



BRE PROPERTIES, INC.

Direct Stock Purchase
and
Dividend Reinvestment Plan

BRE Properties, Inc.
One Montgomery Street
Telesis Tower, Suite 2500
San Francisco, CA 94104

BRE PROPERTIES, INC.
DIRECT STOCK PURCHASE AND DIVIDEND REINVESTMENT PLAN

The Company's Direct Stock Purchase and Dividend Reinvestment Plan provides a simple, convenient way to invest cash or dividends in shares of the Company's stock without incurring brokerage commissions, fees or service charges.

- ✓ **Initial Stock Purchases are simple and convenient.** If you are not currently a shareholder of the Company, the Plan provides a convenient way for you to make an initial purchase of shares for a minimum investment of \$500. Simply read this booklet, complete the enclosed Enrollment Form, and return it to the Plan Administrator along with a check or money order.
- ✓ **You may make additional stock purchases with cash or reinvested dividends.** As a Plan participant, you may automatically reinvest all or a portion of your dividends each quarter in new shares of Company stock. And, regardless of whether you choose to reinvest dividends, you can make additional cash investments in Company shares—from a minimum of \$100 per payment up to \$10,000 each month. Additional cash investments may be made on an occasional basis by sending a check or money order to the Plan Administrator along with the tear-off portion of your account statement, or on a regular basis by authorizing automated withdrawals from your account at a U.S. financial institution. (Additional cash investments in excess of \$10,000 per month may be permitted in some circumstances.)
- ✓ **All purchases are free of trading commissions and fees.** The Company will absorb all brokerage commissions, fees and service charges. (If you sell shares held in the Plan, you will be charged nominal commissions and fees.)
- ✓ **We handle all the paperwork.** Shares purchased for you through the Plan will be held in an account in your name. The Plan Administrator will send you regular account statements and provide safekeeping for all shares purchased under the Plan, protecting you against loss, theft or destruction of stock certificates. If you should want a stock certificate sent to you, we'll do so promptly at no cost.
- ✓ **Participation in the Plan is simple.** This booklet provides a detailed description of the Plan and all of your participation options. After reviewing it, just complete the Enrollment Form and return it in the envelope we've provided. (If your shares are currently registered in a name other than your own, such as in the name of your broker or bank nominee, you should consult directly with the entity holding your shares to determine how to enroll in the Plan. If the entity holding your shares does not provide for participation in the Plan, you may request to have some or all of your shares registered in your own name in order to participate directly.)

**FOR A COMPLETE DESCRIPTION OF THE PLAN,
PLEASE REVIEW THE PROSPECTUS THAT FOLLOWS.**

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No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus in connection with the offering covered by this Prospectus. If given or made, such information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any jurisdiction where, or to any person to whom, it is unlawful to make any such offer or solicitation. Neither the delivery of this Prospectus nor any offer or sale made hereunder shall, under any circumstances, create an implication that there has not been any change in the facts set forth in this Prospectus or in the affairs of the Company since the date hereof.

BRE PROPERTIES, INC.
DIRECT STOCK PURCHASE AND
DIVIDEND REINVESTMENT PLAN

1,500,000 Shares of Common Stock

BRE Properties, Inc. (the "Company") hereby offers the BRE Direct Stock Purchase and Dividend Reinvestment Plan (the "Plan"). The Plan provides a simple and cost-effective method to invest cash or dividends in shares of the Company's Common Stock, par value \$.01 per share (the "Common Stock"). Under the Plan,

- Persons who are not shareholders may enroll by making an initial investment of at least \$500.
- Shareholders may purchase additional shares of Common Stock by authorizing that all or a portion of the cash dividends on their shares of Common Stock be automatically reinvested, or by making additional cash investments of not less than \$100 per payment or more than \$10,000 per month. (In certain circumstances described herein, the Company may permit additional cash investments in excess of \$10,000 per month.)
- Participants will not incur brokerage commissions, fees or service charges for purchases of Common Stock.
- All purchases will be made by the Plan Administrator, The Chase Manhattan Bank, at 100% of the then current market price of the Common Stock, calculated as described herein, either in the open market or from the Company.

Interested investors may join the Plan by returning a completed Enrollment Form to the Plan Administrator. Participants may terminate their participation at any time. Shareholders who do not wish to participate in the Plan need take no action and will continue to receive their cash dividends, if, as, and when declared, as usual. It is suggested that this Prospectus be retained for future reference.

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

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

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY IN ANY JURISDICTION WHERE, OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE ANY SUCH OFFER OR SOLICITATION.

SEE PAGE 3 FOR A DISCUSSION OF MATERIAL RISKS IN CONNECTION WITH THE PURCHASE OF THE SECURITIES DESCRIBED HEREIN.

The date of this Prospectus is September 1, 1996

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports, proxy and other information statements with the Securities and Exchange Commission (the "Commission"), which may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and may be available at the following Regional Offices of the Commission: Chicago Regional Office, Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661; and New York Regional Office, 7 World Trade Center, 13th Floor, New York, New York 10048. Copies of such materials also can be obtained from the Public Reference Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Company's Common Stock is listed on the New York Stock Exchange, Inc. (the "New York Stock Exchange"), and reports, proxy statements and other information concerning the Company can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005.

This Prospectus constitutes a part of a Registration Statement on Form S-3 (together with all amendments and exhibits thereto, the "Registration Statement") filed with the Commission under the Securities Act of 1933, as amended (the "Securities Act"). This Prospectus omits certain of the information set forth in such Registration Statement in accordance with the rules and regulations of the Commission. Reference is hereby made to such Registration Statement and to the exhibits relating thereto for further information with respect to the Company and the Common Stock. Any statements contained herein concerning the provisions of any document are not necessarily complete, and in each instance reference is made to the copy of such document filed as an exhibit to the Registration Statement or otherwise filed with the Commission for a more complete description of the matter involved. Each such statement is qualified in its entirety by such reference.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The following documents, which have been filed with the Commission, are hereby incorporated by reference:

1. Annual Report on Form 10-K of the Company for the fiscal year ended July 31, 1995; as amended by Form 10-K/A dated November 28, 1995; and Annual Report on Form 10-K of the Company for the five months ended December 31, 1995.
2. Quarterly Reports on Form 10-Q for the fiscal quarters ended October 31, 1995, January 31, 1996 and April 30, 1996; and Current Reports on Form 8-K dated October 11, 1995 and March 15, 1996.
3. The description of the Common Stock of the Company contained in Item 5 of the Company's Report on Form 8-K dated March 15, 1996.

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

The Company will provide without charge to each person to whom this Prospectus is delivered, upon written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated by reference in this Prospectus (other than certain exhibits to such documents). Requests for such documents should be directed to BRE Properties, Inc., One Montgomery Street, Suite 2500, Telesis Tower, San Francisco, California 94104-5525, Attention: Investor Relations ((415) 445-6530).

THE COMPANY

The Company is a self-administered equity real estate investment trust which owns and operates apartment communities and other income producing properties in the Western United States. At the date of this Prospectus, the Company's portfolio consisted of 76 properties, including 52 apartment communities (aggregating 11,236 units, consisting of 10,642 wholly owned units, 336 units on land leased to others, and 258 units held in a partnership in which the Company is a limited partner), 8 shopping centers (including 2 held in partnerships in which the Company is a limited partner), 3 medical office buildings, and 13 commercial/light industrial properties. Of these properties, 47 are located in California, 19 in Arizona, 5 in Washington, 3 in Nevada, and 2 in Oregon. The 76 properties contain, in the aggregate, approximately 11,806,000 net rentable square feet of improvements on approximately 816 acres of land.

The Company (formerly named BankAmerica Realty Investors) was organized as a California business trust in 1970 and was reorganized as a Delaware corporation in 1987. In 1996, the Company changed its state of incorporation from Delaware to Maryland, and at the same time merged with the Real Estate Investment Trust of California, a California real estate investment trust. The Company's executive offices are located at One Montgomery Street, Suite 2500, Telesis Tower, San Francisco, California 94104-5525.

RISK FACTORS

An investment in the shares of Common Stock of the Company involves various risks. Prospective investors should consider, among other things, the following factors:

Dependence on Western Region

All of the properties owned or managed by the Company are located in the Western United States. A decline in the economy in this region generally may result in a decline in the demand for apartments and commercial space which may adversely affect the ability of the Company to make distributions to stockholders.

Debt Financing

The Company is subject to the customary risks associated with debt financing including the potential inability to refinance existing mortgage indebtedness upon maturity on favorable terms.

Failure to Qualify as a REIT

Although the Company believes that it is organized and operated to qualify as a real estate investment trust (a "REIT") under the Internal Revenue Code of 1986, as amended (the "Code"), no assurance can be given that the Company will remain so qualified. If in any taxable year the Company fails to qualify as a REIT, the Company would not be allowed a deduction for distributions to shareholders in computing its taxable income and would be subject to Federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. As a result, the amount available for distribution to the Company's shareholders would be reduced for the year or years involved. In addition, unless entitled to relief under certain statutory provisions, the Company would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost.

Real Estate Investment Considerations

Investment in real estate involves certain risks, including the following:

The Company's ability to finance its operations and pay expected dividends is dependent on the ongoing ability of its residents to pay rents, which may be adversely affected by a general or regional economic downturn.

Real estate is a relatively illiquid asset, thus the Company is not likely to be able to sell a property quickly to satisfy any cash needs.

The Company is subject to numerous laws and regulations governing its properties, including environmental laws. Compliance with applicable regulations can be expensive and the Company cannot predict what new regulations may be applicable to its properties from time to time nor the cost of compliance.

The Company's properties are all located in areas where other apartment communities, traditional single family housing and condominiums compete with the Company's properties for residents. While the Company believes its properties are very competitive, newer properties, if built, could attract some individuals who might otherwise reside in the Company's properties.

The Company engages in an ongoing program of maintenance, but capital improvements are periodically required for the Company's properties. If the Company does not have sufficient operating income to fund capital improvements or any uninsured losses, it may need to seek financing through loans or a sale of a property.

Limits on Ownership and Change of Control

In order to maintain its qualification as a REIT, not more than 50% in value of the outstanding stock of the Company may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) at anytime during the last half of its taxable year. This percentage of ownership limit and the issuance of preferred stock in the future could have the effect of (i) delaying or preventing a change of control of the Company even if a change in control were in stockholders' interest; (ii) deferring tender offers for the Common Stock that may be beneficial to the stockholders; or (iii) limiting the opportunity for stockholders to receive a premium for their Common Stock that might otherwise exist if an investor attempted to assemble a block of Common Stock in excess of the percentage ownership limit or otherwise to effect a change of control of the Company.

DESCRIPTION OF THE PLAN

The provisions of the Company's Direct Stock Purchase and Dividend Reinvestment Plan are set forth below in question and answer format.

Plan Purpose

1. *What is the purpose of the Plan?*

The Plan was created to provide investors with a simple and convenient method of investing in shares of Common Stock of the Company without incurring brokerage commissions, fees and service charges. In addition, the Plan provides a low-cost method of generating capital for the Company through the sale of original issue shares to Plan participants.

Advantages

2. *What are the advantages of the Plan?*

No brokerage commissions, fees or service charges are paid by participants in connection with purchases under the Plan.

The Plan permits investment in fractions of shares as well as whole shares, providing the ability to fully invest the total amount of any dividends or additional investments.

The Plan Administrator provides regular account statements, and safekeeping for all Plan shares, simplifying record keeping and protecting participants against loss, theft or destruction of certificates.

Enrollment

3. *How does an investor enroll in the Plan?*

After being furnished with a copy of this Prospectus, investors may join the Plan by completing and signing the Enrollment Form and returning it to the Plan Administrator. Non-stockholders must include a minimum initial investment of \$500.

If your shares are currently registered in a name other than your own, such as in the name of your broker or bank nominee, you should consult directly with the entity holding your shares to determine how to enroll in the Plan. If the entity holding your shares does not provide for participation in the Plan, you may request to have some or all of your shares registered in your own name in order to participate directly.

4. *When will participation begin?*

Participation will begin, with regard to the reinvestment of cash dividends, with the first dividend payment after a completed Enrollment Form has been received by the Plan Administrator, provided the Enrollment Form is received prior to the record date established for that particular dividend distribution. If a completed Enrollment Form is not received in time, cash dividends will be distributed as normal, and automatic reinvestment will begin with the next

cash dividend payment. Participation will begin, with regard to cash investments, on the first investment date to fall at least five business days following receipt of the Enrollment Form and the cash investment.

Investment Options

5. What are the available investment options?

Dividend Reinvestment. Participants may purchase additional shares of Common Stock of the Company by authorizing that all or a portion of the cash dividends on their shares of Common Stock be automatically reinvested. Dividends on the Company's Common Stock, if, as, and when declared, are paid on a quarterly basis.

Cash Investments. Participants may make additional cash investments of at least \$100 per investment at any time by mailing a check or money order payable to "The Chase Manhattan Bank" to the Plan Administrator, along with the tear-off portion of their account statement. Any individual or entity may make additional cash investments on behalf of any participant or eligible investor as a gift.

Automatic Cash Investments. Participants may make additional cash investments through automatic electronic withdrawals of at least \$100 per investment from a predesignated bank account at a U.S. financial institution. To initiate automatic investments, participants must complete and return the automatic investment section of the Enrollment Form. Participants should allow 4 to 6 weeks for the first automatic investment to be initiated.

Payroll Deductions. Employees of the Company may make additional cash investments by authorizing payroll contributions to the Plan of at least \$25 per payroll period. Employees should contact the Company's payroll department for information about initiating payroll deductions and for information regarding frequency of investments.

Participants may change their investment options at any time by completing a new Enrollment Form.

6. Are there any limits on the amount that may be invested?

Shareholders may make additional cash investments of not less than \$100 per payment or more than \$10,000 per month without prior approval of the Company. Additional cash investments in excess of \$10,000 per month may be made by a participant only upon acceptance by the Company of a Maximum Investment Waiver Request by such participant. Maximum Investment Waiver Requests will be considered on the basis of a variety of factors, which may include: the Company's current and projected capital requirements, alternatives available to the Company to meet those requirements, prevailing market prices for the Common Stock, general economic and market conditions, the number of shares held by the participant submitting the Maximum Investment Waiver Request, the participant's investment intent, the aggregate amount of additional cash investments for which such Maximum Investment Waiver Requests have been submitted and the administrative constraints associated

with granting such Maximum Waiver Investment Requests. Grants of permission to purchase Common Stock in excess of \$10,000 per month will be made in the absolute discretion of the Company. Participants interested in making an investment in excess of \$10,000 per month should contact the Company's Investor Relations department at (415) 445-6530 in order to obtain a Maximum Investment Waiver Request form. (See Question 10 for a discussion of the Company's right to establish threshold pricing for shares purchased with additional cash investments.)

Eligibility

7. Who is eligible to participate in the Plan?

Any person or entity is eligible to participate in the Plan, provided that (i) such person or entity follows the enrollment procedures described in this prospectus and completes an Enrollment Form and (ii) in the case of persons residing outside the United States, participation would not violate local laws.

Share Purchases

8. What is the source of shares purchased under the Plan?

Purchases of Common Stock for Plan participants may be made, at the Company's option, either (i) from newly issued shares (out of the Company's authorized but unissued shares of Common Stock) or (ii) in the open market. Shares purchased in the open market will be purchased on the New York Stock Exchange or any securities exchange on which the Common Stock is traded, in the over-the-counter market, or by negotiated transactions. The Company may not change its designation as to whether shares of Common Stock will be purchased from the Company or in the open market more than once in any three month period.

9. When will shares be purchased?

Purchases will be made as soon as practicable after receipt of funds, but will be made at least weekly, and may be made daily when practicable. Notwithstanding the foregoing, neither the Company nor the Plan Administrator shall be liable when conditions, including compliance with the rules and regulations of the Securities and Exchange Commission, prevent the purchase of Common Stock or interfere with the timing of purchases. By applicable law, funds will be returned to participants if not used to purchase Common Stock: (i) within 35 days of receipt of initial or additional cash investments; or (ii) within 30 days of the dividend date for dividend reinvestments. A participant may withdraw any additional cash investment by written notice received by the Plan Administrator at least two business days prior to investment of the funds. **NO INTEREST WILL ACCRUE ON ANY CASH INVESTMENT HELD BY THE PLAN ADMINISTRATOR PRIOR TO THE DATE SUCH FUNDS ARE USED TO PURCHASE SHARES.**

In making purchases for a participant's account, the Plan Administrator may commingle the participant's funds with those of other participants in the Plan.

10. *What will be the price of shares of Common Stock purchased under the Plan?*

If the shares purchased are original issue shares, the price will be 100% of the simple average of the high and low sales prices of the Company's shares on the New York Stock Exchange on the date of purchase. For open market purchases, the purchase price will be 100% of the weighted average price paid by the Plan Administrator for all purchases required to fulfill the dividend reinvestment or cash investment then being made.

Unless it waives its right to do so, the Company may establish from time to time a minimum price (the "Threshold Price"), which will apply only to initial or additional cash investments in original issue shares in excess of \$500, and will not apply to the reinvestment of dividends. The Threshold Price will be a stated dollar amount that the closing price of the Common Stock on the New York Stock Exchange for the respective investment date must equal or exceed. The Company reserves the right to change the Threshold Price at any time. The Threshold Price will be determined in the Company's sole discretion after a review of current market conditions and other relevant factors. In the event that the Threshold Price is not satisfied for the respective investment date, cash investments would be returned to participants as promptly as practicable, without interest. This return procedure will apply only when shares are purchased by the Plan Administrator directly from the Company. For any investment date, the Company may waive its right to set a Threshold Price for additional cash investments in excess of \$500. Setting a Threshold Price for an investment date shall not affect the setting of a Threshold Price for any subsequent investment date. Participants may determine whether a Threshold Price has been set by the Company by calling the Plan Administrator at (800) 368-8392.

The Threshold Price provision and return procedure discussed above apply only to initial or additional cash investments in original issue shares in excess of \$500 and do not apply to the reinvestment of dividends.

NEITHER THE COMPANY NOR THE PARTICIPANTS SHALL HAVE ANY AUTHORITY OR POWER TO DIRECT THE TIME OR PRICE AT WHICH THE COMMON STOCK MAY BE PURCHASED OR THE SELECTION OF THE BROKER OR DEALER THROUGH OR FROM WHOM PURCHASES ARE TO BE MADE. PARTICIPANTS SHOULD RECOGNIZE THAT BECAUSE THEY CANNOT DIRECT THE TIME OR PRICE AT WHICH COMMON STOCK MAY BE PURCHASED FOR THEIR ACCOUNTS, THEY FORFEIT ANY ADVANTAGES WHICH MAY BE AVAILABLE BY SELECTING THE TIMING OF INVESTMENTS. PARTICIPANTS SHOULD ALSO RECOGNIZE THAT NEITHER THE COMPANY NOR THE PLAN ADMINISTRATOR CAN ASSURE A PROFIT OR PROTECT AGAINST A LOSS ON ANY SHARES PURCHASED UNDER THE PLAN.

11. *How many shares of Common Stock will be provided for each participant?*

The number of shares to be purchased for a participant's account under the Plan will depend on the amount of a participant's dividends being reinvested, the amount of any initial or additional cash investments and the price of the shares of Common Stock. Each participant's

account will be credited with that number of shares, including fractions computed to four decimal places, equal to the amount to be reinvested or invested through initial or additional cash investments, divided by the applicable purchase price per share.

Enrollment Form

12. What does the Enrollment Form provide?

The Enrollment Form provides for the purchase of shares of Common Stock through the following options:

- *Full Dividend Reinvestment.* If the “Full Dividend Reinvestment” option is selected, the Plan Administrator will apply cash dividends on all shares of Common Stock registered in the participant’s name, as well as on all shares of Common Stock credited to a participant’s Plan account, to the purchase of additional shares of Common Stock. Should a participant choose, additional cash investments may be made in conjunction with full dividend reinvestments. Shares purchased with additional cash investments will be credited to the participant’s Plan account and any future dividends on such shares will be reinvested in the same manner as all other shares in the participant’s Plan account.

- *Partial Dividend Reinvestment.* If the “Partial Dividend Reinvestment” option is selected, the Plan Administrator will apply cash dividends on a specified number of shares registered in a participant’s name, as well as on all shares of Common Stock credited to a participant’s Plan account, to the purchase of additional shares of Common Stock, and will forward cash dividends to a participant on all other shares. Should a participant choose, additional cash investments may be made in conjunction with partial dividend reinvestments. Shares purchased with additional cash investments will be credited to the participant’s Plan account and any future dividends on such shares will be reinvested in the same manner as all other shares in the participant’s Plan account.

- *Additional Cash Investments Only.* If the “Additional Cash Investments Only” option is selected, the Plan Administrator will apply any additional cash investments to the purchase of shares of Common Stock, and cash dividends on such shares of Common Stock registered in the participant’s name and cash dividends on shares of Common Stock bought with previous additional cash investments will be paid to the participant in the usual manner.

13. How may participants change investment options?

Participants may change investment options at any time by completing a new Enrollment Form and returning it to the Plan Administrator. Any change in a participant’s investment option is subject to the time constraints described in Question 4.

Administration

14. How will the Plan be Administered?

The Chase Manhattan Bank has been selected to administer the Plan for participants, maintain records, send account statements to participants and perform other functions associated with the Plan. Should the Plan Administrator resign or the Company choose to replace it, another Plan Administrator will be selected by the Company.

15. Who should be contacted for answers to questions regarding the Plan?

The Plan Administrator will be able to answer any questions regarding enrollment in, and administration of the Plan. Participants may direct questions to the following address, or call the following toll free number during business hours (8:00 a.m. to 8:00 p.m., Eastern Standard Time).

The Chase Manhattan Bank
c/o ChaseMellon Shareholder Services, LLC
P.O. Box 750
Pittsburgh, PA 15230
(800) 368-8392

Reporting

16. What form of reporting will be provided to Plan participants?

Periodic statements will be sent to participants following each transaction advising them of the status of their account. These statements are a participant's continuing record of the dates and cost of purchases and should be retained for income tax purposes. (There will be a nominal fee charged for duplicate account statements.)

17. Will participants receive any other information?

In addition to account statements, each participant will receive any revised Prospectus constituting the Plan and copies of all communications sent to every other shareholder of the Company's Common Stock, including the Company's Annual Report, Notice of Annual Shareholder's Meeting, Proxy Statement and income tax information for reporting distributions (including dividends) paid by the Company.

Shares Held in the Plan

18. Will participants be credited with dividends on fractions of shares?

Yes. Account balances will be computed to four decimal places and dividends will be paid on the fractional shares.

19. *Will certificates be issued for shares of Common Stock purchased under the Plan?*

Stock certificates for shares of Common Stock held in the Plan will not be issued unless a written request is made to the Plan Administrator. Shares will be held in the name of the Plan Administrator or its nominee(s). The number of shares credited to a participant's account under the Plan will be shown on the account statement provided each participant. This service protects against loss, theft or destruction of stock certificates. Certificates may be requested for any number of whole shares credited to a participant's account under the Plan by notifying the Plan Administrator in writing. Certificates for fractional shares will not be issued under any circumstances.

The remaining whole shares and fractions of shares, if any, will continue to be credited to the participant's account. A request for stock certificates, including such a request for all of the shares in a participant's account, will not constitute a termination of participation in the Plan by the participant. Termination may be effected only through the delivery to the Plan Administrator of a notice of termination as outlined in Question 23.

Shares held by the Plan Administrator for the account of a participant may not be pledged. A participant who wishes to pledge such shares must request that a certificate for such shares be issued in his or her name.

20. *In whose name will certificates be issued?*

A participant's account under the Plan will be maintained in the name in which his or her shares of Common Stock were registered at the time of enrollment. Consequently, if and when certificates for shares held under the Plan are issued, such certificates will be issued only in that name.

21. *May shares held by the participant outside of the Plan be deposited in the Plan?*

Certificates representing Common Stock now held by a participant may be submitted to the Plan Administrator and consolidated with shares purchased for the participant under the Plan. The certificates, together with a letter of instruction, must be sent to the Plan Administrator by certified or registered mail, return receipt requested (since the participant bears the risk of loss in transit), at the address listed in Question 15. The certificates need not be endorsed. Upon receipt of the certificates, the Plan Administrator will cancel same, credit the participant's account with the appropriate number of shares and will treat such shares in the same manner as shares purchased for the participant's account under the Plan.

22. *May participants transfer shares held in the Plan to other investors?*

Yes. Participants may transfer ownership of some or all of their shares held in the Plan by sending the Plan Administrator written, signed transfer instructions. Signatures must be Medallion Guaranteed by a financial institution participating in the Medallion Guarantee program. Shares may be transferred to new or existing shareholders; however, a new Plan account will not be opened as a result of a transfer of less than 25 shares.

Termination of Plan Participation

23. *How does a participant terminate participation in the Plan?*

A participant may terminate participation in the Plan at any time by giving written notice to the Plan Administrator. Subject to the following, a participant's notice of termination takes effect when such written notice is received by the Plan Administrator. If the notice of termination is received less than one business day prior to the record date for a dividend payment date, the termination may not become effective until after that dividend payment date. Additional cash investments can be refunded if the written notice of termination is received by the Plan Administrator at least two business days prior to the next investment date.

When a participant terminates participation in the Plan (or upon termination of such participation by the Plan Administrator as described in Question 24) certificates for whole shares credited to a participant's account under the Plan will be issued to the participant and a cash payment will be made for any fractional share. However, in the participant's notice of termination of participation in the Plan, the participant may, if desired, arrange for the transfer of shares directly to a securities broker, or arrange for the sale of shares by the Plan Administrator, as described in Question 25.

24. *May the Company terminate the participation of a participant?*

Yes. The Company has the right to terminate the participation of a participant at any time for the reasons set forth in this Prospectus or for any other reason. See Question 31 for limits on participation in the Plan.

Sales of Plan Shares

25. *May a portion of a participant's Plan shares be sold?*

A participant may sell all or part of the shares of Common Stock held in the Plan in either of two ways. In the first case, a participant may request certificates for full shares directly from the Plan Administrator for delivery to the securities broker of the participant's choice and arrange for the sale of these shares. Electronic delivery of shares may be initiated directly through the participant's securities broker. Alternatively, as soon as practicable, but in no event later than five business days after receipt of written instructions, the Plan Administrator will sell any designated portion or all of the shares held by the Plan Administrator for the participant's account. Such shares will be sold through independent securities brokers selected by the Plan Administrator in its sole discretion. (See Question 23 for information on terminating participation in the Plan.)

IN THE EVENT OF A SALE OF A PARTICIPANT'S SHARES, THE PARTICIPANT WILL BE CHARGED A COMMISSION, TRANSFER AND OTHER TAXES, IF APPLICABLE, AND A SERVICE CHARGE, WHICH AMOUNTS WILL BE DEDUCTED FROM THE CASH PROCEEDS PAID TO THE PARTICIPANT. A PARTICIPANT WHO WISHES TO SELL SOME OR ALL OF HIS OR HER SHARES IN THE PLAN SHOULD BE AWARE OF THE RISK UNDER EITHER SELLING OPTION THAT THE PRICE OF THE COMMON

STOCK MAY DECREASE BETWEEN THE TIME THAT THE PARTICIPANT DETERMINES TO SELL SHARES IN THE PLAN AND THE TIME THAT THE SALE IS COMPLETED. THIS RISK IS BORNE SOLELY BY THE PARTICIPANT.

Shares being sold for a participant may be aggregated with those of other Plan participants who have requested sales. In such case, the participant will receive proceeds based on the average sales price of all shares sold, less transfer and other taxes, the applicable service charge and a pro rata share of brokerage commissions. A check representing the net proceeds of the sale of shares will be forwarded to the participant as soon as practicable after the settlement of the sale.

Tax Consequences of Participation in the Plan

26. What are the federal income tax consequences of participation in the Plan?

Under the current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), the purchase of shares of Common Stock under the Plan will generally result in the following federal income tax consequences:

(a) A dividend on shares of Common Stock will be treated for federal income tax purposes as a dividend received by the participant notwithstanding that, instead of being distributed as cash, such participant's dividend amount is used to purchase additional Common Stock pursuant to the Plan. The full amount of cash dividends reinvested under the Plan plus the amount of any brokerage commissions, mark-ups, and other fees or expenses borne by the Company on behalf of a participant will also constitute a dividend to such participant for federal income tax purposes. Each participant will receive an annual statement from the Plan Administrator indicating the amount of reinvested dividends reported to the U.S. Internal Revenue Service as dividend income.

(b) Dividends paid to corporate shareholders, including the additional amounts taxable as dividends under (a) above, will not be eligible for the dividends-received deduction under the Code.

(c) A participant's tax basis in additional shares of Common Stock acquired under the Plan will be equal to the sum of the amount of cash paid or dividends reinvested plus the amount of brokerage, mark-ups and other fees or expenses borne by the Company on behalf of a participant. The participant's holding period for such shares of Common Stock will commence on the day after the investment date.

(d) A participant will not realize any taxable income upon the receipt of a certificate for full shares credited to the participant's account. A participant will recognize gain or loss when a fractional share interest is liquidated or when the participant sells or exchanges shares received from the Plan. Such gain or loss will equal the difference between the amount the participant receives for such fractional share interest or such shares and the tax basis thereof.

In the case of participants whose dividends are subject to withholding of federal income tax, dividends will be reinvested less the amount of tax required to be withheld.

The above is intended only as a general discussion of the current federal income tax consequences of participation in the Plan. Participants should consult their own tax advisers regarding the federal and state income tax consequences (including the effects of any changes in law) of their individual participation in the Plan.

Other Information

27. *What happens if the Company issues a stock dividend or declares a stock split?*

Any stock dividends or stock splits distributed by the Company on the shares purchased for and credited to the account of a participant under the Plan will be added to the participant's account. Stock dividends or stock splits distributed on shares owned and held outside of the Plan by a participant (including shares for which a participant has directed that cash dividends be reinvested) will be mailed directly to such participant in the same manner as to shareholders who are not participating in the Plan.

In the event the Company makes available, to its shareholders, rights to purchase additional shares of Common Stock or other securities, such rights will be made available to participants based on the number of shares (including fractional share interests to the extent practicable) held in their Plan account on the record date established for determining shareholders who are entitled to such rights.

28. *How will a participant's shares be voted at meetings of shareholders?*

The Plan Administrator will arrange with the transfer agent to forward, as soon as practicable, any proxy materials to the participant. The Plan Administrator will vote any full and/or fractional shares of Common Stock that it holds for the participant's account in accordance with the participant's directions. If a participant does not return a signed proxy to the Plan Administrator, the Plan Administrator will not vote such shares.

29. *What is the responsibility of the Company under the Plan?*

Neither the Company nor the Plan Administrator will be liable for any act done in good faith or for any good faith omission to act, including, without limitation, any claims of liability arising out of (i) failure to terminate a participant's account upon such participant's death or adjudicated incompetency, prior to the receipt of notice in writing of such death or adjudicated incompetency, (ii) the prices at which shares are purchased for the participant's account, (iii) the times when purchases are made or (iv) fluctuations in the market value of the Common Stock. Neither the Company nor the Plan Administrator has any duties, responsibilities or liabilities except those expressly set forth in the Plan. The establishment and maintenance of the Plan by the Company does not constitute an assurance with respect to either the value of Common Stock or whether the Company will continue to pay dividends on Common Stock or at what rate.

30. *May the Plan be changed or discontinued?*

While the Plan is intended to continue indefinitely, the Company reserves the right to suspend or terminate the Plan at any time. The Company also reserves the right to make modifications to the Plan. The Company will use all reasonable efforts to notify participants of such suspension, termination or modification.

The Company intends to use its best efforts to maintain the effectiveness of the Registration Statement filed with the Commission covering the offer and sale of Common Stock under the Plan. However, the Company has no obligation to offer, issue or sell Common Stock to participants under the Plan if, at the time of the offer, issuance or sale, such Registration Statement is for any reason not effective. In this circumstance, dividends, if, as and when declared, will be paid in the usual manner to the shareholders and any additional cash investments received from shareholders will be returned.

31. *Are there any other limitations on participation in the Plan?*

The Company reserves the right to limit participation in the Plan for any reason, even if a shareholder is otherwise eligible to participate. Without limiting the Company's rights under this paragraph, the Company may refuse participation in the Plan to any person if participation or an increase in the number of shares held by such person would, in the opinion of the Company, jeopardize the status of the Company as a REIT.

32. *Who interprets the Plan?* .

The Company may in its sole discretion interpret and regulate the Plan as it deems necessary or desirable in connection with the operation of the Plan and resolve questions or ambiguities concerning the various provisions of the Plan.

33. *What law governs the Plan?*

The terms and conditions of the Plan and its operation shall be governed by the laws of the State of California.

USE OF PROCEEDS

The net proceeds from the sale of the original issue shares of Common Stock issued under the Plan will be used to increase working capital and for other general purposes. The Company has no basis for estimating either the number of shares of Common Stock that ultimately will be sold pursuant to the Plan or the prices at which such shares will be sold.

The Company will not receive any funds under the Plan from the purchase for a participant's account of shares of Common Stock in the open market by the Plan Administrator.

PLAN OF DISTRIBUTION

Newly issued shares of Common Stock offered pursuant to the Plan will be purchased by the Plan Administrator directly from the Company. Common Stock purchased in the open market will be purchased by the Plan Administrator through a broker on the New York Stock Exchange or any other securities exchange on which the Company's Common Stock is traded, in the over the counter market, or by negotiated transactions. All brokerage commissions, fees and service charges in connection with purchases under the Plan will be absorbed by the Company.

EXPERTS

The financial statements of the Company appearing in the Company's Annual Report (Form 10-K) for the year ended July 31, 1995, have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports thereon included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such reports given upon the authority of such firm as experts in accounting and auditing.

LEGAL MATTERS

The validity of the issuance of the shares of Common Stock offered pursuant to this Prospectus will be passed upon for the Company by Farella Braun & Martel LLP, San Francisco, California.