Purchaser (including, without limitation, in the Property Information), to Seller's knowledge, Seller has received no written notice that there is any action, suit or proceeding pending against Seller which challenges or impairs Seller's ability to (i) execute or perform its obligations under this Agreement or (ii) consummate the sale contemplated by this Agreement.

7.1.4 Withholding Obligation. Seller's sale of the Property is not subject to any federal, state, or local withholding obligation of Purchaser under the tax laws applicable to Seller or the Property.

7.1.5 Service Contracts. To Seller's knowledge, the copies of Service Contracts delivered to Purchaser pursuant to Subsection 2.1.4 of this Agreement are true, correct and complete as of the date of their delivery.

7.1.6 Hazardous Materials. To Seller's knowledge, except as set forth in any material, information or document delivered or otherwise made available by Seller to Purchaser (including, without limitation, in the Property Information), Seller has received no written notice from any governmental agency or authority that any Hazardous Materials are stored, used or located at the Property in violation of any Environmental Law. For the purposes of this Agreement, the term "Hazardous Materials" includes petroleum, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas or synthetic gas useable for fuel (or mixtures of natural gas or synthetic gas) and any substance, material, waste, pollutant or contaminant regulated by, or listed or defined as hazardous or toxic under, any Environmental Law. The term "Environmental Law" includes without limitation the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act and other federal laws governing the environment as in effect on the Effective Date, together with their implementing regulations and guidelines as of the Effective Date, and all state, regional, county, municipal, local and other laws, rules, regulations and ordinances that are equivalent or similar to the federal laws recited above or that purport to regulate Hazardous Materials.

7.1.7 Regulatory Compliance. Except as set forth in Exhibit J attached hereto or in any material, information or document delivered or otherwise made available by Seller to Purchaser (including, without limitation, in the Property Information), to Seller's knowledge, Seller has received no written notice from any governmental agency or authority alleging that Seller is responsible or liable for an uncured material violation of any applicable federal, state, county or municipal law, code, rule or regulation with respect to the Property, or stating that any investigation has been commenced or is contemplated regarding any of the same, which were caused as a result of or which arise out of, result from or relate to Seller's (including Seller's agents) ownership, operation, maintenance (or failure to maintain), repair (or failure to repair), use, improvement (or failure to improve), development and/or re-development of the Property, including, without limitation, any demolition, grading, soil compaction, construction and/or reconstruction thereon or related thereto.

7.1.8 Anti-Terrorism. Seller and its directors, officers, employees, agents and affiliates are not Sanctioned Persons. "Sanctioned Person" means: (a) an entity or individual named on the Consolidated Sanctions List maintained by the U.S. Office of Foreign Assets Control, or any successor list, or targeted by the U.S. Department of State under economic or financial sanctions or trade embargoes of the United States ("Sanctions Laws"); (b) any other entity or individual with which an entity incorporated in the United States is prohibited from dealing pursuant to Sanctions Laws; or (c) any entity or individual acting on behalf of anyone described in the foregoing clauses of this definition.

Seller is in compliance, and shall remain in compliance, with Sanctions Laws and Anti-Money Laundering Laws (as hereinafter defined) and shall not, directly or indirectly, use any funds received from Purchaser in transactions with a Sanctioned Person or take any action that would cause Seller or Purchaser to be in violation of Sanctions Laws or Anti-Money Laundering Laws. "Anti-Money Laundering Laws" means: the U.S. Bank Secrecy Act, the USA PATRIOT Act, and all other laws of the United States that prohibit money laundering or other use of funds derived from illegal activity.

Seller covenants to provide any information deemed necessary by Purchaser to comply with Purchaser's obligations under Sanctions Laws or Anti-Money Laundering Laws, and this obligation shall survive the termination of this Agreement.

7.1.9 ERISA. Either (i) Seller is not an "employee benefit plan" within the meaning of 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, a "plan" within the meaning of Section 4975 of the Internal Revenue Code of 1986 as amended (the "Code"), or an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. §2510.3-101 (as modified by Section 3(42) of ERISA (the "Plan Asset Regulation")) of any such plan; or (ii) Seller is represented in connection with the transactions contemplated herein by an investment manager that qualifies as a "qualified professional asset manager" as defined in Department of Labor Prohibited Transaction Exemption 84-14 (the "QPAM Exemption"), and each of the conditions of the QPAM Exemption are satisfied and will, throughout the term of this Agreement, be satisfied such that none of the transactions contemplated hereunder between Seller and Purchaser will constitute a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

7.1.10 Tenant Bankruptcy Proceedings. To Seller's knowledge, as of the Effective Date, none of the tenants under the Leases are the subject of any bankruptcy or insolvency proceeding.

7.1.11 Purchaser Principal as Broker. Seller is aware that Howard Schwimmer, a principal of Purchaser, is a licensed real estate broker in the State of California.

7.1.12 Earthquake Insurance. Seller's insurance policies for the Property include earthquake coverage.

7.2 Purchaser's Representations and Warranties. As a material inducement to Seller to execute the Agreement and consummate this transaction, Purchaser represents and warrants to Seller as follows:

7.2.1 Organization and Authority. Purchaser is duly organized and validly existing as a limited partnership in good standing in the State of Maryland; and Purchaser is in good standing and qualified to do business in the State of California. Purchaser (including any permitted assignee, designee or nominee) has the full right and authority and has obtained any and all consents required to enter into this Agreement and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Purchaser (including any permitted assignee, designee or nominee) at the Closing will be, authorized and duly executed and constitutes, or will constitute, as appropriate, the valid and binding obligation of Purchaser (including, if appropriate, any permitted assignee, designee or nominee), enforceable in accordance with their terms.

7.2.2 Conflicts and Pending Actions. There is no agreement to which Purchaser (including any permitted assignee, designee or nominee) is a party or, to Purchaser's knowledge, binding on Purchaser (including any permitted assignee, designee or nominee) which is in conflict with this Agreement. There is no action or proceeding pending or, to Purchaser's knowledge, threatened against Purchaser (including any permitted assignee, designee or nominee) which challenges or impairs Purchaser's ability to execute or perform the obligations of Purchaser (including any permitted assignee, designee or nominee) under this Agreement.

7.2.3 ERISA. Either (i) Purchaser is not an "employee benefit plan" within the meaning of 3(3) of ERISA, a "plan" within the meaning of Section 4975 of the Code, or an entity deemed to hold "plan assets" within the meaning of the Plan Asset Regulation of any such plan; or (ii) Purchaser is represented in connection with the transactions contemplated herein by an investment manager that qualifies as a "qualified professional asset manager" as defined in the QPAM Exemption, and each of the conditions of the QPAM Exemption are satisfied and will, throughout the term of this Agreement, be satisfied such that none of the transactions contemplated hereunder between Purchaser and Seller will constitute a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

7.2.4 Anti-Terrorism. Purchaser and its directors, officers, employees, agents and affiliates are not Sanctioned Persons.

Purchaser is in compliance, and shall remain in compliance, with Sanctions Laws and Anti-Money Laundering Laws and shall not, directly or indirectly, draw upon any funds to pay Seller from transactions with a Sanctioned Person or take any action that would cause Seller or Purchaser to be in violation of Sanctions Laws or Anti-Money Laundering Laws.

Purchaser covenants to provide any information deemed necessary by Seller to comply with Seller's obligations under Sanctions Laws or Anti-Money Laundering Laws, and this obligation shall survive the termination of this Agreement.

7.3 Survival of Representations and Warranties. The representations and warranties set forth in this Article 7 are made as of the Effective Date (or such earlier date as Seller executes and delivers this Agreement) and are remade as of the Closing Date and shall not be deemed to be merged into or waived by the instruments of Closing, but shall survive the Closing for a period of only nine (9) months, at which time, except as otherwise specifically provided herein, they shall terminate; provided that, prior to the Closing, Seller may update its representations and warranties from time to time upon learning of any new, different or changed information; and, in such event, the remaking of Seller's representations and warranties as of the Closing Date shall be as so updated; and, in the event Seller does so update its representations and warranties, and the same is not caused or contributed to by any act or omission by Purchaser (including without limitation, Purchaser's agents, representatives, employees and consultants), and the same results in the disclosure of a material adverse change that is not permitted or contemplated by this Agreement, then, within three (3) business days of Purchaser's receipt of such update (but, in any event, prior to the Closing, which shall, if necessary, be extended to give Purchaser three (3) business days to respond), Purchaser may, upon written notice to Seller and Escrow Holder, terminate this Agreement as its sole and exclusive remedy; if this Agreement terminates pursuant to the immediately preceding provision, then such termination shall be in accordance with the last four (4) sentences of Subsection 2.2.1. Seller and Purchaser shall have the right to bring an action thereon only if Seller or Purchaser, as the case may be, shall both file and serve such action within such nine (9) month survival period; the parties hereby acknowledging and agreeing as well as otherwise confirming that, except as expressly and specifically provided in the first proviso in the immediately preceding sentence, it is their intent to limit the period of time within which to bring an action, so that claims must be filed, served and otherwise made in accordance with the time periods specified herein regardless of any applicable statute of limitations. Each party agrees to defend and indemnify the other against any claim, liability, damage or expense asserted against or suffered by such other party arising out of the breach or inaccuracy of any such representation or warranty; provided, however, that Purchaser shall have no right to bring a cause of action or to seek indemnification for a breach of a representation or warranty unless (i) the damage to Purchaser on account of such breach (individually or when combined with damages from other breaches) equals or exceeds \$200,000, (ii) such action is permitted under Section 7.5, and (iii) such action is timely filed and served in accordance with this Section 7.3. Additionally, except as expressly set forth in Section 8.1 below, in no event shall Seller's liability under this Agreement exceed, and Seller's liability shall be "capped" at, \$1,500,000, all in accordance with Section 7.5.

7.4 Seller's Knowledge. Terms such as "to Seller's knowledge," "to the best of Seller's knowledge" or like phrases, when used in this Article 7 (or elsewhere in this Agreement), mean only the actual personal knowledge of David Hubbs and Michael Gelber, who are employees of Asset Manager and individuals associated with Seller who have sufficient knowledge to make the representations set forth herein, without imputation and without any duty of inquiry or investigation; provided, however, that so qualifying Seller's knowledge shall in no event give rise to any personal obligation, liability or duty on the part of David Hubbs, Michael Gelber, Asset Manager or any other trustee, director, officer, employee, representative or agent of Seller or Asset Manager on account of any breach of any representation or warranty made by Seller herein.

7.5 Cap on Liability; Survival. Notwithstanding anything to the contrary contained in this Agreement, including without limitation the indemnity from Seller in favor of Purchaser set forth in Section 7.3, except as specifically provided in Section 8.1, NO CLAIM FOR A BREACH OF ANY REPRESENTATION, WARRANTY OR COVENANT OF SELLER SHALL BE ACTIONABLE OR PAYABLE IF THE BREACH IN QUESTION WAS KNOWN TO PURCHASER PRIOR TO CLOSING. If the breach occurs or becomes known to Purchaser after Closing, a claim for a breach of any representation, warranty or covenant of Seller shall be actionable only if the valid claims for all such breaches collectively aggregate more than \$200,000, in which event the full amount of such claim shall be actionable

up to the Cap, and provided written notice containing a description of the specific nature of such breach shall have been given by Purchaser to Seller prior to the expiration of the nine (9) month survival period set forth in Section 7.3 and an action shall have been commenced by Purchaser against Seller and served by Purchaser upon Seller prior to the expiration or termination of such survival period; again, the parties hereby acknowledging and otherwise confirming that it is their intent as well as Purchaser's agreement to limit the period of time within which Purchaser may bring an action, so that claims, if they may be brought at all, must be filed and served and otherwise made in accordance within the time periods specified herein, regardless of any applicable statute of limitations. As used herein, the term "Cap" shall mean the total aggregate amount of \$1,500,000. In no event shall Seller's aggregate liability to Purchaser for breach of any representation, warranty or covenant of Seller in this Agreement, in any certificate, instrument or other document delivered by Seller in connection with this Agreement, the Closing, or otherwise, exceed the amount of the Cap. Notwithstanding the foregoing, however, the Cap shall not apply to or limit Seller's liability (i) under Section 6.2 above, Section 6.6 above, and Section 10.9 below or (ii) for fraud.

ARTICLE 8: DEFAULT AND REMEDIES

8.1 Seller's Default. If this transaction fails to close as a result of Seller's default, then Purchaser, as Purchaser's sole and exclusive remedies hereunder, may elect to either (i) commence an action for specific performance or (ii) terminate this Agreement by delivering written notice to Seller and receive from Seller the actual out-of-pocket expenses incurred by Purchaser and paid to unrelated or unaffiliated third party consultants in connection with Purchaser's review and preparation to purchase the Property (including, without limitation, reasonable attorneys' fees) up to the amount of Fifty Thousand Dollars (\$50,000.00) (the "Expense Reimbursement"), Purchaser thereby waiving the right to sue Seller for monetary damages or for any remedies available at law or in equity. If Purchaser elects to commence an action for specific performance, Purchaser must commence any such action within sixty (60) days after the scheduled Closing Date. If, however, the equitable remedy of specific performance is not available as a result of Seller's conveyance of the Property to a third-party in violation of this Agreement, Purchaser may seek any other monetary remedy available at law for such default by Seller, subject, however, to the following: In no event shall Seller's liability exceed the sum of (i) the difference between the Purchase Price of this Agreement and the sales price to such third-party and (ii) the Expense Reimbursement. For purposes of this Section 8.1, specific performance shall be considered not available to Purchaser (i) if a court of competent jurisdiction declines to grant the remedy of specific performance, (ii) if the nature of Seller's default is such that, upon obtaining specific performance, Purchaser will receive materially less than Purchaser bargained for in this Agreement or (iii) if Seller has conveyed the Property to a third party. If Purchaser elects to terminate this Agreement pursuant to this Section 8.1, then the Earnest Money (but not the Independent Contract Consideration) shall be returned to Purchaser and such termination shall otherwise be as provided in the last four (4) sentences of Section 2.2.1 above.

8.2 Purchaser's Default. If this transaction fails to close due to the default of Purchaser, then (in accordance with, but subject to, Section 9.4 below) Seller's sole remedy in (i.e., with respect to) such event shall be to terminate this Agreement and to receive and retain the Earnest Money as liquidated damages and not as a penalty, Seller waiving all other rights or remedies in the event of (i.e., in connection with) such default by Purchaser; provided, however, that the foregoing shall not limit Seller's other rights and remedies provided by this Agreement or as a result of another breach, default or failure to perform by Purchaser including, without limitation, Seller's right to receive, keep and retain the Independent Contract Consideration. The parties acknowledge that Seller's actual damages in the event of a default by Purchaser under this Agreement will be difficult to ascertain, and that such liquidated damages represent the parties' best estimate of such damages. Notwithstanding the foregoing, any right of Seller to liquidated damages shall be in addition to and not in lieu of any indemnity obligation, liability or duty of Purchaser and such other obligations, liabilities and duties as are provided and/or referenced in Section 9.4. In the event of a default by Purchaser which does not result in a failure to close, Seller shall, subject to the terms of Section 7.3, have all rights and remedies provided by this Agreement as well as those provided by law and equity.

8.3 Other Expenses. If this Agreement is terminated due to the default of a party, then the defaulting party shall pay or reimburse the other party, as appropriate, for any fees or charges due to the Escrow Holder for holding the Earnest Money as well as any escrow cancellation or termination fees or charges and any fees or charges due to the Title Company for preparation, termination and/or cancellation of the Title Commitment. Each party's obligations, liabilities and duties pursuant to this Section 8.3 shall survive the termination of this Agreement. Additionally, any

obligation, liability or duty of Purchaser under this Section 8.3 shall be in addition to Purchaser's obligations, liabilities and duties as set forth in Section 8.2 and Section 9.4.

ARTICLE 9: EARNEST MONEY PROVISIONS

9.1. Investment and Use of Funds. Escrow Holder shall invest the Earnest Money in a federally insured interest-bearing account or accounts satisfactory to Purchaser (as provided in Section 1.3 above), shall not commingle the Earnest Money with any funds of Escrow Holder or others, and shall promptly provide Purchaser and Seller with confirmation of the investments made. If the Closing under this Agreement occurs, and the Earnest Money (or any portion of it) has not previously been released to Seller, Escrow Holder shall deliver the Earnest Money (or any portion of it) to Seller on the Closing Date.

9.2. Termination Before Expiration of Due Diligence Period. If Purchaser elects to terminate this Agreement prior to the expiration of the Due Diligence Period pursuant to Subsection 2.2.1, Escrow Holder shall immediately pay the entire Earnest Money (including interest earned thereon) to Purchaser as soon as reasonably practicable following receipt of the Due Diligence Termination Notice from Purchaser and this Agreement shall thereupon terminate. No notice to Escrow Holder from Seller shall be required for the release of the Earnest Money to Purchaser by Escrow Holder in accordance with the immediately preceding sentence; provided, however, that Escrow Holder shall confirm that Seller timely received from Purchaser (i) the required Due Diligence Termination Notice and (ii) the Independent Contract Consideration.

9.3. After Expiration of Due Diligence Period. After expiration of the Due Diligence Period (and except as provided in Subsection 2.2.1, Section 2.4, Section 3.2, Section 4.2, Section 4.3, Section 7.3, Section 8.1, Section 8.2, and Section 9.4 or elsewhere in this Agreement), Escrow Holder shall retain the Earnest Money until it receives written instructions executed by both Seller and Purchaser as to the disposition and disbursement of the Earnest Money, or until ordered by final court order, decree or judgment, which is not subject to appeal, to deliver the Earnest Money to a particular party(ies), in which event the Earnest Money shall be delivered in accordance with such notice, instruction, order, decree or judgment. Section 9.4 shall be considered Seller's and Purchaser's executed written instructions to Escrow Holder with respect to the matters set forth therein.

9.4. LIQUIDATED DAMAGES. PURCHASER AND SELLER ACKNOWLEDGE AND AGREE THAT: (I) IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO DETERMINE SELLER'S ACTUAL DAMAGES IN THE EVENT THAT THE CLOSING FAILS TO OCCUR BY REASON OF PURCHASER'S DEFAULT UNDER THIS AGREEMENT, WHICH DAMAGES WOULD INCLUDE, BUT NOT BE LIMITED TO, SELLER'S LOST SALE OPPORTUNITIES DURING THE PERIOD THAT THE PROPERTY IS TAKEN OFF THE MARKET; AND (II), TAKING INTO ACCOUNT ALL OF THE CIRCUMSTANCES EXISTING ON THE EFFECTIVE DATE, THE EARNEST MONEY IS A REASONABLE ESTIMATE OF SELLER'S ACTUAL DAMAGES IN SUCH EVENT. CONSEQUENTLY, IN THE EVENT THE CLOSING FAILS TO OCCUR BY REASON OF PURCHASER'S DEFAULT UNDER THIS AGREEMENT AND EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THIS AGREEMENT, SELLER'S SOLE AND EXCLUSIVE REMEDY SHALL BE TO TERMINATE THIS AGREEMENT AND TO RECEIVE AND RETAIN THE ENTIRE EARNEST MONEY AS LIQUIDATED DAMAGES AND NOT AS A PENALTY; PURCHASER SHALL MAKE, GIVE, JOIN IN, EXECUTE AND/OR DELIVER TO ESCROW HOLDER ANY INSTRUMENT REQUIRED IN THIS REGARD. THE FOREGOING PROVISIONS (AND ANY OTHER SIMILAR PROVISIONS SET FORTH IN THIS AGREEMENT) SHALL, HOWEVER, IN NO WAY LIMIT (A) PURCHASER'S INDEMNITY AND/OR RELATED OR SIMILAR OBLIGATIONS, LIABILITIES OR DUTIES (E.G., PURCHASER'S OBLIGATION, LIABILITY AND DUTY TO INDEMNIFY, DEFEND AND/OR HOLD HARMLESS AS PROVIDED IN SECTION 2.2, SECTION 6.6 AND/OR ELSEWHERE IN THIS AGREEMENT), (B) ANY OBLIGATION, LIABILITY OR DUTY OF PURCHASER TO RETURN, DELIVER, ASSIGN, TRANSFER OR MAKE AVAILABLE TO SELLER DOCUMENTS, LICENSES, PERMITS, RESULTS OF DUE DILIGENCE OR OTHER INVESTIGATIONS AND THE LIKE, INCLUDING WITHOUT LIMITATION THE PROPERTY INFORMATION AND THE REPORTS, (C) SECTION 8.3 OR (D) SECTION 10.9, AS SET FORTH IN THIS AGREEMENT ((A), (B), (C) AND (D), COLLECTIVELY, THE "OTHER OBLIGATIONS"), IT BEING THE EXPRESS INTENTION OF THE

PARTIES THAT THE LIQUIDATED DAMAGES PROVIDED HEREIN SHALL APPLY TO PURCHASER'S FAILURE TO CLOSE, BUT SHALL NOT LIMIT THE OTHER OBLIGATIONS, LIABILITIES AND DUTIES OF PURCHASER SET FORTH AND/OR REFERENCED HEREINABOVE. SELLER'S RETENTION OF THE DEPOSIT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676, AND 1677. SELLER AND PURCHASER ACKNOWLEDGE THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS ARTICLE 9 AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS:

Purchaser: /s/ HS
(Initials)

Seller: /s/ SD
(Initials)

9.5. Interpleader. Seller and Purchaser agree that, in the event of any controversy regarding the Earnest Money, unless mutual written instructions are received by Escrow Holder directing the Earnest Money's disposition, Escrow Holder shall not take any action, but instead shall await the disposition of any proceeding relating to the Earnest Money or, at Escrow Holder's option, Escrow Holder may interplead all parties and deposit the Earnest Money with a court of competent jurisdiction (in the county in which the Real Property is located) in which event Escrow Holder may recover all of its court costs and reasonable attorneys' fees. Seller or Purchaser, whichever loses in any such interpleader action, shall be solely obligated to pay such costs and fees of Escrow Holder, as well as the reasonable attorneys' fees of the prevailing party in accordance with the other provisions of this Agreement. Each party's obligations, liabilities and duties under this Section 9.5 shall survive the termination of this Agreement.

9.6. Liability of Escrow Holder. The parties acknowledge that Escrow Holder is acting solely as a stakeholder at their request and for their convenience, that Escrow Holder shall not be deemed to be the agent of either Purchaser or Seller, and that Escrow Holder shall not be liable to either of the parties for any action or omission on its part taken or made in good faith, and not in disregard of this Agreement, but shall be liable for its negligent acts and for any loss, cost or expense incurred by Seller or Purchaser resulting from Escrow Holder's mistake of law respecting Escrow Holder's scope or nature of its duties. Seller and Purchaser shall jointly and severally indemnify and hold Escrow Holder harmless from and against all costs, claims and expenses, including reasonable attorneys' fees, incurred in connection with the performance of Escrow Holder's duties hereunder, except with respect to actions or omissions taken or made by Escrow Holder in bad faith, in disregard of this Agreement or involving negligence on the part of Escrow Holder.

ARTICLE 10: MISCELLANEOUS

10.1 Purchaser Bound. Purchaser may not assign this Agreement without the prior written consent of Seller (which consent may be granted or withheld in Seller's sole discretion), and any such prohibited assignment shall be void; provided, however, that (subject to (i) Purchaser and Affiliate (as defined below) providing to Seller written notice of such assignment, including evidence reasonably satisfactory to Seller that Affiliate satisfies the definition of Affiliate set forth below, (ii) Purchaser confirming (in writing) to Seller that such assignment does not relieve or release Purchaser of liability, and (iii) Affiliate confirming (in writing) to Seller, on behalf of Affiliate (as if Affiliate is Purchaser), Purchaser's representations and warranties as set forth in Section 6.6 and Section 7.2 as well as assuming, accepting and agreeing (in writing) to be bound by and perform each of Purchaser's obligations, liabilities, duties, covenants and agreements set forth in this Agreement) Purchaser may assign this Agreement, without Seller's consent, to an Affiliate. No assignment shall release or relieve Purchaser from its obligations, liabilities and/or duties under this Agreement. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the respective

legal representatives, successors, assigns, heirs and devisees of the parties. For the purposes of this Section 10.1, the term “Affiliate” means (a) an entity that directly or indirectly controls, is controlled by or is under common control with the Purchaser or (b) an entity at least a majority of whose economic interest is owned by Purchaser; and the term “control” means the power to direct the management of such entity through voting rights, ownership or contractual obligations.

10.2 Headings. The article, section, subsection, paragraph and/or other headings of this Agreement are for convenience only and in no way limit or enlarge the scope or meaning of the language hereof.

10.3 Invalidity and Waiver. If any portion of this Agreement is held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement shall be deemed valid and operative, and, to the greatest extent legally possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The failure by either party to enforce against the other any term or provision of this Agreement shall not be deemed to be a waiver of such party’s right to enforce against the other party the same or any other such term or provision in the future.

10.4 Governing Law. This Agreement shall, in all respects, be governed, construed, applied, and enforced in accordance with the law of the State or Commonwealth in which the Real Property is located (i.e., California).

10.5 Survival. Subject to the limitations set forth in and except as otherwise specifically provided by this Agreement, the provisions of this Agreement that contemplate performance after the Closing (and, if no specific survival period is expressly set forth herein, the covenants, agreements, indemnities, representations, warranties and other undertakings of Seller shall survive the Closing for only the period during which Seller’s representations and warranties survive the Closing in accordance with Section 7.3 above) and the obligations of the parties not fully performed at the Closing shall survive the Closing and shall not be deemed to be merged into or waived by the instruments of Closing.

10.6 Entirety and Amendments. This Agreement embodies the entire agreement between the parties and supersedes all prior agreements and understandings relating to the Property. This Agreement may be amended or supplemented only by an instrument in writing executed by the party against whom enforcement is sought.

10.7 Time. Time is of the essence in the performance of this Agreement.

10.8 Confidentiality. Purchaser shall make no public announcement or disclosure of (i) any information related to this Agreement, including without limitation the Property Information, the Reports and the results of Purchaser’s due diligence examinations, inspections and investigations, as well as the identity of Seller (or Seller’s managers, members or affiliates, including without limitation, Seller’s real estate investment advisor; i.e., Asset Manager) or (ii) the amount of the Purchase Price, to outside brokers, third parties or the public, before or after the Closing and whether or not the Closing occurs, without the prior written specific consent of Seller; provided, however, that Purchaser may make disclosure of this Agreement to the Permitted Parties (as defined below) to the extent necessary to perform Purchaser’s obligations and due diligence tests and studies hereunder and as may be required under laws or regulations applicable to the relevant Permitted Party. Purchaser shall be responsible for advising each Permitted Party of the confidential nature of all information related to this Agreement and each of the provisions of this Agreement. Purchaser shall cause each Permitted Party to hold and treat all information related to this Agreement and each of the provisions of this Agreement strictly confidential and otherwise in a manner consistent with the provisions of this Agreement applicable to Purchaser. “Permitted Parties” is defined as Purchaser’s lenders, attorneys, accountants, consultants, contractors, brokers, investors, creditors, officers, employees and agents; and each of such Permitted Parties is a “Permitted Party.” Prior to Closing, Purchaser shall not post (or permit the posting of) any jobs related to the Property and/or this transaction. Purchaser’s obligations, liabilities and duties under this Section 10.8 shall survive the Closing as well as any termination of this Agreement.

10.9 Attorneys’ and Other Fees. Should either party institute any action or proceeding to enforce or interpret this Agreement or any provision hereof, for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the prevailing party in any such action or proceeding shall be entitled to receive from the other party all costs and expenses, including actual attorneys’ and other fees,

reasonably incurred in good faith by the prevailing party in connection with such action or proceeding. The term “attorneys’ and other fees” shall mean and include attorneys’ fees, accountants’ fees, and any and all consultants and other similar fees incurred in connection with the action or proceeding and preparations therefor. The term “action or proceeding” shall mean and include actions, proceedings, suits, arbitrations, appeals and other similar proceedings. The obligations of the parties set forth in this Section 10.9 shall survive the Closing as well as any termination of this Agreement.

10.10 Notices. All notices required or permitted hereunder shall be in writing and shall be served on the parties at the addresses set forth in Section 1.1.1. Any such notices shall be either (i) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered upon receipt or rejection of delivery, (ii) sent by United States Mail, certified with return receipt requested, in which case notice shall be deemed delivered upon receipt or rejection of delivery, or (iii) sent by email or facsimile, in which case, within one (1) business day thereof, duplicate notice shall be sent in the manner provided in provision (i) or provision (ii) of this Section 10.10, and such notice shall be deemed delivered upon confirmation of receipt of the email or facsimile during regular business hours (i.e., between 9:00 a.m. and 5:00 p.m. Pacific Time) on a regular business day (i.e., Monday through Friday, inclusive, but excluding holidays) or at 9:00 a.m. Pacific Time on the next regular business day after confirmation of receipt of the email or facsimile (a) after regular business hours on a regular business day or (b) on a day other than a regular business day. A party’s address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt (or refusal of acceptance of delivery) of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice. Notices given by Purchaser’s counsel shall be deemed given by Purchaser and notices given by Seller’s counsel shall be deemed given by Seller.

10.11 Construction.

10.11.1 The parties acknowledge and agree that the parties and/or their counsel have reviewed, negotiated and revised this Agreement and agree that the normal rule of construction (to the effect that any ambiguities are to be resolved against the drafting party) shall not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

10.11.2 If any words or phrases in this Agreement shall have been stricken out or otherwise eliminated, whether or not any other words or phrases have been added, this Agreement shall be construed as if the words or phrases so stricken out or otherwise eliminated were never included in this Agreement and no implication or reference shall be drawn from the fact that said words or phrases were so stricken out or otherwise eliminated.

10.12 Calculation of Time Periods. Unless otherwise specified, in computing any period of time described herein, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday for national banks in the location where the Property is located, in which event the period shall run until the end of the next day which is not a Saturday, Sunday, or legal holiday. The last day of any period of time described herein shall be deemed to end at 5:00 p.m. Pacific Time, unless otherwise expressly provided for herein.

10.13 Purchaser’s Liability. Subject to the provisions of Section 10.15, each person or entity comprising Purchaser shall be jointly and severally liable for Purchaser’s obligations, liabilities and duties under this Agreement.

10.14 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution of this Agreement, the parties may execute and exchange, by telephone facsimile, electronic pdf or otherwise, counterparts of the signature page(s).

10.15 Limitation of Liability. Any obligation or liability of Purchaser or Seller whatsoever which may arise at any time under this Agreement or any obligation or liability which may be incurred by Purchaser or Seller pursuant to any other instrument, transaction or undertaking contemplated hereby shall be satisfied, if at all, out of Purchaser’s or Seller’s assets only. No obligation or liability shall be personally binding upon, nor shall resort for the enforcement

thereof be had to, the property of any of Purchaser's or Seller's limited partners, managers, members, trustees, officers, directors, employees, shareholders, representatives or agents (including, without limitation, Asset Manager and Property Manager), regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

10.16 Further Assurances. In addition to the acts and deeds recited herein and contemplated to be performed, executed and/or delivered by either party at Closing, each party agrees to perform, execute and deliver, but without any obligation to incur any additional liability or expense, on or after the Closing any further deliveries and assurances as may be reasonably necessary to consummate the transactions contemplated hereby or to further perfect the conveyance, transfer and assignment of the Property to Purchaser. The parties' obligations, liabilities and duties under this Section 10.16 shall survive the Closing.

10.17 No Reliance on Documents or Statements. Except as expressly stated herein, Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information delivered by Seller to Purchaser in connection with the transaction contemplated hereby. Purchaser acknowledges and agrees that all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and that any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser, except as otherwise expressly stated herein. Without limiting the generality of the foregoing provisions, Purchaser acknowledges and agrees that (i) any reports or other information with respect to the Property which are delivered or otherwise made available by Seller to Purchaser shall be for general informational purposes only, (ii) Purchaser shall not have any right to rely on any such reports and/or information delivered or otherwise made available by Seller to Purchaser, but rather will rely on its own inspections and investigations of the Property and any reports commissioned by Purchaser with respect thereto, (iii) Purchaser shall not have any right to rely on any statements made by a representative of Seller, including without limitation, the Property Manager, any leasing agent or employee of Seller, and (iv) neither Seller, any affiliate of Seller nor the person or entity which prepared any such reports and/or information delivered or otherwise made available by Seller to Purchaser shall have any liability to Purchaser for any inaccuracy in or omission from any such reports and/or information.

10.18 DISCLAIMERS AND RELEASES.

10.18.1 **EXCEPT AS EXPRESSLY AND SPECIFICALLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING, IT IS UNDERSTOOD AND AGREED THAT SELLER IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER, EXPRESSED OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, AS TO, CONCERNING OR WITH RESPECT TO THE PROPERTY OR ANY OTHER MATTER WHATSOEVER, INCLUDING, BUT NOT LIMITED TO, ANY REPRESENTATIONS OR WARRANTIES AS TO HABITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE (OTHER THAN ANY SELLER'S SPECIAL WARRANTY(IES) OF OR WITH RESPECT TO TITLE, IF ANY, TO BE SET FORTH IN THE DEED), ZONING, TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL OR ENVIRONMENTAL CONDITION (INCLUDING, WITHOUT LIMITATION, DEFECTS), UTILITIES, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS, THE COMPLIANCE OF THE PROPERTY WITH LAWS (INCLUDING, WITHOUT LIMITATION, THE ABSENCE OR PRESENCE OF HAZARDOUS MATERIALS OR COMPLIANCE WITH ENVIRONMENTAL LAWS), THE TRUTH, ACCURACY OR COMPLETENESS OF THE PROPERTY INFORMATION, DOCUMENTS OR ANY OTHER ITEM PROVIDED BY OR ON BEHALF OF SELLER TO PURCHASER, OR ANY OTHER MATTER OR THING REGARDING THE PROPERTY OR OTHERWISE. PURCHASER ACKNOWLEDGES AND AGREES THAT, EXCEPT TO THE EXTENT EXPRESSLY AND SPECIFICALLY PROVIDED OTHERWISE IN THIS AGREEMENT AND ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING, (I) SELLER SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES AND (II), UPON CLOSING, SELLER SHALL SELL AND CONVEY TO PURCHASER AND PURCHASER SHALL ACCEPT THE PROPERTY "AS IS, WHERE IS, WITH ALL FAULTS." PURCHASER HAS NOT RELIED AND WILL NOT RELY ON, AND SELLER IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESS OR IMPLIED WARRANTIES, GUARANTEES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING**

TO THE PROPERTY OR RELATING THERETO (INCLUDING SPECIFICALLY, WITHOUT LIMITATION, PROPERTY INFORMATION PACKAGES DISTRIBUTED WITH RESPECT TO THE PROPERTY) MADE OR FURNISHED BY SELLER, ASSET MANAGER, PROPERTY MANAGER, OR ANY REAL ESTATE BROKER OR AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLER (INCLUDING, WITHOUT LIMITATION, BROKER AS IDENTIFIED IN SUBSECTION 1.1.10 ABOVE), TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, UNLESS SPECIFICALLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING. BY FAILING TO TERMINATE THIS AGREEMENT PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD, PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER HAS AFFORDED PURCHASER A FULL OPPORTUNITY TO CONDUCT SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING, BUT NOT LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS PURCHASER DEEMED NECESSARY TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NON-EXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY HAZARDOUS MATERIALS ON OR DISCHARGED FROM THE PROPERTY, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF SELLER OR ITS AGENTS, REPRESENTATIVES OR EMPLOYEES WITH RESPECT THERETO, OTHER THAN SUCH REPRESENTATIONS, WARRANTIES, INDEMNITIES AND COVENANTS OF SELLER AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT THE CLOSING. EXCEPT TO THE EXTENT OF THE COVENANTS, INDEMNITIES, REPRESENTATIONS AND WARRANTIES OF SELLER EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING, PURCHASER, ON BEHALF OF ITSELF AND ITS SUCCESSORS AND ASSIGNS, WAIVES ITS RIGHT TO RECOVER FROM, AND FOREVER RELEASES AND DISCHARGES, SELLER, SELLER'S PREDECESSORS, SELLER'S AFFILIATES, SELLER'S INVESTMENT MANAGER, SELLER'S ASSET MANAGER, SELLER'S PROPERTY MANAGER, THE PARTNERS, TRUSTEES, SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES AND AGENTS OF EACH OF THEM, AND THEIR RESPECTIVE HEIRS, SUCCESSORS, PERSONAL REPRESENTATIVES AND ASSIGNS, FROM ANY AND ALL DEMANDS, CLAIMS, LEGAL OR ADMINISTRATIVE PROCEEDINGS, LOSSES, LIABILITIES, DAMAGES, PENALTIES, FINES, LIENS, JUDGMENTS, COSTS OR EXPENSES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COSTS), WHETHER DIRECT OR INDIRECT, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, AND WHETHER OR NOT REVEALED BY PURCHASER'S INVESTIGATIONS, WHICH MAY ARISE ON ACCOUNT OF OR IN ANY WAY BE CONNECTED WITH THE PHYSICAL CONDITION OF THE PROPERTY OR ANY LAW OR REGULATION APPLICABLE THERETO, INCLUDING, WITHOUT LIMITATION, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. SECTIONS 9601 ET SEQ.), THE RESOURCES CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. SECTION 6901 ET SEQ.), THE CLEAN WATER ACT (33 U.S.C. SECTION 466 ET SEQ.), THE SAFE DRINKING WATER ACT (14 U.S.C. SECTIONS 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. SECTION 1801 ET SEQ.), THE TOXIC SUBSTANCE CONTROL ACT (15 U.S.C. SECTIONS 2601-2629), AND ANY OTHER ENVIRONMENTAL LAW.

Purchaser: /s/ HS
(Initials)

10.18.2 PURCHASER IS A SOPHISTICATED PURCHASER, EXPERIENCED IN REAL ESTATE ACQUISITIONS OF THE KIND AND NATURE CONTEMPLATED BY THIS AGREEMENT, AND PURCHASER HAS OR WILL HAVE ADEQUATE OPPORTUNITY TO COMPLETE ALL PHYSICAL AND FINANCIAL EXAMINATIONS RELATING TO THE ACQUISITION OF THE PROPERTY IT DEEMS NECESSARY, AND WILL ACQUIRE THE SAME SOLELY ON THE BASIS OF SUCH EXAMINATIONS,

SELLER'S EXPRESS REPRESENTATIONS, WARRANTIES, INDEMNITIES AND COVENANTS CONTAINED IN THIS AGREEMENT OR ANY DOCUMENT DELIVERED BY SELLER TO PURCHASER AT CLOSING, AND THE TITLE INSURANCE PROTECTION AFFORDED BY THE OWNER'S POLICY AND NOT ON ANY OTHER INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER. PURCHASER ACKNOWLEDGES THAT SELLER HAS GIVEN PURCHASER ACCESS TO VARIOUS MATERIALS IN SELLER'S POSSESSION AND SELLER BELIEVES THAT ADDITIONAL STUDIES, REPORTS AND OTHER MATERIALS MAY BE PREPARED PRIOR TO THE CLOSING WHICH MAY BE MATERIAL TO PURCHASER'S PURCHASE, OWNERSHIP, DEVELOPMENT, OPERATION AND/OR USE OF THE PROPERTY. ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY IS SOLELY FOR PURCHASER'S CONVENIENCE AND WAS OR WILL BE OBTAINED FROM A VARIETY OF SOURCES AND SELLER HAS NOT MADE ANY INDEPENDENT INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN THIS AGREEMENT OR ANY CLOSING DOCUMENT). SELLER SHALL NOT BE LIABLE FOR ANY FAILURE OF OR BY PURCHASER TO INVESTIGATE THE PROPERTY AND SELLER SHALL NOT BE BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS, APPRAISALS, ENVIRONMENTAL ASSESSMENT REPORTS, OR OTHER INFORMATION PERTAINING TO THE PROPERTY FURNISHED BY SELLER, ITS OFFICERS, DIRECTORS OR EMPLOYEES OR BY ANY AGENT, REPRESENTATIVE, AFFILIATE OR OTHER PERSON OR ENTITY ACTING ON SELLER'S BEHALF. TO THE EXTENT REQUIRED TO BE OPERATIVE, THE DISCLAIMERS OF WARRANTIES CONTAINED IN THIS AGREEMENT ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAWS.

Purchaser: /s/ HS
(Initials)

10.18.3 Purchaser acknowledges and agrees that the waivers, releases and other provisions contained in this Section 10.18 as well as elsewhere in this Agreement, were a material factor in Seller's acceptance of the Purchase Price and agreement to the terms of this Agreement, and that Seller is unwilling to sell the Property to Purchaser unless Seller is released and indemnified as expressly set forth herein. The releases by Purchaser set forth in this Agreement include claims of which Purchaser is presently unaware or which Purchaser does not presently suspect to exist which, if known by Purchaser, would materially affect Purchaser's release of Seller; provided that such releases shall not apply to Seller's (i) fraud or (ii) obligations under this Agreement that expressly survive Closing. Purchaser specifically waives the provision of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Purchaser: /s/ HS
(Initials)

Purchaser acknowledges and agrees that Purchaser, together with Purchaser's counsel, has fully reviewed the disclaimers, waivers, releases, indemnities, etc., set forth in this Agreement, and understands the significance and effect thereof. The terms and conditions of this Section 10.18 will expressly survive the Closing, will not merge with the provisions of any closing documents, and will be incorporated into the Deed.

10.18.4 Seller hereby discloses to Purchaser that the noted floor to ceiling heights of the Buildings, as reflected in the Broker issued offering materials, may be inconsistent with the actual floor to ceiling height

this Section 10.24 or acquiescence to the Exchange (a) have its rights under this Agreement affected or diminished in any manner or (b) be responsible for compliance with or be deemed to have warranted to the Exchange Party that the Exchange in fact complies with Section 1031 of the Code or any other applicable law, rule or regulation. Subject always to the foregoing, each party agrees to cooperate with the other party to effect the Exchange.

10.25 SEC Reporting Requirements. Purchaser has advised Seller that Purchaser may be required to make certain filings with the Securities and Exchange Commission (the "SEC Filings") that relate to the most recent preacquisition fiscal year and the current fiscal year through the date of acquisition for the Property. In connection therewith, for a period of one (1) year following Closing, Seller agrees to provide access to those items set forth on Exhibit B-1 attached hereto as requested by Purchaser. In that regard, Purchaser has advised Seller that Purchaser will be required after the Closing Date to comply with certain requirements of the Securities and Exchange Commission; accordingly, Seller shall comply with the provisions set forth in Exhibit B-1 attached hereto and made a part hereof in order to facilitate such compliance by Purchaser. If requested by Purchaser, Seller shall deliver a representation letter in the form attached hereto as Exhibit B-2 (the "Representation Letter"). Seller's obligations, liabilities and duties under and pursuant to this Section 10.25 shall be subject to and limited by the following, including without limitation, Purchaser's acknowledgements, agreements and other obligations, liabilities and duties set forth hereinbelow:

10.25.1 Seller will only provide (or provide reasonable access to) the items specifically listed on Exhibit B-1 attached hereto that are in Seller's possession.

10.25.2 Seller shall have no liability to Purchaser or anyone claiming by, through or under Purchaser for the integrity or accuracy of the materials provided pursuant to Exhibit B-1 or for the statements set forth in the Representation Letter. In no event shall any of the statements set forth in the Representation Letter constitute a representation and warranty of Seller to Purchaser under this Agreement. The waivers and releases of Purchaser in Section 10.18 above shall apply to any and all claims against Seller (and its predecessors, affiliates, partners, trustees, shareholders members, directors, officers, employees, representatives and agents) arising out of or relating to the integrity or accuracy of the materials provided pursuant to Exhibit B-1 or the statements set forth in the Representation Letter

10.25.3 Neither Purchaser nor anyone claiming by, through or under Purchaser (including, without limitation, Purchaser's accountants, auditors and investors) shall use the materials listed on Exhibit B-1, the statement set forth in the Representation Letter and/or the data, audit or results of the audit to make a claim against or seek damages from Seller in connection with an alleged breach of this Agreement or otherwise, except in connection with the gross negligence or intentional misconduct of Seller and/or Asset Manager. Purchaser shall indemnify, defend and hold Seller and Asset Manager, as well as their officers, directors, agents, representatives, employees, managers, members, partners and shareholders free and harmless of, from and against any and all Claims arising out of, resulting from or related to any such Claim by anyone claiming by, through or under Purchaser (including, without limitation, Purchaser's accountants, auditors and investors), which Claim is finally adjudicated and results in a determination of no liability or no fault of or by Seller and/or Asset Manager. A final adjudication shall include, without limitation, a dismissal of any Claim or cause of action with prejudice, a summary judgment in favor of Seller and the like that becomes final and non-appealable. The indemnity and related obligations of Purchaser set forth in this Subsection 10.25.3 shall survive the Closing for the statute of limitations period applicable to such claim.

10.25.4 The cost of performing the audit, including any fees to be paid to the auditor(s) shall be solely the responsibility, obligation and liability of Purchaser.

10.25.5 The foregoing covenants and obligations of Seller in this Section 10.25, including the obligations set forth in Exhibit B-1 and Exhibit B-2, shall survive Closing for a period of one (1) year. Seller acknowledges and agrees that the terms of this Section 10.25 shall not be construed to limit or negate any liability of Seller for a breach of a representation and warranty of Seller expressly set forth in Section 7.1 of this Agreement subject, however, to the limitations imposed in Section 7.3 through Section 7.5 of this Agreement as well as the first sentence of Section 10.25.3 above.

10.26 Skylight Litigation. Reference is hereby made to SFV Safari, LLC, et al. v. Acralight Solar, LLC, et al., San Bernardino Superior Court Case No. CIVDS1602519 (the "Skylight Litigation"). Seller shall have the right, in Seller's sole discretion, to enter into a settlement agreement and effectuate a monetary settlement of the Skylight Litigation. Alternatively, at any time, Seller shall have the right, in Seller's sole discretion, to dismiss the Skylight Litigation without prejudice, in which event Seller shall be deemed to have assigned to Purchaser any claims that Seller has as the plaintiff pursuant to the Skylight Litigation. Any net proceeds obtained by Seller or Purchaser, as the case may be, in connection with the Skylight Litigation (e.g., after deduction for Seller's costs and, if applicable, Purchaser's costs incurred in connection with the Skylight Litigation) shall be split equally between Purchaser and Seller. The terms of this Section 10.26 shall survive the Closing.

10.27 Package Deal; Cross-Default. Reference is hereby made to that certain Agreement of Purchase and Sale dated as of the date hereof by and between SVF Safari, LLC and Purchaser (as amended, the "Buildings 7-17 PSA"). Seller has advised Purchaser that transaction described in this Agreement and the transaction described in the Buildings 7-17 PSA are a "package deal". Accordingly, in the event that the Buildings 7-17 PSA is terminated for any reason whatsoever, then this Agreement shall automatically terminate (and similarly, in the event that this Agreement is terminated for any reason whatsoever, then the Buildings 7-17 PSA shall also automatically terminate). Similarly, a default by Purchaser under this Agreement shall constitute a default by Purchaser under the Buildings 7-17 PSA (and, a default by Purchaser under the Buildings 7-17 PSA shall constitute a default by Purchaser hereunder). The Closing hereunder shall occur simultaneously with the Closing under the Buildings 7-17 PSA, notwithstanding anything to the contrary set forth herein or in the Buildings 7-17 PSA. As a result, and as may be necessary to accommodate a simultaneous closing, the closing dates under either or both of this Agreement and the Buildings 7-17 PSA shall be extended, as necessary, without any other modifications to the terms of either contract. The terms of this Section 10.27 shall survive the Closing.

[SIGNATURES ON NEXT PAGE]

SIGNATURE PAGE TO AGREEMENT OF
PURCHASE AND SALE
BY AND BETWEEN
SAFARI INDUSTRIAL CORPORATION
AND
REXFORD INDUSTRIAL REALTY, L.P.
(Safari Buildings 1-6, Ontario, California 91761)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day(s) and year written below.

SAFARI INDUSTRIAL CORPORATION
a Delaware corporation

Date: May 2, 2017

By: /s/ Scott Darling
Name: Scott Darling
Title: President

"Seller"

REXFORD INDUSTRIAL REALTY, L.P.
a Maryland limited partnership

By: Rexford Industrial Realty, Inc.,
a Maryland corporation
Its: General Partner

By: /s/ Howard Schwimmer
Name: Howard Schwimmer
Title: Co-CEO

Date: May 2, 2017

"Purchaser"

Escrow Holder has executed this Agreement in order to confirm that Escrow Holder shall, upon receipt, hold the Earnest Money and the interest earned thereon, in escrow, and shall disburse the Earnest Money, and the interest earned thereon, pursuant to the provisions of this Agreement, in general, and Section 1.3, Section 2.2 as well as Article 9 thereof, in particular. Escrow Holder further acknowledges and agrees (i) that this Agreement shall serve as escrow instructions, subject to Escrow Holder's non-conflicting customary general provisions, generally, and (ii) to the provisions of Section 1.3, Section 2.2, Section 5.1, Section 5.10 as well as Section 9.1 of this Agreement, particularly.

CHICAGO TITLE COMPANY

Date: May 3, 2017

By: /s/ Patricia M. Schlagek
Name: Patricia M. Schlagek
Title: VP/Sr. Commercial Escrow Officer

AGREEMENT OF PURCHASE AND SALE
(Safari Buildings 1-6, Ontario, California 91761)

EXHIBITS

- A – Legal Description of Real Property
 - B-1 – SEC Reporting Requirements
 - B-2 – Form of Representation Letter
 - C – Deed
 - D – Bill of Sale and Assignment of Leases and Contracts
 - E – FIRPTA Affidavit
 - F – Gap Indemnity
 - G – Owner’s Affidavit
 - H – Form of Tenant Estoppel Certificate
 - I – Schedule of Pending New Leases
 - J – Pending or Threatened Actions, Suits or Proceedings which are Known to Seller
 - K – Notice to Tenants
- Schedule 1.2.3 List of Tangible Personal Property
- Schedule 1.5 Allocation of Purchase Price

EXHIBIT A

LEGAL DESCRIPTION

LOTS 1 THROUGH 6, INCLUSIVE, AND LETTERED LOT A, TRACT NO. 13415, IN THE CITY OF ONTARIO, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 225, PAGES 98, 99 AND 100 OF MAPS, RECORDS OF SAID COUNTY

EXHIBIT B-1

SEC REPORTING REQUIREMENTS

For the period of time commencing on the Effective Date and continuing through the date that is one (1) year after the Closing Date, Seller shall, from time to time, upon reasonable advance notice from Purchaser, provide Purchaser and its representatives, agents, and employees with access to the information listed below pertaining to the Property for calendar year 2016 through the Closing Date, which information is relevant and reasonably necessary, in the opinion of Purchaser or its outside third-party accountants (the "Accountants"), to enable Purchaser and its Accountants to prepare financial statements in compliance with any and or all of (a) Rule 3-14 of Regulation S-X of the Securities and Exchange Commission (the "Commission"); (b) any other rule issued by the Commission and applicable to Purchaser; and (c) any registration statement, report, or disclosure statement filed with the Commission by, or on behalf of Purchaser; provided, however, that in any such event(s), Purchaser shall reimburse Seller for those reasonable third-party, out-of-pocket costs and expenses that Seller incurs (inclusive of the costs of Asset Manager and any agents or consultants or Seller or Asset Manager including without limitation reimbursement of time spent by employees of such parties in connection therewith at such employees' hourly rates) in order to comply with the foregoing requirement. Capitalized terms not defined herein shall have the meanings as ascribed to such terms in the Agreement to which this Exhibit is attached.

1. Rent rolls;
2. Seller's internally prepared financial statements;
3. Trial balance;
4. Access to Lease files and the property management agreement with a third party manager, if applicable;
5. Most currently available real estate and supplemental tax bills (including for periods necessary to address payments being made in arrears);
6. Access to Seller's cash receipt and disbursement journal(s) and bank statements for the Property;
7. Seller's general ledger with respect to the Property, excluding Seller's proprietary accounts;
8. Seller's schedule of tenant expense reimbursements required under the Leases;
9. Schedule of those items of repairs and maintenance performed by or at the direction of Seller during Seller's final fiscal year in which Seller owns and operates the Property (the "Final Fiscal Year");
10. Schedule of those capital improvements and fixed asset additions made by or at the direction of Seller during the Final Fiscal Year;
11. Access to particular invoices of Seller (as specifically requested by Purchaser) with respect to expenditures made during the Final Fiscal Year;
12. Access (during normal and customary business hours) to responsible personnel to answer accounting questions;
13. Board of Director and committee resolutions of Seller, if any; and
14. Names of related parties and related party transactions to the extent directly related to Seller's operation of the Property.

Nothing herein shall require Seller to conduct its own audits or generate any requested materials that are not in its possession.

The provisions of the foregoing information shall be for informational purposes only, shall not be deemed to be representations or warranties under this Agreement, and shall not expose Seller to any liability on account thereof.

This obligation shall survive the Closing for a period of one (1) year and shall not be merged with any instrument of conveyance delivered at the Closing.

EXHIBIT C

DEED

RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL DEED
AND TAX STATEMENT TO:

ATTENTION: _____
ESCROW NO. _____
ORDER NO. _____

SPACE ABOVE THIS LINE FOR
RECORDER'S USE

GRANT DEED

Assessor's Parcel No. _____

THE UNDERSIGNED GRANTOR(S) DECLARE(S)

DOCUMENTARY TRANSFER TAX IS: \$ _____

Unincorporated area City of Ontario

Computed on the full value of the interest or property conveyed, or is

Computed on the full value less the value of liens or encumbrances remaining at time of sale.

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Safari Industrial Corporation, a Delaware corporation, hereby GRANT(S) to _____, a _____, the following described real property in the City of Ontario, County of San Bernardino, State of California.

SEE **EXHIBIT "ONE"** ATTACHED HERETO.

Dated: _____, 2017

IN WITNESS WHEREOF, said Grantor has caused its name and seal to be affixed hereto and this instrument to be executed as of the date mentioned above.

SAFARI INDUSTRIAL CORPORATION
a Delaware corporation

By: _____
Name: _____
Title: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)SS
COUNTY OF LOS ANGELES)

On _____, 2017 before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

This area for official notarial seal

EXHIBIT "ONE" TO GRANT DEED

Land situated in the State of California, County of San Bernardino, City of Ontario described as follows:

[INSERT LEGAL DESCRIPTION]

SUBJECT TO:

1. Taxes, whether general, special or otherwise, and assessments.
2. All other covenants, conditions, restrictions, reservations, rights, rights of way, easements, encumbrances, liens and title matters whether or not of record or visible from an inspection of the property and all matters which an accurate survey of the property would disclose.

EXHIBIT D

BILL OF SALE AND ASSIGNMENT OF LEASES AND CONTRACTS

This instrument is executed and delivered as of the ____ day of _____, 20____, pursuant to that certain Agreement of Purchase and Sale ("Agreement") dated for reference purposes as of May __, 2017, entered into by and between Safari Industrial Corporation, a Delaware corporation ("Seller"), and _____ ("Purchaser"), covering the real property described in Exhibit 1 attached hereto ("Real Property"). Except as otherwise specifically provided herein, defined terms shall have the same meaning as they have in the Agreement.

1. Sale of Personalty. For good and valuable consideration, Seller hereby quitclaims to Purchaser all of Seller's right, title and interest, if any, in and to the following, without representation or warranty as to title or otherwise and in other "AS IS," "WHERE IS" and "WITH ALL FAULTS" condition except as provided in Paragraph 3 below:

- (a) Tangible Personal Property. The Tangible Personal Property; and
- (b) Intangible Personal Property. The Intangible Personal Property.

2. Assignment of Leases and Contracts. For good and valuable consideration, Seller hereby assigns, transfers, sets over and conveys to Purchaser, all of Seller's right, title and interest in and to the following, to the extent assignable, and Purchaser hereby accepts such assignment:

(a) Leases. The tenant lease(s) ("Leases") covering the Real Property, as set forth on the rent roll attached hereto as Exhibit 2, which rent roll is the rent roll used by Seller in Seller's ordinary course of business, and Purchaser hereby assumes all of the landlord's obligations under the Leases arising from and after the "Closing Date" (as defined in the Agreement); but, as to the landlord's obligations with regard to security deposits and other deposits, only to the extent such deposits have been transferred or credited to Purchaser; and

(b) Service Contracts. The service contract(s) described in Exhibit 3 attached hereto ("Service Contracts"), and Purchaser hereby assumes the obligations of Seller under such Service Contracts arising from and after the Closing Date.

3. Warranty. Seller hereby represents and warrants to Purchaser that it is the owner of the Tangible Personal Property described in Paragraph 1 of this instrument (to the extent, but only to the extent, such Tangible Personal Property is listed on Exhibit 4 attached hereto), that, to Seller's knowledge (as defined in the Agreement), such Tangible Personal Property is free and clear of all liens, charges and encumbrances, and Seller warrants and defends title to said Tangible Personal Property unto Purchaser against any person or entity lawfully claiming the same or any part thereof by, through or under Seller (but not otherwise). In no event shall any representation or warranty contained herein cover or otherwise extend to the Real Property or any part of it.

4. Disclaimers and Releases. The assignments and conveyances hereby made are made by Seller subject to the disclaimers and releases set forth in Section 10.18 of the Agreement, to the same extent as if such disclaimers and releases were repeated herein.

5. Limitation of Liability. Any obligation or liability of Purchaser or Seller whatsoever which may arise at any time under this instrument or the Agreement or any obligation or liability which may be incurred by either party pursuant to any other instrument, transaction or undertaking contemplated hereby or thereby shall be satisfied, if at all, out of Purchaser's or Seller's assets (and the proceeds thereof) only. No obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any Purchaser's or Seller's trustees, officers, directors, employees, shareholders, members, limited partners or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Additionally, Seller's obligations, liabilities and duties under

this instrument, if any, shall be limited by and in accordance with the provisions of Section 6.3 and Section 7.5 of the Agreement.

6. Counterparts. This Bill of Sale and Assignment of Leases and Contracts may be executed in any number of counterparts, each of which shall be deemed to be an original and all of such counterparts shall constitute one (1) and the same agreement. To facilitate execution and delivery of this instrument, the parties may execute and exchange, by facsimile or otherwise, counterparts of the signature page(s).

7. Successors and Assigns. This instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

8. No Waiver. Nothing contained in this instrument shall be deemed to limit, waive or otherwise derogate from any warranty, representation, covenant or indemnification made in the Agreement by either party, or to waive or abrogate any limits on liability specified in the Agreement, and none of such provisions in the Agreement shall be deemed to have merged into any assignment or transfer made by this instrument.

9. Governing Law. This instrument shall be deemed to be an agreement made under the laws of the state where the Real Property is located and for all purposes shall be governed by and construed in accordance with such laws.

IN WITNESS WHEREOF, the undersigned have caused this Bill of Sale and Assignment of Lease and Contracts to be executed as of the date written above.

SELLER:

SAFARI INDUSTRIAL CORPORATION
a Delaware corporation

By: _____
Name: _____
Title: _____

PURCHASER:

a _____

By: _____
Name: _____
Title: _____

EXHIBIT J

PENDING OR THREATENED ACTIONS,
SUITS OR PROCEEDINGS
WHICH ARE KNOWN TO SELLER

None.

SCHEDULE 1.2.3

LIST OF TANGIBLE PERSONAL PROPERTY

- 1) SJTTT4625-Sky Jack Electric Scissor Lift Serial #708513
- 2) Water Extractor
- 3) Pressure Washer
- 4) Cabinet & Shelf
- 5) 3 Ladders
- 6) Dolly
- 7) 4 Fans
- 8) 1 Floor Blower
- 9) 1 Leaf Blower
- 10) Garden Hose
- 11) 3 - Tubs
- 12) Canopy
- 13) Miscellaneous hand tools
- 14) Miscellaneous Cleaning supplies
- 15) Phone system & 4 Telephones
- 16) 3 Gray Lateral File Cabinets
- 17) 2 File Cabinets (plans)
- 18) 6 Plastic Storage Totes
- 19) 3 Leopard Print Chairs
- 20) 4 Blue Guest Chairs
- 21) 2 Black Leather Desk Chairs
- 22) 6 Black Fabric reception Chairs
- 23) 1 Cherry Conference Room Table
- 24) 3 Wire six shelf storage racks
- 25) 1 Metal 4 Shelf Storage rack
- 26) 2 Book Cases
- 27) 2 Desk w 2 Matching Credenza's
- 28) 1 Reception Desk with Storage Unit & File Cabinet
- 29) 2 Computers
- 30) 1 HP Officejet M177fw
- 31) 1 HP Laser Jet 4250 Printer - Need to call for service
- 32) 1 Paper Shredder
- 33) 1 Roper Refrigerator
- 34) 1 Sharp Carousel Micro Wave & Cart
- 35) 1 Bamboo Side Table & Matching End Table
- 36) 3 Pictures of Elephant Statue
- 37) 2 African Animal Pictures - Lion / Leopard
- 38) 2 Coffee Pictures - Espresso / Cappuccino
- 39) 1 Cherry Hall Table
- 40) 1 Fichus Tree & Pot
- 41) Janet Plant & Pot
- 42) 3 Vases - 1Glass Leopard / 1 Metal / 1 Ceramic
- 43) 3 - Picture Plates - Leopard / Lion / Tiger
- 44) Seasonal Decorations

SCHEDULE 1.5

ALLOCATION OF PURCHASE PRICE

Building #	purchase price allocation
1	\$6,777,119.17
2	\$7,287,172.89
3	\$4,545,530.87
4	\$15,767,892.75
5	\$6,077,225.87
6	\$9,745,058.45

Schedule 1.5-1

FIRST AMENDMENT TO
AGREEMENT OF PURCHASE AND SALE
(Safari Buildings 1-6, Ontario, California 91761)

THIS FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE (this "First Amendment") is made and entered into as of May 5, 2017 by and between SAFARI INDUSTRIAL CORPORATION, a Delaware corporation ("Seller"), and REXFORD INDUSTRIAL REALTY, L.P., a Maryland limited partnership ("Purchaser").

R E C I T A L S

A. Seller and Purchaser are parties to that certain Agreement of Purchase and Sale dated as of May 2, 2017 (the "Purchase Agreement"), pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, that certain property commonly known as Safari Buildings 1-6 in the City of Ontario, County of San Bernardino, State of California, as more particularly described in the Purchase Agreement (the "Property") on terms and conditions more particularly described therein. All capitalized terms used herein which are not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement.

B. Purchaser and Seller desire to amend the Purchase Agreement as more particularly set forth herein.

A G R E E M E N T

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchaser and Seller agree as follows:

1. Extension of Due Diligence Period. The Due Diligence Period is hereby extended through and until 5:00 p.m. Pacific Time on Monday, May 8, 2017

2. Miscellaneous. Except to the extent expressly modified by this First Amendment, the Purchase Agreement is ratified and remains in full force and effect, notwithstanding any prior terminations thereof by Purchaser or Seller. From and after the date hereof, references to the "Agreement" contained in the Purchase Agreement or this First Amendment shall include this First Amendment, and shall mean the Purchase Agreement as modified by this First Amendment. To the extent of any inconsistency between this First Amendment and the Purchase Agreement, the terms and conditions of this First Amendment shall control. This First Amendment may be executed electronically and in multiple counterparts, all of which, taken together, shall constitute one document.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date first written above.

SELLER:

SAFARI INDUSTRIAL CORPORATION
a Delaware corporation

By: /s/ Scott Darling
Name: Scott Darling
Title: President

PURCHASER:

REXFORD INDUSTRIAL REALTY, L.P
a Maryland limited partnership

By: Rexford Industrial Realty, Inc.,
a Maryland corporation
Its: General Partner

By: /s/ Michael Frankel
Name: Michael Frankel
Title: Co-CEO

AGREEMENT OF PURCHASE AND SALE
For
Safari Buildings 7-17, Ontario, California 91761

THIS AGREEMENT OF PURCHASE AND SALE ("Agreement"), dated for reference purposes as of May 2, 2017, is made and entered into by and between "Purchaser" (as identified in Subsection 1.1.1 below) and "Seller" (as identified in Subsection 1.1.2 below), with reference and respect to the following facts and circumstances:

A. Defined terms are indicated herein by initial capital letters. Defined terms shall have the meanings set forth herein, whether or not such terms are used before or after the definitions are set forth.

B. Purchaser desires to purchase the Property (as identified and/or defined in Section 1.2 below) and Seller desires to sell the Property, all upon as well as subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing facts and circumstances, the obligations and undertakings hereinafter set forth, including without limitation the covenants, agreements, representations and/or warranties of the parties set forth herein, as well as the sums to be paid by Purchaser to Seller, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, Purchaser and Seller do hereby agree as follows:

ARTICLE 1: PROPERTY/PURCHASE PRICE

1.1 Certain Basic Terms:

1.1.1 Purchaser and Notice Address:

Rexford Industrial Realty, L.P.
11620 Wilshire Blvd., Suite 1000
Los Angeles, California 90025
Attention: Howard Schwimmer, Co-Chief Executive
Officer, and
David E. Lanzer, Esq., General Counsel
Telephone: 310.966.1680
Facsimile: 310.966.1690
E-Mail: howards@rexfordindustrial.com
dlanzer@rexfordindustrial.com

With a copy to Purchaser's counsel as follows:

Greenberg Glusker Fields Claman & Machtinger
1900 Avenue of the Stars, 21st Floor
Los Angeles, California 90067
Attention: Kenneth S. Fields, Esq.
Telephone: 310.201.7462
Facsimile: 310.201.2376
E-Mail: KFields@greenbergglusker.com

1.1.2 Seller and Notice Address:

(Prior to June 6, 2017)
SVF Safari, LLC
c/o American Realty Advisors
801 North Brand Boulevard, Suite 800
Glendale, California 91203
Attention: Stanley L. Iezman
Telephone: (818) 409-3227
Facsimile: (818) 545-8460
E-Mail: siezman@americanreal.com
(From and after June 6, 2017)
SVF Safari, LLC
c/o American Realty Advisors
515 South Flower Street, 49th Floor
Los Angeles, California 90071
Attention: Stanley L. Iezman
Telephone: (213) 233-5700
E-Mail: siezman@americanreal.com

With an additional copy to Asset Manager as follows:

American Realty Advisors
150 North Wacker Drive, Suite 1300
Chicago, Illinois 60606
Attention: Bill Pantazopoulos
Telephone: (312) 216-4711
Facsimile: (312) 905-2005
E-Mail: bpantazopoulos@americanreal.com

And a copy to Seller's counsel as follows:

Barack Ferrazzano Kirschbaum & Nagelberg LLP
200 West Madison Street, Suite 3900
Chicago, Illinois 60606
Attention: Brett A. Feinberg
Telephone: (312) 629-5168
Facsimile: (312) 984-3150
E-Mail: brett.feinberg@bfkn.com

1.1.3 Title Company:

Chicago Title Insurance Company
4041 MacArthur Blvd., Suite 400
Newport Beach, California 92660
Attention: John Premac
Telephone: (949) 724-3111
Facsimile: (949) 724-3181
E-Mail: premacj@ctt.com

With a copy to:

Chicago Title Insurance Company
725 South Figueroa Street, Suite 200
Los Angeles, CA 90017
Telephone: (213) 612-4132
Facsimile: (213) 612-4133
E-Mail: Mike.Slinger@ctt.com

with title responsibilities and credit to be shared between such offices, or such other office of Chicago Title Insurance Company ("Title Company") as Purchaser and Seller may mutually agree upon in writing.

1.1.4 Escrow Holder:

Chicago Title Company
725 South Figueroa Street, Suite 200
Los Angeles, California 90017
Attention: Patricia M. Schlageck
Telephone: (213) 488-4358
Facsimile: (213) 612-4193
E-Mail: patricia.schlageck@ctt.com

or such other office of Chicago Title Insurance Company ("Escrow Holder") as Purchaser and Seller may mutually agree upon in writing.

- 1.1.5 Effective Date: The latest date of execution by Seller or Purchaser, as indicated on the signature page of this Agreement ("Effective Date").
- 1.1.6 Purchase Price: \$91,000,000.00 ("Purchase Price").
- 1.1.7 Earnest Money: \$2,600,000.00, including (i.e., plus) interest earned thereon while being held by Escrow Holder only ("Earnest Money").
- 1.1.8 Due Diligence Period: The period commencing on the Effective Date and ending at 5:00 p.m. Pacific Time on May 5, 2017 ("Due Diligence Period").
- 1.1.9 Closing Date: May 19, 2017 ("Closing Date"), subject to extension as set forth herein.
- 1.1.10 Broker: CBRE, Inc. ("Broker")
- 1.1.11 Independent Contract Consideration: \$100.00 ("Independent Contract Consideration"); and see Section 1.4 below.

1.2 Property. Subject to the terms and conditions of this Agreement, Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, all of Seller's right, title and interest, if any, in and to the following property (collectively, the "Property"), without warranty except as is expressly and specifically set forth otherwise in this Agreement:

1.2.1 The "Real Property," being the land described in Exhibit A attached hereto, together with (i) all improvements located thereon ("Improvements"), (ii) all and singular rights, benefits, privileges, easements, tenements, hereditaments, and appurtenances thereon or in anywise appertaining to such real property, and (iii) any and all strips and gores and any land lying in the bed of any street, road or alley, open or proposed, adjoining such real property.

1.2.2 Seller's interest, as landlord, in the "Leases" (each, individually, a "Lease"), being all leases of the Improvements, and all amendments thereof and including all leases which may be made by Seller on or after the Effective Date and prior to Closing as permitted by this Agreement, together with all security deposits made pursuant

thereto. A schedule of pending new lease deals and renewal/extension deals for existing Leases in progress prior to March 25, 2017 (the "Pending Lease Deals"), are set forth on Exhibit I attached hereto.

1.2.3 The "Tangible Personal Property," being all equipment, machinery, furniture, furnishings, supplies and other tangible personal property owned by Seller, and Seller's interest in any such property leased by Seller, which is now or hereafter both located at and used in connection with the operation, ownership or management of the Real Property. The Tangible Personal Property shall include, without limitation, the office furniture and equipment located in the onsite leasing office and, to the extent owned by Seller, those items set forth on Schedule 1.2.3 attached hereto.

1.2.4 The "Intangible Personal Property," being the intangible personal property related to the Real Property and the Improvements, as follows (but, in any event, only to the extent legally and otherwise assignable): (i) all trade names, trademarks, logos, trade colors and service marks associated with the Real Property and the Improvements, including Seller's rights and interests, if any, and without representation or warranty, in the name or names of the Real Property (e.g., "Safari Business Park" and "Safari Business Center"); (ii) domain names, websites and social media sites owned and/or under the control of Seller, if any, related to the Real Property and the Improvements, including without limitation, the content of any such websites or social media sites; (iii) the plans and specifications and other architectural and engineering drawings for the Improvements (to the extent in Seller's or Asset Manager's actual possession); (iv) if still in effect, guaranties and warranties received by Seller from any contractor, manufacturer or other person or entity in connection with the construction, operation or ownership of the Property; (v) governmental permits, approvals and licenses related to the construction or operation of the Property; and (vi) the Service Contracts to be assumed by Purchaser pursuant to Section 2.3 below.

Purchaser and Seller acknowledge and agree that the Property consists of ten (10) industrial buildings, which together with the Real Property, Improvements, Leases, Tangible Personal Property and Intangible Personal Property pertaining to each such building shall be referred to herein individually as a "Building" and collectively, as the "Buildings."

1.3 Earnest Money. Within two (2) business days after the Effective Date, Purchaser shall deposit \$2,600,000.00 as the Earnest Money with Escrow Holder. The Earnest Money shall be in readily available funds (i.e., cash by wire transfer). While being held by Escrow Holder, the Earnest Money shall be placed in a federally insured interest bearing account or accounts. Except as otherwise provided herein (e.g., upon return to Purchaser pursuant to an express right explicitly set forth in this Agreement or payment to and retention by Seller as liquidated damages), the Earnest Money shall be applied as a credit to the Purchase Price at Closing. If this Agreement terminates prior to the expiration of the Due Diligence Period pursuant to any express right of Purchaser to terminate this Agreement, the Earnest Money shall be refunded to Purchaser immediately upon request, and all further rights and obligations of the parties under this Agreement shall terminate, except for any provisions which, by their terms, survive the termination of this Agreement. Except as otherwise specifically provided in this Agreement, upon expiration of the Due Diligence Period, the Earnest Money shall be considered nonrefundable and shall be held and disbursed by Escrow Holder pursuant to Subsection 2.2.1, Section 2.4, Section 3.2, Section 4.2, Section 4.3, Section 7.3, Section 8.1, Section 8.2 and Article 9 as well as any other applicable provision of this Agreement.

1.4 Independent Contract Consideration. Notwithstanding anything to the contrary contained in this Agreement, if this Agreement is terminated for any reason which entitles Purchaser to the return of the Earnest Money, then the sum of One Hundred and No/100 Dollars (\$100.00) of such Earnest Money (the "Independent Contract Consideration") shall be paid to Seller from the Earnest Money, which amount Seller and Purchaser have bargained for and agreed to as independent and sufficient consideration for Seller's execution and delivery of this Agreement. The Independent Contract Consideration is non-refundable and separate consideration from any other payment or deposit required by this Agreement, and Seller shall retain the Independent Contract Consideration upon any termination of this Agreement notwithstanding any other provision of this Agreement to the contrary.

1.5 Allocation of Purchase Price and Earnest Money. Purchaser and Seller agree to allocate the Purchase Price and the Earnest Money among the Buildings comprising the Property in accordance with the allocations set forth on Schedule 1.5 attached hereto. The provisions of this Section 1.5 shall survive the Closing.

2.1 Seller's Delivery of Specified Documents. To the extent such items are in Seller's (or American Realty Advisor's ("Asset Manager") or PM Realty Group's ("Property Manager")) actual possession, Seller shall provide (or has provided) to Purchaser the following or a copy of the same (the "Property Information") on or before the Effective Date:

2.1.1 Financial Information. The most recently available operating income statements respecting the Property for the three (3) calendar years preceding the Effective Date (or such lesser period as Seller has held record title to the Property);

2.1.2 Tax Bills. Copies of real property tax bills and personal property tax bills for the past three (3) calendar years (or such lesser period as Seller has held record title to the Property).

2.1.3 Leases. The Leases, together with all amendments, guaranties, assignments, and subleases thereto;

2.1.4 Service Contracts. Copies of all service, maintenance, supply, equipment rental, and other contracts and agreements (collectively, the "Service Contracts"), as well as any unexpired warranties, related to the operation or maintenance of the Property;

2.1.5 Title Policy. Seller's existing owner's policy of title insurance (with the amount of insurance deleted); and

2.1.6 Survey. That certain survey of the Property prepared by JRN Civil Engineers dated January 31, 2017 (File No. 16193).

Notwithstanding anything contained in this Agreement to the contrary, in no event shall Seller be required to deliver or make available any documents or other information that is/are privileged, confidential or proprietary, including, without limitation, appraisals, budgets and property condition reports or property assessments. From time to time, Seller, Asset Manager or Seller's Broker may make to Purchaser certain disclosures, including without limitation any disclosures required by law. After written request from Seller, upon receipt of any such disclosure, Purchaser shall prepare, execute and date an acknowledgment of the receipt and review thereof and return the same to Seller.

2.2 Due Diligence.

2.2.1 Purchaser shall, at Purchaser's sole cost and expense, have access to the Property (subject to the terms of this Agreement) until the Closing Date but shall only have through the last day of the Due Diligence Period in which to, in Purchaser's sole and absolute judgment and discretion, determine whether the Property is acceptable to Purchaser; provided however, Purchaser hereby waives all seismic hazard related due diligence inspections. Purchaser shall promptly notify Seller, in writing, upon Purchaser's receipt of the draft environmental site assessment with respect to the Real Property from Purchaser's consultant. Notwithstanding anything to the contrary in this Agreement, Purchaser may terminate this Agreement by giving written notice of termination to Seller ("Due Diligence Termination Notice"), so long as such notice is received by Seller at or before 5:00 p.m. Pacific Time on the last day of the Due Diligence Period. Unless Purchaser timely delivers the Due Diligence Termination Notice to Seller, this Agreement shall continue in full force and effect and Purchaser shall have no further right or opportunity to terminate this Agreement pursuant to this Subsection 2.2.1. If this Agreement terminates pursuant to this Subsection 2.2.1, the Earnest Money (but not the Independent Contract Consideration) shall be refunded to Purchaser immediately upon Purchaser's written request, Purchaser shall return and/or deliver to Seller all documents, information, reports, etc., including without limitation the Property Information, provided in physical form by Seller, including Asset Manager, Property Manager and Broker, and all further rights and obligations of the parties under this Agreement shall terminate except any provisions which by their terms survive the termination of this Agreement. In the event Purchaser so elects

to terminate this Agreement, then Purchaser shall also deliver to Seller, upon Seller's written request, copies of all third party reports, investigations and studies, other than economic analyses (collectively, the "Reports" and, individually, a "Report") prepared for, and delivered to, Purchaser in connection with its due diligence review of the Property provided that Seller reimburses Purchaser for the actual cost incurred by Purchaser to obtain the Reports; provided that Seller shall have no right to receive such Reports if the transaction contemplated by this Agreement does not close as a result of a Seller default. Such Reports shall be delivered to Seller without any representation or warranty as to the completeness or accuracy of the Reports or any other matter relating thereto, and Seller shall have no right to rely on any Report without the written consent of the party preparing same. Purchaser's obligations under and pursuant to this Subsection 2.2.1 shall survive any termination of this Agreement.

2.2.2 Subject always to the terms of the Leases, including the rights of the tenants under and/or pursuant to such Leases, upon at least twenty-four (24) hours' prior written notice to Seller, and after providing to Seller reasonably satisfactory evidence of appropriate liability insurance (i.e., at least \$1,000,000.00 in coverage pursuant to a commercial general liability insurance policy, written on an occurrence basis, issued by an insurance company reasonably acceptable to Seller and which includes a certificate of insurance naming Seller, Asset Manager and Property Manager as additional insureds), Purchaser shall have reasonable access to the Property for the purpose of conducting surveys, architectural, engineering, geotechnical and environmental inspections and tests (including, but subject to the qualifications, limitations and prohibitions set forth hereinbelow, intrusive inspection and sampling, if there is a reasonable basis for the same and provided Purchaser gives Seller two (2) business days' prior notice of any intrusive inspection or sampling, Purchaser obtains Seller's prior written consent which, with respect to intrusive inspection or sampling, may be granted or withheld in Seller's sole discretion and, prior to performing the same, Purchaser delivers a certificate of insurance to Seller evidencing that Purchaser has in place reasonable amounts of liability insurance for its activities on the Property and has named Seller, Asset Manager and Property Manager as additional insureds thereunder), and any other inspections, studies, or non-invasive tests reasonably required by Purchaser. Purchaser and its agents, employees, and representatives shall, subject to the terms of this Agreement, have a continuing right of reasonable access to the Property during the pendency of this Agreement for the purposes permitted by this Agreement. In the course of its investigations, Purchaser may make (solely for the purpose of requesting copies of existing reports or the current zoning of the Property and without identifying the proposed sale) inquiries to third parties, such as municipal, local and other government officials and representatives, and Seller consents to such inquiries, subject to the following: (a) Purchaser shall not contact tenants or Seller's lenders, contractors or property managers without Seller's consent, which consent shall not be unreasonably withheld, conditioned or delayed, but may (for example) be conditioned upon Seller or Seller's representative(s), if Seller so elects, being present, either in person or by telephone; and (b) Purchaser shall not request any governmental inspection or investigation of the Property. In any event, Purchaser shall not cause the Property to be encumbered by any liens and Purchaser will indemnify, defend, and hold Seller, Asset Manager, Property Manager and the Property free and harmless of, from and against any and all claims, demands, losses, liabilities, costs and expenses, including attorneys' fees, but excluding consequential and punitive damages ("Claims") asserted against Seller, Asset Manager, Property Manager or the Property or otherwise caused or suffered as a result of any such entry by Purchaser, its agents, representatives, employees, contractors and/or other consultants. The foregoing indemnity shall not, however, apply to the extent of (i) the mere discovery of a pre-existing condition at the Property; but it shall apply otherwise, including, without limitation, in the event and to the extent Purchaser's investigation, due diligence and/or other acts or omissions cause, contribute to or exacerbate such or any other condition, or (ii) any Claims attributable to the negligence or intentional misconduct of Seller, Asset Manager or Property Manager. If any inspection, test or other entry disturbs the Property, Purchaser will restore the Property to the same condition as existed prior to any such inspection, test or other entry. The obligations of Purchaser under the preceding three (3) sentences shall survive the Closing or the termination of this Agreement.

2.3 Service Contracts. Within ten (10) days of the Effective Date, Purchaser will indicate in a written notice to Seller which Service Contract(s) Purchaser will assume and which Service Contract(s) will be terminated by Seller at or prior to Closing, provided Seller shall have no obligation to terminate (i) any Service Contract(s) which by its (their) terms cannot be terminated without penalty or payment of a fee or (ii) any Service Contract Purchaser desires to be terminated but with respect to which Purchaser does not provide to Seller sufficient advance notice of the desired termination. If Purchaser fails to timely deliver such written notice, Purchaser shall be deemed to have assumed all of the Service Contracts. Purchaser will assume the obligations arising from and after the Closing Date under those Service Contracts which Purchaser has agreed to assume (or is deemed to have assumed) or which Seller is not required to

terminate as set forth above. Seller shall terminate at Closing all Service Contracts that are not so assumed. Notwithstanding the foregoing, Seller shall terminate at Closing, and Purchaser shall not assume, any property or asset management agreement, any leasing services agreement and any insurance affecting the Property; and, notwithstanding anything contained in this Agreement to the contrary, such agreements and/or contracts shall not, in any event, be or be deemed to be Service Contracts.

2.4 Estoppel Certificates. Seller shall make commercially reasonable efforts to obtain and deliver to Purchaser, prior to the Closing, tenant estoppel certificates from all tenants under Leases in the form of Exhibit H attached hereto or such other form as is required or permitted by the relevant Lease(s). In the event that, as of the date that is five (5) business days prior to the originally scheduled Closing Date, Seller is unable to obtain said estoppel certificates from Damao Luggage, Pacific Edge Marketing, Free Free USA, and BB Crafts (each, a "Key Tenant" and collectively, the "Key Tenants"), and (iv) tenants (including Key Tenants) leasing, in the aggregate, not less than seventy-five percent (75%) of the total leased rentable square feet of the Improvements (together the "Estoppel Delivery Requirement"), then Seller shall have the right to deliver a written notice to Purchaser extending the Closing Date until the earlier to occur of (a) the date that is five (5) business days after the satisfaction of the Estoppel Delivery Requirement or (b) the date that is thirty (30) days after the originally scheduled Closing Date. In the event that, (1) as of the Closing Date (as the same may be extended pursuant to the immediately preceding sentence), Seller is unable to satisfy the Estoppel Delivery Requirement, or (2) Purchaser does not approve an estoppel certificate (if permitted pursuant to the terms of this provision), Purchaser may elect (in a written notice delivered to Seller and Escrow Holder prior to the Closing) to terminate this Agreement and receive a return of the Earnest Money; and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above. However, the failure of Seller to obtain any tenant estoppel certificate, notwithstanding Seller's commercially reasonable efforts (or the refusal of Seller to correct any claimed default by landlord under a Lease) shall not be and shall not be deemed to be a breach of or default under this Agreement. Purchaser may disapprove any signed tenant estoppel certificate (i) dated earlier than the Effective Date, (ii) which contains material changes (including a claimed default by landlord), or (iii) which contains a material error in the factual information set forth therein based on the applicable Lease. Notwithstanding anything to the contrary contained herein, if a tenant modifies or deletes Section 7 of the form estoppel attached hereto as Exhibit H, such modification and/or deletion shall not invalidate such estoppel certificate. Seller may, but need not, satisfy up to one-fifth (1/5th) of the seventy-five percent (75%) requirement set forth herein by providing a landlord estoppel(s) on substantially the same form as the tenant estoppel; provided, however, that (A) a landlord estoppel certificate shall not be acceptable in lieu of a tenant estoppel certificate for any of the Key Tenants, and (B) if Seller subsequently obtains an estoppel certificate meeting the requirements of this Section 2.4 from a tenant for which Seller has delivered a landlord estoppel certificate, then the related delivered landlord estoppel certificate shall be null and void, and Purchaser shall accept such estoppel certificate in its place.

ARTICLE 3: TITLE AND SURVEY REVIEW

3.1 Delivery of Title Commitment and Survey. If not already provided, Seller and/or Purchaser shall request that Title Company cause to be prepared and delivered to Purchaser and its counsel (as well as to Seller and its counsel), as soon as reasonably practicable after the Effective Date, a commitment for title insurance or preliminary title report issued by Title Company (the "Title Commitment"), in the amount of the Purchase Price, with Purchaser as the proposed insured, accompanied by copies of all documents referred to in the Title Commitment. Seller has ordered a current ALTA-ACSM Urban survey of the Property ("Survey") and shall provide a copy of said Survey to Purchaser upon Seller's receipt of the Survey. If Purchaser elects to obtain the same, Purchaser shall order copies of Uniform Commercial Code searches in the name of Seller and the Property issued by the Title Company or a search company acceptable to Purchaser ("UCC Searches").

3.2 Title Review and Cure. During the Due Diligence Period, Purchaser shall review title to the Property as disclosed by the Title Commitment and the Survey. Also during the Due Diligence Period, Seller will reasonably cooperate with Purchaser in curing any reasonable objections Purchaser may have with respect to matters disclosed on the Title Commitment of which Purchaser notifies Seller at least five (5) days prior to the expiration of the Due Diligence Period; provided, however, that (i) Seller shall not have any obligation to spend money or incur any other obligation, liability or duty in connection with such cooperation, except as hereafter provided in this Section 3.2; (ii) Purchaser shall have no obligation to accept any cure proposed by Seller; and (iii) except as otherwise specifically provided below

in this Section 3.2, Purchaser shall have no right to terminate this Agreement after the expiration of the Due Diligence Period as a result of the existence or continued existence of title or survey matters, issues and/or objections, except as set forth below with respect to a revision to the Title Commitment. Seller shall have no obligation to cure title objections except financing liens of an ascertainable amount created by, under or through Seller (as well as past due and payable taxes and assessments and mechanic's liens resulting from work performed by, or at the direction of, Seller (but expressly excluding mechanics liens resulting from work performed by, or at the direction of, a tenant)), which liens Seller shall cause to be released (at Seller's expense, including any recording fees incurred or to be incurred in connection therewith) at or prior to the Closing. Seller further agrees to remove (at Seller's expense, including any recording fees incurred or to be incurred in connection therewith) any exceptions or encumbrances to title which are voluntarily created by, under or through Seller after the Effective Date without Purchaser's consent. In addition to Purchaser's termination right as set forth in Subsection 2.2.1, Purchaser may terminate this Agreement and receive a refund of the Earnest Money (but not the Independent Contract Consideration) if the Title Company revises the Title Commitment after the expiration of the Due Diligence Period to add or modify any exceptions which materially adversely affect the Property, or to add or modify the conditions to obtaining any endorsement requested by Purchaser and agreed to be provided by Title Company during the Due Diligence Period, if such additions or modifications are in writing, are not reasonably acceptable to Purchaser and are not removed by the Closing Date (and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above). Seller's obligations as set forth in, but as limited by, the second, third and fourth sentences of this Section 3.2 shall apply to all matters disclosed by any revision to the Title Commitment by the Title Company after expiration of the Due Diligence Period, and Purchaser shall have the right to object to such newly disclosed matters described in the immediately preceding sentence by written notice to Seller and Escrow Holder delivered no later than three (3) business days following receipt of such revision to the Title Commitment. The term "Permitted Exceptions" shall mean and include the following: (i) the exceptions that are a part of the promulgated title insurance form (i.e., the so-called "general exceptions" or "standard exceptions," whether or not the same are printed, preprinted or otherwise), except to the extent the same are removed as a result of (a) Seller providing an Owner's Affidavit, ALTA Statement and/or Gap Indemnity or other affidavit as contemplated by Section 3.3 below or (b) Purchaser's actions, at Purchaser's sole cost and expense, including, without limitation, the provision (or update) of a Survey, if Purchaser so elects; (ii) the specific exceptions (i.e., the "special" or other exceptions that are not part of the promulgated title insurance form) in the Title Commitment that Title Company has not agreed to insure over or remove from the Title Commitment as of the end of the Due Diligence Period and that Seller is not required to remove as provided above; (iii) matters created by, through or under Purchaser; (iv) items shown on the Survey which have not been removed as of the end of the Due Diligence Period; (v) real estate taxes not yet due and payable; (vi) the rights of tenants pursuant to the Leases; and (vii) the impact of any federal, state, local and other laws, rules, regulations and ordinances, including without limitation, zoning ordinances.

3.3 Delivery of Title Policy at Closing. The parties shall instruct Title Company to issue at Closing, or to unconditionally commit at Closing to issue, to Purchaser, the Title Company's most current form of standard (i.e., not extended) ALTA (or other customarily provided non-ALTA) owner's coverage (the "Owner's Policy") insuring Purchaser's title to the Property in the amount of the Purchase Price, subject only to the Permitted Exceptions as well as any and all other standard or required exclusions. If further coverage (e.g., ALTA or ALTA extended coverage) or endorsements are desired by Purchaser, Purchaser shall order the same directly from Title Company and shall undertake all actions which may be required as a condition to the issuance of such further coverage or endorsements. Seller shall not be obligated to undertake any action or pay any monies as a condition precedent to the issuance of such further coverage or endorsements to the Owner's Policy which would not otherwise be required of Seller in regard to the issuance of a standard coverage owner's policy or to remove any standard exceptions therefrom requiring more of Seller than delivery of (i) a "Gap Indemnity" (e.g., an indemnity for the so-called title "gap") in the form of Exhibit F attached hereto and (ii) an "Owner's Affidavit," "ALTA Statement" or other affidavit in the form of Exhibit G attached hereto.

3.4 Title and Survey Costs; Escrow Fees. The cost to prepare the Title Commitment and the premium for the (base/standard) Owner's Policy shall be paid by Seller. At Closing, Purchaser shall reimburse Seller for the cost incurred by Seller to procure the Survey. The premium for any upgrade to ALTA extended coverage (i.e., providing for the deletion of regional exceptions) and/or any other upgrade in coverage, including without limitation endorsements, and the cost of any UCC Searches, litigation searches and the like shall be paid by Purchaser. Except as otherwise provided herein, Escrow Holder's charges and/or fees shall be paid as follows: one-half (½) by Seller and one-half

(½) by Purchaser. Except as otherwise provided in this Agreement, all other charges shall be allocated in accordance with customary practice for commercial real estate transactions in the locale of the Property (i.e., Ontario, California).

ARTICLE 4: OPERATIONS AND RISK OF LOSS

4.1 Ongoing Operations. During the pendency of this Agreement:

4.1.1 Performance under Leases and Service Contracts. Seller will perform, in a manner consistent with its prior performance, the obligations of landlord under the Leases as well as its monetary obligations under the Service Contracts and other agreements that may affect the Property.

4.1.2 New Contracts. Seller will not enter into, amend or terminate any contract that will be an obligation affecting the Property subsequent to the Closing, except contracts entered into, amended or terminated in the ordinary course of business that are terminable without cause and without penalty on not more than thirty (30) days' prior notice.

4.1.3 Maintenance of Improvements. Subject to Section 4.2 and Section 4.3 below (as well as the obligations of tenants under Leases (e.g., Purchaser shall not look to Seller for the performance of maintenance required by a tenant under a Lease), Seller shall use commercially reasonable efforts to maintain all Improvements in their present condition and repair (ordinary wear and tear, damage and destruction, as well as rights and obligations of tenants, excepted).

4.1.4 Removal of Personal Property. Seller will not remove any Tangible Personal Property, except as may be required for necessary repair or replacement, and replacement shall be of equal quality and quantity as existed as of the time of its removal as reasonably determined by Seller.

4.1.5 Leasing Arrangements. During the pendency of this Agreement, Seller will continue to lease and otherwise operate the Property in accordance with Seller's usual custom and practice; provided, however, that after the date that is three (3) business days prior to the expiration of the Due Diligence Period, Seller will not voluntarily amend, terminate or enter into any Lease without Purchaser's prior written consent in each instance, which consent shall not be unreasonably withheld, conditioned or delayed. Seller shall provide Purchaser with a copy of any executed term sheet or executed letter of intent for any new Lease and for any renewal, extension or early termination of an existing Lease (provided, however, that if such renewal, extension or early termination is made pursuant to an express right in the existing Lease, then Seller shall not be required to provide such term sheet or letter of intent to the extent that all rental amounts payable during the renewal or extension term, or fees payable in connection with the early termination, are set forth with specificity in the existing Lease and are not being modified). Without limiting the foregoing, Purchaser agrees to give Seller written notice of approval or disapproval of a proposed amendment, termination or new Lease within three (3) business days after Purchaser's receipt of (i) a copy of such amendment, termination or Lease, (ii) any reasonably relevant supporting documentation, including without limitation financial information, in Seller's possession, (iii) Seller's written request for approval, and (iv) information regarding tenant improvement costs and brokerage commissions to be incurred with respect to the amendment, termination or Lease. If Purchaser fails to timely deliver a written notice of approval or disapproval, Purchaser shall be deemed to have provided its approval.

4.1.6 Notices. Seller shall promptly furnish to Purchaser copies of any written notices received by Seller after the Effective Date, which notices relate to (i) any suit, judgment or other proceeding filed, entered or threatened with respect to the Property or Seller's use or ownership thereof, (ii) any actual or contemplated changes in zoning of the Property or any other legal requirement which would adversely affect the operation, use, ownership or maintenance of the Property, (iii) any notices from any governmental agencies or other authorities that the Property is in violation of any Federal, state, county or municipal law, code, rule or regulation applicable to the Property, and (iv) any default by any other party or notice of claim of default by Seller made by any other party under any of the Leases or the Service Contracts.

4.1.7 Insurance. Seller shall keep continuously in full force and effect from the Effective Date through the day upon which the Closing occurs all insurance policies carried by Seller with respect to the Property, including, without limitation, earthquake insurance.

4.2 Damage. In the event of any material damage to or destruction of the Improvements or any portion thereof, Purchaser may, at its option by notice to Seller given within ten (10) days after Seller notifies Purchaser of such damage or destruction (and, if necessary, the Closing Date shall be extended to give Purchaser the full ten (10) day period to make such election), either (i) terminate this Agreement, in which event the Earnest Money (but not the Independent Contract Consideration) shall be immediately returned to Purchaser (and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above), or (ii) proceed under this Agreement, receive an assignment of the payment of any insurance proceeds (including calculated rent loss insurance, if any, applicable to any period on and after the Closing Date) due Seller as a result of such damage or destruction and assume responsibility for such repair, and Purchaser shall (except as provided for below and subject to the limitations herein) receive a credit at Closing for any deductible, uninsured or Seller/self-insured amount under applicable property or casualty/liability insurance policies less any costs or expenses incurred by Seller prior to the Closing in connection with the repair of such damage. Purchaser and Seller shall collaboratively work together to file such claim for all of the damage which may reasonably be claimed under the insurance policy or insurance policies; provided, however, any final settlement of such claim shall be determined by Seller. If the Improvements are not materially damaged, then Purchaser shall not (except as otherwise expressly provided below) have the right to terminate this Agreement, but Seller shall, at its cost, repair the damage before the Closing in a manner reasonably satisfactory to Purchaser or, if repairs cannot be completed before the Closing or if Seller otherwise elects (in Seller's sole discretion) not to commence or complete such repairs, assign to Purchaser the payment of any insurance proceeds (including calculated rent loss insurance, if any, applicable to any period on and after the Closing Date) due Seller as a result of such damage or destruction (less any amounts expended by Seller for repairs made by Seller prior to Closing). For the purposes of this Agreement, "material damage" and "materially damaged" means damage (i) based upon reasonable contractor repair/restoration estimates obtained by Seller exceeding ten percent (10%) of the Purchase Price to repair or (ii) that would permit tenants leasing in the aggregate twenty percent (20%) or more of the rentable square footage of the Property to terminate their Leases pursuant to the terms thereof (unless a sufficient number of such tenants waive in writing their right to terminate, no later than two (2) business days prior to the last day upon which Purchaser may elect to terminate this Agreement pursuant to this Section 4.2, such that tenants with remaining termination rights lease in the aggregate less than such twenty percent (20%) threshold in the Property). Notwithstanding anything contained herein to the contrary, in the event (y) of an uninsured loss reasonably estimated to be in excess of \$25,000.00, and (z) Seller, in Seller's sole discretion, notifies Purchaser, in writing, that Seller has elected not to provide Purchaser with a credit, at Closing, for the estimated amount of such uninsured loss in excess of \$25,000.00 (less any costs incurred by Seller prior to Closing in connection with the repair of such damage), then Purchaser may terminate this Agreement by delivering written notice to Seller prior to the earlier to occur of (1) the date that is five (5) business days after Purchaser receives the written notice from Seller as described in clause (z) above or (2) the Closing Date, in which event the Earnest Money shall be returned to Purchaser and such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above. For the purposes of the immediately preceding sentence, an "uninsured loss" shall include, but not be limited to, any loss or portion thereof that is not covered by insurance or falls under or within the deductible amount of the relevant insurance policy or policies. Seller shall make the election set forth in clause (z) above on or prior to the date that is ten (10) business days after Seller obtains knowledge of the amount of the uninsured loss, based upon reasonable contractor repair/restoration estimates obtained by Seller (such date, the "Uninsured Loss Determination Date"); provided, however, that if the Uninsured Loss Determination Date has not occurred as of the Closing Date, then Purchaser or Seller may elect to extend the Closing Date until the date that is five (5) business days after the Uninsured Loss Determination Date occurs provided Seller delivers written notice to Purchaser of such election to extend the Closing Date prior to the occurrence of the then scheduled Closing Date.

4.3 Condemnation. In the event any proceedings in eminent domain are threatened in writing or instituted by any body or entity having the power of eminent domain with respect to the entire Property or any material portion thereof as reflected in a written notice received by Seller, Purchaser may, at its option by notice to Seller given within ten (10) days after Seller notifies Purchaser of such proceedings (and if necessary the Closing Date shall be extended to give Purchaser the full ten (10) day period to make such election), either (i) terminate this Agreement, in which case the Earnest Money (but not the Independent Contract Consideration) shall be immediately returned to Purchaser (and

such termination shall otherwise be as provided in the last four (4) sentences of Subsection 2.2.1 above), or (ii) proceed under this Agreement, in which event Seller shall, at the Closing, assign to Purchaser its entire right, title and interest in and to any condemnation award, and Purchaser shall have the right during the pendency of this Agreement to participate in negotiations with the condemning authority in respect of such matter. A “material portion”, as used herein, shall be deemed to be subject to the eminent domain proceedings if (i) the Estimated Value of the portion of the Property taken exceeds ten percent (10%) of the Purchase Price or (ii) the taking would permit tenants leasing in the aggregate twenty (20%) or more of the rentable square footage in the entire Property to terminate their Leases pursuant to the terms thereof (unless a sufficient number of such tenants waive in writing their right to terminate, no later than two (2) business days prior to the last day upon which Purchaser may elect to terminate this Agreement pursuant to this Section 4.3, such that tenants with remaining termination rights lease in the aggregate less than such twenty percent (20%) threshold in the Property). The phrase “Estimated Value” shall mean an estimate obtained from a M.A.I. appraiser, who has at least five (5) years’ experience evaluating property located in the county where the Real Property is located, similar in nature and function to that of the Property, selected by Seller and approved by Purchaser.

4.4 Termination. If this Agreement is terminated as set forth in Section 4.2 or Section 4.3, the Earnest Money (but not the Independent Contract Consideration) shall be refunded to Purchaser, and all further rights and obligations of the parties under this Agreement shall terminate except for any provisions which, by their terms, survive the termination of this Agreement (and such termination shall otherwise be in accordance with the last four (4) sentences of Subsection 2.2.1 above).

ARTICLE 5: CLOSING

5.1 Closing. The consummation of the transaction contemplated herein (“Closing”) shall occur on the Closing Date at the offices of Escrow Holder. Closing shall occur through an escrow with Escrow Holder. Funds shall be deposited into and held by Escrow Holder in a closing escrow account with a bank satisfactory to Purchaser and Seller. Upon satisfaction or completion of all closing conditions and deliveries, the parties shall direct Escrow Holder to, and Escrow Holder shall, immediately record and deliver the closing documents to the appropriate parties and make disbursements according to closing statements executed by Seller and Purchaser. Escrow Holder shall (and does, by its execution of this Agreement, hereby) agree in writing with Purchaser (i) that deposit of the Deed with the appropriate recorder’s office (or that Escrow Holder holds the Deed for as well as in anticipation of depositing it with the recorder’s office, shall do so and that the same) constitutes Escrow Holder’s representation that Escrow Holder is holding the closing documents (other than the Deed, if already deposited with the recorder’s office), closing funds and closing statements and is prepared and irrevocably committed to disburse the closing funds in accordance with the closing statements and (ii) that release of funds to Seller shall irrevocably commit Title Company to issue the Owner’s Policy in accordance with this Agreement. Provided such supplemental escrow instructions are not in conflict with this Agreement as it may be amended in writing from time to time, Seller and Purchaser agree to execute such supplemental escrow instructions as may be appropriate to enable Escrow Holder to comply with the terms of this Agreement; however, the supplemental escrow instructions shall not act to extend or provide any extension of any period(s) of performance, notice, grace or cure under this Agreement unless specifically referenced and agreed to, in writing, by both Purchaser and Seller or their respective counsel. Seller and Purchaser agree that the Closing may occur on a “gap” basis, in which event Seller shall deliver to the Title Company a “Gap Indemnity” (e.g., an indemnity for the so-called title “gap”) in the form of Exhibit F attached hereto or such other form as reasonably required by the Title Company.

5.2 Conditions to the Parties’ Obligations to Close. In addition to all other conditions set forth herein, the obligation of Seller, on the one hand, and Purchaser, on the other hand, to consummate the transactions contemplated hereunder shall be contingent upon the following:

5.2.1 The other party’s representations and warranties as set forth in, and subject to the terms of, Article 7 below shall be true and correct in all material respects as of the Effective Date and the Closing Date;

5.2.2 As of the Closing Date, the other party shall have performed its obligations hereunder and all deliveries to be made at or before Closing have been tendered;

5.2.3 There shall exist no pending actions, suits, arbitrations, claims, attachments, proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization or other proceedings, against the other party that would materially and adversely affect the operation or value of the Property or the other party's ability to perform its obligations under this Agreement;

5.2.4 There shall exist no pending action, suit or proceeding with respect to the other party before or by any court or administrative agency which seeks to restrain or prohibit, or to obtain damages or a discovery order with respect to, this Agreement or the consummation of the transactions contemplated hereby; and

5.2.5 The Title Company shall be irrevocably committed to issue the Owner's Policy in accordance with the provisions of Section 3.3.

So long as a party is not in default hereunder, if any condition to such party's obligation to proceed with the Closing hereunder has not been satisfied as of the Closing Date, such party may, in its sole discretion, terminate this Agreement by delivering written notice to the other party on or before the Closing Date (provided that any notice from any party alleging a failure of a condition shall also give the other party at least five (5) business days to correct or otherwise address the same; provided that no such cure period shall be provided to Seller or Purchaser, as the case may be, on account of the failure to timely deliver the items set forth in Section 5.3 and Section 5.4), or elect to close notwithstanding the non-satisfaction of such condition, in which event such party shall be deemed to have waived any such condition without any adjustment to the Purchase Price; if the party electing to terminate pursuant to this sentence is Purchaser, then such party (i.e., Purchaser) shall also be entitled to a refund of the Earnest Money (but not the Independent Contract Consideration); however, if the party electing to terminate is Seller, then such party (i.e., Seller) may (for example, as a result of a Purchaser's breach, default or failure to perform) be entitled to the Earnest Money as liquidated damages pursuant to Section 9.4 as well as any other applicable terms and provisions of this Agreement. In the event such party elects to close, notwithstanding the non-satisfaction of such condition, THERE SHALL BE NO LIABILITY ON THE PART OF ANY OTHER PARTY HERETO FOR BREACHES OF COVENANTS, REPRESENTATIONS AND/OR WARRANTIES OF WHICH THE PARTY ELECTING TO CLOSE HAD ACTUAL KNOWLEDGE AT OR PRIOR TO THE CLOSING; provided, however, that the foregoing shall not release or relieve Purchaser from its indemnity and related obligations under this Agreement which survive the Closing. Notwithstanding any termination in accordance with the foregoing and except as provided in the immediately preceding sentence and in Section 7.5, the failure of a condition which also constitutes a breach by a party of an obligation of such party shall not relieve such breaching party from any liability it would otherwise have under this Agreement for such breach.

5.3 Seller's Deliveries in Escrow. At least one (1) business day prior to the Closing Date (or no later than on the Closing Date if the parties elect to close on a so-called "GAP"), Seller shall deliver in escrow to the Escrow Holder the following:

5.3.1 Deed. A grant deed in the form attached hereto as Exhibit C, executed and acknowledged by Seller, conveying to Purchaser the Real Property, subject to the Permitted Exceptions and such other matters as are permitted or contemplated by the terms of this Agreement (the "Deed");

5.3.2 Bill of Sale and Assignment of Leases and Contracts. A Bill of Sale and Assignment of Leases and Contracts in the form of Exhibit D attached hereto (the "Assignment"), executed and acknowledged by Seller, vesting in Purchaser title to the property described therein, subject, however, to the Permitted Exceptions and other matters permitted by this Agreement, to the extent applicable;

5.3.3 State Law Disclosures. Such disclosures and reports as are required by applicable state and local law in connection with the conveyance of real property;

5.3.4 FIRPTA. (i) A Foreign Investment in Real Property Tax Act affidavit executed by Seller (or, if Seller is a disregarded entity, by the other appropriate entity; i.e., an affidavit executed by Seller or another appropriate entity to the effect that Seller or such other entity is not a "foreign person" within the meaning of Internal Revenue Code Section 1445 or successor statutes) substantially in the form of Exhibit E attached hereto or another appropriate form or documentation of exemption ("FIRPTA Affidavit"); if Seller fails to provide the FIRPTA Affidavit

on or before the Closing Date, Seller may instead elect to permit Purchaser to proceed with withholding and remittance to the Internal Revenue Service as provided by federal law; and (ii) An affidavit (e.g., Real Estate Withholding Certificate/California Form 593-C) executed by Seller to the effect that Seller is not a “non-resident” within the meaning of California Revenue and Tax Code Section 18662 or successor statutes or otherwise providing that withholding or other deduction under California law is not required; if Seller does not provide such affidavit and/or documentation of exemption on or before the Closing Date, Seller may instead elect to permit Purchaser to proceed to deduct the appropriate sum from Seller’s proceeds and remit the same to the Franchise Tax Board;

5.3.5 Authority. Evidence of the existence, organization and authority of Seller and of the authority of the persons executing documents on behalf of Seller reasonably satisfactory to Escrow Holder and Title Company; and

5.3.6 Additional Documents. Any additional documents that Purchaser, Escrow Holder or Title Company may reasonably require for the proper consummation of the transaction contemplated by this Agreement and not resulting in any additional obligation, liability or duty of or to Seller.

5.4 Purchaser’s Deliveries in Escrow. At least one (1) business day prior to the Closing Date (or no later than on the Closing Date if the parties elect to close on a so-called “GAP”), Purchaser shall deliver in escrow to Escrow Holder the following:

5.4.1 Purchase Price. The Purchase Price, less the Earnest Money that is applied to the Purchase Price, plus or minus applicable prorations, in immediate, same-day federal funds wired for credit into Escrow Holder’s escrow account;

5.4.2 Bill of Sale and Assignment of Leases and Contracts. The Assignment, executed by Purchaser;

5.4.3 State Law Disclosures. Such disclosures and reports as are required by applicable state and local law in connection with the conveyance of real property; and

5.4.4 Additional Documents. Any additional documents that Seller, Escrow Holder or Title Company may reasonably require for the proper consummation of the transaction contemplated by this Agreement.

5.5 Closing Statements. At least one (1) business day prior to the Closing Date (or no later than on the Closing Date if the parties elect to close on a so-called “GAP”), Seller and Purchaser shall deposit with the Escrow Holder executed closing statements consistent with this Agreement in the form required by Escrow Holder.

5.6 Title Policy. Title Company shall deliver (or be irrevocably committed to issue) to Purchaser the Owner’s Policy in accordance with the provisions of Section 3.3.

5.7 Possession. Seller shall deliver possession of the Property to Purchaser at the Closing subject only to the Permitted Exceptions and such other matters as are permitted or contemplated by this Agreement, including, without limitation, the rights of tenants and others under the Leases and the other Permitted Exceptions.

5.8 Delivery of Certain Items. Immediately after the Closing (and subject to Section 2.1), Seller shall deliver to the offices of Purchaser’s property manager (or the Property or such other place as directed by Purchaser that is reasonably convenient for Seller), to the extent in Seller’s (or its Asset Manager’s or Property Manager’s) possession, the following: the originals of any Leases and assigned Service Contracts; keys as well as any security codes for the Property; and any “as-built” plans and specifications and other available plans and specifications relating to the Property.

5.9 Notice to Tenants. Seller and Purchaser shall deliver to each tenant under a Lease immediately after the Closing a notice regarding the sale in substantially the form of or required by Exhibit K attached hereto or such other form as may be required by or to comply with applicable law(s).

5.10 Reporting Person. Seller and Purchaser hereby designate Escrow Holder as the “Reporting Person” as such term is utilized in Section 6045(e) of the Internal Revenue Code of 1986, as amended. Purchaser agrees to provide Escrow Holder with such information as may be required for Escrow Holder to file a Form 1099 and/or any other required form relative to the Closing with the Internal Revenue Service and/or any other appropriate or applicable governmental agency. Escrow Holder shall provide a copy of the filed Form 1099 and/or any other filed form to Seller and Purchaser simultaneously with it being provided to the Internal Revenue Service or otherwise.

ARTICLE 6: PRORATIONS

6.1 Prorations. Except as otherwise provided herein, the items in this Section 6.1 shall be prorated between Seller and Purchaser as of the close of the day (i.e., 11:59 p.m. Pacific Time) immediately preceding the Closing Date:

6.1.1 Taxes and Assessments. General real estate taxes and assessments imposed by governmental authority and rent taxes, if any (collectively, “Taxes”), as well as any assessments by private covenant constituting a lien or charge on the Property, paid or payable during the then-current calendar year or other current tax or other period. If the Closing occurs prior to the receipt by Seller of the tax bill for (i.e., payable in) the calendar year or other applicable tax period in which the Closing occurs, Purchaser and Seller shall prorate such Taxes for such calendar year or other applicable tax period based upon the most recent ascertainable assessed values and tax rates, which proration shall be subject to readjustment in accordance with Section 6.2.

6.1.2 Collected Rent. All collected rent and other income (and any applicable state or local tax on rent) under Leases in effect on the Closing Date; for the purposes of this Subsection 6.1.2, the term “rent” shall mean and include so-called “additional rent,” including, without limitation, any operating expense pass-throughs, so-called “CAM” or common area maintenance charges, and the like. Seller shall be charged with any rentals collected by Seller before Closing but applicable to any period of time after Closing. Uncollected rent and other income shall not be prorated. If Purchaser collects delinquencies after Closing, Purchaser shall apply such rent to the obligations then due and owing to Purchaser for its period of ownership and to reasonable costs of collection actually incurred, remitting the balance, if any, to Seller. Purchaser shall bill and attempt to collect such delinquent rent in the ordinary course of business, but shall not be obligated to engage a collection agency or to take legal action to collect any delinquencies. To the extent not applicable to periods prior to the Closing, rent received by Seller after the Closing shall be immediately forwarded by Seller to Purchaser for disposition in accordance with this Subsection 6.1.2. From and after the date that is sixty (60) days after the Closing, Seller shall have the right to seek collection of any delinquent rents or any other amounts owed by tenants to Seller (see, for example, Section 6.2 below in this regard) for or relating to any period prior to the Closing; Seller shall not, however, have the right to bring eviction proceedings.

6.1.3 Utilities. Utilities, including water, sewer, electric, and gas, based upon the last reading of meters prior to the Closing. Seller shall endeavor to obtain meter readings on the day before the Closing Date and, if such readings are obtained, there shall be no proration of such items. Seller shall pay at Closing the bills therefor for the period to the day preceding the Closing, and Purchaser shall pay the bills therefor for the period subsequent thereto. If the utility company will not issue separate bills, Purchaser will receive a credit against (or, if appropriate, a reimbursement from) the Purchase Price for Seller’s portion and will pay the entire bill prior to delinquency after Closing. If Seller has paid any utilities more than thirty (30) days in advance in the ordinary course of business, then Purchaser shall be charged its portion of such payment at Closing.

6.1.4 Leasing Commissions. Purchaser shall be entitled to a credit at Closing for all outstanding leasing commissions and locator’s and finder’s fees (collectively, “Commissions”), due to leasing or other agents payable in connection with (i) the existing term of Leases in effect as of March 25, 2017, and (ii) the Pending Lease Deals, as set forth on Exhibit I attached hereto. For new Leases (other than the Pending Lease Deals) entered into on or after March 25, 2017 (as well as extensions, expansions or renewals of Leases granted or exercised on or after March 25, 2017), Commissions shall be prorated as of the Closing Date between Seller and Purchaser on the basis of Seller’s and Purchaser’s respective periods of ownership in relation to the benefit (i.e., the term) of the relevant Lease, extension, expansion or renewal.

6.1.5 Fees and Charges under Service Contracts. Fees and charges under the Service Contracts that are being assigned to and assumed by Purchaser at the Closing, on the basis of the periods to which such Service Contracts relate.

6.1.6 Tenant Improvement Costs and/or Allowances. Purchaser shall be entitled to a credit at Closing for all outstanding tenant improvement costs and allowances as well as free rent due to tenants in connection with (i) the existing term of Leases in effect as of March 25, 2017, and (ii) the Pending Lease Deals, as set forth on Exhibit I attached hereto. For new Leases (other than the Pending Lease Deals) entered into on or after March 25, 2017 (as well as extensions, expansions or renewals of Leases granted or exercised on or after March 25, 2017), all tenant improvement costs and allowances as well as free rent due to tenants shall be prorated as of the Closing Date between Seller and Purchaser on the basis of Seller's and Purchaser's respective periods of ownership in relation to the cost, allowance or concession of the relevant Lease, extension, expansion or renewal.

6.1.7 Miscellaneous. Such other apportionments and adjustments as are customarily apportioned in similar types of property in the county in which the Property is situated.

6.1.8 Timing. Notwithstanding anything contained in this Agreement to the contrary, in the event that the Closing and the routing of the Purchase Price proceeds by Title Company to Seller's designated account does not occur on or before 12:01 p.m. Pacific Time on the Closing Date, the parties shall re-prorate, such that Seller shall be afforded the income and expenses of the day of Closing, rather than Purchaser.

6.2 Final Adjustments After Closing.

6.2.1 Final Bills and Adjustments. In the event that final bills are not available or cannot be issued prior to Closing for any item being prorated under Section 6.1, then Purchaser and Seller agree to allocate such items on a fair and equitable basis as soon as such bills are available; final adjustment is to be made as soon as reasonably possible after the Closing, but in any event prior to the date that is ninety (90) days after Closing. Payments in connection with the final adjustment shall be due within thirty (30) days of written notice.

6.2.2 Operating Expense Pass-Throughs. Seller, as landlord under the Leases, may currently be collecting from tenants under the Leases additional rent to cover taxes, insurance, utilities, maintenance and other operating costs and expenses (collectively, "Operating Expense Pass-Throughs") incurred by Seller in connection with the ownership, operation, maintenance and management of the Property. If Seller has collected estimated payments of Operating Expense Pass-Throughs in excess of or in an amount less than any tenant's share of such expenses with respect to the period during which Seller owned the Property, then the parties shall make an adjusting payment between them when the correct amounts can be determined, but in any event prior to the date that is ninety (90) days after Closing, subject, however, to the following: Purchaser shall indemnify, defend and hold Seller, as well as Asset Manager and Property Manager, free and harmless of, from and against any and all claims, demands, losses, liabilities, damages, costs and expenses, including, without limitation, reasonable attorneys' fees, incurred or suffered, arising out of, resulting from or in any way relating to any failure or alleged failure by Purchaser in crediting and/or reimbursing a tenant for an overpayment which overpayment is credited or reimbursed by Seller to Purchaser for further credit or reimbursement hereunder.

6.2.3 Survival. Each party's obligations, liabilities and duties under this Section 6.2 shall survive the Closing.

6.3 Tenant Deposits. As of the Closing, Purchaser shall assume Seller's obligations related to tenant security deposits, but only to the extent they are credited or otherwise transferred to Purchaser. Each party's obligations, liabilities and duties under this Section 6.3 shall survive the Closing; provided, however, that Seller's obligations, liabilities and duties under this Section 6.3 shall be limited by and expire upon the expiration of the survival/limitation period described in Section 7.3.

6.4 Utility Deposits. Seller shall receive a credit for the amount of deposits, if any, with utility companies that are transferable and that are assigned to Purchaser at the Closing.

6.5 Documentary Transfer Taxes; Recording Fees. Seller shall pay all documentary transfer taxes imposed in connection with recording the Deed, but not any other instrument (including without limitation any deed of trust, mortgage or other security device or instrument given in connection with any financing obtained by Purchaser). However, Purchaser shall pay all recording fees due and/or owing in connection with said recording(s); Seller's obligation for recording fees, if any, is set forth in and limited by Section 3.2.

6.6 Commissions. Each of Seller and Purchaser represent and warrant to the other that it has not dealt with any real estate broker, sales person or finder in connection with this transaction other than Broker. If, but only if, the transaction contemplated by this Agreement is closed, Seller shall pay Broker in accordance with their separate agreement. Purchaser acknowledges and agrees that Broker is an independent contractor and that neither Broker nor any other broker, agent, representative or any other person or entity is authorized to make any agreement or representation for or on behalf of Seller. Additionally, Purchaser acknowledges and agrees that Seller shall not be responsible for the payment of any broker, agent, representative or any other person or entity retained by Purchaser. Subject to the foregoing terms of this Subsection 6.6, in the event of any claim for broker's or finder's fees or commissions in connection with the negotiation, execution or consummation of this Agreement or the transactions contemplated hereby, each party shall indemnify and hold harmless the other party from and against any such claim by a broker, finder, agent or other representative claiming by, through or under the indemnifying party. Each party's obligations, liabilities and duties under this Section 6.6 shall survive the Closing or any termination of this Agreement; however, Seller's liability under this Section 6.6 shall not be subject to the "Cap" referenced in Section 7.5.

6.7 Real Estate Tax Protests. All real estate assessment protests and proceedings affecting the Property ("Tax Appeals") for years prior to the year in which Closing occurs will be prosecuted under Seller's direction and control. Tax Appeals for the tax year in which Closing occurs (if any) and for any subsequent tax years will be prosecuted under Purchaser's direction and control. In the event of any reduction in the assessed valuation of the Property for any such fiscal year, the net amount of any tax savings shall, (a) with respect to fiscal years ending prior to the Closing, be payable to Seller and, (b) with respect to the fiscal year in which the Closing shall occur, after deduction of expenses and attorneys' fees, be adjusted between Seller and Purchaser as of the day before the Closing Date. If any reduction in assessment shall be granted for a fiscal year in, or prior to, the year in which Closing occurs in the form of a credit for taxes payable at or after Closing, Seller shall be entitled to receive a sum equal to Seller's prorated share of such credit when granted. This Section 6.7 shall survive Closing.

ARTICLE 7: REPRESENTATIONS AND WARRANTIES

7.1 Seller's Representations and Warranties. As a material inducement to Purchaser to execute this Agreement and consummate this transaction, Seller represents and warrants to Purchaser as follows:

7.1.1 Organization and Authority. Seller is duly organized, validly existing, and in good standing as a limited liability company in the State of Delaware. Seller has the full right and authority and has obtained any and all consents required to enter into this Agreement and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Seller at the Closing will be, authorized and duly executed and constitutes, or will constitute, as appropriate, the valid and binding obligation of Seller, enforceable in accordance with their terms.

7.1.2 Conflicts. There is no agreement to which Seller is a party or, to Seller's knowledge, binding on Seller which is in conflict with this Agreement.

7.1.3 Pending Actions and Proceedings. Except as set forth in Exhibit J attached hereto or in any material, information or document delivered or otherwise made available by Seller to Purchaser (including, without limitation, in the Property Information), to Seller's knowledge, Seller has received no written notice that there is any action, suit or proceeding pending against Seller which challenges or impairs Seller's ability to (i) execute or perform its obligations under this Agreement or (ii) consummate the sale contemplated by this Agreement.

7.1.4 Withholding Obligation. Seller's sale of the Property is not subject to any federal, state, or local withholding obligation of Purchaser under the tax laws applicable to Seller or the Property.

7.1.5 Service Contracts. To Seller's knowledge, the copies of Service Contracts delivered to Purchaser pursuant to Subsection 2.1.4 of this Agreement are true, correct and complete as of the date of their delivery.

7.1.6 Hazardous Materials. To Seller's knowledge, except as set forth in any material, information or document delivered or otherwise made available by Seller to Purchaser (including, without limitation, in the Property Information), Seller has received no written notice from any governmental agency or authority that any Hazardous Materials are stored, used or located at the Property in violation of any Environmental Law. For the purposes of this Agreement, the term "Hazardous Materials" includes petroleum, including crude oil or any fraction thereof, natural gas, natural gas liquids, liquefied natural gas or synthetic gas useable for fuel (or mixtures of natural gas or synthetic gas) and any substance, material, waste, pollutant or contaminant regulated by, or listed or defined as hazardous or toxic under, any Environmental Law. The term "Environmental Law" includes without limitation the Resource Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act and other federal laws governing the environment as in effect on the Effective Date, together with their implementing regulations and guidelines as of the Effective Date, and all state, regional, county, municipal, local and other laws, rules, regulations and ordinances that are equivalent or similar to the federal laws recited above or that purport to regulate Hazardous Materials.

7.1.7 Regulatory Compliance. Except as set forth in Exhibit J attached hereto or in any material, information or document delivered or otherwise made available by Seller to Purchaser (including, without limitation, in the Property Information), to Seller's knowledge, Seller has received no written notice from any governmental agency or authority alleging that Seller is responsible or liable for an uncured material violation of any applicable federal, state, county or municipal law, code, rule or regulation with respect to the Property, or stating that any investigation has been commenced or is contemplated regarding any of the same, which were caused as a result of or which arise out of, result from or relate to Seller's (including Seller's agents) ownership, operation, maintenance (or failure to maintain), repair (or failure to repair), use, improvement (or failure to improve), development and/or re-development of the Property, including, without limitation, any demolition, grading, soil compaction, construction and/or reconstruction thereon or related thereto.

7.1.8 Anti-Terrorism. Seller and its directors, officers, employees, agents and affiliates are not Sanctioned Persons. "Sanctioned Person" means: (a) an entity or individual named on the Consolidated Sanctions List maintained by the U.S. Office of Foreign Assets Control, or any successor list, or targeted by the U.S. Department of State under economic or financial sanctions or trade embargoes of the United States ("Sanctions Laws"); (b) any other entity or individual with which an entity incorporated in the United States is prohibited from dealing pursuant to Sanctions Laws; or (c) any entity or individual acting on behalf of anyone described in the foregoing clauses of this definition.

Seller is in compliance, and shall remain in compliance, with Sanctions Laws and Anti-Money Laundering Laws (as hereinafter defined) and shall not, directly or indirectly, use any funds received from Purchaser in transactions with a Sanctioned Person or take any action that would cause Seller or Purchaser to be in violation of Sanctions Laws or Anti-Money Laundering Laws. "Anti-Money Laundering Laws" means: the U.S. Bank Secrecy Act, the USA PATRIOT Act, and all other laws of the United States that prohibit money laundering or other use of funds derived from illegal activity.

Seller covenants to provide any information deemed necessary by Purchaser to comply with Purchaser's obligations under Sanctions Laws or Anti-Money Laundering Laws, and this obligation shall survive the termination of this Agreement.

7.1.9 ERISA. Either (i) Seller is not an "employee benefit plan" within the meaning of 3(3) of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, a "plan" within the meaning of Section 4975 of the Internal Revenue Code of 1986 as amended (the "Code"), or an entity deemed to hold "plan assets" within the meaning of 29 C.F.R. §2510.3-101 (as modified by Section 3(42) of ERISA (the "Plan Asset Regulation")) of any such plan; or (ii) Seller is represented in connection with the transactions contemplated herein by an investment manager that qualifies as a "qualified professional asset manager" as defined in Department of Labor Prohibited Transaction Exemption 84-14 (the "QPAM Exemption"), and each of the conditions of the QPAM Exemption are satisfied and will,

throughout the term of this Agreement, be satisfied such that none of the transactions contemplated hereunder between Seller and Purchaser will constitute a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

7.1.10 Tenant Bankruptcy Proceedings. To Seller's knowledge, as of the Effective Date, none of the tenants under the Leases are the subject of any bankruptcy or insolvency proceeding.

7.1.11 Purchaser Principal as Broker. Seller is aware that Howard Schwimmer, a principal of Purchaser, is a licensed real estate broker in the State of California.

7.1.12 Earthquake Insurance. Seller's insurance policies for the Property include earthquake coverage.

7.2 Purchaser's Representations and Warranties. As a material inducement to Seller to execute the Agreement and consummate this transaction, Purchaser represents and warrants to Seller as follows:

7.2.1 Organization and Authority. Purchaser is duly organized and validly existing as a limited partnership in good standing in the State of Maryland; and Purchaser is in good standing and qualified to do business in the State of California. Purchaser (including any permitted assignee, designee or nominee) has the full right and authority and has obtained any and all consents required to enter into this Agreement and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and all of the documents to be delivered by Purchaser (including any permitted assignee, designee or nominee) at the Closing will be, authorized and duly executed and constitutes, or will constitute, as appropriate, the valid and binding obligation of Purchaser (including, if appropriate, any permitted assignee, designee or nominee), enforceable in accordance with their terms.

7.2.2 Conflicts and Pending Actions. There is no agreement to which Purchaser (including any permitted assignee, designee or nominee) is a party or, to Purchaser's knowledge, binding on Purchaser (including any permitted assignee, designee or nominee) which is in conflict with this Agreement. There is no action or proceeding pending or, to Purchaser's knowledge, threatened against Purchaser (including any permitted assignee, designee or nominee) which challenges or impairs Purchaser's ability to execute or perform the obligations of Purchaser (including any permitted assignee, designee or nominee) under this Agreement.

7.2.3 ERISA. Either (i) Purchaser is not an "employee benefit plan" within the meaning of 3(3) of ERISA, a "plan" within the meaning of Section 4975 of the Code, or an entity deemed to hold "plan assets" within the meaning of the Plan Asset Regulation of any such plan; or (ii) Purchaser is represented in connection with the transactions contemplated herein by an investment manager that qualifies as a "qualified professional asset manager" as defined in the QPAM Exemption, and each of the conditions of the QPAM Exemption are satisfied and will, throughout the term of this Agreement, be satisfied such that none of the transactions contemplated hereunder between Purchaser and Seller will constitute a nonexempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

7.2.4 Anti-Terrorism. Purchaser and its directors, officers, employees, agents and affiliates are not Sanctioned Persons.

Purchaser is in compliance, and shall remain in compliance, with Sanctions Laws and Anti-Money Laundering Laws and shall not, directly or indirectly, draw upon any funds to pay Seller from transactions with a Sanctioned Person or take any action that would cause Seller or Purchaser to be in violation of Sanctions Laws or Anti-Money Laundering Laws.

Purchaser covenants to provide any information deemed necessary by Seller to comply with Seller's obligations under Sanctions Laws or Anti-Money Laundering Laws, and this obligation shall survive the termination of this Agreement.

7.3 Survival of Representations and Warranties. The representations and warranties set forth in this Article 7 are made as of the Effective Date (or such earlier date as Seller executes and delivers this Agreement) and

are remade as of the Closing Date and shall not be deemed to be merged into or waived by the instruments of Closing, but shall survive the Closing for a period of only nine (9) months, at which time, except as otherwise specifically provided herein, they shall terminate; provided that, prior to the Closing, Seller may update its representations and warranties from time to time upon learning of any new, different or changed information; and, in such event, the remaking of Seller's representations and warranties as of the Closing Date shall be as so updated; and, in the event Seller does so update its representations and warranties, and the same is not caused or contributed to by any act or omission by Purchaser (including without limitation, Purchaser's agents, representatives, employees and consultants), and the same results in the disclosure of a material adverse change that is not permitted or contemplated by this Agreement, then, within three (3) business days of Purchaser's receipt of such update (but, in any event, prior to the Closing, which shall, if necessary, be extended to give Purchaser three (3) business days to respond), Purchaser may, upon written notice to Seller and Escrow Holder, terminate this Agreement as its sole and exclusive remedy; if this Agreement terminates pursuant to the immediately preceding provision, then such termination shall be in accordance with the last four (4) sentences of Subsection 2.2.1. Seller and Purchaser shall have the right to bring an action thereon only if Seller or Purchaser, as the case may be, shall both file and serve such action within such nine (9) month survival period; the parties hereby acknowledging and agreeing as well as otherwise confirming that, except as expressly and specifically provided in the first proviso in the immediately preceding sentence, it is their intent to limit the period of time within which to bring an action, so that claims must be filed, served and otherwise made in accordance with the time periods specified herein regardless of any applicable statute of limitations. Each party agrees to defend and indemnify the other against any claim, liability, damage or expense asserted against or suffered by such other party arising out of the breach or inaccuracy of any such representation or warranty; provided, however, that Purchaser shall have no right to bring a cause of action or to seek indemnification for a breach of a representation or warranty unless (i) the damage to Purchaser on account of such breach (individually or when combined with damages from other breaches) equals or exceeds \$362,500, (ii) such action is permitted under Section 7.5, and (iii) such action is timely filed and served in accordance with this Section 7.3. Additionally, except as expressly set forth in Section 8.1 below, in no event shall Seller's liability under this Agreement exceed, and Seller's liability shall be "capped" at, \$2,730,000, all in accordance with Section 7.5.

7.4 Seller's Knowledge. Terms such as "to Seller's knowledge," "to the best of Seller's knowledge" or like phrases, when used in this Article 7 (or elsewhere in this Agreement), mean only the actual personal knowledge of David Hubbs and Michael Gelber, who are employees of Asset Manager and individuals associated with Seller who have sufficient knowledge to make the representations set forth herein, without imputation and without any duty of inquiry or investigation; provided, however, that so qualifying Seller's knowledge shall in no event give rise to any personal obligation, liability or duty on the part of David Hubbs, Michael Gelber, Asset Manager or any other trustee, director, officer, employee, representative or agent of Seller or Asset Manager on account of any breach of any representation or warranty made by Seller herein.

7.5 Cap on Liability; Survival. Notwithstanding anything to the contrary contained in this Agreement, including without limitation the indemnity from Seller in favor of Purchaser set forth in Section 7.3, except as specifically provided in Section 8.1, NO CLAIM FOR A BREACH OF ANY REPRESENTATION, WARRANTY OR COVENANT OF SELLER SHALL BE ACTIONABLE OR PAYABLE IF THE BREACH IN QUESTION WAS KNOWN TO PURCHASER PRIOR TO CLOSING. If the breach occurs or becomes known to Purchaser after Closing, a claim for a breach of any representation, warranty or covenant of Seller shall be actionable only if the valid claims for all such breaches collectively aggregate more than \$362,500, in which event the full amount of such claim shall be actionable up to the Cap, and provided written notice containing a description of the specific nature of such breach shall have been given by Purchaser to Seller prior to the expiration of the nine (9) month survival period set forth in Section 7.3 and an action shall have been commenced by Purchaser against Seller and served by Purchaser upon Seller prior to the expiration or termination of such survival period; again, the parties hereby acknowledging and otherwise confirming that it is their intent as well as Purchaser's agreement to limit the period of time within which Purchaser may bring an action, so that claims, if they may be brought at all, must be filed and served and otherwise made in accordance within the time periods specified herein, regardless of any applicable statute of limitations. As used herein, the term "Cap" shall mean the total aggregate amount of \$2,730,000. In no event shall Seller's aggregate liability to Purchaser for breach of any representation, warranty or covenant of Seller in this Agreement, in any certificate, instrument or other document delivered by Seller in connection with this Agreement, the Closing, or otherwise, exceed the amount of the

Cap. Notwithstanding the foregoing, however, the Cap shall not apply to or limit Seller's liability (i) under Section 6.2 above, Section 6.6 above, and Section 10.9 below or (ii) for fraud.

ARTICLE 8: DEFAULT AND REMEDIES

8.1 Seller's Default. If this transaction fails to close as a result of Seller's default, then Purchaser, as Purchaser's sole and exclusive remedies hereunder, may elect to either (i) commence an action for specific performance or (ii) terminate this Agreement by delivering written notice to Seller and receive from Seller the actual out-of-pocket expenses incurred by Purchaser and paid to unrelated or unaffiliated third party consultants in connection with Purchaser's review and preparation to purchase the Property (including, without limitation, reasonable attorneys' fees) up to the amount of Fifty Thousand Dollars (\$50,000.00) (the "Expense Reimbursement"), Purchaser thereby waiving the right to sue Seller for monetary damages or for any remedies available at law or in equity. If Purchaser elects to commence an action for specific performance, Purchaser must commence any such action within sixty (60) days after the scheduled Closing Date. If, however, the equitable remedy of specific performance is not available as a result of Seller's conveyance of the Property to a third-party in violation of this Agreement, Purchaser may seek any other monetary remedy available at law for such default by Seller, subject, however, to the following: In no event shall Seller's liability exceed the sum of (i) the difference between the Purchase Price of this Agreement and the sales price to such third-party and (ii) the Expense Reimbursement. For purposes of this Section 8.1, specific performance shall be considered not available to Purchaser (i) if a court of competent jurisdiction declines to grant the remedy of specific performance, (ii) if the nature of Seller's default is such that, upon obtaining specific performance, Purchaser will receive materially less than Purchaser bargained for in this Agreement or (iii) if Seller has conveyed the Property to a third party. If Purchaser elects to terminate this Agreement pursuant to this Section 8.1, then the Earnest Money (but not the Independent Contract Consideration) shall be returned to Purchaser and such termination shall otherwise be as provided in the last four (4) sentences of Section 2.2.1 above.

8.2 Purchaser's Default. If this transaction fails to close due to the default of Purchaser, then (in accordance with, but subject to, Section 9.4 below) Seller's sole remedy in (i.e., with respect to) such event shall be to terminate this Agreement and to receive and retain the Earnest Money as liquidated damages and not as a penalty, Seller waiving all other rights or remedies in the event of (i.e., in connection with) such default by Purchaser; provided, however, that the foregoing shall not limit Seller's other rights and remedies provided by this Agreement or as a result of another breach, default or failure to perform by Purchaser including, without limitation, Seller's right to receive, keep and retain the Independent Contract Consideration. The parties acknowledge that Seller's actual damages in the event of a default by Purchaser under this Agreement will be difficult to ascertain, and that such liquidated damages represent the parties' best estimate of such damages. Notwithstanding the foregoing, any right of Seller to liquidated damages shall be in addition to and not in lieu of any indemnity obligation, liability or duty of Purchaser and such other obligations, liabilities and duties as are provided and/or referenced in Section 9.4. In the event of a default by Purchaser which does not result in a failure to close, Seller shall, subject to the terms of Section 7.3, have all rights and remedies provided by this Agreement as well as those provided by law and equity.

8.3 Other Expenses. If this Agreement is terminated due to the default of a party, then the defaulting party shall pay or reimburse the other party, as appropriate, for any fees or charges due to the Escrow Holder for holding the Earnest Money as well as any escrow cancellation or termination fees or charges and any fees or charges due to the Title Company for preparation, termination and/or cancellation of the Title Commitment. Each party's obligations, liabilities and duties pursuant to this Section 8.3 shall survive the termination of this Agreement. Additionally, any obligation, liability or duty of Purchaser under this Section 8.3 shall be in addition to Purchaser's obligations, liabilities and duties as set forth in Section 8.2 and Section 9.4.

ARTICLE 9: EARNEST MONEY PROVISIONS

9.1 Investment and Use of Funds. Escrow Holder shall invest the Earnest Money in a federally insured interest-bearing account or accounts satisfactory to Purchaser (as provided in Section 1.3 above), shall not commingle the Earnest Money with any funds of Escrow Holder or others, and shall promptly provide Purchaser and Seller with confirmation of the investments made. If the Closing under this Agreement occurs, and the Earnest Money (or any

portion of it) has not previously been released to Seller, Escrow Holder shall deliver the Earnest Money (or any portion of it) to Seller on the Closing Date.

9.2 Termination Before Expiration of Due Diligence Period. If Purchaser elects to terminate this Agreement prior to the expiration of the Due Diligence Period pursuant to Subsection 2.2.1, Escrow Holder shall immediately pay the entire Earnest Money (including interest earned thereon) to Purchaser as soon as reasonably practicable following receipt of the Due Diligence Termination Notice from Purchaser and this Agreement shall thereupon terminate. No notice to Escrow Holder from Seller shall be required for the release of the Earnest Money to Purchaser by Escrow Holder in accordance with the immediately preceding sentence; provided, however, that Escrow Holder shall confirm that Seller timely received from Purchaser (i) the required Due Diligence Termination Notice and (ii) the Independent Contract Consideration.

9.3 After Expiration of Due Diligence Period. After expiration of the Due Diligence Period (and except as provided in Subsection 2.2.1, Section 2.4, Section 3.2, Section 4.2, Section 4.3, Section 7.3, Section 8.1, Section 8.2, and Section 9.4 or elsewhere in this Agreement), Escrow Holder shall retain the Earnest Money until it receives written instructions executed by both Seller and Purchaser as to the disposition and disbursement of the Earnest Money, or until ordered by final court order, decree or judgment, which is not subject to appeal, to deliver the Earnest Money to a particular party(ies), in which event the Earnest Money shall be delivered in accordance with such notice, instruction, order, decree or judgment. Section 9.4 shall be considered Seller's and Purchaser's executed written instructions to Escrow Holder with respect to the matters set forth therein.

9.4 LIQUIDATED DAMAGES. PURCHASER AND SELLER ACKNOWLEDGE AND AGREE THAT: (I) IT WOULD BE IMPRACTICAL OR EXTREMELY DIFFICULT TO DETERMINE SELLER'S ACTUAL DAMAGES IN THE EVENT THAT THE CLOSING FAILS TO OCCUR BY REASON OF PURCHASER'S DEFAULT UNDER THIS AGREEMENT, WHICH DAMAGES WOULD INCLUDE, BUT NOT BE LIMITED TO, SELLER'S LOST SALE OPPORTUNITIES DURING THE PERIOD THAT THE PROPERTY IS TAKEN OFF THE MARKET; AND (II), TAKING INTO ACCOUNT ALL OF THE CIRCUMSTANCES EXISTING ON THE EFFECTIVE DATE, THE EARNEST MONEY IS A REASONABLE ESTIMATE OF SELLER'S ACTUAL DAMAGES IN SUCH EVENT. CONSEQUENTLY, IN THE EVENT THE CLOSING FAILS TO OCCUR BY REASON OF PURCHASER'S DEFAULT UNDER THIS AGREEMENT AND EXCEPT AS OTHERWISE SPECIFICALLY PROVIDED IN THIS AGREEMENT, SELLER'S SOLE AND EXCLUSIVE REMEDY SHALL BE TO TERMINATE THIS AGREEMENT AND TO RECEIVE AND RETAIN THE ENTIRE EARNEST MONEY AS LIQUIDATED DAMAGES AND NOT AS A PENALTY; PURCHASER SHALL MAKE, GIVE, JOIN IN, EXECUTE AND/OR DELIVER TO ESCROW HOLDER ANY INSTRUMENT REQUIRED IN THIS REGARD. THE FOREGOING PROVISIONS (AND ANY OTHER SIMILAR PROVISIONS SET FORTH IN THIS AGREEMENT) SHALL, HOWEVER, IN NO WAY LIMIT (A) PURCHASER'S INDEMNITY AND/OR RELATED OR SIMILAR OBLIGATIONS, LIABILITIES OR DUTIES (E.G., PURCHASER'S OBLIGATION, LIABILITY AND DUTY TO INDEMNIFY, DEFEND AND/OR HOLD HARMLESS AS PROVIDED IN SECTION 2.2, SECTION 6.6 AND/OR ELSEWHERE IN THIS AGREEMENT), (B) ANY OBLIGATION, LIABILITY OR DUTY OF PURCHASER TO RETURN, DELIVER, ASSIGN, TRANSFER OR MAKE AVAILABLE TO SELLER DOCUMENTS, LICENSES, PERMITS, RESULTS OF DUE DILIGENCE OR OTHER INVESTIGATIONS AND THE LIKE, INCLUDING WITHOUT LIMITATION THE PROPERTY INFORMATION AND THE REPORTS, (C) SECTION 8.3 OR (D) SECTION 10.9, AS SET FORTH IN THIS AGREEMENT ((A), (B), (C) AND (D), COLLECTIVELY, THE "OTHER OBLIGATIONS"), IT BEING THE EXPRESS INTENTION OF THE PARTIES THAT THE LIQUIDATED DAMAGES PROVIDED HEREIN SHALL APPLY TO PURCHASER'S FAILURE TO CLOSE, BUT SHALL NOT LIMIT THE OTHER OBLIGATIONS, LIABILITIES AND DUTIES OF PURCHASER SET FORTH AND/OR REFERENCED HEREINABOVE. SELLER'S RETENTION OF THE DEPOSIT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676, AND 1677. SELLER AND PURCHASER ACKNOWLEDGE THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS ARTICLE 9 AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS:

Purchaser: /s/ HS
(Initials)

Seller: /s/ SD
(Initials)

9.5 Interpleader. Seller and Purchaser agree that, in the event of any controversy regarding the Earnest Money, unless mutual written instructions are received by Escrow Holder directing the Earnest Money's disposition, Escrow Holder shall not take any action, but instead shall await the disposition of any proceeding relating to the Earnest Money or, at Escrow Holder's option, Escrow Holder may interplead all parties and deposit the Earnest Money with a court of competent jurisdiction (in the county in which the Real Property is located) in which event Escrow Holder may recover all of its court costs and reasonable attorneys' fees. Seller or Purchaser, whichever loses in any such interpleader action, shall be solely obligated to pay such costs and fees of Escrow Holder, as well as the reasonable attorneys' fees of the prevailing party in accordance with the other provisions of this Agreement. Each party's obligations, liabilities and duties under this Section 9.5 shall survive the termination of this Agreement.

9.6 Liability of Escrow Holder. The parties acknowledge that Escrow Holder is acting solely as a stakeholder at their request and for their convenience, that Escrow Holder shall not be deemed to be the agent of either Purchaser or Seller, and that Escrow Holder shall not be liable to either of the parties for any action or omission on its part taken or made in good faith, and not in disregard of this Agreement, but shall be liable for its negligent acts and for any loss, cost or expense incurred by Seller or Purchaser resulting from Escrow Holder's mistake of law respecting Escrow Holder's scope or nature of its duties. Seller and Purchaser shall jointly and severally indemnify and hold Escrow Holder harmless from and against all costs, claims and expenses, including reasonable attorneys' fees, incurred in connection with the performance of Escrow Holder's duties hereunder, except with respect to actions or omissions taken or made by Escrow Holder in bad faith, in disregard of this Agreement or involving negligence on the part of Escrow Holder.

ARTICLE 10: MISCELLANEOUS

10.1 Purchaser Bound. Purchaser may not assign this Agreement without the prior written consent of Seller (which consent may be granted or withheld in Seller's sole discretion), and any such prohibited assignment shall be void; provided, however, that (subject to (i) Purchaser and Affiliate (as defined below) providing to Seller written notice of such assignment, including evidence reasonably satisfactory to Seller that Affiliate satisfies the definition of Affiliate set forth below, (ii) Purchaser confirming (in writing) to Seller that such assignment does not relieve or release Purchaser of liability, and (iii) Affiliate confirming (in writing) to Seller, on behalf of Affiliate (as if Affiliate is Purchaser), Purchaser's representations and warranties as set forth in Section 6.6 and Section 7.2 as well as assuming, accepting and agreeing (in writing) to be bound by and perform each of Purchaser's obligations, liabilities, duties, covenants and agreements set forth in this Agreement) Purchaser may assign this Agreement, without Seller's consent, to an Affiliate. No assignment shall release or relieve Purchaser from its obligations, liabilities and/or duties under this Agreement. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the respective legal representatives, successors, assigns, heirs and devisees of the parties. For the purposes of this Section 10.1, the term "Affiliate" means (a) an entity that directly or indirectly controls, is controlled by or is under common control with the Purchaser or (b) an entity at least a majority of whose economic interest is owned by Purchaser; and the term "control" means the power to direct the management of such entity through voting rights, ownership or contractual obligations.

10.2 Headings. The article, section, subsection, paragraph and/or other headings of this Agreement are for convenience only and in no way limit or enlarge the scope or meaning of the language hereof.

10.3 Invalidity and Waiver. If any portion of this Agreement is held invalid or inoperative, then, so far as is reasonable and possible, the remainder of this Agreement shall be deemed valid and operative, and, to the greatest

extent legally possible, effect shall be given to the intent manifested by the portion held invalid or inoperative. The failure by either party to enforce against the other any term or provision of this Agreement shall not be deemed to be a waiver of such party's right to enforce against the other party the same or any other such term or provision in the future.

10.4 Governing Law. This Agreement shall, in all respects, be governed, construed, applied, and enforced in accordance with the law of the State or Commonwealth in which the Real Property is located (i.e., California).

10.5 Survival. Subject to the limitations set forth in and except as otherwise specifically provided by this Agreement, the provisions of this Agreement that contemplate performance after the Closing (and, if no specific survival period is expressly set forth herein, the covenants, agreements, indemnities, representations, warranties and other undertakings of Seller shall survive the Closing for only the period during which Seller's representations and warranties survive the Closing in accordance with Section 7.3 above) and the obligations of the parties not fully performed at the Closing shall survive the Closing and shall not be deemed to be merged into or waived by the instruments of Closing.

10.6 Entirety and Amendments. This Agreement embodies the entire agreement between the parties and supersedes all prior agreements and understandings relating to the Property. This Agreement may be amended or supplemented only by an instrument in writing executed by the party against whom enforcement is sought.

10.7 Time. Time is of the essence in the performance of this Agreement.

10.8 Confidentiality. Purchaser shall make no public announcement or disclosure of (i) any information related to this Agreement, including without limitation the Property Information, the Reports and the results of Purchaser's due diligence examinations, inspections and investigations, as well as the identity of Seller (or Seller's managers, members or affiliates, including without limitation, Seller's real estate investment advisor; i.e., Asset Manager) or (ii) the amount of the Purchase Price, to outside brokers, third parties or the public, before or after the Closing and whether or not the Closing occurs, without the prior written specific consent of Seller; provided, however, that Purchaser may make disclosure of this Agreement to the Permitted Parties (as defined below) to the extent necessary to perform Purchaser's obligations and due diligence tests and studies hereunder and as may be required under laws or regulations applicable to the relevant Permitted Party. Purchaser shall be responsible for advising each Permitted Party of the confidential nature of all information related to this Agreement and each of the provisions of this Agreement. Purchaser shall cause each Permitted Party to hold and treat all information related to this Agreement and each of the provisions of this Agreement strictly confidential and otherwise in a manner consistent with the provisions of this Agreement applicable to Purchaser. "Permitted Parties" is defined as Purchaser's lenders, attorneys, accountants, consultants, contractors, brokers, investors, creditors, officers, employees and agents; and each of such Permitted Parties is a "Permitted Party." Prior to Closing, Purchaser shall not post (or permit the posting of) any jobs related to the Property and/or this transaction. Purchaser's obligations, liabilities and duties under this Section 10.8 shall survive the Closing as well as any termination of this Agreement.

10.9 Attorneys' and Other Fees. Should either party institute any action or proceeding to enforce or interpret this Agreement or any provision hereof, for damages by reason of any alleged breach of this Agreement or any provision hereof, or for a declaration of rights hereunder, the prevailing party in any such action or proceeding shall be entitled to receive from the other party all costs and expenses, including actual attorneys' and other fees, reasonably incurred in good faith by the prevailing party in connection with such action or proceeding. The term "attorneys' and other fees" shall mean and include attorneys' fees, accountants' fees, and any and all consultants and other similar fees incurred in connection with the action or proceeding and preparations therefor. The term "action or proceeding" shall mean and include actions, proceedings, suits, arbitrations, appeals and other similar proceedings. The obligations of the parties set forth in this Section 10.9 shall survive the Closing as well as any termination of this Agreement.

10.10 Notices. All notices required or permitted hereunder shall be in writing and shall be served on the parties at the addresses set forth in Section 1.1.1. Any such notices shall be either (i) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered upon receipt or rejection of delivery, (ii) sent by United States Mail, certified with return receipt requested, in which case notice shall be deemed

delivered upon receipt or rejection of delivery, or (iii) sent by email or facsimile, in which case, within one (1) business day thereof, duplicate notice shall be sent in the manner provided in provision (i) or provision (ii) of this Section 10.10, and such notice shall be deemed delivered upon confirmation of receipt of the email or facsimile during regular business hours (i.e., between 9:00 a.m. and 5:00 p.m. Pacific Time) on a regular business day (i.e., Monday through Friday, inclusive, but excluding holidays) or at 9:00 a.m. Pacific Time on the next regular business day after confirmation of receipt of the email or facsimile (a) after regular business hours on a regular business day or (b) on a day other than a regular business day. A party's address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt (or refusal of acceptance of delivery) of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice. Notices given by Purchaser's counsel shall be deemed given by Purchaser and notices given by Seller's counsel shall be deemed given by Seller.

10.11 Construction.

10.11.1 The parties acknowledge and agree that the parties and/or their counsel have reviewed, negotiated and revised this Agreement and agree that the normal rule of construction (to the effect that any ambiguities are to be resolved against the drafting party) shall not be employed in the interpretation of this Agreement or any exhibits or amendments hereto.

10.11.2 If any words or phrases in this Agreement shall have been stricken out or otherwise eliminated, whether or not any other words or phrases have been added, this Agreement shall be construed as if the words or phrases so stricken out or otherwise eliminated were never included in this Agreement and no implication or reference shall be drawn from the fact that said words or phrases were so stricken out or otherwise eliminated.

10.12 Calculation of Time Periods. Unless otherwise specified, in computing any period of time described herein, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included, unless such last day is a Saturday, Sunday or legal holiday for national banks in the location where the Property is located, in which event the period shall run until the end of the next day which is not a Saturday, Sunday, or legal holiday. The last day of any period of time described herein shall be deemed to end at 5:00 p.m. Pacific Time, unless otherwise expressly provided for herein.

10.13 Purchaser's Liability. Subject to the provisions of Section 10.15, each person or entity comprising Purchaser shall be jointly and severally liable for Purchaser's obligations, liabilities and duties under this Agreement.

10.14 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution of this Agreement, the parties may execute and exchange, by telephone facsimile, electronic pdf or otherwise, counterparts of the signature page(s).

10.15 Limitation of Liability. Any obligation or liability of Purchaser or Seller whatsoever which may arise at any time under this Agreement or any obligation or liability which may be incurred by Purchaser or Seller pursuant to any other instrument, transaction or undertaking contemplated hereby shall be satisfied, if at all, out of Purchaser's or Seller's assets only. No obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any of Purchaser's or Seller's limited partners, managers, members, trustees, officers, directors, employees, shareholders, representatives or agents (including, without limitation, Asset Manager and Property Manager), regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

10.16 Further Assurances. In addition to the acts and deeds recited herein and contemplated to be performed, executed and/or delivered by either party at Closing, each party agrees to perform, execute and deliver, but without any obligation to incur any additional liability or expense, on or after the Closing any further deliveries and assurances as may be reasonably necessary to consummate the transactions contemplated hereby or to further perfect the conveyance, transfer and assignment of the Property to Purchaser. The parties' obligations, liabilities and duties under this Section 10.16 shall survive the Closing.

10.17 No Reliance on Documents or Statements. Except as expressly stated herein, Seller makes no representation or warranty as to the truth, accuracy or completeness of any materials, data or information delivered by Seller to Purchaser in connection with the transaction contemplated hereby. Purchaser acknowledges and agrees that all materials, data and information delivered by Seller to Purchaser in connection with the transaction contemplated hereby are provided to Purchaser as a convenience only and that any reliance on or use of such materials, data or information by Purchaser shall be at the sole risk of Purchaser, except as otherwise expressly stated herein. Without limiting the generality of the foregoing provisions, Purchaser acknowledges and agrees that (i) any reports or other information with respect to the Property which are delivered or otherwise made available by Seller to Purchaser shall be for general informational purposes only, (ii) Purchaser shall not have any right to rely on any such reports and/or information delivered or otherwise made available by Seller to Purchaser, but rather will rely on its own inspections and investigations of the Property and any reports commissioned by Purchaser with respect thereto, (iii) Purchaser shall not have any right to rely on any statements made by a representative of Seller, including without limitation, the Property Manager, any leasing agent or employee of Seller, and (iv) neither Seller, any affiliate of Seller nor the person or entity which prepared any such reports and/or information delivered or otherwise made available by Seller to Purchaser shall have any liability to Purchaser for any inaccuracy in or omission from any such reports and/or information.

10.18 DISCLAIMERS AND RELEASES.

10.18.1 **EXCEPT AS EXPRESSLY AND SPECIFICALLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING, IT IS UNDERSTOOD AND AGREED THAT SELLER IS NOT MAKING AND HAS NOT AT ANY TIME MADE ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND OR CHARACTER, EXPRESSED OR IMPLIED, ORAL OR WRITTEN, PAST, PRESENT OR FUTURE, AS TO, CONCERNING OR WITH RESPECT TO THE PROPERTY OR ANY OTHER MATTER WHATSOEVER, INCLUDING, BUT NOT LIMITED TO, ANY REPRESENTATIONS OR WARRANTIES AS TO HABITABILITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE (OTHER THAN ANY SELLER'S SPECIAL WARRANTY(IES) OF OR WITH RESPECT TO TITLE, IF ANY, TO BE SET FORTH IN THE DEED), ZONING, TAX CONSEQUENCES, LATENT OR PATENT PHYSICAL OR ENVIRONMENTAL CONDITION (INCLUDING, WITHOUT LIMITATION, DEFECTS), UTILITIES, OPERATING HISTORY OR PROJECTIONS, VALUATION, GOVERNMENTAL APPROVALS, THE COMPLIANCE OF THE PROPERTY WITH LAWS (INCLUDING, WITHOUT LIMITATION, THE ABSENCE OR PRESENCE OF HAZARDOUS MATERIALS OR COMPLIANCE WITH ENVIRONMENTAL LAWS), THE TRUTH, ACCURACY OR COMPLETENESS OF THE PROPERTY INFORMATION, DOCUMENTS OR ANY OTHER ITEM PROVIDED BY OR ON BEHALF OF SELLER TO PURCHASER, OR ANY OTHER MATTER OR THING REGARDING THE PROPERTY OR OTHERWISE. PURCHASER ACKNOWLEDGES AND AGREES THAT, EXCEPT TO THE EXTENT EXPRESSLY AND SPECIFICALLY PROVIDED OTHERWISE IN THIS AGREEMENT AND ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING, (I) SELLER SPECIFICALLY NEGATES AND DISCLAIMS ANY REPRESENTATIONS, WARRANTIES OR GUARANTIES AND (II), UPON CLOSING, SELLER SHALL SELL AND CONVEY TO PURCHASER AND PURCHASER SHALL ACCEPT THE PROPERTY "AS IS, WHERE IS, WITH ALL FAULTS." PURCHASER HAS NOT RELIED AND WILL NOT RELY ON, AND SELLER IS NOT LIABLE FOR OR BOUND BY, ANY EXPRESS OR IMPLIED WARRANTIES, GUARANTEES, STATEMENTS, REPRESENTATIONS OR INFORMATION PERTAINING TO THE PROPERTY OR RELATING THERETO (INCLUDING SPECIFICALLY, WITHOUT LIMITATION, PROPERTY INFORMATION PACKAGES DISTRIBUTED WITH RESPECT TO THE PROPERTY) MADE OR FURNISHED BY SELLER, ASSET MANAGER, PROPERTY MANAGER, OR ANY REAL ESTATE BROKER OR AGENT REPRESENTING OR PURPORTING TO REPRESENT SELLER (INCLUDING, WITHOUT LIMITATION, BROKER AS IDENTIFIED IN SUBSECTION 1.1.10 ABOVE), TO WHOMEVER MADE OR GIVEN, DIRECTLY OR INDIRECTLY, ORALLY OR IN WRITING, UNLESS SPECIFICALLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING. BY FAILING TO TERMINATE THIS AGREEMENT PRIOR TO THE EXPIRATION OF THE DUE DILIGENCE PERIOD, PURCHASER ACKNOWLEDGES AND AGREES THAT SELLER HAS AFFORDED PURCHASER A FULL OPPORTUNITY TO CONDUCT SUCH INVESTIGATIONS OF THE PROPERTY, INCLUDING, BUT NOT**

LIMITED TO, THE PHYSICAL AND ENVIRONMENTAL CONDITIONS THEREOF, AS PURCHASER DEEMED NECESSARY TO SATISFY ITSELF AS TO THE CONDITION OF THE PROPERTY AND THE EXISTENCE OR NON-EXISTENCE OR CURATIVE ACTION TO BE TAKEN WITH RESPECT TO ANY HAZARDOUS MATERIALS ON OR DISCHARGED FROM THE PROPERTY, AND WILL RELY SOLELY UPON SAME AND NOT UPON ANY INFORMATION PROVIDED BY OR ON BEHALF OF SELLER OR ITS AGENTS, REPRESENTATIVES OR EMPLOYEES WITH RESPECT THERETO, OTHER THAN SUCH REPRESENTATIONS, WARRANTIES, INDEMNITIES AND COVENANTS OF SELLER AS ARE EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT THE CLOSING. EXCEPT TO THE EXTENT OF THE COVENANTS, INDEMNITIES, REPRESENTATIONS AND WARRANTIES OF SELLER EXPRESSLY SET FORTH IN THIS AGREEMENT OR IN ANY DOCUMENT WHICH IS BOTH EXECUTED BY SELLER AND DELIVERED TO PURCHASER AT CLOSING, PURCHASER, ON BEHALF OF ITSELF AND ITS SUCCESSORS AND ASSIGNS, WAIVES ITS RIGHT TO RECOVER FROM, AND FOREVER RELEASES AND DISCHARGES, SELLER, SELLER'S PREDECESSORS, SELLER'S AFFILIATES, SELLER'S INVESTMENT MANAGER, SELLER'S ASSET MANAGER, SELLER'S PROPERTY MANAGER, THE PARTNERS, TRUSTEES, SHAREHOLDERS, MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, REPRESENTATIVES AND AGENTS OF EACH OF THEM, AND THEIR RESPECTIVE HEIRS, SUCCESSORS, PERSONAL REPRESENTATIVES AND ASSIGNS, FROM ANY AND ALL DEMANDS, CLAIMS, LEGAL OR ADMINISTRATIVE PROCEEDINGS, LOSSES, LIABILITIES, DAMAGES, PENALTIES, FINES, LIENS, JUDGMENTS, COSTS OR EXPENSES WHATSOEVER (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' FEES AND COSTS), WHETHER DIRECT OR INDIRECT, KNOWN OR UNKNOWN, FORESEEN OR UNFORESEEN, AND WHETHER OR NOT REVEALED BY PURCHASER'S INVESTIGATIONS, WHICH MAY ARISE ON ACCOUNT OF OR IN ANY WAY BE CONNECTED WITH THE PHYSICAL CONDITION OF THE PROPERTY OR ANY LAW OR REGULATION APPLICABLE THERETO, INCLUDING, WITHOUT LIMITATION, THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980, AS AMENDED (42 U.S.C. SECTIONS 9601 ET SEQ.), THE RESOURCES CONSERVATION AND RECOVERY ACT OF 1976 (42 U.S.C. SECTION 6901 ET SEQ.), THE CLEAN WATER ACT (33 U.S.C. SECTION 466 ET SEQ.), THE SAFE DRINKING WATER ACT (14 U.S.C. SECTIONS 1401-1450), THE HAZARDOUS MATERIALS TRANSPORTATION ACT (49 U.S.C. SECTION 1801 ET SEQ.), THE TOXIC SUBSTANCE CONTROL ACT (15 U.S.C. SECTIONS 2601-2629), AND ANY OTHER ENVIRONMENTAL LAW.

Purchaser: /s/ HS
(Initials)

10.18.2 PURCHASER IS A SOPHISTICATED PURCHASER, EXPERIENCED IN REAL ESTATE ACQUISITIONS OF THE KIND AND NATURE CONTEMPLATED BY THIS AGREEMENT, AND PURCHASER HAS OR WILL HAVE ADEQUATE OPPORTUNITY TO COMPLETE ALL PHYSICAL AND FINANCIAL EXAMINATIONS RELATING TO THE ACQUISITION OF THE PROPERTY IT DEEMS NECESSARY, AND WILL ACQUIRE THE SAME SOLELY ON THE BASIS OF SUCH EXAMINATIONS, SELLER'S EXPRESS REPRESENTATIONS, WARRANTIES, INDEMNITIES AND COVENANTS CONTAINED IN THIS AGREEMENT OR ANY DOCUMENT DELIVERED BY SELLER TO PURCHASER AT CLOSING, AND THE TITLE INSURANCE PROTECTION AFFORDED BY THE OWNER'S POLICY AND NOT ON ANY OTHER INFORMATION PROVIDED OR TO BE PROVIDED BY SELLER. PURCHASER ACKNOWLEDGES THAT SELLER HAS GIVEN PURCHASER ACCESS TO VARIOUS MATERIALS IN SELLER'S POSSESSION AND SELLER BELIEVES THAT ADDITIONAL STUDIES, REPORTS AND OTHER MATERIALS MAY BE PREPARED PRIOR TO THE CLOSING WHICH MAY BE MATERIAL TO PURCHASER'S PURCHASE, OWNERSHIP, DEVELOPMENT, OPERATION AND/OR USE OF THE PROPERTY. ANY INFORMATION PROVIDED OR TO BE PROVIDED WITH RESPECT TO THE PROPERTY IS SOLELY FOR PURCHASER'S CONVENIENCE AND WAS OR WILL BE OBTAINED FROM A VARIETY OF SOURCES AND SELLER HAS NOT MADE ANY INDEPENDENT

INVESTIGATION OR VERIFICATION OF SUCH INFORMATION AND MAKES NO REPRESENTATIONS AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION (EXCEPT TO THE EXTENT EXPRESSLY PROVIDED IN THIS AGREEMENT OR ANY CLOSING DOCUMENT). SELLER SHALL NOT BE LIABLE FOR ANY FAILURE OF OR BY PURCHASER TO INVESTIGATE THE PROPERTY AND SELLER SHALL NOT BE BOUND IN ANY MANNER BY ANY VERBAL OR WRITTEN STATEMENTS, REPRESENTATIONS, APPRAISALS, ENVIRONMENTAL ASSESSMENT REPORTS, OR OTHER INFORMATION PERTAINING TO THE PROPERTY FURNISHED BY SELLER, ITS OFFICERS, DIRECTORS OR EMPLOYEES OR BY ANY AGENT, REPRESENTATIVE, AFFILIATE OR OTHER PERSON OR ENTITY ACTING ON SELLER'S BEHALF. TO THE EXTENT REQUIRED TO BE OPERATIVE, THE DISCLAIMERS OF WARRANTIES CONTAINED IN THIS AGREEMENT ARE "CONSPICUOUS" DISCLAIMERS FOR THE PURPOSES OF ANY APPLICABLE LAWS.

Purchaser: /s/ HS
(Initials)

10.18.3 Purchaser acknowledges and agrees that the waivers, releases and other provisions contained in this Section 10.18 as well as elsewhere in this Agreement, were a material factor in Seller's acceptance of the Purchase Price and agreement to the terms of this Agreement, and that Seller is unwilling to sell the Property to Purchaser unless Seller is released and indemnified as expressly set forth herein. The releases by Purchaser set forth in this Agreement include claims of which Purchaser is presently unaware or which Purchaser does not presently suspect to exist which, if known by Purchaser, would materially affect Purchaser's release of Seller; provided that such releases shall not apply to Seller's (i) fraud or (ii) obligations under this Agreement that expressly survive Closing. Purchaser specifically waives the provision of California Civil Code Section 1542, which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN TO HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Purchaser: /s/ HS
(Initials)

Purchaser acknowledges and agrees that Purchaser, together with Purchaser's counsel, has fully reviewed the disclaimers, waivers, releases, indemnities, etc., set forth in this Agreement, and understands the significance and effect thereof. The terms and conditions of this Section 10.18 will expressly survive the Closing, will not merge with the provisions of any closing documents, and will be incorporated into the Deed.

10.18.4 Seller hereby discloses to Purchaser that the noted floor to ceiling heights of the Buildings, as reflected in the Broker issued offering materials, may be inconsistent with the actual floor to ceiling height measurements of the Buildings. Purchaser hereby covenants and agrees that Seller shall have no liability to Purchaser on account of any such errors in the offering material.

10.19 Discharge of Obligations. The acceptance of the Deed by Purchaser shall be deemed to be a full performance and discharge of every representation and warranty made by Seller herein and every agreement and obligation on the part of Seller to be performed pursuant to the provisions of this Agreement, except those which are herein specifically stated to survive Closing.

therewith, for a period of one (1) year following Closing, Seller agrees to provide access to those items set forth on Exhibit B-1 attached hereto as requested by Purchaser. In that regard, Purchaser has advised Seller that Purchaser will be required after the Closing Date to comply with certain requirements of the Securities and Exchange Commission; accordingly, Seller shall comply with the provisions set forth in Exhibit B-1 attached hereto and made a part hereof in order to facilitate such compliance by Purchaser. If requested by Purchaser, Seller shall deliver a representation letter in the form attached hereto as Exhibit B-2 (the "Representation Letter"). Seller's obligations, liabilities and duties under and pursuant to this Section 10.25 shall be subject to and limited by the following, including without limitation, Purchaser's acknowledgements, agreements and other obligations, liabilities and duties set forth hereinbelow:

10.25.1 Seller will only provide (or provide reasonable access to) the items specifically listed on Exhibit B-1 attached hereto that are in Seller's possession.

10.25.2 Seller shall have no liability to Purchaser or anyone claiming by, through or under Purchaser for the integrity or accuracy of the materials provided pursuant to Exhibit B-1 or for the statements set forth in the Representation Letter. In no event shall any of the statements set forth in the Representation Letter constitute a representation and warranty of Seller to Purchaser under this Agreement. The waivers and releases of Purchaser in Section 10.18 above shall apply to any and all claims against Seller (and its predecessors, affiliates, partners, trustees, shareholders members, directors, officers, employees, representatives and agents) arising out of or relating to the integrity or accuracy of the materials provided pursuant to Exhibit B-1 or the statements set forth in the Representation Letter

10.25.3 Neither Purchaser nor anyone claiming by, through or under Purchaser (including, without limitation, Purchaser's accountants, auditors and investors) shall use the materials listed on Exhibit B-1, the statement set forth in the Representation Letter and/or the data, audit or results of the audit to make a claim against or seek damages from Seller in connection with an alleged breach of this Agreement or otherwise, except in connection with the gross negligence or intentional misconduct of Seller and/or Asset Manager. Purchaser shall indemnify, defend and hold Seller and Asset Manager, as well as their officers, directors, agents, representatives, employees, managers, members, partners and shareholders free and harmless of, from and against any and all Claims arising out of, resulting from or related to any such Claim by anyone claiming by, through or under Purchaser (including, without limitation, Purchaser's accountants, auditors and investors), which Claim is finally adjudicated and results in a determination of no liability or no fault of or by Seller and/or Asset Manager. A final adjudication shall include, without limitation, a dismissal of any Claim or cause of action with prejudice, a summary judgment in favor of Seller and the like that becomes final and non-appealable. The indemnity and related obligations of Purchaser set forth in this Subsection 10.25.3 shall survive the Closing for the statute of limitations period applicable to such claim.

10.25.4 The cost of performing the audit, including any fees to be paid to the auditor(s) shall be solely the responsibility, obligation and liability of Purchaser.

10.25.5 The foregoing covenants and obligations of Seller in this Section 10.25, including the obligations set forth in Exhibit B-1 and Exhibit B-2, shall survive Closing for a period of one (1) year. Seller acknowledges and agrees that the terms of this Section 10.25 shall not be construed to limit or negate any liability of Seller for a breach of a representation and warranty of Seller expressly set forth in Section 7.1 of this Agreement subject, however, to the limitations imposed in Section 7.3 through Section 7.5 of this Agreement as well as the first sentence of Section 10.25.3 above.

10.26 Skylight Litigation. Reference is hereby made to SFV Safari, LLC, et al. v. Acralight Solar, LLC, et al., San Bernardino Superior Court Case No. CIVDS1602519 (the "Skylight Litigation"). Seller shall have the right, in Seller's sole discretion, to enter into a settlement agreement and effectuate a monetary settlement of the Skylight Litigation. Alternatively, at any time, Seller shall have the right, in Seller's sole discretion, to dismiss the Skylight Litigation without prejudice, in which event Seller shall be deemed to have assigned to Purchaser any claims that Seller has as the plaintiff pursuant to the Skylight Litigation. Any net proceeds obtained by Seller or Purchaser, as the case may be, in connection with the Skylight Litigation (e.g., after deduction for Seller's costs and, if applicable, Purchaser's costs incurred in connection with the Skylight Litigation) shall be split equally between Purchaser and Seller. The terms of this Section 10.26 shall survive the Closing.

10.27 Package Deal; Cross-Default. Reference is hereby made to that certain Agreement of Purchase and Sale dated as of the date hereof by and between Safari Industrial Corporation and Purchaser (as amended, the "Buildings 1-6 PSA"). Seller has advised Purchaser that transaction described in this Agreement and the transaction described in the Buildings 1-6 PSA are a "package deal". Accordingly, in the event that the Buildings 1-6 PSA is terminated for any reason whatsoever, then this Agreement shall automatically terminate (and similarly, in the event that this Agreement is terminated for any reason whatsoever, then the Buildings 1-6 PSA shall also automatically terminate). Similarly, a default by Purchaser under this Agreement shall constitute a default by Purchaser under the Buildings 1-6 PSA (and, a default by Purchaser under the Buildings 1-6 PSA shall constitute a default by Purchaser hereunder). The Closing hereunder shall occur simultaneously with the Closing under the Buildings 1-6 PSA, notwithstanding anything to the contrary set forth herein or in the Buildings 1-6 PSA. As a result, and as may be necessary to accommodate a simultaneous closing, the closing dates under either or both of this Agreement and the Buildings 1-6 PSA shall be extended, as necessary, without any other modifications to the terms of either contract. The terms of this Section 10.27 shall survive the Closing.

[SIGNATURES ON NEXT PAGE]

SIGNATURE PAGE TO AGREEMENT OF
PURCHASE AND SALE
BY AND BETWEEN
SVF SAFARI, LLC
AND
REXFORD INDUSTRIAL REALTY, L.P.
(Safari Buildings 7-17, Ontario, California 91761)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day(s) and year written below.

SVF SAFARI, LLC,
a Delaware limited liability company

By: First Fiduciary Realty Advisors, Inc.,
a California corporation, its Manager

Date: May 2, 2017

By: /s/ Scott Darling
Name: Scott Darling
Title: President

"Seller"

REXFORD INDUSTRIAL REALTY, L.P.
a Maryland limited partnership

By: Rexford Industrial Realty, Inc.,
a Maryland corporation
Its: General Partner

By: /s/ Howard Schwimmer
Name: Howard Schwimmer
Title: Co-CEO

Date: May 2, 2017

"Purchaser"

Escrow Holder has executed this Agreement in order to confirm that Escrow Holder shall, upon receipt, hold the Earnest Money and the interest earned thereon, in escrow, and shall disburse the Earnest Money, and the interest earned thereon, pursuant to the provisions of this Agreement, in general, and Section 1.3, Section 2.2 as well as Article 9 thereof, in particular. Escrow Holder further acknowledges and agrees (i) that this Agreement shall serve as escrow instructions, subject to Escrow Holder's non-conflicting customary general provisions, generally, and (ii) to the provisions of Section 1.3, Section 2.2, Section 5.1, Section 5.10 as well as Section 9.1 of this Agreement, particularly.

CHICAGO TITLE COMPANY

Date: May 3, 2017

By: /s/ Patricia M. Schlagek
Name: Patricia M. Schlagek
Title: VP/Sr. Commercial Escrow Officer

AGREEMENT OF PURCHASE AND SALE
(Safari Buildings 7-17, Ontario, California 91761)

EXHIBITS

- A – Legal Description of Real Property
 - B-1 – SEC Reporting Requirements
 - B-2 – Form of Representation Letter
 - C – Deed
 - D – Bill of Sale and Assignment of Leases and Contracts
 - E – FIRPTA Affidavit
 - F – Gap Indemnity
 - G – Owner’s Affidavit
 - H – Form of Tenant Estoppel Certificate
 - I – Schedule of Pending New Leases
 - J – Pending or Threatened Actions, Suits or Proceedings which are Known to Seller
 - K – Notice to Tenants
- Schedule 1.2.3 List of Tangible Personal Property
- Schedule 1.5 Allocation of Purchase Price

EXHIBIT A

LEGAL DESCRIPTION

LOTS 1 TO 9, INCLUSIVE, AND LETTERED LOT A, TRACT NO. 13358, IN THE CITY OF ONTARIO, COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, AS PER PLAT RECORDED IN BOOK 243, PAGES 80 THROUGH 82, INCLUSIVE OF MAPS, RECORDS OF SAID COUNTY.

A-1

EXHIBIT B-1

SEC REPORTING REQUIREMENTS

For the period of time commencing on the Effective Date and continuing through the date that is one (1) year after the Closing Date, Seller shall, from time to time, upon reasonable advance notice from Purchaser, provide Purchaser and its representatives, agents, and employees with access to the information listed below pertaining to the Property for calendar year 2016 through the Closing Date, which information is relevant and reasonably necessary, in the opinion of Purchaser or its outside third-party accountants (the "Accountants"), to enable Purchaser and its Accountants to prepare financial statements in compliance with any and or all of (a) Rule 3-14 of Regulation S-X of the Securities and Exchange Commission (the "Commission"); (b) any other rule issued by the Commission and applicable to Purchaser; and (c) any registration statement, report, or disclosure statement filed with the Commission by, or on behalf of Purchaser; provided, however, that in any such event(s), Purchaser shall reimburse Seller for those reasonable third-party, out-of-pocket costs and expenses that Seller incurs (inclusive of the costs of Asset Manager and any agents or consultants or Seller or Asset Manager including without limitation reimbursement of time spent by employees of such parties in connection therewith at such employees' hourly rates) in order to comply with the foregoing requirement. Capitalized terms not defined herein shall have the meanings as ascribed to such terms in the Agreement to which this Exhibit is attached.

1. Rent rolls;
2. Seller's internally prepared financial statements;
3. Trial balance;
4. Access to Lease files and the property management agreement with a third party manager, if applicable;
5. Most currently available real estate and supplemental tax bills (including for periods necessary to address payments being made in arrears);
6. Access to Seller's cash receipt and disbursement journal(s) and bank statements for the Property;
7. Seller's general ledger with respect to the Property, excluding Seller's proprietary accounts;
8. Seller's schedule of tenant expense reimbursements required under the Leases;
9. Schedule of those items of repairs and maintenance performed by or at the direction of Seller during Seller's final fiscal year in which Seller owns and operates the Property (the "Final Fiscal Year");
10. Schedule of those capital improvements and fixed asset additions made by or at the direction of Seller during the Final Fiscal Year;
11. Access to particular invoices of Seller (as specifically requested by Purchaser) with respect to expenditures made during the Final Fiscal Year;
12. Access (during normal and customary business hours) to responsible personnel to answer accounting questions;
13. Board of Director and committee resolutions of Seller, if any; and
14. Names of related parties and related party transactions to the extent directly related to Seller's operation of the Property.

Nothing herein shall require Seller to conduct its own audits or generate any requested materials that are not in its possession.

The provisions of the foregoing information shall be for informational purposes only, shall not be deemed to be representations or warranties under this Agreement, and shall not expose Seller to any liability on account thereof.

This obligation shall survive the Closing for a period of one (1) year and shall not be merged with any instrument of conveyance delivered at the Closing.

EXHIBIT C

DEED

RECORDING REQUESTED BY:
AND WHEN RECORDED MAIL DEED
AND TAX STATEMENT TO:

ATTENTION: _____
ESCROW NO. _____
ORDER NO. _____

SPACE ABOVE THIS LINE FOR
RECORDER'S USE

GRANT DEED

Assessor's Parcel No. _____

THE UNDERSIGNED GRANTOR(S) DECLARE(S)

DOCUMENTARY TRANSFER TAX IS: \$ _____

Unincorporated area City of Ontario

Computed on the full value of the interest or property conveyed, or is

Computed on the full value less the value of liens or encumbrances remaining at time of sale.

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, Safari Industrial Corporation, a Delaware corporation, hereby GRANT(S) to _____, a _____, the following described real property in the City of Ontario, County of San Bernardino, State of California.

SEE **EXHIBIT "ONE"** ATTACHED HERETO.

Dated: _____, 2017

IN WITNESS WHEREOF, said Grantor has caused its name and seal to be affixed hereto and this instrument to be executed as of the date mentioned above.

SVF SAFARI, LLC,
a Delaware limited liability company

By: First Fiduciary Realty Advisors, Inc.,
a California corporation, its Manager

By: _____
Name: _____
Title: _____

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA)SS
COUNTY OF LOS ANGELES)

On _____, 2017 before me, _____, Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

This area for official notarial seal

EXHIBIT "ONE" TO GRANT DEED

Land situated in the State of California, County of San Bernardino, City of Ontario described as follows:

[INSERT LEGAL DESCRIPTION]

SUBJECT TO:

1. Taxes, whether general, special or otherwise, and assessments.
2. All other covenants, conditions, restrictions, reservations, rights, rights of way, easements, encumbrances, liens and title matters whether or not of record or visible from an inspection of the property and all matters which an accurate survey of the property would disclose.

EXHIBIT D

BILL OF SALE AND ASSIGNMENT OF LEASES AND CONTRACTS

This instrument is executed and delivered as of the ____ day of _____, 20____, pursuant to that certain Agreement of Purchase and Sale ("Agreement") dated for reference purposes as of May __, 2017, entered into by and between SVF Safari, LLC, a Delaware limited liability company ("Seller"), and _____ ("Purchaser"), covering the real property described in Exhibit 1 attached hereto ("Real Property"). Except as otherwise specifically provided herein, defined terms shall have the same meaning as they have in the Agreement.

1. Sale of Personalty. For good and valuable consideration, Seller hereby quitclaims to Purchaser all of Seller's right, title and interest, if any, in and to the following, without representation or warranty as to title or otherwise and in other "AS IS," "WHERE IS" and "WITH ALL FAULTS" condition except as provided in Paragraph 3 below:

- (a) Tangible Personal Property. The Tangible Personal Property; and
- (b) Intangible Personal Property. The Intangible Personal Property.

2. Assignment of Leases and Contracts. For good and valuable consideration, Seller hereby assigns, transfers, sets over and conveys to Purchaser, all of Seller's right, title and interest in and to the following, to the extent assignable, and Purchaser hereby accepts such assignment:

(a) Leases. The tenant lease(s) ("Leases") covering the Real Property, as set forth on the rent roll attached hereto as Exhibit 2, which rent roll is the rent roll used by Seller in Seller's ordinary course of business, and Purchaser hereby assumes all of the landlord's obligations under the Leases arising from and after the "Closing Date" (as defined in the Agreement); but, as to the landlord's obligations with regard to security deposits and other deposits, only to the extent such deposits have been transferred or credited to Purchaser; and

(b) Service Contracts. The service contract(s) described in Exhibit 3 attached hereto ("Service Contracts"), and Purchaser hereby assumes the obligations of Seller under such Service Contracts arising from and after the Closing Date.

3. Warranty. Seller hereby represents and warrants to Purchaser that it is the owner of the Tangible Personal Property described in Paragraph 1 of this instrument (to the extent, but only to the extent, such Tangible Personal Property is listed on Exhibit 4 attached hereto), that, to Seller's knowledge (as defined in the Agreement), such Tangible Personal Property is free and clear of all liens, charges and encumbrances, and Seller warrants and defends title to said Tangible Personal Property unto Purchaser against any person or entity lawfully claiming the same or any part thereof by, through or under Seller (but not otherwise). In no event shall any representation or warranty contained herein cover or otherwise extend to the Real Property or any part of it.

4. Disclaimers and Releases. The assignments and conveyances hereby made are made by Seller subject to the disclaimers and releases set forth in Section 10.18 of the Agreement, to the same extent as if such disclaimers and releases were repeated herein.

5. Limitation of Liability. Any obligation or liability of Purchaser or Seller whatsoever which may arise at any time under this instrument or the Agreement or any obligation or liability which may be incurred by either party pursuant to any other instrument, transaction or undertaking contemplated hereby or thereby shall be satisfied, if at all, out of Purchaser's or Seller's assets (and the proceeds thereof) only. No obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any Purchaser's or Seller's trustees, officers, directors, employees, shareholders, members, limited partners or agents, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise. Additionally, Seller's obligations, liabilities and duties under

this instrument, if any, shall be limited by and in accordance with the provisions of Section 6.3 and Section 7.5 of the Agreement.

6. Counterparts. This Bill of Sale and Assignment of Leases and Contracts may be executed in any number of counterparts, each of which shall be deemed to be an original and all of such counterparts shall constitute one (1) and the same agreement. To facilitate execution and delivery of this instrument, the parties may execute and exchange, by facsimile or otherwise, counterparts of the signature page(s).

7. Successors and Assigns. This instrument shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

8. No Waiver. Nothing contained in this instrument shall be deemed to limit, waive or otherwise derogate from any warranty, representation, covenant or indemnification made in the Agreement by either party, or to waive or abrogate any limits on liability specified in the Agreement, and none of such provisions in the Agreement shall be deemed to have merged into any assignment or transfer made by this instrument.

9. Governing Law. This instrument shall be deemed to be an agreement made under the laws of the state where the Real Property is located and for all purposes shall be governed by and construed in accordance with such laws.

IN WITNESS WHEREOF, the undersigned have caused this Bill of Sale and Assignment of Lease and Contracts to be executed as of the date written above.

SELLER:

SVF SAFARI, LLC,
a Delaware limited liability company

By: First Fiduciary Realty Advisors, Inc.,
a California corporation, its Manager

By: _____
Name: _____
Title: _____

PURCHASER:

a

By: _____
Name: _____
Title: _____

SELLER:

SVF SAFARI, LLC,
a Delaware limited liability company

By: First Fiduciary Realty Advisors, Inc.,
a California corporation, its Manager

By:

Name:

Title:

PURCHASER:

,

a

By:

Name:

Title:

EXHIBIT J

PENDING OR THREATENED ACTIONS,
SUITS OR PROCEEDINGS
WHICH ARE KNOWN TO SELLER

None.

J-1

SCHEDULE 1.2.3

LIST OF TANGIBLE PERSONAL PROPERTY

- 1) SJTTT4625-Sky Jack Electric Scissor Lift Serial #708513
- 2) Water Extractor
- 3) Pressure Washer
- 4) Cabinet & Shelf
- 5) 3 Ladders
- 6) Dolly
- 7) 4 Fans
- 8) 1 Floor Blower
- 9) 1 Leaf Blower
- 10) Garden Hose
- 11) 3 - Tubs
- 12) Canopy
- 13) Miscellaneous hand tools
- 14) Miscellaneous Cleaning supplies
- 15) Phone system & 4 Telephones
- 16) 3 Gray Lateral File Cabinets
- 17) 2 File Cabinets (plans)
- 18) 6 Plastic Storage Totes
- 19) 3 Leopard Print Chairs
- 20) 4 Blue Guest Chairs
- 21) 2 Black Leather Desk Chairs
- 22) 6 Black Fabric reception Chairs
- 23) 1 Cherry Conference Room Table
- 24) 3 Wire six shelf storage racks
- 25) 1 Metal 4 Shelf Storage rack
- 26) 2 Book Cases
- 27) 2 Desk w 2 Matching Credenza's
- 28) 1 Reception Desk with Storage Unit & File Cabinet
- 29) 2 Computers
- 30) 1 HP Officejet M177fw
- 31) 1 HP Laser Jet 4250 Printer - Need to call for service
- 32) 1 Paper Shredder
- 33) 1 Roper Refrigerator
- 34) 1 Sharp Carousel Micro Wave & Cart
- 35) 1 Bamboo Side Table & Matching End Table
- 36) 3 Pictures of Elephant Statue
- 37) 2 African Animal Pictures - Lion / Leopard
- 38) 2 Coffee Pictures - Espresso / Cappuccino
- 39) 1 Cherry Hall Table
- 40) 1 Fichus Tree & Pot
- 41) Janet Plant & Pot
- 42) 3 Vases - 1Glass Leopard / 1 Metal / 1 Ceramic
- 43) 3 - Picture Plates - Leopard / Lion / Tiger
- 44) Seasonal Decorations Schedule

SCHEDULE 1.5

ALLOCATION OF PURCHASE PRICE

Building #	purchase price allocation
7	\$13,609,042.37
8	\$12,966,617.32
9	\$10,365,632.26
10	\$10,889,557.91
11	\$6,961,200.88
13	\$6,503,675.74
14	\$7,031,815.28
15	\$7,937,416.25
16	\$7,209,819.76
17	\$7,525,222.24

Schedule 1.5-1

FIRST AMENDMENT TO
AGREEMENT OF PURCHASE AND SALE
(Safari Buildings 7-17, Ontario, California 91761)

THIS FIRST AMENDMENT TO AGREEMENT OF PURCHASE AND SALE (this "First Amendment") is made and entered into as of May 5, 2017 by and between SVF SAFARI, LLC, a Delaware limited liability company ("Seller"), and REXFORD INDUSTRIAL REALTY, L.P., a Maryland limited partnership ("Purchaser").

R E C I T A L S

A. Seller and Purchaser are parties to that certain Agreement of Purchase and Sale dated as of May 2, 2017 (the "Purchase Agreement"), pursuant to which Seller agreed to sell, and Purchaser agreed to purchase, that certain property commonly known as Safari Buildings 7-17 in the City of Ontario, County of San Bernardino, State of California, as more particularly described in the Purchase Agreement (the "Property") on terms and conditions more particularly described therein. All capitalized terms used herein which are not otherwise defined herein shall have the meaning ascribed to them in the Purchase Agreement.

B. Purchaser and Seller desire to amend the Purchase Agreement as more particularly set forth herein.

A G R E E M E N T

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Purchaser and Seller agree as follows:

1. Extension of Due Diligence Period. The Due Diligence Period is hereby extended through and until 5:00 p.m. Pacific Time on Monday, May 8, 2017
2. Miscellaneous. Except to the extent expressly modified by this First Amendment, the Purchase Agreement is ratified and remains in full force and effect, notwithstanding any prior terminations thereof by Purchaser or Seller. From and after the date hereof, references to the "Agreement" contained in the Purchase Agreement or this First Amendment shall include this First Amendment, and shall mean the Purchase Agreement as modified by this First Amendment. To the extent of any inconsistency between this First Amendment and the Purchase Agreement, the terms and conditions of this First Amendment shall control. This First Amendment may be executed electronically and in multiple counterparts, all of which, taken together, shall constitute one document.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment as of the date first written above.

SELLER:

SVF SAFARI, LLC,
a Delaware limited liability company

By: First Fiduciary Realty Advisors, Inc.
a California corporation
Its: Manager

By: /s/ Scott Darling
Name: Scott Darling
Title: President

PURCHASER:

REXFORD INDUSTRIAL REALTY, L.P
a Maryland limited partnership

By: Rexford Industrial Realty, Inc.,
a Maryland corporation
Its: General Partner

By: /s/ Michael Frankel
Name: Michael Frankel
Title: Co-CEO

Execution Version

Rexford Industrial Realty, L.P.
Rexford Industrial Realty, Inc.

Second Amendment
Dated as of June 16, 2017

to

Note Purchase and Guarantee Agreement
Dated as of July 16, 2015

Re:

\$100,000,000

4.29% Guaranteed Senior Notes due August 6, 2025

Second Amendment to Note Purchase and Guarantee Agreement

This Second Amendment dated as of June 16, 2017 (this "*Second Amendment*") to that certain Note Purchase and Guarantee Agreement dated as of July 16, 2015 is by and among Rexford Industrial Realty, L.P., a Maryland limited partnership (the "*Issuer*"), Rexford Industrial Realty, Inc., a Maryland corporation and the sole general partner and a limited partner of the Issuer (the "*Parent Guarantor*," and together with the Issuer, the "*Constituent Companies*" and individually, a "*Constituent Company*"), each Subsidiary Guarantor signatory hereto (the "*Subsidiary Guarantors*"), and each of the institutional investors listed on the signature pages hereto (collectively, the "*Noteholders*").

Recitals:

A. Whereas, the Constituent Companies and each of the Noteholders have heretofore entered into that certain Note Purchase and Guarantee Agreement dated as of July 16, 2015, as amended by that certain First Amendment to Note Purchase and Guarantee Agreement dated as of June 30, 2016 (as so amended, the "*Original Note Agreement*");

B. Whereas, the Issuer has heretofore issued \$100,000,000 aggregate principal amount of its 4.29% Guaranteed Senior Notes due August 6, 2025 (the "*Notes*"), and the Parent Guarantor has unconditionally and irrevocably guaranteed the obligations of the Issuer under the Original Note Agreement and the Notes, in each case pursuant to the Original Note Agreement, and the Subsidiary Guarantors have unconditionally and irrevocably guaranteed the obligations of the Issuer under the Original Note Agreement and the Notes pursuant to that certain Subsidiary Guaranty Agreement dated as of July 16, 2015 (as supplemented prior to the date hereof and as otherwise amended, supplemented, restated or otherwise modified from time to time, the "*Subsidiary Guaranty Agreement*");

C. Whereas, the Noteholders are the holders of 100% of the outstanding principal amount of the Notes;

D. Whereas, capitalized terms used herein shall have the respective meanings ascribed thereto in the Original Note Agreement unless herein defined or the context shall otherwise require; and

E. Whereas, all requirements of law have been fully complied with and all other acts and things necessary to make this Second Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

Now, therefore, in consideration of good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Constituent Companies, the Subsidiary Guarantors and the Noteholders do hereby agree as follows:

SECTION 1. Amendments.

1.1. Section 10.6 of the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

Section 10.6. Investments. The Constituent Companies will not, and will not permit any Subsidiary to, make any Investments, except:

- (a) Investments held by either Constituent Company or any Subsidiary on the Execution Date and listed on Schedule 10.6;
- (b) Investments held by either Constituent Company or any Subsidiary in the form of cash or cash equivalents;
- (c) advances to officers, directors and employees of either Constituent Company or any Subsidiary in an aggregate amount not to exceed \$2,000,000 at any time outstanding, for travel, entertainment, relocation and analogous ordinary business purposes;
- (d) Investments of either Constituent Company or any Subsidiary in any Constituent Company or Subsidiary;
- (e) Investments consisting of extensions of credit in the nature of accounts receivable or notes receivable arising from the grant of trade credit in the ordinary course of business, and Investments received in satisfaction or partial satisfaction from financially troubled account debtors to the extent reasonably necessary in order to prevent or limit loss;
- (f) Investments in income producing Properties and assets incidental thereto (including Investments in Equity Interests of Persons who own such Properties and assets);
- (g) Investments in unimproved land holdings and construction in progress (including Investments in the Equity Interests of Persons who own such unimproved land holdings and construction in progress);
- (h) Investments in mortgages, mezzanine loans and notes receivable (including Investments in the Equity Interests of Persons who own such mortgages, mezzanine loans and notes receivable);
- (i) Investments in Unconsolidated Affiliates; and
- (j) additional Investments in an aggregate amount not to exceed \$5,000,000.

1.2. Clause (b) of Section 10.8 of the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

(b) either Constituent Company or any Subsidiary may declare and make dividend payments or other distributions, and may make other Restricted Payments, in each case, payable solely in the common stock or other common Equity Interests of such Person or of the Parent Guarantor;

1.3. Clause (d) of Section 10.8 of the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

(d) the Issuer may make Restricted Payments to the Parent Guarantor and, to the extent corresponding distributions to other holders of its Equity Interests are required by its Organizational Documents, to such other holders of Equity Interests,

in amounts sufficient to permit the Parent Guarantor to make, and the Parent Guarantor may make, Restricted Payments, for any 12-month period, not to exceed an amount equal to the greater of: (1) (i) 95% *multiplied by* (ii) Funds From Operations for such period and (2) the aggregate amount of Restricted Payments required to be made by the Parent Guarantor in order for it to (i) maintain its status as a REIT and (ii) avoid the payment of federal or state income or excise tax; *provided* that to the extent a Default or Event of Default shall have occurred and be continuing or would result from the making of such Restricted Payment by the Parent Guarantor (other than a Default or Event of Default specified in Section 11(g) or Section 11(h) or a Default or an Event of Default that has resulted in the Required Holders exercising their remedies under Section 12, in which case no Restricted Payments otherwise permitted under this clause (d) may be made), the Issuer may only make Restricted Payments to the Parent Guarantor and, to the extent corresponding distributions to other holders of its Equity Interests are required by its Organizational Documents, to such other holders of Equity Interests, in amounts sufficient to permit the Parent Guarantor to make, and the Parent Guarantor may make, Restricted Payments in the minimum amount required in order for the Parent Guarantor to (A) maintain its status as a REIT and (B) avoid the payment of federal or state income or excise tax;

1.4. Clause (a) of Section 10.9 of the Original Note Agreement shall be and hereby is amended by deleting the reference to “four times” contained therein and replacing it with “two times”.

1.5. Clause (b) of Section 10.9 of the Original Note Agreement shall be and hereby is amended by deleting the reference to “45%” contained therein and replacing it with “40%”.

1.6. Clause (d) of Section 10.9 of the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

(d) *Minimum Tangible Net Worth.* The Constituent Companies will not permit Tangible Net Worth, at any time, to be less than the sum of (1) \$760,740,750, and (2) an amount equal to 75% of the net equity proceeds received by the Parent Guarantor after September 30, 2016 (other than any such proceeds that are received within 90 days before or after any redemption of Equity Interests of a Constituent Company permitted hereunder).

1.7. Clause (f) of Section 10.9 of the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

(f) *Unencumbered Leverage Ratio.* The Constituent Companies will not permit Total Unsecured Debt, as of the last day of any fiscal quarter of the Parent Guarantor, to be greater than 60% of Unencumbered Asset Value; *provided* that for the two consecutive quarters following any Significant Acquisition, the Unencumbered Leverage Ratio may exceed 60%, but it may not exceed 65%; *provided further* that such adjustment for any Significant Acquisition may only occur up to two times during the term of this Agreement. In addition to testing the foregoing covenant as of the last day of any fiscal quarter of the Parent Guarantor, such covenant shall also be tested on a pro forma basis, upon any incurrence or assumption of any Indebtedness by the Parent Guarantor and its Subsidiaries or any acquisition or Disposition of any direct or indirect interest in any Property (including through the

acquisition or Disposition of Equity Interests) by the Parent Guarantor and its Subsidiaries, based upon the latest financial statements of the Parent Guarantor that have been delivered or were required to be delivered pursuant to Section 7.1(a) or (b) after taking into account such proposed incurrence, assumption, acquisition and/or Disposition).

1.8. Section 15 of the Original Note Agreement shall be and hereby is amended by inserting a new Section 15.3 at the end thereof to read as follows:

Section 15.3. FATCA Information. By acceptance of any Note, the holder of such Note agrees that such holder will with reasonable promptness duly complete and deliver to the Issuer, or to such other Person as may be reasonably requested by the Issuer, from time to time (a) in the case of any such holder that is a United States Person, such holder's United States tax identification number or other forms reasonably requested by the Issuer necessary to establish such holder's status as a United States Person under FATCA and as may otherwise be necessary for the Issuer to comply with its obligations under FATCA and (b) in the case of any such holder that is not a United States Person, such documentation prescribed by applicable law (including as prescribed by section 1471(b)(3)(C)(i) of the Code) and such additional documentation as may be necessary for the Issuer to comply with its obligations under FATCA and to determine that such holder has complied with such holder's obligations under FATCA or to determine the amount (if any) to deduct and withhold from any such payment made to such holder. Nothing in this Section 15.3 shall require any holder to provide information that is confidential or proprietary to such holder unless the Issuer is required to obtain such information under FATCA and, in such event, the Issuer shall treat any such information it receives as confidential.

1.9. The definition of "Acceptable Ground Lease" contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

"Acceptable Ground Lease" means each ground lease with respect to any Unencumbered Property executed by either Constituent Company or any Subsidiary, as lessee, (a) that has a remaining lease term (including extension or renewal rights) of at least 25 years, calculated as of the date such Property becomes an Unencumbered Property, (b) that is in full force and effect, (c) is transferable and assignable either without the landlord's prior consent or with such consent, which, however, will not be unreasonably withheld or conditioned by landlord, and (d) pursuant to which (1) no default or terminating event exists thereunder, and (2) no event has occurred which but for the passage of time, or notice, or both would constitute a default or terminating event thereunder.

1.10. The definition of "Adjusted EBITDA" contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

"Adjusted EBITDA" means, as of any date, an amount equal to (a) the product of (1) EBITDA for the Parent Guarantor and its Subsidiaries for the last fiscal quarter of the most recently ended Calculation Period, *multiplied* by (2) four *minus* (b) the aggregate Annual Capital Expenditure Adjustment for all Properties owned or leased (as ground lessee) by the Parent Guarantor and its Subsidiaries as of the last day of such Calculation Period; *provided* that for purposes of this definition, in the case of any acquisition or Disposition of any direct

or indirect interest in any Property (including through the acquisition or Disposition of Equity Interests) by the Parent Guarantor and its Subsidiaries after the first day of such fiscal quarter, EBITDA and the aggregate Annual Capital Expenditure Adjustment will be adjusted in a manner reasonably acceptable to the Required Holders (i) in the case of an acquisition, (A) by adding to EBITDA an amount equal to the acquired Property's actual EBITDA (computed as if such Property was owned by the Parent Guarantor and its Subsidiaries for the entire fiscal quarter) generated during the portion of such fiscal quarter that such Property was not owned by the Parent Guarantor and its Subsidiaries, and (B) by treating such Property as being owned on the last day of such fiscal quarter, and (ii) in the case of a Disposition, (A) by subtracting from EBITDA an amount equal to the actual EBITDA generated by such Property so disposed of during such fiscal quarter (computed as if such Property was Disposed of by the Parent Guarantor and its Subsidiaries prior to the first day of such fiscal quarter) and (B) by treating such Property as not being owned on the last day of such fiscal quarter.

1.11. The definition of "Capitalization Rate" contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

"Capitalization Rate" means 6.25%; *provided* that if one or more Material Credit Facilities provides for a "capitalization rate" or similar rate that is higher than 6.25%, then the "Capitalization Rate" shall be the highest of such higher rates; *provided, further*, that if at any time the "capitalization rate" or a similar rate under a Material Credit Facility is modified, or included, to apply differently based on the type of property to which it applies, the applicable rate under this definition shall be similarly modified, or included, to apply differently based on the type of property to which it applies for so long as such rate shall remain in effect under such Material Credit Facility).

1.12. The definition of "Fixed Charges" contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

"Fixed Charges" means, for the Parent Guarantor and its Subsidiaries, on a consolidated basis, for any period, the sum (without duplication) of (a) Interest Expense required to be paid in cash during such period, *plus* (b) scheduled principal payments on account of Indebtedness of the Parent Guarantor and its Subsidiaries (excluding any balloon payments on any Indebtedness, but only to the extent that the amount of such balloon payment is greater than the scheduled principal payment immediately preceding such balloon payment), *plus* (c) Restricted Payments paid in cash (other than to the Parent Guarantor or Subsidiary) with respect to preferred Equity Interests of the Parent Guarantor and its Subsidiaries, *plus* (d) the amounts described in clauses (a) and (b) above of each Unconsolidated Affiliate *multiplied by* the respective Unconsolidated Affiliate Interest in such Unconsolidated Affiliate, all for such period; *provided* that Fixed Charges for any such period shall be adjusted on a pro forma basis in a manner reasonably acceptable to the Required Holders to reflect any Indebtedness incurred, assumed, repaid, retired or defeased, as the case may be, in connection with the acquisition or Disposition of any direct or indirect interest in any Property (including through the acquisition or Disposition of Equity Interests) by the Parent Guarantor and its Subsidiaries during such period as though such Indebtedness was incurred, assumed, repaid, retired or defeased, as the case may be, on the first day of such period.

1.13. The definition of "Indebtedness" contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

“Indebtedness” means, for any Person at a particular time, without duplication, all of the following, whether or not included as indebtedness or liabilities in accordance with GAAP:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, loan agreements or other similar instruments;
- (b) all direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), bankers’ acceptances, bank guaranties, surety bonds and similar instruments to the extent such instruments or agreements support financial, rather than performance, obligations;
- (c) net obligations of such Person under any Swap Contract;
- (d) all obligations of such Person to pay the deferred purchase price of property or services (other than trade payables that are not past due for more than 90 days, unless such obligations are being contested in good faith);
- (e) indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (f) capital leases and Synthetic Lease Obligations;
- (g) all obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interest in such Person or any other Person, valued, in the case of a redeemable preferred interest, at the greater of its voluntary or involuntary liquidation preference *plus* accrued and unpaid dividends; *provided, however,* that preferred Equity Interests shall not be included as Indebtedness unless such Equity Interests are required by the terms thereof to be redeemed, or for which mandatory sinking fund payments are due, by a fixed date; and
- (h) all Guarantees of such Person in respect of any of the foregoing.

For all purposes hereof, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture (other than a joint venture that is itself a corporation or limited liability company) in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person. The amount of any net obligation under any Swap Contract on any date shall be determined in accordance with GAAP. The amount of any capital lease or Synthetic Lease Obligation as of any date shall be deemed to be the amount of Attributable Indebtedness in respect thereof as of such date.

1.14. The definition of “Total Asset Value” contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

“Total Asset Value” means, for the Parent Guarantor and its Subsidiaries, as of any date, the sum of (without duplication) the following: (a) an amount equal to (1)(i) the aggregate Net Operating Income from all Properties owned or leased (as ground lessee) by the Parent

Guarantor and its Subsidiaries for the then most recently ended Calculation Period, *minus* Net Operating Income attributable to all Properties that were sold or otherwise Disposed of during the then most recently ended Calculation Period *minus* (ii) the Annual Capital Expenditure Adjustment with respect to such Properties, *divided by* (2) the Capitalization Rate; *provided* that in no event shall the amounts calculated in this clause (a) for any Property be less than zero; *plus* (b) in the case of any Property that is owned or leased (as ground lessee) for more than one full fiscal quarter but less than four full fiscal quarters, at the Issuer's election (which election shall be irrevocable) either (1) an amount equal to (i)(A) the Net Operating Income from such Property for the period from the first day of the first full fiscal quarter during which such Property was owned and operated through the end of the last fiscal quarter in the most recently ended Calculation Period, *divided by* the number of quarters in such period and *multiplied by* four *minus* (B) the Annual Capital Expenditure Adjustment with respect to such Property, *divided by* (ii) the Capitalization Rate, or (2) the aggregate undepreciated book value in accordance with GAAP of such Property; *provided that* in no event shall the amounts calculated in this clause (b) for any Property be less than zero; *plus* (c) the aggregate undepreciated book value in accordance with GAAP of all Properties owned or leased (as ground lessee) by the Parent Guarantor and its Subsidiaries for less than one full fiscal quarter and all unimproved land holdings, mortgage or mezzanine loans, notes receivable and/or construction in progress owned by the Parent Guarantor and its Subsidiaries; *plus* (d) without duplication of the amounts included in clauses (a), (b), and (c) above with respect to Unconsolidated Affiliates, the amounts described in clauses (a), (b), and (c) above of each Unconsolidated Affiliate *multiplied by* the respective Unconsolidated Affiliate Interest in such Unconsolidated Affiliate; *plus* (e) all Unrestricted Cash; *provided that* (I) the aggregate amount of Total Asset Value attributable to Investments in unimproved land holdings and construction in progress (including Investments in the Equity Interests of Persons who own such Properties and assets) shall be limited to 15% of Total Asset Value, (II) the aggregate amount of Total Asset Value attributable to Investments in mortgages, mezzanine loans and notes receivable (including Investments in the Equity Interests of Persons who own such mortgages, mezzanine loans and notes receivable) shall be limited to 15% of Total Asset Value, (III) the aggregate amount of Total Asset Value attributable to Investments in Unconsolidated Affiliates shall be limited to 30% of Total Asset Value and (IV) the aggregate amount of Total Asset Value attributable to Investments in unimproved land holdings and construction in progress (including Investments in the Equity Interests of Persons who own such Properties and assets), mortgages, mezzanine loans and notes receivable (including Investments in the Equity Interests of Persons who own such mortgages, mezzanine loans and notes receivable) and Unconsolidated Affiliates shall be limited to 35% of Total Asset Value, in each case with any such excess being excluded from the calculation of Total Asset Value.

1.15. The definition of "Unencumbered Interest Coverage Ratio" contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

"Unencumbered Interest Coverage Ratio" means, as of any date, the ratio of (a) Unencumbered NOI to (b) Unsecured Interest Expense; *provided that* (1) for purposes of clause (a) of this definition, in the case of any acquisition or Disposition of any direct or indirect interest in any Unencumbered Property (including through the acquisition or Disposition of Equity Interests) by the Parent Guarantor and its Subsidiaries during the most-recently ended Calculation Period, Unencumbered NOI will be adjusted in a manner reasonably acceptable to the Required Holders (i) in the case of an acquisition, by adding thereto an amount equal to the acquired Unencumbered Property's actual Unencumbered NOI

(computed as if such Unencumbered Property was owned by the Parent Guarantor and its Subsidiaries for the entire Calculation Period) generated during the portion of such Calculation Period that such Unencumbered Property was not owned by the Parent Guarantor and its Subsidiaries, and (ii) in the case of a Disposition, by subtracting therefrom an amount equal to the actual Unencumbered NOI generated by such Unencumbered Property so disposed of during such Calculation Period (computed as if such Unencumbered Property was Disposed of by the Parent Guarantor and its Subsidiaries prior to the first day of such Calculation Period) and (2) for purposes of clause (b) of this definition, Unsecured Interest Expense for the most-recently ended Calculation Period shall be adjusted on a pro forma basis in a manner reasonably acceptable to the Required Holders to reflect any Unsecured Debt incurred, assumed, repaid, retired or defeased, as the case may be, in connection with the acquisition or Disposition of any direct or indirect interest in Unencumbered Property (including through the acquisition or Disposition of Equity Interests) by the Parent Guarantor and its Subsidiaries during such Calculation Period as though such Unsecured Debt was incurred, assumed, repaid, retired or defeased, as the case may be, on the first day of such Calculation Period.

1.16. The definition of “Unsecured Interest Expense” contained in Schedule A to the Original Note Agreement shall be and hereby is amended in its entirety to read as follows:

“**Unsecured Interest Expense**” means, as of any date of determination, Interest Expense on the Total Unsecured Debt for the most recently ended Calculation Period.

1.17. Schedule A to the Original Note Agreement shall be and hereby is amended by adding the following definition and inserting it in the proper alphabetical order:

“**FATCA**” means (a) sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), together with any current or future regulations or official interpretations thereof, (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of the foregoing clause (a), and (c) any agreements entered into pursuant to section 1471(b)(1) of the Code.

1.18. Schedule 7.2(c) to the Original Note Agreement shall be and hereby is amended in its entirety to read as Schedule 7.2(c) to this Second Amendment.

SECTION 2. Representation and Warranties of the Constituent Companies.

2.1. To induce the Noteholders to execute and deliver this Second Amendment, each of the Constituent Companies represents and warrants to the Noteholders (which representations shall survive the execution and delivery of this Second Amendment) that:

(a) this Second Amendment has been duly authorized, executed and delivered by such Constituent Company, and the Original Note Agreement, as amended by this Second Amendment, constitutes the legal, valid and binding obligation, contract and agreement of each Constituent Company enforceable against each Constituent Company in accordance with its terms, except as such enforceability may be limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium

or other similar laws affecting the enforcement of creditors' rights generally and (2) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(b) this Second Amendment has been duly authorized, executed and delivered by each Subsidiary Guarantor, and after giving effect to this Second Amendment, the Subsidiary Guaranty Agreement constitutes the legal, valid and binding obligation, contract and agreement of each Subsidiary Guarantor enforceable against each Subsidiary Guarantor in accordance with its terms, except as such enforceability may be limited by (1) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (2) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law);

(c) the execution and delivery of this Second Amendment and the performance by each Constituent Company of the Original Note Agreement, as amended by this Second Amendment, will not (1) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of either Constituent Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, shareholders agreement or any other agreement or instrument to which either Constituent Company or any Subsidiary is bound or by which either Constituent Company or any Subsidiary or any of their respective properties may be bound or affected, (2) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority applicable to either Constituent Company or any Subsidiary or (3) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to either Constituent Company or any Subsidiary; and

(d) immediately before and after giving effect to this Second Amendment, no Default or Event of Default has occurred which is continuing.

SECTION 3. Conditions to the Effectiveness of this Second Amendment.

3.1. Upon satisfaction of each and every one of the following conditions, this Second Amendment shall become effective:

(a) executed counterparts of this Second Amendment, duly executed by each Constituent Company, each Subsidiary Guarantor and the Required Holders, shall have been delivered to the Noteholders;

(b) the representations and warranties of the Constituent Companies and the Subsidiary Guarantors set forth in Section 2 hereof are true and correct on and with respect to the date hereof; and

(c) the Issuer shall have paid the fees and expenses of Schiff Hardin LLP, special counsel to the Noteholders, in connection with negotiation, preparation, execution and delivery of, this Second Amendment, to the extent reflected in a statement of such counsel rendered to the Issuer at least one Business Day prior to such date.

SECTION 4. Reaffirmation of Subsidiary Guaranty Agreement.

4.1. By their execution and delivery hereof, the undersigned Subsidiary Guarantors hereby acknowledge and agree to this Second Amendment and reaffirm the Subsidiary Guaranty Agreement given in favor of each Noteholder and their respective successors and permitted assigns.

SECTION 5. Miscellaneous.

5.1. This Second Amendment shall be construed in connection with and as part of the Original Note Agreement, and except as modified and expressly amended by this Second Amendment, all terms, conditions and covenants contained in the Original Note Agreement are hereby ratified and shall be and remain in full force and effect.

5.2. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this Second Amendment may refer to the Original Note Agreement without making specific reference to this Second Amendment but nevertheless all such references shall include this Second Amendment unless the context otherwise requires.

5.3. The descriptive headings of the various Sections or parts of this Second Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

5.4. This Second Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument. Delivery of an executed counterpart of a signature page of this Second Amendment by facsimile or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Second Amendment.

5.5. This Second Amendment shall be governed by and construed in accordance with the laws of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

[Signature Pages Follow]

The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this Second Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

REXFORD INDUSTRIAL REALTY, L.P.,
as Issuer

By: **REXFORD INDUSTRIAL REALTY, INC.,**
a Maryland corporation,
its General Partner

By: /s/ Michael Frankel
Name: Michael Frankel
Title: Co-CEO

REXFORD INDUSTRIAL REALTY, INC.,
as Parent Guarantor

By: /s/ Michael Frankel
Name: Michael Frankel
Title: Co-CEO

SUBSIDIARY GUARANTORS:

REXFORD INDUSTRIAL - HINDRY, LLC
REXFORD INDUSTRIAL - INDUSTRY WAY, LLC
REXFORD INDUSTRIAL - SDLAOC, LLC

By: **REXFORD INDUSTRIAL REALTY, L.P.,**
a Maryland limited partnership,
its Sole and Managing Member

By: **REXFORD INDUSTRIAL REALTY, INC.,**
a Maryland corporation,
its General Partner

By: /s/ Adeel Khan
Name: Adeel Khan
Title: Chief Financial Officer

REXFORD INDUSTRIAL - 228TH STREET, LLC
REXFORD INDUSTRIAL - VANOWEN, LLC
RIF I - MONROVIA, LLC
RIF I - MULBERRY, LLC
RIF I - VALLEY BLVD., LLC
RIF II - BLEDSOE AVENUE, LLC
RIF II - CROCKER, LLC
RIF II - EASY STREET, LLC
RIF II - FIRST AMERICAN WAY, LLC
RIF II - LA JOLLA SORRENTO BUSINESS PARK, LLC
RIF II - ORANGETHORPE, LLC
RIF II - ORANGETHORPE TIC, LLC
RIF II - PIONEER AVENUE, LLC
RIF III - 157TH STREET, LLC
RIF III - ARCHIBALD, LLC
RIF III - AVENUE STANFORD, LLC
RIF III - BROADWAY, LLC
RIF III - EMPIRE LAKES, LLC
RIF III - IMPALA, LLC
RIF III - SANTA FE SPRINGS, LLC
RIF III - YARROW DRIVE, LLC
RIF III - YARROW DRIVE II, LLC
RIF IV - BURBANK, LLC
RIF IV - CENTRAL AVENUE, LLC
RIF IV - CORNERSTONE, LLC
REXFORD INDUSTRIAL – 3233 MISSION OAKS, LLC
REXFORD INDUSTRIAL – NELSON, LLC
REXFORD INDUSTRIAL – 301 N FIGUEROA, LLC

By: **REXFORD INDUSTRIAL REALTY, L.P.**,
a Maryland limited partnership,
its Sole and Managing Member

By: **REXFORD INDUSTRIAL REALTY, INC.**,
a Maryland corporation,
its General Partner

By: /s/ Adeel Khan
Name: Adeel Khan
Title: Chief Financial Officer

RIF IV - EAST 46TH STREET, LLC
RIF IV - ENFIELD, LLC
RIF IV - GLENDALE, LLC
RIF IV - GRAND, LLC
RIF IV - HARBOR WARNER, LLC
RIF IV - LONG CARSON, LLC
RIF IV - NEWTON, LLC
RIF IV - POINSETTIA, LLC
RIF IV - SAN GABRIEL, LLC
RIF IV - WEST 33RD STREET, LLC
RIF V - 240TH STREET, LLC
RIF V - 3360 SAN FERNANDO, LLC
RIF V - ARROW BUSINESS CENTER, LLC
RIF V - ARROYO, LLC
RIF V - BENSON, LLC
RIF V - CALVERT, LLC
RIF V - CAMPUS AVENUE, LLC
RIF V - DEL NORTE, LLC
RIF V - GGC ALCORN, LLC
RIF V - GLENDALE COMMERCE CENTER, LLC
RIF V - GOLDEN VALLEY, LLC
RIF V - GRAND COMMERCE CENTER, LLC
RIF V - JERSEY, LLC
RIF V - MACARTHUR, LLC
RIF V - NORMANDIE BUSINESS CENTER, LLC
RIF V - ODESSA, LLC
RIF V - PARAMOUNT BUSINESS CENTER, LLC
RIF V - SHOEMAKER INDUSTRIAL PARK, LLC
RIF V - VINEDO, LLC
REXFORD INDUSTRIAL - 2980 SAN FERNANDO, LLC
REXFORD INDUSTRIAL - 9615 NORWALK, LLC
REXFORD INDUSTRIAL - ALTON, LLC

By: **REXFORD INDUSTRIAL REALTY, L.P.**,
a Maryland limited partnership,
its Sole and Managing Member

By: **REXFORD INDUSTRIAL REALTY, INC.**,
a Maryland corporation,
its General Partner

By: /s/ Adeel Khan
Name: Adeel Khan
Title: Chief Financial Officer

[Signature Page to Second Amendment to Note Purchase and Guarantee Agreement]

REXFORD INDUSTRIAL - ICON, LLC
REXFORD INDUSTRIAL - GALE, LLC
REXFORD INDUSTRIAL - FAIRVIEW, LLC
REXFORD INDUSTRIAL - WESTERN, LLC
REXFORD INDUSTRIAL - HOLLAND, LLC

By: **REXR REIT HOLDINGS I, LLC**
a Delaware limited liability company,
its Sole and Managing Member

By: **REXR REIT, INC.**
a Delaware corporation
its Sole and Managing Member

By: /s/ Adeel Khan
Name: Adeel Khan
Title: President and Treasurer

REXFORD INDUSTRIAL - HARBOR, LLC
REXFORD INDUSTRIAL - JURUPA, LLC
REXFORD INDUSTRIAL - STOWE, LLC

By: **REXR REIT HOLDINGS II, LLC**
a Delaware limited liability company,
its Sole and Managing Member

By: **REXR REIT, INC.**
a Delaware corporation
its Sole and Managing Member

By: /s/ Adeel Khan
Name: Adeel Khan
Title: President and Treasurer

This Second Amendment is hereby accepted
and agreed to as of the date thereof.

NEW YORK LIFE INSURANCE COMPANY

By: /s/ Aron Davidowitz
Name: Aron Davidowitz
Title: Corporate Vice President

**NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION**

By: NYL Investors LLC, its Investment Manager

By: /s/ Aron Davidowitz
Name: Aron Davidowitz
Title: Senior Director

**NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION INSTITUTIONALLY OWNED LIFE
INSURANCE SEPARATE ACCOUNT (BOLI 3-2)**

By: NYL Investors LLC, its Investment Manager

By: /s/ Aron Davidowitz
Name: Aron Davidowitz
Title: Senior Director

Principal Amount of Notes held by the above holders:
\$50,000,000

This Second Amendment is hereby accepted
and agreed to as of the date thereof.

**MASSACHUSETTS MUTUAL LIFE INSURANCE
COMPANY
C.M. LIFE INSURANCE COMPANY
MASSMUTUAL ASIA LIMITED
BANNER LIFE INSURANCE COMPANY**

By: Babson Capital Management LLC as Investment
Adviser

By: /s/ Mark B. Ackerman
Name: Mark B. Ackerman
Title: Managing Director

Principal Amount of Notes held by the above holders:
\$50,000,000

Schedule 7.2(c)

(See Attached)

Form of Unencumbered Property Report

Financial Statement Date: _____

To: The holders of Notes (as defined below)

Ladies and Gentlemen:

Reference is made to that certain Note Purchase and Guarantee Agreement dated as of July 16, 2015 (as the same may be amended, supplemented, restated or otherwise modified from time to time, the “**Note Purchase Agreement**”), by and among Rexford Industrial Realty, L.P., a Maryland limited partnership (the “**Issuer**”), Rexford Industrial Realty, Inc., a Maryland corporation and the sole general partner and a limited partner of the Issuer (the “**Parent Guarantor**,” and together with the Issuer, the “**Constituent Companies**” and individually, a “**Constituent Company**”), and each of the institutional investors named on Schedule A attached to said Note Purchase Agreement (collectively, the “**Initial Purchasers**”), providing for, among other things, the issue and sale by the Issuer to the Initial Purchasers of \$100,000,000 aggregate principal amount of its 4.29% Guaranteed Senior Notes due August 6, 2025 (the “**Notes**”).

The undersigned Responsible Officer hereby certifies as of the date hereof that he/she is the [_____] of the Parent Guarantor, and that, as such, he/she is authorized to execute and deliver this Unencumbered Property Report to each of you on the behalf of the Parent Guarantor, for itself and on behalf of the Issuer, and that the information relating to the Unencumbered Properties set forth on Schedule 1 attached hereto is true and accurate on and as of the date of this Certificate.

[Signature Page Follows]

SCHEDULE 7.2(c)
(to Note Purchase and Guarantee Agreement)

In Witness Whereof, the undersigned has executed this Certificate as of __ ____, 20__.

REXFORD INDUSTRIAL REALTY, INC.,
as Parent Guarantor

By: _____
Its

S-7.2(c)-2
(to Note Purchase and Guarantee Agreement)

CERTIFICATION PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Adeel Khan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rexford Industrial Realty, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 3, 2017

By:

/s/ Adeel Khan

Adeel Khan

Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rexford Industrial Realty, Inc. (the "Company") for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael S. Frankel, Co-Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael S. Frankel

Michael S. Frankel

Co-Chief Executive Officer

August 3, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rexford Industrial Realty, Inc. (the "Company") for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Howard Schwimmer, Co-Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Howard Schwimmer

Howard Schwimmer
Co-Chief Executive Officer
August 3, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Rexford Industrial Realty, Inc. (the "Company") for the quarter ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adeel Khan, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Adeel Khan

Adeel Khan

Chief Financial Officer

August 3, 2017