American Assets Trust, Inc.
Form 10-K/A
July 31, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

Amendment No. 1

x	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the fiscal year ended December 31, 2014
or	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
	For the transition period from to

AMERICAN ASSETS TRUST, INC.
(Exact Name of Registrant as Specified in its Charter)
Commission file number: 001-35030

AMERICAN ASSETS TRUST, L.P.
(Exact Name of Registrant as Specified in its Charter)

Maryland (American Assets Trust, Inc.) Maryland (American Assets Trust, L.P.)	27-3338708 (American Assets Trust, Inc.) 27-3338894 (American Assets Trust, L.P.)
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
11455 El Camino Real, Suite 200, San Diego, California	92130
(Address of Principal Executive Offices)	(Zip Code)

(858) 350-2600
(Registrant’s Telephone Number, Including Area Code)

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

Registrant	Title of Each Class	Name Of Each Exchange On Which Registered
American Assets Trust, Inc.	Common Stock, $.01 par value per share	New York Stock Exchange
American Assets Trust, L.P.	None	None

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

American Assets Trust, Inc.	None
American Assets Trust, L.P.	None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

American Assets Trust, Inc.	x Yes o No
American Assets Trust, L.P.	o Yes x No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

American Assets Trust, Inc.	o Yes x No
American Assets Trust, L.P.	x Yes o No

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.

American Assets Trust, Inc.	x Yes o No
American Assets Trust, L.P.	o Yes x No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

American Assets Trust, Inc.	x Yes o No
American Assets Trust, L.P.	x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

American Assets Trust, Inc.

Large Accelerated Filer	x	Accelerated Filer	o
Non-Accelerated Filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

American Assets Trust, L.P.

Large Accelerated Filer	o	Accelerated Filer	o
Non-Accelerated Filer	x (Do not check if a smaller reporting company)	Smaller reporting company	o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

American Assets Trust, Inc.	o Yes x No
American Assets Trust, L.P.	o Yes x No

The aggregate market value of American Assets Trust, Inc.'s common shares held by non-affiliates of the Registrant, based upon the closing sales price of the Registrant's common shares on June 30, 2014 was $1,256.8 million.

The number of American Assets Trust, Inc.'s common shares outstanding on February 20, 2015 was 43,567,365.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of American Assets Trust, Inc.'s Proxy Statement with respect to its 2015 Annual Meeting of Stockholders to be filed not later than 120 days after the end of its fiscal year are incorporated by reference into Part III hereof.

EXPLANATORY NOTE TO 10-K/A

This Amendment No.1 to Form 10-K is being filed for the purpose of correcting a ministerial error in the American Assets Trust, L.P. Consolidated Statements of Comprehensive Income on page F-10 of the annual report on Form 10-K for the year ending December 31, 2014 filed on February 20, 2015 (the "Original Report"). Specifically, this Amendment removes the line item "Net Income attributable to unitholders in the Operating Partnership" from the American Assets Trust, L.P. Statement of Comprehensive Income and updates the weighted average units outstanding, basic. These amounts were inadvertently copied from the American Assets Trust, Inc. statement of comprehensive income without appropriate modification in formatting and labeling. As a result of these changes, the calculation of earnings per unit - basic - from continuing operations is updated.

For ease of reference, this Amendment sets forth the entire Original Report as previously filed, amended only to give effect to the correction discussed above. In addition, pursuant to Rule 12b-15 under the Securities Exchange Act of 1934, as amended, this Amendment includes new certifications of our principal executive officer and principal financial officer on Exhibits 31 and 32, each as of the date of filing this Amendment.

This Amendment does not affect any other section of the Original Report and continues to speak as of the date of the Original Report.

A summary of the corrections are as follows:

American Assets Trust, L.P.
Consolidated Statements of Comprehensive Income
(In Thousands, Except Units and Per Unit Data)

	Year Ended December 31,		
As originally reported:	2014	2013	2012
NET INCOME	$31,145	$22,594	$51,601
Net income attributable to restricted shares	(374)	(536)	(529)
Net income attributable to unitholders in the Operating Partnership	(9,015)	(6,838)	(16,134)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, L.P.	$21,756	$15,220	$34,938
EARNINGS PER UNIT - BASIC			
Continuing operations	$0.52	$0.38	$0.24
Discontinued operations	—	—	0.66
Earnings per unit, basic	$0.52	$0.38	$0.90
Weighted average units outstanding, basic	42,041,126	39,539,457	38,736,113
EARNINGS PER UNIT - DILUTED			
Continuing operations	$0.51	$0.38	$0.24
Discontinued operations	—	—	0.66
Earnings per unit, diluted	$0.51	$0.38	$0.90
Weighted average units outstanding, diluted	59,947,474	57,515,810	57,053,909

	Year Ended December 31,		
As corrected:	2014	2013	2012
NET INCOME	$31,145	$22,594	$51,601
Net income attributable to restricted shares	(374)	(536)	(529)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, L.P.	$30,771	$22,058	$51,072
EARNINGS PER UNIT - BASIC			
Continuing operations	$0.51	$0.38	$0.24
Discontinued operations	—	—	0.66
Earnings per unit, basic	$0.51	$0.38	$0.90
Weighted average units outstanding, basic	59,947,474	57,515,810	57,053,909
EARNINGS PER UNIT - DILUTED			
Continuing operations	$0.51	$0.38	$0.24
Discontinued operations	—	—	0.66
Earnings per unit, basic	$0.51	$0.38	$0.90
Weighted average units outstanding, diluted	59,947,474	57,515,810	57,053,909

EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2014 of American Assets Trust, Inc., a Maryland corporation, and American Assets Trust, L.P., a Maryland limited partnership, of which American Assets Trust, Inc. is the parent company and sole general partner. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our" or "the company" refer to American Assets Trust, Inc. together with its consolidated subsidiaries, including American Assets Trust, L.P. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "our Operating Partnership" or "the Operating Partnership" refer to American Assets Trust, L.P. together with its consolidated subsidiaries.

American Assets Trust, Inc. operates as a real estate investment trust, or REIT, and is the sole general partner of the Operating Partnership. As of December 31, 2014, American Assets Trust, Inc. owned an approximate 70.7% partnership interest in the Operating Partnership. The remaining 29.3% partnership interests are owned by non-affiliated investors and certain of our directors and executive officers. As the sole general partner of the Operating Partnership, American Assets Trust, Inc. has full, exclusive and complete authority and control over the Operating Partnership's day-to-day management and business, can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings, and can cause changes in its line of business, capital structure and distribution policies.

The company believes that combining the annual reports on Form 10-K of American Assets Trust, Inc. and the Operating Partnership into a single report will result in the following benefits:

- better reflects how management and the analyst community view the business as a single operating unit;
- enhance investors' understanding of American Assets Trust, Inc. and the Operating Partnership by enabling them to view the business as a whole and in the same manner as management;
- greater efficiency for American Assets Trust, Inc. and the Operating Partnership and resulting savings in time, effort and expense; and
- greater efficiency for investors by reducing duplicative disclosure by providing a single document for their review.

Management operates American Assets Trust, Inc. and the Operating Partnership as one enterprise. The management of American Assets Trust, Inc. and the Operating Partnership are the same.

There are a few differences between American Assets Trust, Inc. and the Operating Partnership, which are reflected in the disclosures in this report. We believe it is important to understand the differences between American Assets Trust, Inc. and the Operating Partnership in the context of how American Assets Trust, Inc. and the Operating Partnership operate as an interrelated consolidated company. American Assets Trust, Inc. is a REIT, whose only material asset is its ownership of partnership interests of the Operating Partnership. As a result, American Assets Trust, Inc. does not conduct business itself, other than acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing certain debt of the Operating Partnership. American Assets Trust, Inc. itself does not hold any indebtedness. The Operating Partnership holds substantially all the assets of the company, directly or indirectly holds the ownership interests in the company's real estate ventures, conducts the operations of the business and is structured as a partnership with no publicly-traded equity. Except for net proceeds from public equity issuances by American Assets Trust, Inc., which are generally contributed to the Operating Partnership in exchange for partnership units, the Operating Partnership generates the capital required by the company's business through the Operating Partnership's operations, by the Operating Partnership's direct or indirect incurrence of indebtedness or through the issuance of operating partnership units.

Noncontrolling interests and stockholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of American Assets Trust, Inc. and those of American Assets Trust, L.P. The partnership interests in the Operating Partnership that are not owned by American Assets Trust, Inc. are accounted for

as partners' capital in the Operating Partnership's financial statements and as noncontrolling interests in American Assets Trust, Inc.'s financial statements. To help investors understand the significant differences between the company and the Operating Partnership, this report presents the following separate sections for each of American Assets Trust, Inc. and the Operating Partnership:

- consolidated financial statements;
- the following notes to the consolidated financial statements:
  - Debt;
  - Equity/Partners' Capital; and
  - Earnings Per Share/Unit;
- Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities; and
- Liquidity and Capital Resources in Management's Discussion and Analysis of Financial Condition and Results of Operations.

This report also includes separate Item 9A. Controls and Procedures sections and separate Exhibit 31 and 32 certifications for each of American Assets Trust, Inc. and the Operating Partnership in order to establish that the Chief Executive Officer and the Chief Financial Officer of American Assets Trust, Inc. have made the requisite certifications and American Assets Trust, Inc. and the Operating Partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934 and 18 U.S.C. §1350.

AMERICAN ASSETS TRUST, INC. AND AMERICAN ASSETS TRUST, L.P.
ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED DECEMBER 31, 2014
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Forward Looking Statements.

We make statements in this report that are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act). In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in our markets;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- defaults on, early terminations of or non-renewal of leases by tenants, including significant tenants;
- difficulties in identifying properties to acquire and completing acquisitions;
- difficulties in completing dispositions;
- our failure to successfully operate acquired properties and operations;
- our inability to develop or redevelop our properties due to market conditions;
- fluctuations in interest rates and increased operating costs;
- risks related to joint venture arrangements;
- our failure to obtain necessary outside financing;
- on-going litigation;
- general economic conditions;
- financial market fluctuations;
- risks that affect the general retail, office, multifamily and mixed-use environment;
- the competitive environment in which we operate;
- decreased rental rates or increased vacancy rates;
- conflicts of interests with our officers or directors;
- lack or insufficient amounts of insurance;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- other factors affecting the real estate industry generally;
- limitations imposed on our business and our ability to satisfy complex rules in order for American Assets Trust, Inc. to continue to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes; and
- changes in governmental regulations or interpretations thereof, such as real estate and zoning laws and increases in real property tax rates and taxation of REITs.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, or new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section entitled “Item 1A. Risk Factors.”

PART I

ITEM 1. BUSINESS

General

References to “we,” “our,” “us” and “our company” refer to American Assets Trust, Inc., a Maryland corporation, together with our consolidated subsidiaries, including American Assets Trust, L.P., a Maryland limited partnership, of which we are the sole general partner and which we refer to in this report as our Operating Partnership.

We are a full service, vertically integrated and self-administered real estate investment trust, or REIT, that owns, operates, acquires and develops high quality retail, office, multifamily and mixed-use properties in attractive, high-barrier-to-entry markets in Southern California, Northern California, Oregon, Washington, Texas and Hawaii. As of December 31, 2014, our portfolio is comprised of eleven retail shopping centers; seven office properties; a mixed-use property consisting of a 369-room all-suite hotel and a retail shopping center; and four multifamily properties. Additionally, as of December 31, 2014, we owned land at five of our properties that we classified as held for development and construction in progress. Our core markets include San Diego, the San Francisco Bay Area, Portland, Oregon, Bellevue, Washington and Oahu, Hawaii.

We are a Maryland corporation that was formed on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest S. Rady or his affiliates, including the Ernest Rady Trust U/D/T March 13, 1983, or the Rady Trust, and did not have any operating activity until the consummation of our initial public offering and the related acquisition of our Predecessor (as defined below) on January 19, 2011. After the completion of our initial public offering and the Formation Transactions (as defined below) on January 19, 2011, our operations have been carried on through our Operating Partnership. Our company, as the sole general partner of our Operating Partnership, has control of our Operating Partnership and owned 70.7% of our Operating Partnership as of December 31, 2014. Accordingly, we consolidate the assets, liabilities and results of operations of our Operating Partnership.

Our “Predecessor” is not a legal entity but rather a combination of entities whose assets included entities owned and/or controlled by Ernest S. Rady and his affiliates, including the Rady Trust, which in turn owned (1) controlling interests in entities owning 17 properties and the property management business of American Assets, Inc. and (2) noncontrolling interests in entities owning four properties (the assets described at (1) and (2) are the “Acquired Assets,” and do not include our Predecessor's noncontrolling 25% ownership interest in Novato FF Venture, LLC, the entity that owns the Fireman's Fund Headquarters in Novato, California). The “Formation Transactions” included the acquisition by our Operating Partnership of the (a) Acquired Assets, (b) the entities that own Waikiki Beach Walk (a mixed-used property consisting of a retail portion and a hotel portion), or the Waikiki Beach Walk entities, and (c) the entities that own Solana Beach Towne Centre and Solana Beach Corporate Centre, or the Solana Beach Centre entities (including our Predecessor's ownership interest in these entities).

As noted above, since our initial public offering and the Formation Transactions occurred on January 19, 2011, the results of operations and financial condition for the entities acquired by us in connection with our initial public offering and related Formation Transactions are not included in certain historical financial statements. Our results of operations for the year ended December 31, 2011 reflect the results of operations and financial condition for our Predecessor together with the entities we acquired at the time of our initial public offering, namely, the Waikiki Beach Walk entities and the Solana Beach Centre entities. Subsequent to our initial public offering, we acquired the following additional properties: First & Main, Lloyd District Portfolio, Solana Beach - Highway 101, One Beach Street, City Center Bellevue and Geary Marketplace. The results of operations for each of these acquisitions are included in our consolidated statements of operations only from the date of acquisition. Additionally, in August 2011, we sold Valencia Corporate Center and in December 2012, we sold 160 King Street; and we have reclassified our financial statements for all periods prior to the sales to 160 King Street as discontinued operations.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of commercial real estate and will enable us to take advantage of new acquisition and development opportunities, as well as growth opportunities within our portfolio:

- Irreplaceable Portfolio of High Quality Retail and Office Properties. We have acquired and developed a high quality portfolio of retail and office properties located in affluent neighborhoods and sought-after business centers in Southern California, Northern California, Portland, Oregon, Bellevue, Washington, San Antonio, Texas and Oahu, Hawaii. Many of our properties are located in in-fill locations where developable land is scarce or where we believe current zoning, environmental and entitlement regulations significantly restrict new development. We believe that the location of many of our properties will provide us an advantage in terms of generating higher internal revenue growth on a relative basis.
- Experienced and Committed Senior Management Team with Strong Sponsorship. The members of our senior management team have significant experience in all aspects of the commercial real estate industry.

- Properties Located in High-Barrier-to-Entry Markets with Strong Real Estate Fundamentals. Our core markets currently include Southern California, Northern California, Oregon, Washington and Hawaii, which we believe have attractive long-term real estate fundamentals driven by favorable supply and demand characteristics.
- Extensive Market Knowledge and Long-Standing Relationships Facilitate Access to a Pipeline of Acquisition and Leasing Opportunities. We believe that our in-depth market knowledge and extensive network of long-standing relationships in the real estate industry provide us access to an ongoing pipeline of attractive acquisition and investment opportunities in and near our core markets, while also facilitating our leasing efforts and providing us with opportunities to increase occupancy rates at our properties.
- Internal Growth Prospects through Development, Redevelopment and Repositioning. The development and redevelopment potential at several of our properties presents compelling growth prospects and our expertise enhances our ability to capitalize on these opportunities.
- Broad Real Estate Expertise with Retail and Office Focus. Our senior management team has strong experience and capabilities across the real estate sector with significant expertise in the retail and office asset classes, which provides for flexibility in pursuing attractive acquisition, development and repositioning opportunities. Ernest Rady, our Executive Chairman, John Chamberlain, our Chief Executive Officer, and Robert Barton, our Chief Financial Officer, each have over 25 years of commercial real estate experience, and the other members of senior management each have over 15 years of commercial real estate experience.

Business and Growth Strategies

Our primary business objectives are to increase operating cash flows, generate long-term growth and maximize stockholder value. Specifically, we pursue the following strategies to achieve these objectives:

- Capitalizing on Acquisition Opportunities in High-Barrier-to-Entry Markets. We intend to pursue growth through the strategic acquisition of attractively priced, high quality properties that are well located in their submarkets, focusing on markets that generally are characterized by strong supply and demand characteristics, including high barriers to entry and diverse industry bases, that appeal to institutional investors.
- Repositioning/Redevelopment and Development of Office and Retail Properties. Our strategy is to selectively reposition and redevelop several of our existing or newly-acquired properties, and we will also selectively pursue ground-up development of undeveloped land where we believe we can generate attractive risk-adjusted returns.
- Disciplined Capital Recycling Strategy. Our strategy is to pursue an efficient asset allocation strategy that maximizes the value of our investments by selectively disposing of properties whose returns appear to have been maximized and redeploying capital into acquisition, repositioning, redevelopment and development opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT.
- Proactive Asset and Property Management. We actively manage our properties, employ targeted leasing strategies, leverage our existing tenant relationships and focus on reducing operating expenses to increase occupancy rates at our properties, attract high quality tenants and increase property cash flows, thereby enhancing the value of our properties.

Employees

At December 31, 2014, we had 113 employees. None of our employees are represented by a collective bargaining unit. We believe that our relationship with our employees is good.

Tax Status

We have elected to be taxed as a REIT and believe we are organized and operate in a manner that allows us to qualify and to remain qualified as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2011. We believe that our organization and method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our net taxable income to our stockholders (excluding any net capital gains).

Insurance

We carry comprehensive liability, fire, extended coverage, business interruption and rental loss insurance covering all of the properties in our portfolio under a blanket insurance policy, in addition to other coverages, such as trademark and pollution coverage, that may be appropriate for certain of our properties. We believe the policy specifications and insured limits are appropriate and adequate for our properties given the relative risk of loss, the cost of the coverage and industry practice; however, our insurance coverage may not be sufficient to fully cover our losses. We do not carry insurance for certain losses, including, but not limited to, losses caused by riots or war. Some of our policies, like those covering losses due to terrorism and earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, for such events. In addition, all but one of our properties are subject to an increased risk of earthquakes. While we carry earthquake insurance on all of our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. We may reduce or discontinue earthquake, terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any of these policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. Also, if destroyed, we may not be able to rebuild certain of our properties due to current zoning and land use regulations. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters. In addition, our title insurance policies may not insure for the current aggregate market value of our portfolio, and we do not intend to increase our title insurance coverage if the market value of our portfolio increases. If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

Regulation

Our properties are subject to various covenants, laws, ordinances and regulations, including laws such as the Americans with Disabilities Act of 1990, or ADA, and the Fair Housing Amendment Act of 1988, or FHAA, that impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for harm to natural resource. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of

petroleum or hazardous substances or releases from tanks used to store such materials. For example, Del Monte Center is currently undergoing remediation of dry cleaning solvent contamination from a former onsite dry cleaner. The environmental issue is currently in the final stages of remediation which entails the long term ground monitoring by the appropriate regulatory agency over the next two to nine years. The prior owner of Del Monte Center entered into a fixed fee environmental services agreement in 1997 pursuant to which the remediation will be completed for approximately $3.5 million, with the remediation costs paid for through an escrow funded by the prior owner. We expect that the funds in this escrow account will cover all remaining costs and expenses of the environmental remediation. However, if the Regional Water Quality Control Board - Central Coast Region were to require further work costing more than the remaining escrowed funds, we could be required to pay such overage although we may have a claim for such costs against the prior owner or our environmental remediation consultant. In addition to the foregoing, we possess Phase I Environmental Site Assessments for certain of the properties in our

portfolio. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations or hazardous materials survey) and may have failed to identify all environmental conditions or concerns. Furthermore, we do not have Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our portfolio. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As the owner of the buildings on our properties, we could face liability for the presence of hazardous materials (e.g., asbestos or lead) or other adverse conditions (e.g., poor indoor air quality) in our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance. Also, we could be liable to third parties (e.g., occupants of the buildings) for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. In addition, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities.

Competition

We compete with a number of developers, owners and operators of retail, office, multifamily and mixed-use real estate, many of which own properties similar to ours in the same markets in which our properties are located and some of which have greater financial resources than we do. In operating and managing our portfolio, we compete for tenants based on a number of factors, including location, rental rates, security, flexibility and expertise to design space to meet prospective tenants' needs and the manner in which the property is operated, maintained and marketed. As leases at our properties expire, we may encounter significant competition to renew or re-let space in light of the large number of competing properties within the markets in which we operate. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below market renewal options, or we may not be able to timely lease vacant space. In that case, our financial condition, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay dividends may be adversely affected.

We also face competition when pursuing acquisition and disposition opportunities. Our competitors may be able to pay higher property acquisition prices, may have private access to opportunities not available to us and otherwise be in a better position to acquire a property. Competition may also have the effect of reducing the number of suitable acquisition opportunities available to us, increase the price required to consummate an acquisition opportunity and generally reduce the demand for retail, office, mixed-use and multifamily space in our markets. Likewise, competition with sellers of similar properties to locate suitable purchasers may result in us receiving lower proceeds from a sale or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable return.

Segments

We operate in four business segments: retail, office, multifamily and mixed-use. Information related to our business segments for 2014, 2013 and 2012 is set forth in Note 18 to our consolidated financial statements in Item 8 of this Report.

Tenants Accounting for over 10% of Revenues

None of our tenants accounted for more than 10% of total revenues in any of the years ended December 31, 2014, 2013 or 2012. salesforce.com at The Landmark at One Market accounted for approximately 15.9%, 15.9% and 13.3% of total office segment revenues for the years ended December 31, 2014, 2013 and 2012, respectively.

Foreign Operations

We do not engage in any foreign operations or derive any revenue from foreign sources.

Available Information

We file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports with the Securities and Exchange Commission, or the SEC. You may obtain copies of these documents by visiting the SEC’s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549, by

calling the SEC at 1-800-SEC-0330 or by accessing the SEC's website at www.sec.gov. In addition, as soon as reasonably practicable after such materials are furnished to the SEC, we make copies of these documents available to the public free of charge through our website at www.americanassetstrust.com, or by contacting our Secretary at our principal office, which is located at 11455 El

Camino Real, Suite 200, San Diego, California 92130. Our telephone number is (858) 350-2600. The information contained on our website is not a part of this report and is not incorporated herein by reference.
Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Policies and Procedures for Complaints Regarding Accounting, Internal Accounting Controls, Fraud or Auditing Matters and the charters of our audit committee, compensation committee and nominating and corporate governance committee are all available in the Corporate Governance section of the Investor Relations section of our website.

ITEM 1A. RISK FACTORS

The following section includes the most significant factors that may adversely affect our business and operations. The risk factors describe risks that may affect these statements but are not all-inclusive, particularly with respect to possible future events. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. This discussion of risk factors includes many forward-looking statements. For cautions about relying on forward-looking statements, please refer to the section entitled “Forward Looking Statements” at the beginning of this Report immediately prior to Item 1.

Risks Related to Our Business and Operations

Our portfolio of properties is dependent upon regional and local economic conditions and is geographically concentrated in California, Oregon, Washington, Texas and Hawaii, which may cause us to be more susceptible to adverse developments in those markets than if we owned a more geographically diverse portfolio.

Our properties are located in California, Oregon, Washington, Texas and Hawaii, and substantially all of our properties are concentrated in California, Oregon, Washington and Hawaii, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. As a result, we are particularly susceptible to adverse economic or other conditions in these markets (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in these markets (such as earthquakes, wildfires and other events). If there is a downturn in the economy in these markets, our operations and our revenue and cash available for distribution, including cash available to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders, could be materially adversely affected. We cannot assure you that these markets will grow or that underlying real estate fundamentals will be favorable to owners and operators of retail, office, mixed-use or multifamily properties. Our operations may also be affected if competing properties are built in any of these markets. Moreover, submarkets within any of our core markets may be dependent upon a limited number of industries. In addition, the State of California continues to suffer from severe budgetary constraints and is regarded as more litigious, highly regulated and taxed than many other states, all of which may reduce demand for retail, office, mixed-use or multifamily space in California. Any adverse economic or real estate developments in the California, Oregon, Washington or Hawaii markets, or any decrease in demand for retail, office, multifamily or mixed-use space resulting from the regulatory environment, business climate or energy or fiscal problems, could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We have a substantial amount of indebtedness, which may expose us to the risk of default under our debt obligations.

At December 31, 2014, we had total debt outstanding of $1,070.0 million, excluding the unamortized fair value adjustment, a substantial portion of which contains non-recourse carve-out guarantees and environmental indemnities from us and our Operating Partnership, and we may incur significant additional debt to finance future acquisition and development activities. We also have an amended and restated credit facility with a capacity of $350.0 million, consisting of a revolving line of credit of $250 million and a term loan of $100 million. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;

- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any loan with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Internal Revenue Code of 1986, or the Code.

We depend on significant tenants in our office properties, and a bankruptcy, insolvency or inability to pay rent of any of these tenants may adversely affect the income produced by our office properties and could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As of December 31, 2014, the three largest tenants in our office portfolio - salesforce.com, Inc., Autodesk, Inc. and Veterans Benefits Administration - represented approximately 26.3% of the total annualized base rent in our office portfolio. salesforce.com, Inc. is a provider of customer and collaboration relationship management services to various businesses and industries worldwide. Autodesk, Inc. is an American multinational corporation that focuses on 3-D design software for use in the architecture, engineering, construction, manufacturing, media and entertainment industries. The Veterans Benefits Administration is a division of the U.S. Department of Veterans Affairs and is responsible for administering financial and other forms of assistance to veterans and their dependents. The inability of a significant tenant to pay rent or the bankruptcy or insolvency of a significant tenant may adversely affect the income produced by our office properties. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. If any of these tenants were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Any such event could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our retail shopping center properties depend on anchor stores or major tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.

Our retail shopping center properties typically are anchored by large, nationally recognized tenants. At any time, our tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, our tenants, including our anchor and other major tenants, may fail to comply with their contractual obligations to us, seek concessions in order to continue operations or declare bankruptcy, any of which could result in the termination of such tenants' leases and the loss of rental income attributable to the terminated leases. In addition, certain of our tenants may cease operations while continuing to pay rent, which could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. In addition to these potential effects of a business downturn, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our retail properties. Loss of, or a store closure by, an anchor or major tenant could significantly reduce our occupancy level or the rent we receive from our retail properties, and we may not have the right to re-lease vacated space or we may be unable to re-lease vacated space at attractive rents or at all. Moreover, in the event of default by a major tenant or anchor store, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties. The occurrence of any of the situations described above, particularly if it involves an anchor tenant with leases in multiple locations, could seriously harm our performance and could adversely affect the value of the applicable retail property.

For example, Sears Holdings Corporation, the parent company of Sears Roebuck and Co. and Kmart Corporation, which leases retail space for a Kmart store at one of our properties with an aggregate of 119,590 leased square feet for an aggregate annualized base rent of $4.2 million as of December 31, 2014, announced in early 2012 that it would close approximately 80 stores during the year. While Sears Holdings Corporation has not closed the Kmart store at one of our properties, Kmart continued to have ongoing financial difficulties during 2014 and there is no guaranty that the Kmart store will not be closed in

the future. The loss of Kmart as a tenant at our property could (1) decrease customer traffic for our other tenants at the property, thereby decreasing sales for such tenants and (2) make it more difficult for us to secure tenant lease renewals or new tenants for the property.

As of December 31, 2014, our largest anchor tenants were Lowe's, Kmart and Sports Authority, which together represented approximately 15.1% of our total annualized base rent of our retail portfolio in the aggregate, and 6.2%, 5.9% and 3.0%, respectively, of the annualized base rent generated by our retail properties.

Many of the leases at our retail properties contain “co-tenancy” or “go-dark” provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could adversely affect our performance or the value of the applicable retail property.

Many of the leases at our retail properties contain “co-tenancy” provisions that condition a tenant's obligation to remain open, the amount of rent payable by the tenant or the tenant's obligation to continue occupancy on certain conditions, including: (1) the presence of a certain anchor tenant or tenants; (2) the continued operation of an anchor tenant's store; and (3) minimum occupancy levels at the applicable retail property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have the right to cease operations, to terminate its lease early or to a reduction of its rent. In periods of prolonged economic decline, there is a higher than normal risk that co-tenancy provisions will be triggered as there is a higher risk of tenants closing stores or terminating leases during these periods. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain “go-dark” provisions that allow the tenant to cease operations while continuing to pay rent. This could result in decreased customer traffic at the applicable retail property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in our retail leases result in lower revenue or tenant sales or tenants' rights to terminate their leases early or to a reduction of their rent, our performance or the value of the applicable retail property could be adversely affected.

We may be unable to renew leases, lease vacant space or re-let space as leases expire, thereby increasing or prolonging vacancies, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

As of December 31, 2014, leases representing 7.0% of the square footage and 10.2% of the annualized base rent of the properties in our office, retail and retail portion of our mixed-use portfolios will expire in 2015, and an additional 4.6% of the square footage of the properties in our office, retail and retail portion of our mixed-use portfolios was available. We cannot assure you that leases will be renewed or that our properties will be re-let at rental rates equal to or above the current average rental rates or that substantial rent abatements, tenant improvements, early termination rights or below market renewal options will not be offered to attract new tenants or retain existing tenants. In addition, our ability to lease our multifamily properties at favorable rates, or at all, is dependent upon the overall level of spending in the economy, which is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, the downturn in the housing market, stock market volatility and uncertainty about the future. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

Our business strategy involves the acquisition of retail, office, multifamily and mixed-use properties. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. We continue to evaluate the market of available properties and may attempt to acquire properties when strategic opportunities exist. However, we may be unable to acquire properties identified as potential acquisition opportunities. Our ability to acquire properties on favorable terms, or at all, may be exposed to the following significant risks:

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;

- even if we enter into agreements for the acquisition of properties, these agreements are subject to conditions to closing, which we may be unable to satisfy; and
- we may be unable to finance the acquisition on favorable terms or at all.

If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected. In addition, failure to identify or complete acquisitions of suitable properties could slow our growth.

We face significant competition for acquisitions of real properties, which may reduce the number of acquisition opportunities available to us and increase the costs of these acquisitions.

The current market for acquisitions continues to be extremely competitive. This competition may increase the demand for the types of properties in which we typically invest and, therefore, reduce the number of suitable acquisition opportunities available to us and increase the prices paid for such acquisition properties. We also face significant competition for attractive acquisition opportunities from an indeterminate number of investors, including publicly traded and privately held REITs, private equity investors and institutional investment funds, some of which have greater financial resources than we do, a greater ability to borrow funds to acquire properties and the ability to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices. This competition will increase if investments in real estate become more attractive relative to other forms of investment. Competition for investments may reduce the number of suitable investment opportunities available to us and may have the effect of increasing prices paid for such acquisition properties and/or reducing the rents we can charge and, as a result, adversely affecting our operating results.

Our future acquisitions may not yield the returns we expect, and we may otherwise be unable to operate these properties to meet our financial expectations, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may be exposed to the following significant risks:

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- our cash flow may be insufficient to meet our required principal and interest payments;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may not be able to control our operating costs or our expenses may remain constant or increase, even if our revenues do not increase, causing our results of operations to be adversely affected.

Factors that may adversely affect our ability to control operating costs include the need to pay for insurance and other operating costs, including real estate taxes, which could increase over time, the need periodically to repair, renovate and re-lease space, the cost of compliance with governmental regulation, including zoning and tax laws, the potential for liability under applicable laws, interest rate levels and the availability of financing. If our operating costs increase as a result of any of the foregoing factors, our results of operations may be adversely affected.

The expense of owning and operating a property is not necessarily reduced when circumstances such as market factors and competition cause a reduction in income from the property. As a result, if revenues decline, we may not be able to reduce our expenses accordingly. Costs associated with real estate investments, such as real estate taxes, insurance, loan payments and maintenance, generally will not be reduced even if a property is not fully occupied or other circumstances cause our revenues to decrease. If we are unable to decrease operating costs when demand for our properties decreases and our revenues decline, our financial condition, results of operations and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders may be

adversely affected.

Our ability to grow will be limited if we cannot obtain additional capital.
If economic conditions and conditions in the capital markets are not favorable at the time we need to raise capital, we may need to obtain capital on less favorable terms than our current debt financings. Equity capital could include our common shares or preferred shares. We cannot guarantee that additional financing, refinancing or other capital will be available in the amounts we desire or on favorable terms. Our access to debt or equity capital depends on a number of factors, including the market's perception of our growth potential, our ability to pay dividends, and our current and potential future earnings. Depending on the outcome of these factors as well as the impact of the economic environment, we could experience delay or difficulty in implementing our growth strategy, including the development and redevelopment of our assets, on satisfactory terms, or be unable to implement this strategy.
High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make.
If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, to the extent we are unable to refinance the properties when the loans become due, we will have fewer debt guarantee opportunities available to offer under our tax protection agreement.
Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.
Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.
Some of our financing arrangements involve balloon payment obligations, which may adversely affect our ability to make distributions.
Some of our financing arrangements require us to make a lump-sum or “balloon” payment at maturity. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the existing financing on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to stockholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.
Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.
The REIT rules impose certain restrictions on our ability to utilize hedges, swaps and other types of derivatives to hedge our liabilities. Subject to these restrictions, we may enter into hedging transactions to protect us from the effects of interest rate fluctuations on floating rate debt. Our hedging transactions may include entering into interest rate cap agreements or interest rate swap agreements. For example, in January 2014, we entered into an interest rate swap agreement that is intended to fix the interest rate associated with our term loan of $100 million at approximately 3.08% (subject to adjustments based on our consolidated leverage ratio) through the maturity date of the loan and maturity date extension options. Additionally, on August 19, 2014, we entered into (and later settled on September 19, 2014) a one-month forward-starting seven-year swap contract to reduce the interest rate variability exposure of the

projected interest cash flows of our then-prospective Series A Notes (as defined below). These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates. Hedging could reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes could materially adversely affect

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our financial condition, results of operations, cash flow and per share trading price of our common stock. In addition, while such agreements would be intended to lessen the impact of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, we could incur significant costs associated with the settlement of the agreements or that the underlying transactions could fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, Derivative and Hedging.

Our amended and restated credit facility and note purchase agreement restrict our ability to engage in some business activities, including our ability to incur additional indebtedness, make capital expenditures and make certain investments, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our amended and restated credit facility and note purchase agreement contain customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to incur additional liens;
- restrict our ability to make certain investments (including certain capital expenditures);
- restrict our ability to merge with another company;
- restrict our ability to sell or dispose of assets;
- restrict our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders; and
- require us to satisfy minimum financial coverage ratios, minimum tangible net worth requirements and maximum leverage ratios.

These limitations restrict our ability to engage in some business activities, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock. In addition, our credit facility contains specific cross-default provisions with respect to specified other indebtedness, giving the lenders and/or note purchasers the right to declare a default if we are in default under other loans in some circumstances.

If we invest in mortgage receivables, including originating mortgages, such investment would be subject to several risks, any of which could decrease the value of such investments and result in a significant loss to us.

From time to time, we may invest in mortgage receivables, including originating mortgages. In general, investments in mortgages are subject to several risks, including:

- borrowers may fail to make debt service payments or pay the principal when due, which may make it necessary for us to foreclose our mortgages or engage in costly negotiations;
- the value of the mortgaged property may be less than the principal amount of the mortgage note securing the property;
- interest rates payable on the mortgages may be lower than our cost for the funds to acquire these mortgages; and
- the mortgages may be or become subordinated to mechanics' or materialmen's liens or property tax liens, in which case we would need to make payments to maintain the current status of a prior lien or discharge it in its entirety to protect such mortgage investment.

If any of these risks were to be realized, the total amount we would recover from our mortgage receivables may be less than our total investment, resulting in a loss and our mortgage receivables may be materially and adversely affected.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, including the recent dislocations in the credit markets and general global economic downturn. These conditions, or similar conditions existing in the future, may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock as a result of the following potential consequences, among others:

- decreased demand for retail, office, multifamily and mixed-use space, which would cause market rental rates and property values to be negatively impacted;
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reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans;

- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense; and
- one or more lenders under our amended and restated credit facility could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

We are subject to risks that affect the general retail environment, such as weakness in the economy, the level of consumer spending, the adverse financial condition of large retailing companies and competition from discount and internet retailers, any of which could adversely affect market rents for retail space and the willingness or ability of retailers to lease space in our shopping centers.

A portion of our properties are in the retail real estate market. This means that we are subject to factors that affect the retail sector generally, as well as the market for retail space. The retail environment and the market for retail space have previously been, and could again be, adversely affected by weakness in the national, regional and local economies, the level of consumer spending and consumer confidence, the adverse financial condition of some large retailing companies, the ongoing consolidation in the retail sector, the excess amount of retail space in a number of markets and increasing competition from discount retailers, outlet malls, internet retailers and other online businesses. Increases in consumer spending via the internet may significantly affect our retail tenants' ability to generate sales in their stores. In addition, some of our retail tenants face competition from the expanding market for digital content and hardware. New and enhanced technologies, including new digital technologies and new web services technologies, may increase competition for certain of our retail tenants.

Any of the foregoing factors could adversely affect the financial condition of our retail tenants and the willingness of retailers to lease space in our shopping centers. In turn, these conditions could negatively affect market rents for retail space and could materially and adversely affect our financial condition, results of operations, cash flow, the trading price of our common shares and our ability to satisfy our debt service obligations and to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We face significant competition in the leasing market, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of real estate, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below market renewal options in order to retain tenants when our tenants' leases expire. As a result, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, causing our financial condition, results of operations, cash flow and per share trading price of our common stock to be adversely affected.

We may be required, upon expiration of leases at our properties, to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could cause an adverse effect to our financial condition, results of operations, cash flow and per share trading price of our common stock.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll down from time to time, which could negatively impact our ability to generate cash flow growth.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the California, Oregon, Washington, Texas and Hawaii real estate markets and the desirability of our properties compared

to other properties in our submarkets, we may be unable to realize the asking rents across the properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain rental rates that are on average comparable to our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted.

In addition, depending on asking rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell or refinance such assets.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our Operating Partnership, which may result in stockholder dilution through the issuance of Operating Partnership units that may be exchanged for shares of our common stock . This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of, or refinance the debt on, the acquired properties. Similarly, we may be required to incur or maintain debt we would otherwise not incur so we can allocate the debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

We are subject to the business, financial and operating risks inherent to the hospitality industry, including competition for guests with other hospitality properties and general and local economic conditions that may affect demand for travel in general, any of which could adversely affect the revenues generated by our hospitality properties.

Because we own the Waikiki Beach Walk-Embassy Suites™ in Hawaii and the Santa Fe Park RV Resort in California, we are susceptible to risks associated with the hospitality industry, including:

- competition for guests with other hospitality properties, some of which may have greater marketing and financial resources than the managers of our hospitality properties;
- increases in operating costs from inflation, labor costs (including the impact of unionization), workers' compensation and healthcare related costs, utility costs, insurance and other factors that the managers of our hospitality properties may not be able to offset through higher rates;
- the fluctuating and seasonal demands of business travelers and tourism, which seasonality may cause quarterly fluctuations in our revenues;
- general and local economic conditions that may affect demand for travel in general;
- periodic oversupply resulting from excessive new development;
- unforeseen events beyond our control, such as terrorist attacks, travel-related health concerns, including pandemics and epidemics, imposition of taxes or surcharges by regulatory authorities, travel-related accidents and unusual weather patterns, including natural disasters such as earthquakes or wildfires; and
- decreased reimbursement revenue from the licensor for traveler reward programs.

If our hospitality properties do not generate sufficient revenues, our financial position, results of operations, cash flow, per share trading price of our common stock and ability to satisfy our debt service obligations and to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders may be adversely affected.

We must rely on third-party management companies to operate the Waikiki Beach Walk-Embassy Suites™ in order to maintain our qualification as a REIT under the Code, and, as a result, we will have less control than if we were operating the hotel directly.

In order to assist us in maintaining our qualification as a REIT, we have leased the Waikiki Beach Walk-Embassy Suites™ to WBW Hotel Lessee, LLC, our taxable REIT subsidiary, or TRS, lessee, and engaged a third-party management company to operate our hotel. While we have some input into operating decisions for the hotel leased by our TRS lessee and operated under a management agreement, we have less control than if we managed the hotel ourselves. Even if we believe that our hotel is not being operated efficiently, we may not have sufficient rights under the management agreement to enable us to force the management company to change its method of operation. We cannot assure you that the management company will successfully manage our hotel. A failure by the management company to successfully manage the hotel could lead to an increase in our operating expenses or a decrease in our revenue, or both, which could adversely impact our financial condition, results of operations, cash flow, our ability to satisfy our debt service obligations and our ability to pay distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders

If our relationship with the franchisor of the Waikiki Beach Walk-Embassy Suites™ was to deteriorate or terminate, it could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We cannot assure you that disputes between us and the franchisor of the Waikiki Beach Walk- Embassy Suites™ will not arise. If our relationship with the franchisor were to deteriorate as a result of disputes regarding the franchise agreement under which our hotel operates or for other reasons, the franchisor could, under certain circumstances, terminate our current license with them or decline to provide licenses for hotels that we may acquire in the future. If any of the foregoing were to occur, it could have a material adverse effect on our business, financial condition, results of operations and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

Our franchisor, Embassy Suites™, could cause us to expend additional funds on upgraded operating standards, which may adversely affect our results of operations and reduce cash available for distribution to stockholders.

Under the terms of our franchise license agreement, our hotel operator must comply with operating standards and terms and conditions imposed by the franchisor of the hotel brand, Embassy Suites™. Failure by us, our TRS lessees or any hotel management company that we engage to maintain these standards or other terms and conditions could result in the franchise license being canceled or the franchisor requiring us to undertake a costly property improvement program. If the franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we may be liable to the franchisor for a termination payment, which we expect could be as high as approximately $6.6 million based on operating performance through December 31, 2014. In addition, our franchisor may impose upgraded or new brand standards, such as substantially upgrading the bedding, enhancing the complimentary breakfast or increasing the value of guest awards under its “frequent guest” program, which can add substantial expense for the hotel. Furthermore, under certain circumstances, the franchisor may require us to make certain capital improvements to maintain the hotel in accordance with system standards, the cost of which can be substantial and may adversely affect our results of operations and reduce cash available for distribution to our stockholders.

Embassy Suites™, our franchisor, has a right of first offer with respect to the Waikiki Beach Walk-Embassy Suites™, which may limit our ability to obtain the highest price possible for the hotel.

Pursuant to the terms of our franchise agreement for the Waikiki Beach Walk-Embassy Suites™, the franchisor has a right of first offer to purchase the hotel if we propose to sell all or a portion of the hotel or any interest therein. In the event that we choose to dispose of the hotel, we would be required to notify the franchisor, prior to offering the hotel to any other potential buyer, of the price and conditions on which we would be willing to sell the hotel, and the franchisor would have the right, within 30 days of receiving such notice, to make an offer to purchase the hotel. If the franchisor makes an offer to purchase that is equal to or greater than the price and on substantially the same terms set forth in our notice, then we will be obligated to sell the hotel to the franchisor at that price and on those terms. If the franchisor makes an offer to purchase for less than the price stated in our notice or on less favorable terms, then we may reject the franchisor's offer. The existence of this right of first offer could adversely impact our ability to obtain the highest possible price for the hotel as, during the term of the franchise agreement, we would not be able to offer the hotel to potential purchasers through a competitive bid process or in a similar manner designed to maximize the value obtained for the property without first offering to sell this property to the franchisor.

Our real estate development activities are subject to risks particular to development, such as unanticipated expenses, delays and other contingencies, any of which could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.

We may engage in development and redevelopment activities with respect to certain of our properties. To the extent that we do so, we will be subject to the following risks associated with such development and redevelopment activities:

- unsuccessful development or redevelopment opportunities could result in direct expenses to us;
- construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- contractor and subcontractor disputes, strikes, labor disputes or supply disruptions;
- failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;

- delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;
- occupancy rates and rents of a completed project may not be sufficient to make the project profitable;
- our ability to dispose of properties developed or redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and
- the availability and pricing of financing to fund our development activities on favorable terms or at all.

These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development or redevelopment activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our success depends on key personnel whose continued service is not guaranteed, and the loss of one or more of our key personnel could adversely affect our ability to manage our business and to implement our growth strategies, or could create a negative perception in the capital markets.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Messrs. Rady, Chamberlain and Barton, who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity. Among the reasons that these individuals are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. If we lose their services, our relationships with such personnel could diminish.

Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying opportunities, having opportunities brought to us and negotiating with tenants and build-to-suit prospects. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry participants, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Mr. Rady is involved in outside businesses, which may interfere with his ability to devote time and attention to our business and affairs.

We rely on our senior management team, including Mr. Rady, for the day-to-day operations of our business. Our employment agreement with Mr. Rady requires him to devote a substantial portion of his business time and attention to our business. Mr. Rady continues to serve as chairman of the board of directors and president of American Assets, Inc. and chairman of the board of directors of Insurance Company of the West. As such, Mr. Rady has certain ongoing duties to American Assets, Inc., Insurance Company of the West and other business ventures that could require a portion of his time and attention. Although we expect that Mr. Rady will continue to devote a substantial majority of his business time and attention to us, we cannot accurately predict the amount of time and attention that will be required of Mr. Rady to perform such ongoing duties. To the extent that Mr. Rady is required to dedicate time and attention to American Assets, Inc. and/or Insurance Company of the West, his ability to devote a substantial majority of his business time and attention to our business and affairs may be limited and could adversely affect our operations.

We may be subject to on-going or future litigation and otherwise in the ordinary course of business, which could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

We may be subject to on-going litigation at our properties and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of currently asserted claims or of those that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

Potential losses from earthquakes in California, Oregon, Washington and Hawaii may not be fully covered by insurance.

Many of the properties we currently own are located in California, Oregon, Washington and Hawaii, which are areas especially subject to earthquakes. While we carry earthquake insurance on all of our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes and will be subject to limitations involving large deductibles or co-payments. In addition, we may reduce or discontinue earthquake insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. As a result, in the event of an earthquake, we may be required to incur significant costs, and, to the extent that a loss exceeds policy limits, we could lose the capital invested in the damaged properties as well as the

anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.
We may not be able to rebuild our existing properties to their existing specifications if we experience a substantial or comprehensive loss of such properties.
In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further, reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. Environmental and legal restrictions could also restrict the rebuilding of our properties. For example, if we experienced a substantial or comprehensive loss of Torrey Reserve Campus in San Diego, California, reconstruction could be delayed or prevented by the California Coastal Commission, which regulates land use in the California coastal zone.
Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers' financial condition and disputes between us and our co-venturers.
We may co-invest in the future with other third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. Consequently, with respect to any such arrangement we may enter into in the future, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, a sale or transfer by us to a third party of our interests in the joint venture may be subject to consent rights or rights of first refusal, in favor of our joint venture partners, which would in each case restrict our ability to dispose of our interest in the joint venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/ or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in the current volatile credit market, the refinancing of such debt may require equity capital calls.
Increased competition and increased affordability of residential homes could limit our ability to retain our residents, lease apartment homes or increase or maintain rents at our multifamily apartment communities.
Our multifamily apartment communities compete with numerous housing alternatives in attracting residents, including other multifamily apartment communities and single-family rental homes, as well as owner occupied single-and multifamily homes. Competitive housing in a particular area and an increase in the affordability of owner occupied single and multifamily homes due to, among other things, housing prices, oversupply, mortgage interest rates and tax incentives and government programs to promote home ownership, could adversely affect our ability to retain residents, lease apartment homes and increase or maintain rents.
Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all, which could limit our ability, among other things, to meet our capital and operating needs or make the cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders necessary to maintain our qualification as a REIT.
In order to maintain our qualification as a REIT, we are required under the Code, among other things, to distribute annually at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that

we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party sources to fund our capital needs. We may not be able to obtain such financing on favorable terms or at all and any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market's perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

Recently, the capital markets have been subject to significant disruptions. If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders necessary to maintain our qualification as a REIT.

We rely on information technology in our operations, and any breach, interruption or security failure of that technology could have a negative impact on our business, operations and/or financial condition.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber-attacks. We face risks associated with security breaches, whether through cyber-attacks or cyber-intrusions over the internet, malware, computer viruses, attachments to e-mails and/or employees or third-parties with access to our systems.

Our information technology, or IT networks and related systems, are essential to the operation of our business and our ability to perform day-to-day operations, and, in some cases, may be critical to the operations of certain of our tenants. Additionally, we collect and hold personally identifiable information of our residents and prospective residents in connection with our leasing activities at our multifamily locations. We also collect and hold personally identifiable information of our employees in connection with their employment. In addition, we engage third-party service providers that may have access to such personally identifiable information in connection with providing business services to us, whether through our own IT networks and related systems, or through the third-party service providers' IT networks and related systems.

There can be no assurance that our efforts to maintain the security and integrity of our (or our third-party service providers') IT networks and related systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. A security breach or other significant disruption involving our (or our third-party service providers') IT networks and related systems could materially and adversely impact our income, cash flow, results of operations, financial condition, liquidity, the ability to service our debt obligations, the market price of our common stock, our ability to pay dividends and/or other distributions to our shareholders. A security breach could additionally cause the disclosure or misuse of confidential or proprietary information (including personal information of our residents and/or employees) and damage to our reputation.

Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and the real estate industry, including local oversupply, reduction in demand or adverse changes in financial conditions of buyers, sellers and tenants of properties, which could decrease revenues or increase costs, which would adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Our ability to make expected distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under "Risks Related to Our Business and Operations," as well as the following:

- local oversupply or reduction in demand for retail, office, multifamily or mixed-use space;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below market renewal options, and the need to

periodically repair, renovate and re-let space;

- increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;
- a favorable interest rate environment that may result in a significant number of potential residents of our multifamily apartment communities deciding to purchase homes instead of renting;

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- rent control or stabilization laws, or other laws regulating rental housing, which could prevent us from raising rents to offset increases in operating costs;
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured or underinsured losses;
- decreases in the underlying value of our real estate;
- changing submarket demographics; and
- changing traffic patterns.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to certain limitations imposed by our tax protection agreement, as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the recent economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT's ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

Our property taxes could increase due to property tax rate changes or reassessment, which would adversely impact our cash flows.

Even if we continue to qualify as a REIT for federal income tax purposes, we will be required to pay some state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. If the property taxes we pay increase, our cash flow would be adversely impacted, and our ability to pay any expected dividends to our stockholders could be adversely affected.

As an owner of real estate, we could incur significant costs and liabilities related to environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may

impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures.

Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. For example, Del Monte Center is currently undergoing remediation of dry cleaning solvent contamination from a former onsite dry cleaner. The environmental issues is

currently in the final stages of remediation which entails the long term ground monitoring by the appropriate regulatory agency over the next two to nine years. The prior owner of Del Monte Center entered into a fixed fee environmental services agreement in 1997 pursuant to which the remediation will be completed for approximately $3.5 million, with the remediation costs paid for through an escrow funded by the prior owner. We expect that the funds in this escrow account will cover all remaining costs and expenses of the environmental remediation. However, if the Regional Water Quality Control Board - Central Coast Region were to require further work costing more than the remaining escrowed funds, we could be required to pay such overage although we may have a claim for such costs against the prior owner or our environmental remediation consultant. In addition to the foregoing, we possess Phase I Environmental Site Assessments for certain of the properties in our portfolio. However, the assessments are limited in scope (e.g., they do not generally include soil sampling, subsurface investigations or hazardous materials survey) and may have failed to identify all environmental conditions or concerns. Furthermore, we do not have Phase I Environmental Site Assessment reports for all of the properties in our portfolio and, as such, may not be aware of all potential or existing environmental contamination liabilities at the properties in our portfolio. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow and the per share trading price of our common stock.

As the owner of the buildings on our properties, we could face liability for the presence of hazardous materials (e.g., asbestos or lead) or other adverse conditions (e.g., poor indoor air quality) in our buildings. Environmental laws govern the presence, maintenance, and removal of hazardous materials in buildings, and if we do not comply with such laws, we could face fines for such noncompliance. Also, we could be liable to third parties (e.g., occupants of the buildings) for damages related to exposure to hazardous materials or adverse conditions in our buildings, and we could incur material expenses with respect to abatement or remediation of hazardous materials or other adverse conditions in our buildings. In addition, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant's ability to make rental payments to us, and changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to you or that such costs or other remedial measures will not have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local

ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to

comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

In addition, federal and state laws and regulations, including laws such as the ADA and the FHAA, impose further restrictions on our properties and operations. Under the ADA and the FHAA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA or the FHAA. If one or more of the properties in our portfolio is not in compliance with the ADA, the FHAA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow and per share trading price of our common stock.

Risks Related to Our Organizational Structure

Ernest S. Rady and his affiliates, directly or indirectly, own a substantial beneficial interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company and our Operating Partnership, including the approval of significant corporate transactions.

As of December 31, 2014, Mr. Rady and his affiliates owned approximately 9.8% of our outstanding common stock and 24.1% of our outstanding common units, which together represent an approximate 33.9% beneficial interest in our company on a fully diluted basis. Consequently, Mr. Rady may be able to significantly influence the outcome of matters submitted for stockholder action, including the approval of significant corporate transactions, including business combinations, consolidations and mergers. In addition, we may not, without prior limited partner approval, directly or indirectly transfer all or any portion of our interest in the Operating Partnership before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. As a result, Mr. Rady has substantial influence on us and could exercise his influence in a manner that conflicts with the interests of other stockholders.

Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our Operating Partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we, as the general partner of our Operating Partnership, have fiduciary duties and obligations to our Operating Partnership and its limited partners under Maryland law and the partnership agreement of our Operating Partnership in connection with the management of our Operating Partnership. Our fiduciary duties and obligations as the general partner of our Operating Partnership may come into conflict with the duties of our directors and officers to our company.

Under Maryland law, a general partner of a Maryland limited partnership has fiduciary duties of loyalty and care to the partnership and its partners and must discharge its duties and exercise its rights as general partner under the partnership agreement or Maryland law consistently with the obligation of good faith and fair dealing. The partnership agreement provides that, in the event of a conflict between the interests of our Operating Partnership or any partner, on the one hand, and the separate interests of our company or our stockholders, on the other hand, we, in our capacity as the general partner of our Operating Partnership, are under no obligation not to give priority to the separate interests of our company or our stockholders, and that any action or failure to act on our part or on the part of our directors that gives priority to the separate interests of our company or our stockholders that does not result in a violation of the contract rights of the limited partners of the Operating Partnership under its partnership agreement does not violate the duty of loyalty that we, in our capacity as the general partner of our Operating Partnership, owe to the Operating Partnership and its partners.

Additionally, the partnership agreement provides that we will not be liable to the Operating Partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the Operating Partnership or any limited partner, except for liability for our intentional harm or gross negligence. Our Operating Partnership must indemnify us, our directors and officers, officers of our Operating Partnership and our designees from and against any and all claims that relate to the operations of our Operating Partnership, unless (1) an act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) the person actually received an improper personal benefit in violation or breach of the partnership agreement or (3) in the case of a criminal proceeding, the indemnified person had reasonable cause to believe that the act or omission was unlawful. Our Operating Partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of

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the person's good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. Our Operating Partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification without our approval (except for any proceeding brought to enforce such person's right to indemnification under the partnership agreement) or if the person is found to be liable to our Operating Partnership on any portion of any claim in the action. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our Operating Partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to the Operating Partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

Our charter and bylaws, the partnership agreement of our Operating Partnership and Maryland law contain provisions that may delay, defer or prevent a change of control transaction that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Our charter contains certain ownership limits with respect to our stock. Our charter, subject to certain exceptions, authorizes our board of directors to take such actions as it determines are advisable to preserve our qualification as a REIT. Our charter also prohibits the actual, beneficial or constructive ownership by any person of more than 7.275% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 7.275% in value of the aggregate outstanding shares of all classes and series of our stock, excluding any shares that are not treated as outstanding for federal income tax purposes. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied. Our board of directors has granted to each of (1) Mr. Rady (and certain of his affiliates) and (2) Cohen & Steers Management, Inc. an exemption from the ownership limits that will allow them to own, in the aggregate, up to 19.9% and 15.0%, respectively, in value or in number of shares, whichever is more restrictive, of our outstanding common stock, subject to various conditions and limitations. The restrictions on ownership and transfer of our stock may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; or
- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval.

Our board of directors, without stockholder approval, has the power under our charter to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit certain business combinations between us and an "interested stockholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting

stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price and/or supermajority and stockholder voting requirements on these combinations; and

- "control share" provisions that provide that "control shares" of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the MGCL, our board of directors has, by board resolution, elected to opt out of the business combination provisions of the MGCL. However, we cannot assure you that our board of directors will not opt to be subject to such business combination provisions of the MGCL in the future.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors.

Certain provisions in the partnership agreement of our Operating Partnership may delay or prevent unsolicited acquisitions of us.

Provisions in the partnership agreement of our Operating Partnership may delay, or make more difficult, unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;
- a requirement that we may not be removed as the general partner of our Operating Partnership without our consent;
- transfer restrictions on common units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the Operating Partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our Operating Partnership without the consent of the limited partners; and
- the right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders.

In particular, we may not, without prior "partnership approval," directly or indirectly transfer all or any portion of our interest in our Operating Partnership, before the later of the death of Mr. Rady and the death of his wife, in connection with a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets, a reclassification, recapitalization or change in any outstanding shares of our stock or other outstanding equity interests or an issuance of shares of our stock, in any case that requires approval by our common stockholders. The "partnership approval" requirement is satisfied, with respect to such a transfer, when the sum of (1) the percentage interest of limited partners consenting to the transfer of our interest, plus (2) the product of (a) the percentage of the outstanding common units held by us multiplied by (b) the percentage of the votes that were cast in favor of the event by our common stockholders equals or exceeds the percentage required for our common stockholders to approve the event resulting in the transfer. As of December 31, 2014, the limited partners, including Mr. Rady and his affiliates and our other executive officers and directors, owned approximately 30.0% of our outstanding common units and approximately 11.1% of our outstanding common stock, which together represent an approximate 41.1% beneficial interest in our company on a fully diluted basis.

Our charter and bylaws, the partnership agreement of our Operating Partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.

Tax protection agreements could limit our ability to sell or otherwise dispose of certain properties, even though a sale or disposition may otherwise be in our stockholders' best interest.
In connection with the Formation Transactions, we entered into tax protection agreements with certain limited partners of our Operating Partnership, including Mr. Rady and his affiliates and an affiliate of Mr. Chamberlain, that provide that if we dispose of any interest with respect to Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza portion of Torrey Reserve Campus, which we collectively refer to as the tax protected properties, in a taxable transaction during the period from the closing of our initial public offering through the seventh anniversary of such closing, we will indemnify such limited partners for their tax liabilities attributable to their share of the built-in gain that existed with respect to such property interest as of the time of our initial public offering and tax liabilities incurred as a result of the reimbursement payment; provided that, subject to certain exceptions and limitations, such indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. Notwithstanding the foregoing the Operating Partnership's indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. The tax protected properties represented 33.9% of our portfolio's annualized base rent as of December 31, 2014 and included total revenue for Waikiki Beach Walk-Embassy Suites™ for the 12 month period ended December 31, 2014. We have no present intention to sell or otherwise dispose of the properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment). In addition, although it may otherwise be in our stockholders' best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.
Our tax protection agreements may require our Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business.
Our tax protection agreements provide that during the period from the closing of our initial public offering through the seventh anniversary of such closing, our Operating Partnership will offer certain holders of common units the opportunity to guarantee its debt, and following such period, our Operating Partnership will use commercially reasonable efforts to provide such prior investors with debt guarantee opportunities. We will be required to indemnify such holders for their tax liabilities resulting from our failure to make such opportunities available to them (and any tax liabilities incurred as a result of the indemnity payment). Notwithstanding the foregoing the Operating Partnership's indemnification obligations under the tax protection agreement will terminate upon the later of the death of Mr. Rady and the death of his wife. Subject to certain exceptions and limitations, such holders' rights to guarantee opportunities will terminate for any given holder that sells, exchanges or otherwise disposes of more than 50% of his or her common units. We agreed to these provisions in order to assist certain prior investors in deferring the recognition of taxable gain as a result of and after the Formation Transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.
Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.
Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our charter and bylaws do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.
Our rights and the rights of our stockholders to take action against our directors and officers are limited.

As permitted by Maryland law, our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited.

We are a holding company with no direct operations and, as such, we will rely on funds received from our Operating Partnership to pay liabilities, and the interests of our stockholders will be structurally subordinated to all liabilities and obligations of our Operating Partnership and its subsidiaries.
We are a holding company and conduct substantially all of our operations through our Operating Partnership. We do not have, apart from an interest in our Operating Partnership, any independent operations. As a result, we rely on distributions from our Operating Partnership to pay any dividends we might declare on shares of our common stock. We also rely on distributions from our Operating Partnership to meet our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, claims of stockholders are structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our Operating Partnership's and its subsidiaries' liabilities and obligations have been paid in full.
Our Operating Partnership may issue additional partnership units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our Operating Partnership and would have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.
We may, in connection with our acquisition of properties or otherwise, issue additional partnership units to third parties. Such issuances would reduce our ownership percentage in our Operating Partnership and affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders. To the extent that our stockholders do not directly own partnership units, our stockholders will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership.
Our operating structure subjects us to the risk of increased hotel operating expenses.
Our lease with our TRS lessee requires our TRS lessee to pay us rent based in part on revenues from the Waikiki Beach Walk-Embassy Suites™. Our operating risks include decreases in hotel revenues and increases in hotel operating expenses, which would adversely affect our TRS lessee's ability to pay us rent due under the lease, including but not limited to the increases in:

- wage and benefit costs;
- repair and maintenance expenses;
- energy costs;
- property taxes;
- insurance costs; and
- other operating expenses.

Increases in these operating expenses can have an adverse impact on our financial condition, results of operations, the market price of our common stock and our ability to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

Future sales of common stock or common units by our directors and officers, or their pledgees, as a result of margin calls or foreclosures could adversely affect the price of our common stock and could, in the future, result in a loss of control of our company.
Our directors and officers may pledge shares of common stock or common units owned or controlled by them as collateral for loans or for margin purposes in favor of third parties. Depending on the status of the various loan obligations for which the stock or units ultimately serve as collateral and the trading price of our common stock, our directors and/or officers, and their affiliates, may experience a foreclosure or margin call that could result in the sale of the pledged stock or units, in the open market or otherwise. Unlike for our directors and officers, sales by these pledgees may not be subject to the volume limitations of Rule 144 of the Securities Act. A sale of pledged stock or units by pledgees could result in a loss of control of our company, depending upon the number of shares of stock or units sold and the ownership interests of other stockholders. In addition, sale of these shares or units, or the perception

of possible future sales, could have a materially adverse effect on the trading price of our common stock or make it more difficult for us to raise additional capital through sales of equity securities.

Risks Related to Our Status as a REIT

Failure to maintain our qualification as a REIT would have significant adverse consequences to us and the value of our common stock.

We have elected to be taxed as a REIT and believe we are organized and operate in a manner that has allowed us to qualify and to remain qualified as a REIT for federal income tax purposes commencing with our taxable year ended December 31, 2011. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT. Therefore, we cannot assure you that we have qualified as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders. In addition, if we fail to maintain our qualification as a REIT, we will not be required to make distributions to our American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders. As a result of all these factors, our failure to maintain our qualification as a REIT also could impair our ability to expand our business and raise capital, and could materially and adversely affect the value of our common stock.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to maintain our qualification as a REIT. In order to maintain our qualification as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as “rents from real property.” Also, we must make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to maintain our qualification as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we maintain our qualification as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions they operate.

If our Operating Partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our Operating Partnership is treated as a partnership for federal income tax purposes. As a partnership, our Operating Partnership is not be subject to federal income tax on its income. Instead, each of its partners, including us, is allocated, and may be required to pay tax with respect to, its share of our Operating Partnership's income. We cannot be assured, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to qualify as a partnership

could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Our ownership of taxable REIT subsidiaries will be limited, and we will be required to pay a 100% penalty tax on certain income or deductions if our transactions with our taxable REIT subsidiaries are not conducted on arm's length terms.
We own an interest in one taxable REIT subsidiary, our TRS lessee, and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a 100% excise tax will be imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm's length basis.
A REIT's ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset tests applicable to REITs. Not more than 25% of a REIT's total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries), other than those securities includable in the 75% asset test. We anticipate that the aggregate value of the stock and securities of our taxable REIT subsidiaries and other nonqualifying assets will be less than 25% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with our taxable REIT subsidiaries to ensure that they are entered into on arm's length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% limitation or to avoid application of the 100% excise tax discussed above.
To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, which could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.
To maintain our REIT status, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year, including net capital gains. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market's perception of our growth potential, our current debt levels, the market price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

We may in the future choose to make dividends payable partly in our common stock, in which case you may be required to pay tax in excess of the cash you receive.

To maintain our REIT status, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding net capital gains. In order to preserve cash to repay debt or for other reasons, we may choose to satisfy the REIT distribution requirements by distributing taxable dividends that are payable partly in our stock and

partly in cash. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, such sales may have an adverse effect on the per share trading price of our common stock.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.
The maximum tax rate applicable to income from “qualified dividends” payable to U.S. stockholders that are individuals, trusts and estates is 20%. Dividends payable by REITs, however, generally are not eligible for the 20% rate. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our common stock.
The tax imposed on REITs engaging in “prohibited transactions” may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes.
A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.
Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.
To maintain our qualification as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (1) sell assets in adverse market conditions; (2) borrow on unfavorable terms; or (3) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.
Legislative or other actions affecting REITs could have a negative effect on us, including our ability to maintain our qualification as a REIT or the federal income tax consequences of such qualification.
The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification.
ITEM 1B. UNRESOLVED STAFF COMMENTS
None.

ITEM 2. PROPERTIES
Our Portfolio
As of December 31, 2014, our operating portfolio was comprised of 23 retail, office, multifamily and mixed-use properties with an aggregate of approximately 5.8 million rentable square feet of retail and office space (including mixed-use retail space), 922 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of December 31, 2014, we owned land at five of our properties that we classified as held for development and construction in progress.

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Retail and Office Portfolios

Property	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percentage Leased		Annualized Base Rent	Annualized Base Rent Per Leased Square Foot
RETAIL PROPERTIES								
Carmel Country Plaza	San Diego, CA	1991	9	78,098	96.2	%	$3,531,870	$47.01
Carmel Mountain Plaza[(1)]	San Diego, CA	1994/2014	15	528,416	97.2		11,590,214	22.57
South Bay Marketplace[(1)]	San Diego, CA	1997	9	132,877	100.0		2,260,482	17.01
Rancho Carmel Plaza	San Diego, CA	1993	3	30,421	87.7		796,621	29.86
Lomas Santa Fe Plaza	Solana Beach, CA	1972/1997	9	209,569	96.2		4,631,745	22.97
Solana Beach Towne Centre	Solana Beach, CA	1973/2000/2004	12	246,730	97.9		5,747,939	23.80
Del Monte Center [(1)]	Monterey, CA	1967/1984/2006	16	675,678	99.6		9,664,305	14.36
Geary Marketplace	Walnut Creek, CA	2012	3	35,156	100.0		1,193,755	33.96
The Shops at Kalakaua	Honolulu, HI	1971/2006	3	11,671	100.0		1,819,860	155.93
Waikele Center	Waipahu, HI	1993/2008	9	537,637	99.8		16,127,061	30.06
Alamo Quarry Market [(1)]	San Antonio, TX	1997/1999	16	589,501	99.5		13,190,687	22.49
Subtotal / Weighted Average Retail Portfolio			104	3,075,754	98.6	%	$70,554,539	$23.26
OFFICE PROPERTIES								
Torrey Reserve	San Diego, CA	1996-2000/2014-present	12	493,435	85.8	%	$15,230,099	$35.97
Solana Beach Corporate Centre	Solana Beach, CA	1982/2005	4	212,215	89.2		6,795,360	35.90
The Landmark at One Market [(2)]	San Francisco, CA	1917/2000	1	419,371	100.0		20,631,428	49.20
One Beach Street	San Francisco, CA	1924/1972/1987/1992	1	97,614	84.2		3,069,605	37.35
First & Main	Portland, OR	2010	1	360,641	92.9		8,762,154	26.15
Lloyd District Portfolio	Portland, OR	1940-2011/present	6	582,203	85.6		10,507,319	21.08
City Center Bellevue	Bellevue, WA	1987	1	494,781	97.9		16,783,750	34.65
Subtotal / Weighted Average Office Portfolio			26	2,660,260	91.4	%	$81,779,715	$33.63

Total / Weighted Average Retail and Office Portfolio			130	5,736,014	95.3 %	$152,334,254	$27.87

Mixed-Use Portfolio

Retail Portion	Location	Year Built/ Renovated	Number of Buildings	Net Rentable Square Feet	Percent Leased	Annualized Base Rent	Annualized Base Rent Per Leased Square Foot
Waikiki Beach Walk—Retail [3]	Honolulu, HI	2006	3	96,707	99.6 %	$10,591,167	$ 109.96

Hotel Portion	Location	Year Built/ Renovated	Number of Buildings	Units	Average Occupancy	Average Daily Rate	Revenue per Available Room
Waikiki Beach Walk—Embassy Suites™	Honolulu, HI	2008/2014	2	369	79.8 %	$315.36	$282.77

Multifamily Portfolio

Property	Location	Year Built/ Renovated	Number of Buildings	Units	Percentage Leased	Annualized Base Rent	Average Monthly Base Rent per Leased Unit
Loma Palisades	San Diego, CA	1958/2001-2008	80	548	99.8 %	$11,098,908	$1,691
Imperial Beach Gardens	Imperial Beach, CA	1959/2008-present	26	160	100.0	2,816,928	1,467
Mariner's Point	Imperial Beach, CA	1986	8	88	98.9	1,308,828	1,253
Santa Fe Park RV Resort [4]	San Diego, CA	1971/2007-2008	1	126	80.0	918,696	760
Total / Weighted Average Multifamily			115	922	97.1 %	$16,143,360	$1,503

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(1) Net rentable square feet at certain of our retail properties includes square footage leased pursuant to ground leases, as described in the following table:

Property	Number of Ground Leases	Square Footage Leased Pursuant to Ground Leases	Aggregate Annualized Base Rent
Carmel Mountain Plaza	7	131,639	$1,193,816
South Bay Marketplace	1	2,824	$91,320
Del Monte Center	2	295,100	$201,291
Alamo Quarry Market	4	31,994	$470,075

(2) This property contains 419,371 net rentable square feet consisting of The Landmark at One Market (375,151 net rentable square feet) as well as a separate long-term leasehold interest in approximately 44,220 net rentable square feet of space located in an adjacent six-story leasehold known as the Annex. We currently lease the Annex from an affiliate of the Paramount Group pursuant to a long-term master lease effective through June 30, 2016, which we have the option to extend until 2031 pursuant to three five-year extension options.

(3) Waikiki Beach Walk-Retail contains 96,707 net rentable square feet consisting of 94,093 net rentable square feet that we own in fee and approximately 2,614 net rentable square feet of space in which we have a subleasehold interest pursuant to a sublease from First Hawaiian Bank effective through December 31, 2021.

(4) The Santa Fe Park RV Resort is subject to seasonal variation, with higher rates of occupancy occurring during the summer months. The number of units at the Santa Fe Park RV Resort includes 122 RV spaces and four apartments.

In the tables above:

- The net rentable square feet for each of our retail properties and the retail portion of our mixed-use property is the sum of (1) the square footages of existing leases, plus (2) for available space, the field-verified square footage. The net rentable square feet for each of our office properties is the sum of (1) the square footages of existing leases, plus (2) for available space, management's estimate of net rentable square feet based, in part, on past leases. The net rentable square feet included in such office leases is generally determined consistently with the Building Owners and Managers Association, or BOMA, 2010 measurement guidelines. Net rentable square footage may be adjusted from the prior period to reflect re-measurement of leased space at the properties.
- Percentage leased for each of our retail and office properties and the retail portion of the mixed-use property is calculated as square footage under leases as of December 31, 2014, divided by net rentable square feet, expressed as a percentage. The square footage under lease includes leases which may not have commenced as of December 31, 2014. Percentage leased for our multifamily properties is calculated as total units rented as of December 31, 2014, divided by total units available, expressed as a percentage.
- Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents, before abatements) for the month ended December 31, 2014, by 12. Annualized base rent per leased square foot is calculated by dividing annualized base rent, by square footage under lease as of December 31, 2014. In the case of triple net or modified gross leases, annualized base rent does not include tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Total abatements for leases in effect as of December 31, 2014 for our retail and office portfolio equaled approximately $2.1 million for the year ended December 31, 2014. There were no abatements for the retail portion of our mixed-use portfolio for the year ended December 31, 2014. Total abatements for leases in effect as of December 31, 2014 for our multifamily portfolio were immaterial for the year ended December 31, 2014.
- Units represent the total number of units available for sale/rent at December 31, 2014.
- Average occupancy represents the percentage of available units that were sold during the 12-month period ended December 31, 2014, and is calculated by dividing the number of units sold by the product of the total number of units and the total number of days in the period. Average daily rate represents the average rate paid for the units sold and is calculated by dividing the total room revenue (i.e., excluding food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services) for the 12-month period ended December 31, 2014, by

the number of units sold. Revenue per available room, or RevPAR, represents the total unit revenue per total available units for the 12-month period ended December 31, 2014 and is calculated by multiplying average occupancy by the average daily rate. RevPAR does not include food and beverage revenues or other hotel operations revenues such as telephone, parking and other guest services. Offline rooms in connection with the room refresh at the Embassy Suites™ Hotel is adjusted for in calculating annualized revenue per available room for the year ended December 31, 2014.

- Average monthly base rent per leased unit represents the average monthly base rent per leased units as of December 31, 2014.

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Tenant Diversification

At December 31, 2014, our operating portfolio had approximately 759 leases with office and retail tenants, of which two expired on December 31, 2014 and 14 had not yet commenced. Our residential properties had approximately 794 leases with residential tenants at December 31, 2014, excluding Santa Fe Park RV Resort. The retail portion of our mixed-use property had approximately 70 leases with retailers, of which one expired on December 31, 2014. No one tenant or affiliated group of tenants accounted for more than 8.0% of our annualized base rent as of December 31, 2014 for our retail, office and retail portion of our mixed-use property portfolio. The following table sets forth information regarding the 25 tenants with the greatest annualized base rent for our combined retail, office and retail portion of our mixed-use property portfolios as of December 31, 2014.

Tenant	Property(ies)	Lease Expiration	Total Leased Square Feet	Rentable Square Feet as a Percentage of Total	Annualized Base Rent (1)	Annualized Base Rent as a Percentage of Total
salesforce.com, inc.	The Landmark at One Market	6/30/2019 4/30/2020 5/31/2021	254,118	4.4 %	$12,969,904	8.0 %
Autodesk, Inc.	The Landmark at One Market	12/31/2015 12/31/2017	114,664	2.0	5,504,269	3.4
Lowe's	Waikele Center	5/31/2018	155,000	2.7	4,381,887	2.7
Kmart	Waikele Center	6/30/2018	119,590	2.1	4,185,650	2.6
Veterans Benefits Administration	First & Main	8/31/2020	93,572	1.6	3,006,453	1.8
Insurance Company of the West	Torrey Reserve Campus	12/31/2016	81,040	1.4	2,598,814	1.6
Quiksilver	Waikiki Beach Walk	12/31/2015 4/30/2024	9,625	0.2	2,249,641	1.4
Caradigm USA LLC	City Center Bellevue	8/14/2017	68,956	1.2	2,231,416	1.4
Alliant International University	One Beach Street	10/31/2019	64,161	1.1	2,223,843	1.4
Treasury Call Center (2)	First & Main	8/31/2020	63,648	1.1	2,184,302	1.3
Sports Authority	Waikele Center, Carmel Mountain Plaza	7/18/2018 11/30/2018	90,722	1.5	2,133,950	1.3
Nordstrom Rack	Carmel Mountain Plaza, Alamo Quarry Market	9/30/2022 10/31/2022	69,047	1.2	1,990,316	1.2
HDR Engineering	City Center Bellevue	12/31/2017	56,024	1.0	1,988,852	1.2
Sprouts Farmers Market	Solana Beach Towne Centre, Carmel Mountain Plaza, Geary Marketplace	6/30/2019 3/31/2025 9/30/2032	71,431	1.2	1,857,490	1.1
Clearesult Operating, LLC (as successor to Portland Energy Conservation)	First & Main	1/31/2025	101,848	1.7	1,684,998	1.0
California Bank & Trust	Torrey Reserve Campus	2/29/2024	34,731	0.6	1,606,037	1.0

Familycare, Inc.	Lloyd District Portfolio	9/30/2024	59,518	1.0		1,564,021	1.0	
Inome, Inc.	City Center Bellevue	7/31/2017	37,276	0.6		1,435,126	0.9	
Eisneramper LLP	The Landmark at One Market	12/31/2018	19,126	0.3		1,415,324	0.9	
Old Navy	South Bay Marketplace, Waikele Center, Alamo Quarry Market	4/30/2016 7/31/2016 9/30/2017	59,780	1.0		*	*	
Vons	Lomas Santa Fe Plaza	12/31/2017	49,895	0.9		1,216,700	0.7	
Wells Fargo	Torrey Reserve Campus, City Center Bellevue	9/30/2015 10/31/2015	30,330	0.5		1,176,480	0.7	
Vistage Worldwide, Inc.	Torrey Reserve Campus	6/30/2018	32,091	0.5		1,175,782	0.7	
Marshalls	Carmel Mountain Plaza, Solana Beach Towne Centre	1/31/2019 1/31/2020	68,055	1.2		1,175,170	0.7	
Drug Enforcement Administration (3)	First & Main	8/31/2025	31,376	0.5		1,170,062	0.7	
TOTAL			1,835,624	31.5	%	$63,126,487	38.7	%

* Data withheld at tenant's request.

(1) Annualized base rent is calculated by multiplying (i) base rental payments (defined as cash base rents before abatements) for the month ended December 31, 2014 for the applicable lease(s) by (ii) 12.

(2) The earliest option termination date under this lease is September 1, 2017.

(3) The earliest option termination date under this lease is August 31, 2020.

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Geographic Diversification

Our properties are located in Southern California, Northern California, Oregon, Washington, Texas and Hawaii. The following table shows the number of properties, the net rentable square feet and the percentage of total portfolio net rentable square footage in each region as of December 31, 2014. Our four multifamily properties are excluded from the table below and are all located in Southern California. The hotel portion of our mixed-use property is also excluded and is located in Hawaii.

Region	Number of Properties	Net Rentable Square Feet	Percentage of Net Rentable Square Feet [(1)]	
Southern California	8	1,931,761	33.1	%
Northern California	4	1,227,819	21.1	
Oregon	2	942,844	16.2	
Washington	1	494,781	8.5	
Texas	1	589,501	10.1	
Hawaii [(2)]	3	646,015	11.1	
Total	19	5,832,721	100.0	%

(1) Percentage of Net Rentable Square Feet is calculated based on the total net rentable square feet available in our retail portfolio, office portfolio and the retail portion of our mixed-use portfolio.

(2) Includes the retail portion related to the mixed-use property.

Segment Diversification

The following table sets forth information regarding the total property operating income for each of our segments for the year ended December 31, 2014 (dollars in thousands).

Segment	Number of Properties	Property Operating Income	Percentage of Property Operating Income	
Retail	11	$70,689	41.9	%
Office	7	65,471	38.8	
Mixed-Use	1	10,877	6.4	
Multifamily	4	21,732	12.9	
Total	23	$168,769	100.0	%

Lease Expirations

The following table sets forth a summary schedule of the lease expirations for leases in place as of December 31, 2014, plus available space, for each of the ten calendar years beginning January 1, 2015 at the properties in our retail portfolio, office portfolio and the retail portion of our mixed-use portfolio. The square footage of available space includes the space from three leases that terminated on December 31, 2014. In 2015, we expect a similar level of leasing activity for new and expiring leases compared to prior years with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

The lease expirations for our multifamily portfolio and the hotel portion of our mixed-use portfolio are excluded from this table because multifamily unit leases generally have lease terms ranging from seven to 15 months, with a majority having 12-month lease terms, and because rooms in the hotel are rented on a nightly basis. The information set forth in the table assumes that tenants do not exercise any renewal options.

Year of Lease Expiration	Square Footage of Expiring Leases	Percentage of Portfolio Net Rentable Square Feet	Annualized Base Rent [1]	Percentage of Portfolio Annualized Base Rent	Annualized Base Rent Per Leased Square Foot [2]
Available	270,405	4.6 %	$—	— %	$ —
Month to Month	49,577	0.8	585,833	0.4	11.82
2015	410,889	7.0	16,620,849	10.2	40.45
2016	499,533	8.6	17,963,755	11.0	35.96
2017	762,375	13.1	24,339,739	14.9	31.93
2018	1,259,139	21.6	29,153,715	17.9	23.15
2019	661,115	11.3	22,307,442	13.7	33.74
2020	559,796	9.6	15,964,098	9.8	28.52
2021	211,201	3.6	9,526,040	5.8	45.10
2022	176,512	3.0	5,911,496	3.6	33.49
2023	151,894	2.6	4,009,791	2.5	26.40
2024	359,097	6.2	9,229,897	5.7	25.70
Thereafter	286,877	4.9	7,312,766	4.5	25.49
Signed Leases Not Commenced	174,311	3.0	—	—	—
Total:	5,832,721	100.0 %	$162,925,421	100.0 %	$ 27.93

(1) Annualized base rent is calculated by multiplying base rental payments (defined as cash base rents (before abatements)) for the month ended December 31, 2014 for the leases expiring during the applicable period, by 12.

(2) Annualized base rent per leased square foot is calculated by dividing annualized base rent for leases expiring during the applicable period by square footage under such expiring leases.

ITEM 3. LEGAL PROCEEDINGS

We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us. We may be subject to ongoing litigation and we expect to otherwise be party from time to time to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR OUR COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

American Assets Trust, Inc.

Shares of American Assets Trust, Inc.'s common stock began trading on the NYSE under the symbol “AAT” on January 13, 2011. Prior to that time there was no public market for the company's common stock. On February 18, 2015, the reported close sale price per share was $43.21. The following table sets forth, for the periods indicated, the high and low close prices in dollars on the NYSE for the company's common stock and the dividends we declared per share.

Period	Per Share Price Low	High	Dividend per Common Share
First Quarter 2013	$28.00	$32.64	$0.2100
Second Quarter 2013	$29.28	$35.59	$0.2100
Third Quarter 2013	$28.99	$33.99	$0.2100
Fourth Quarter 2013	$30.75	$33.99	$0.2200
First Quarter 2014	$31.26	$34.04	$0.2200
Second Quarter 2014	$32.65	$35.00	$0.2200
Third Quarter 2014	$32.97	$35.77	$0.2200
Fourth Quarter 2014	$33.08	$40.65	$0.2325

On February 18, 2015, we had 88 stockholders of record of our common stock. Certain shares are held in “street” name and accordingly, the number of beneficial owners of such shares is not known or included in the foregoing number.

American Assets Trust, L.P.

There is no established trading market for American Assets Trust, L.P.'s operating partnership units. The following table sets forth the distributions we declared with respect to American Assets Trust, L.P.'s operating partnership units for the periods indicated:

Period	Distribution per Unit
First Quarter 2013	$0.2100
Second Quarter 2013	$0.2100
Third Quarter 2013	$0.2100
Fourth Quarter 2013	$0.2200
First Quarter 2014	$0.2200
Second Quarter 2014	$0.2200
Third Quarter 2014	$0.2200
Fourth Quarter 2014	$0.2325

As of February 18, 2015, we had 31 holders of record of American Assets Trust, L.P.'s operating partnership units, including American Assets Trust, Inc.

Distribution Policy

We pay and intend to continue to pay regular quarterly dividends to holders of our common stock and unitholders of our Operating Partnership and to make dividend distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay income and excise taxes. Dividend amounts depend on our available cash flows, financial condition and capital requirements, the annual distribution requirements under the REIT provisions of the Code and such other factors as our board of directors deems relevant.

Recent Sales of Unregistered Equity Securities
Common Stock of American Assets Trust, Inc.
On September 12, 2014, we entered into a common stock purchase agreement (the "Purchase Agreement") with Insurance Company of the West, a California corporation ("ICW"), an entity majority owned and controlled by Ernest Rady, the executive chairman of the company. The Purchase Agreement provides for the sale by the company to ICW, in a private placement ("Private Placement"), of 400,000 shares of common stock at a price of $33.76 per share, resulting in gross proceeds to the company of approximately $13.5 million. The price per share paid by ICW was equal to the closing price of a share of the company's common stock on the New York Stock Exchange on the date of the Purchase Agreement. The issuance of such shares was effected in reliance upon exemptions from registration provided by Section 4(2) and Regulation D of the Securities Act. We contributed the net proceeds of the Private Placement to our Operating Partnership in exchange for common units and our Operating Partnership used the net proceeds received from us for general working capital purposes.
Operating Partnership Units
During the years ended December 31, 2014, 2013 and 2012, American Assets Trust, Inc. issued an aggregate of 216,748 shares, 5,004 shares and 10,015 shares, respectively, of its common stock in connection with the vesting of restricted stock awards under its 2011 Equity Incentive Award Plan for no cash consideration. For each share of vested common stock issued by American Assets Trust, Inc. in connection with such an award, American Assets Trust, L.P. issued a restricted operating partnership unit to American Assets Trust, Inc. in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act. During the years ended December 31, 2014, 2013 and 2012, American Assets Trust, L.P. issued an aggregate of 216,748 units, 5,004 units and 10,015 units, respectively, of its restricted operating partnership units to American Assets Trust, Inc., as required by American Assets Trust, L.P.'s partnership agreement.
On May 6, 2013, our general partner entered into sales agreements with each of RBC Capital Markets, LLC, Jefferies LLC, KeyBanc Capital Markets Inc. and Wells Fargo Securities, LLC, under which it could offer and sell shares of its common stock having an aggregate offering price of up to $150.0 million over time. Through December 31, 2014, our general partner had issued an aggregate of 3,451,519 shares under these sales agreements. Our general partner contributed the net proceeds from this program of approximately $115.6 million, after deducting the underwriters' discount and commissions and estimated offering expenses, to us in exchange for 3,451,519 operating partnership units. The shares of common stock were offered and sold under a prospectus supplement and related prospectus filed with the SEC pursuant to our general partner's shelf registration statement on Form S-3 (File No. 333-179411).
For all issuances of common units to our general partner, we relied on our general partner's status as a publicly traded NYSE-listed company with approximately $1.9 billion in total consolidated assets at December 31, 2014 and as our majority owner and general partner as the basis for the exemption under Section 4(2) of the Securities Act.
Purchases of Equity Securities by the Issuer and Affiliated Purchasers
No equity securities were purchased by us during 2014.
Equity Compensation Plan Information
Information about our equity compensation plans is incorporated by reference in Item 12 of Part III of this annual report on Form 10-K.
Stock Performance Graph
The information below shall not be deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C, other than as provided in Item 201 of Regulation S-K, or to the liabilities of Section 18 of the Exchange Act, except to the extent we specifically request that such information be treated as soliciting material or specifically incorporate it by reference into a filing under the Securities Act or the Exchange Act.

The following graph shows our cumulative total stockholder return for the period beginning with the initial listing of our common stock on the NYSE on January 13, 2011 and ending on December 31, 2014. The graph assumes a $100 investment in each of the indices on January 13, 2011 and the reinvestment of all dividends. The graph also shows the cumulative total returns of the Standard & Poor's 500 Stock Index, or S&P 500 Index, and an industry peer group, SNL US REIT Equity Index. Note that historic stock price performance is not necessarily indicative of future stock price performance.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth summary selected financial and operating data on a historical combined basis for our Predecessor prior to our initial public offering and American Assets Trust, Inc. following our initial public offering. Our Predecessor was comprised of certain entities and their consolidated subsidiaries that, prior to the completion of the Formation Transactions, owned directly or indirectly 17 retail, office and multifamily properties, and unconsolidated equity interests in four retail, mixed-use and office properties. We refer to these entities and their subsidiaries as the “ownership entities.” Prior to the completion of the Formation Transactions, each of the ownership entities owned, directly or indirectly, one or more retail, office, mixed-use or multifamily property. Upon completion of our initial public offering and the Formation Transactions, we acquired the 17 retail, office and multifamily properties owned directly or indirectly by our Predecessor, as well our Predecessor's unconsolidated equity interests in three other retail, office and mixed-use properties, and assumed the ownership and operation of its business. As a result of the completion of the Formation Transactions we acquired direct or indirect ownership of a total of 20 retail, office, mixed-use and multifamily properties. Subsequently, we sold two office properties and acquired four other office properties and one retail property.

You should read the following summary selected financial data in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data." The following data is in thousands, except per share and share data.

	American Assets Trust, Inc.				Predecessor
	Year Ended December 31,				
	2014	2013	2012	2011	2010
Statement of Operations Data:					
Revenue:					
Rental income	$246,078	$242,757	$225,249	$194,168	$115,165
Other property income	13,922	12,300	10,217	8,617	2,583
Total revenues	260,000	255,057	235,466	202,785	117,748
Expenses:					
Rental expenses	68,267	68,608	64,089	58,133	20,520
Real estate taxes	22,964	21,378	22,025	18,746	11,688
General and administrative	18,532	17,195	15,593	13,627	8,699
Depreciation and amortization	66,568	66,775	61,853	55,936	34,419
Total operating expenses	176,331	173,956	163,560	146,442	75,326
Operating income	83,669	81,101	71,906	56,343	42,422
Interest expense	(52,965)	(58,020)	(57,328)	(54,580)	(43,251)
Early extinguishment of debt	—	—	—	(25,867)	—
Loan transfer and consent fees	—	—	—	(8,808)	—
Gain on acquisition	—	—	—	46,371	4,297
Other income (expense), net	441	(487)	(629)	212	(1,846)
Income from continuing operations	31,145	22,594	13,949	13,671	1,622
Discontinued operations:					
Income from discontinued operations	—	—	932	1,672	552
Gain on sale of real estate property	—	—	36,720	3,981	—
Results from discontinued operations	—	—	37,652	5,653	552
Net income	31,145	22,594	51,601	19,324	2,174
Net income attributable to restricted shares	(374)	(536)	(529)	(482)	—
Net loss attributable to Predecessor's noncontrolling interests in consolidated real estate entities	—	—	—	2,458	2,205
Net income attributable to Predecessor's controlled owners' equity	—	—	—	(16,995)	(4,379)
Net income attributable to unitholders in the Operating Partnership	(9,015)	(6,838)	(16,134)	(1,388)	—
Net income attributable to American Assets Trust, Inc. stockholders	$21,756	$15,220	$34,938	$2,917	$—
Income from continuing operations attributable to common stockholders per share					
Basic earnings (loss) per share	$0.52	$0.38	$0.24	$(0.02)	
Diluted earnings (loss) per share	$0.51	$0.38	$0.24	$(0.02)	
Net income attributable to common stockholders per share					
Basic earnings per share	$0.52	$0.38	$0.90	$0.08	
Diluted earnings per share	$0.51	$0.38	$0.90	$0.08	
Weighted average shares of common stock outstanding - basic	42,041,126	39,539,457	38,736,113	36,748,806	

Weighted average shares of common stock outstanding - diluted	59,947,474	57,515,810	57,053,909	54,219,807
Dividends declared per share	$0.8925	$0.8500	$0.8400	$0.8000

	American Assets Trust, Inc.				Predecessor
	Year Ended December 31,				
	2014	2013	2012	2011	2010
Balance Sheet Data:					
Net real estate	$1,775,400	$1,676,836	$1,668,182	$1,403,946	$867,316
Total assets	1,941,762	1,832,443	1,827,587	1,709,281	1,117,357
Notes payable	1,062,811	1,045,174	1,044,682	912,067	830,468
Total liabilities	1,175,186	1,145,865	1,141,858	1,029,553	962,236
Stockholders' equity and owner's equity	735,303	648,511	638,361	626,031	121,874
Noncontrolling interests	31,273	38,067	47,368	53,697	33,247
Total equity	766,576	686,578	685,729	679,728	155,121
Total liabilities and equity	1,941,762	1,832,443	1,827,587	1,709,281	1,117,357
Other Data:					
Funds from operations (FFO) [1]	$97,713	$89,369	$77,892	$74,574	$55,120
FFO attributable to common stock and units	97,576	89,012	77,538	57,285	—

(1) We present FFO because we consider FFO an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with 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 partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO 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 the performance of REITs, FFO will 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. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.

The following table sets forth a reconciliation of our FFO to net income, the nearest GAAP equivalent, for the periods presented (in thousands):

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Net income (loss)	$31,145	$22,594	$51,601	$19,324	$2,174
Plus: Real estate depreciation and amortization (including discontinued operations)	66,568	66,775	63,011	58,543	37,642

Plus: Depreciation and amortization on unconsolidated real estate joint ventures (pro rata)	—	—	—	688	15,304
Less: Gain on sale of real estate	—	—	(36,720)	(3,981)	—
Funds from operations, as defined by NAREIT	97,713	89,369	77,892	74,574	55,120
Less: FFO attributable to Predecessor's controlled and noncontrolled owners' equity	—	—	—	(16,973)	(55,120)
Less: Nonforfeitable dividends on restricted stock awards	(137)	(357)	(354)	(316)	—
FFO attributable to common stock and units	$97,576	$89,012	$77,538	$57,285	$—

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

The following discussion should be read in conjunction with the audited historical consolidated financial statements and notes thereto appearing in "Item 8. Financial Statements and Supplementary Data" of this report. As used in this section, unless the context otherwise requires, "we," "us," "our," and "our company" mean American Assets Trust, Inc., a Maryland corporation and its consolidated subsidiaries, including American Assets Trust, L.P. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward looking statements as a result of various factors, including those set forth under "Item 1A. Risk Factors" or elsewhere in this document. See "Item 1A. Risk Factors" and "Forward-Looking Statements."

Overview

Our Company

We are a full service, vertically integrated and self-administered REIT that owns, operates, acquires and develops high quality retail, office, multifamily and mixed-use properties in attractive, high-barrier-to-entry markets in Southern California, Northern California, Oregon, Washington, Texas, and Hawaii. As of December 31, 2014, our portfolio was comprised of eleven retail shopping centers; seven office properties; a mixed-use property consisting of a 369-room all-suite hotel and a retail shopping center; and four multifamily properties. Additionally, as of December 31, 2014, we owned land at five of our properties that we classified as held for development and construction in progress. Our core markets include San Diego, the San Francisco Bay Area, Portland, Oregon, Bellevue, Washington and Oahu, Hawaii. We are a Maryland corporation formed on July 16, 2010 to acquire the entities owning various controlling and noncontrolling interests in real estate assets owned and/or managed by Ernest S. Rady or his affiliates, including the the Rady Trust, and did not have any operating activity until the consummation of our initial public offering and the related acquisition of our Predecessor on January 19, 2011. After the completion of our initial public offering on January 19, 2011, our operations have been carried on through our Operating Partnership. Our company, as the sole general partner of our Operating Partnership, has control of our Operating Partnership and owned 70.7% of our Operating Partnership as of December 31, 2014. Accordingly, we consolidate the assets, liabilities and results of operations of our Operating Partnership.

Taxable REIT Subsidiary

On November 5, 2010, we formed American Assets Services, Inc., a Delaware corporation that is wholly owned by our Operating Partnership and which we refer to as our 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 provide rights to any brand name under which any lodging 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.

Outlook

We seek growth in earnings, funds from operations, and cash flows primarily through a combination of the following: growth in our same-store portfolio, growth in our portfolio from property development and redevelopments and expansion of our portfolio through property acquisitions. Our properties are located in some of the nation's most dynamic, high-barrier-to-entry markets primarily in Southern California, Northern California, Oregon, Washington

and Hawaii, which we believe allow us to take advantage of redevelopment opportunities that enhance our operating performance through renovation, expansion, reconfiguration, and/or retenanting. We evaluate our properties on an ongoing basis to identify these types of opportunities.

In the third quarter of 2013, we broke ground at our Lloyd District Portfolio-Phase I redevelopment project. We expect that the project will be LEED Certified and has been defined to include approximately 47,000 square feet of retail space and 657 multi-family units in addition to the existing 582,000 square feet of office space. Construction of the project is expected to be complete in 2015, with an anticipated stabilization date in 2017 and estimated stabilized yield of approximately 6.25% to 7.25%, based on initial estimates. Projected costs of the development are approximately $192 million, of which approximately $135 million has been incurred to date. We expect to incur the remaining costs for the redevelopment of our Lloyd District Portfolio-Phase I in 2015.

Additionally, we continue our ongoing redevelopment efforts at Torrey Reserve Campus and are currently under construction to increase rentable office space by approximately 81,500 square feet, with an anticipated stabilization date in 2015 and estimated stabilized yield of approximately 8.6%, based on initial estimates. Projected costs of the redevelopment are approximately $34 million, of which approximately $32 million has been incurred to date. We expect to incur the remaining costs for this redevelopment project in 2015.

Our new development at Sorrento Pointe is close in proximity to Torrey Reserve Campus. We intend to start construction at Sorrento Pointe during the first half of 2015. This new development will consist of approximately 88,000 square feet of office space, with an anticipated stabilization date in 2017 and estimated stabilized yield in the range of approximately 8.25% to 9.25%. Projected costs of the new development are approximately $46 million of which approximately $7 million has been incurred to date.

We intend to opportunistically pursue other projects in our development pipeline including future phases of Lloyd District Portfolio, Solana Beach - Highway 101, as well as other redevelopments at Solana Beach Corporate Centre and Lomas Santa Fe Plaza. The commencement of these developments is based on, among other things, market conditions and our evaluation of whether such opportunities would generate appropriate risk adjusted financial returns. Our redevelopment and development opportunities are subject to various factors, including market conditions and may not ultimately come to fruition. We continue to review acquisition opportunities in our primary markets that would complement our portfolio and provide long-term growth opportunities. Some of our acquisitions do not initially contribute significantly to earnings growth; however, we believe they provide long-term re-leasing growth, redevelopment opportunities and other strategic opportunities. Any growth from acquisitions is contingent on our ability to find properties that meet our qualitative standards at prices that meet our financial hurdles. Changes in interest rates may affect our success in achieving earnings growth through acquisitions by affecting both the price that must be paid to acquire a property, as well as our ability to economically finance a property acquisition. Generally, our acquisitions are initially financed by available cash, mortgage loans and/or borrowings under our amended and restated credit facility, which may be repaid later with funds raised through the issuance of new equity or new long-term debt.

Same-store

We have provided certain information on a total portfolio, same-store and redevelopment same-store basis. Information provided on a same-store basis includes the results of properties that we owned and operated for the entirety of both periods being compared except for properties for which significant redevelopment or expansion occurred during either of the periods being compared, properties under development, properties classified as held for development and properties classified as discontinued operations. Information provided on a redevelopment same-store basis includes the results of properties undergoing significant redevelopment for the entirety or portion of both periods being compared. Same-store and redevelopment same-store is considered by management to be an important measure because it assists in eliminating disparities due to the development, acquisition or disposition of properties during the particular period presented, and thus provides a more consistent performance measure for the comparison of the company's stabilized and redevelopment properties, as applicable. Additionally, redevelopment same-store is considered by management to be an important measure because it assists in evaluating the timing of the

start and stabilization of our redevelopment opportunities and the impact that these redevelopments have in enhancing our operating performance.

While there is judgment surrounding changes in designations, we typically reclassify significant development, redevelopment or expansion properties to same-store properties once they are stabilized. Properties are deemed stabilized typically at the earlier of (1) reaching 90% occupancy or (2) four quarters following a property's inclusion in operating real estate. We typically remove properties from same-store properties when the development, redevelopment or expansion has or is expected to have a significant impact on the property's annualized base rent, occupancy and operating income within the calendar year. Acquired properties are classified to same-store properties once we have owned such properties for the entirety of comparable period(s) and the properties are not under significant development or expansion.

In our determination of same-store and redevelopment same-store properties, Lloyd District Portfolio and Torrey Reserve Campus have been identified as same-store redevelopment properties due to the significant construction activity noted above.

Office same-store net operating income increased approximately 5.1% and 0.6% for the three months and year ended December 31, 2014, respectively, compared to the same periods in 2013. Office redevelopment same-store net operating income increased approximately 3.9% and 2.6% for the three months and year ended December 31, 2014, respectively, compared to the same periods in 2013.

Below is a summary of our same-store composition for the years ended December 31, 2014, 2013 and 2012. For the year ended December 31, 2014, three acquired properties were classified into same-store properties when compared to the designations for the year ended December 31, 2013. For the year ended December 31, 2013, four acquired properties were classified into same-store properties and one property with significant redevelopment activity was removed from same-store properties when compared to the designations for the year ended December 31, 2012.

	December 31,		
	2014	2013	2012
Same-Store	21	18	15
Non-Same Store	2	5	8
Total Properties	23	23	23
Redevelopment Same-Store	23	20	N/A
Total Development Properties	5	5	5

Revenue Base

Rental income consists of scheduled rent charges, straight-line rent adjustments and the amortization of above market and below market rents acquired. We also derive revenue from tenant recoveries and other property revenues, including parking income, lease termination fees, late fees, storage rents and other miscellaneous property revenues.

Retail Leases. Our retail portfolio included eleven properties with a total of approximately 3.1 million rentable square feet available for lease as of December 31, 2014. As of December 31, 2014, these properties were 98.6% leased. For the year ended December 31, 2014, the retail segment contributed 37.0%, of our total revenue. Historically, we have leased retail properties to tenants primarily on a triple-net lease basis, and we expect to continue to do so in the future. In a triple-net lease, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expense, but rather all such expenses, to the extent they are paid by the landlord, are billed to the tenant. The full amount of the expenses for this lease type, to the extent they are paid by the landlord, is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries.

During the year ended December 31, 2014, we signed 66 retail leases for 303,243 square feet with an average rent of $29.41 per square foot during the initial year of the lease term. Of the leases, 55 represent comparable leases where there was a prior tenant, with an increase of 11.1% in cash basis rent and an increase of 19.0% in straight-line rent compared to the prior leases.

Office Leases. Our office portfolio included seven properties with a total of approximately 2.7 million rentable square feet available for lease as of December 31, 2014. As of December 31, 2014, these properties were 91.4% leased. For the year ended December 31, 2014, the office segment contributed 35.6% of our total revenue. Historically, we have leased office properties to tenants primarily on a full service gross or a modified gross basis and to a limited extent on a triple-net lease basis. We expect to continue to do so in the future. A full-service gross or modified gross lease has a base year expense stop, whereby the tenant pays a stated amount of certain expenses as part of the rent payment, while future increases in property operating expenses (above the base year stop) are billed to the tenant based on such tenant's proportionate square footage of the property. The increased property operating expenses billed are reflected as operating expenses and amounts recovered from tenants are reflected as rental income in the statements of operations.

During the year ended December 31, 2014, we signed 50 office leases for 391,485 square feet with an average rent of $32.71 per square foot during the initial year of the lease term. Of the leases, 27 represent comparable leases where there was a prior tenant, with an increase of 11.1% in cash basis rent and an increase of 19.4% in straight-line rent

compared to the prior leases.

Multifamily Leases. Our multifamily portfolio included three apartment properties, as well as an RV resort, with a total of 922 units (including 122 RV spaces) available for lease as of December 31, 2014. As of December 31, 2014, these properties were 97.1% leased. For the year ended December 31, 2014, the multifamily segment contributed 6.5% of our total revenue. Our multifamily leases, other than at our RV Resort, generally have lease terms ranging from 7 to 15 months, with a majority having 12-month lease terms. Tenants normally pay a base rental amount, usually quoted in terms of a monthly rate for the respective unit. Spaces at the RV Resort can be rented at a daily, weekly, or monthly rate. The average monthly base rent per leased unit as of December 31, 2014 was $1,503 compared to $1,422 at December 31, 2013.
Mixed-Use Property Revenue. Our mixed-use property consists of approximately 97,000 rentable square feet of retail space and a 369-room all-suite hotel. Revenue from the mixed-use property consists of revenue earned from retail leases, and revenue earned from the hotel, which consists of room revenue, food and beverage services, parking and other guest services. As of December 31, 2014, the retail portion of the property was 99.6% leased, and for the year ended December 31, 2014, the hotel had an average occupancy of 79.8%. For the year ended December 31, 2014, the mixed-use segment contributed 20.9%, of our total revenue. We have leased the retail portion of such property to tenants primarily on a triple-net lease basis, and we expect to continue to do so in the future. As such, the base rent payment under such leases does not include any operating expenses, but rather all such expenses, to the extent they are paid by the landlord, are billed to the tenant. Rooms at the hotel portion of our mixed-use property are rented on a nightly basis.
Leasing

Our same-store growth is primarily driven by increases in rental rates on new leases and lease renewals and changes in portfolio occupancy. Over the long-term, we believe that the infill nature and strong demographics of our properties provide us with a strategic advantage, allowing us to maintain relatively high occupancy and increase rental rates. We have continued to see signs of improvement for many of our tenants as well as increased interest from prospective tenants for our spaces. While there can be no assurance that these positive signs will continue, we remain cautiously optimistic regarding the improved trends we have seen over the past few years. We believe the locations of our properties and diverse tenant base mitigate the potentially negative impact of a poor economic environment. However, any reduction in our tenants' abilities to pay base rent, percentage rent or other charges, may adversely affect our financial condition and results of operations.

During the three months ended December 31, 2014, we signed 14 retail leases for a total of 41,696 square feet of retail space including 36,693 square feet of comparable space leases (leases for which there was a prior tenant), an increase of 2.1% on a cash basis and an increase of 8.4% on a straight-line basis. There were no new retail leases for comparable spaces signed during the three months ended December 31, 2014. Renewals for comparable retail spaces were signed for 36,693 square feet at an average rental rate increase of 2.1% on a cash basis and an increase of 8.4% on a straight-line basis. Tenant improvements and incentives were $1.40 per square foot of retail space for comparable renewal leases for the three months ended December 31, 2014.

During the three months ended December 31, 2014, we signed 11 office leases for a total of 214,118 square feet of office space including 139,496 square feet of comparable space leases, at an average rental rate increase of 19.6% on a cash basis and an average rental increase of 31.6% on a straight-line basis. New office leases for comparable spaces were signed for 62,687 square feet at an average rental rate increase of 23.8% on a cash basis and an average rental rate increase of 58.9% on a straight-line basis. Renewals for comparable office spaces were signed for 76,809 square feet at an average rental rate increase of 16.8% on a cash basis and increase of 12.3% on a straight-line basis. Tenant improvements and incentives were $77.46 per square foot of office space for comparable new leases for the three months ended December 31, 2014. There were no tenant improvement or incentives for comparable renewal leases for the three months ended December 31, 2014

The rental increases associated with comparable spaces generally include all leases signed in arms-length transactions reflecting market leverage between landlords and tenants during the period. The comparison between average rent for expiring leases and new leases is determined by including minimum rent and percentage rent paid on the expiring lease and minimum rent and, in some instances, projections of first lease year percentage rent, to be paid on the new lease. In some instances, management exercises judgment as to how to most effectively reflect the comparability of spaces reported in this calculation. The change in rental income on comparable space leases is impacted by numerous factors including current market rates, location, individual tenant creditworthiness, use of space, market conditions when the expiring lease was signed, capital investment made in the space and the specific lease structure. Tenant improvements and incentives include the total dollars committed for the improvement of a space as it relates to a specific lease, but may also include base building costs (i.e., expansion, escalators or new entrances) which are required to make the space leasable. Incentives include amounts paid to tenants as an inducement to sign a lease that do not represent building improvements.

The leases signed in 2014 generally become effective over the following year, though some may not become effective until 2016. Further, there is risk that some new tenants will not ultimately take possession of their space and that tenants for both new and renewal leases may not pay all of their contractual rent due to operating, financing or other matters. However, we believe that these increases do provide information about the tenant/landlord relationship and the potential fluctuations we may achieve in rental income over time.

In 2015, we believe our leasing volume will be in-line with our historical averages with overall positive increases in rental income. However, changes in rental income associated with individual signed leases on comparable spaces may be positive or negative, and we can provide no assurance that the rents on new leases will continue to increase at the above disclosed levels, if at all.

Critical Accounting Policies

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past and current events and economic conditions. In addition, information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third party experts. Actual results could differ from these estimates. A discussion of possible risks which may affect these estimates is included in the section above entitled “Item 1A. Risk Factors.” Management considers an accounting estimate to be critical if changes in the estimate could have a material impact on our consolidated results of operations or financial condition.

Our significant accounting policies are more fully described in the notes to the consolidated financial statements included elsewhere in this report; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed rent escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risks. When we determine that we are the owner of tenant improvements and the tenant has reimbursed us for a portion or all of the tenant improvement costs, we consider the amount paid to be additional rent, which is recognized on a straight-line basis over the term of the related lease. For first generation tenants, in instances in which we fund tenant improvements and the improvements are deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When we determine that the tenant is the owner of tenant improvements, tenant allowances are recorded as lease incentives and we commence revenue recognition and lease incentive amortization when possession or control of the space is turned over to the tenant for tenant work to begin. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred. We recognize revenue on the hotel portion of our mixed-use property from the rental of hotel rooms and guest services when the rooms are occupied and services have been provided.

Other property income includes parking income, general excise tax billed to tenants, fees charged to tenants at our multifamily properties and food and beverage sales at the hotel. Other property income is recognized when earned.

For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the

space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

Current accounts receivable from tenants primarily relate to contractual minimum rent and percentage rent as well as real estate tax and other cost reimbursements. Accounts receivable from straight-line rent is typically longer term in nature and relates to the cumulative amount by which straight-line rental income recorded to date exceeds cash rents billed to date under the contractual lease agreement.

We make estimates of the collectability of our current accounts receivable and straight-line rents receivable which requires significant judgment by management. The collectability of receivables is affected by numerous different factors including current economic conditions, tenant bankruptcies, the status of collectability of current cash rents receivable, tenants' recent and historical financial and operating results, changes in our tenants' credit ratings, communications between our operating personnel and tenants, the extent of security deposits and letters of credits held with respect to tenants, and the ability of the tenant to perform under the terms of their lease agreement. While we make estimates of potentially uncollectible amounts and provide an allowance for them through bad debt expense, actual collectability could differ from those estimates which could affect our net income. With respect to the allowance for current uncollectible tenant receivables, we assess the collectability of outstanding receivables by evaluating such factors as nature and age of the receivable, past history and current financial condition of the specific tenant including our assessment of the tenant's ability to meet its contractual lease obligations, and the status of any pending disputes or lease negotiations with the tenant. A change in the estimate of collectability of a receivable would result in a change to our allowance for doubtful accounts and corresponding bad debt expense and net income.

Additionally, our assessment of our tenants' abilities to meet their contractual lease obligations includes consideration of the status of collectability of current cash rents receivable, tenants' recent and historical financial and operating results, changes in our tenants' credit ratings, communications between our operating personnel and tenants and the extent of security deposits and letters of credits held with respect to tenants.

Due to the nature of the accounts receivable from straight-line rents, the collection period of these amounts typically extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. Correspondingly, these estimates of collectability have a direct impact on our net income.

Real Estate

Depreciation and maintenance costs relating to our properties constitute substantial costs for us. Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements. Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. Our estimates of useful lives have a direct impact on our net income. If expected useful lives of our real estate assets were shortened, we would depreciate the assets over a shorter time period, resulting in an increase to depreciation expense and a corresponding decrease to net income on an annual basis.

Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles such as in-place leases, and to current assets and liabilities acquired, if any. Such valuations include a consideration of the noncancelable terms of the respective leases as well as any applicable renewal period(s). The fair values associated with below market renewal options are determined based on a review of several qualitative and quantitative factors on a lease-by-lease basis at acquisition to determine whether it is probable that the tenant would exercise its option to renew the lease agreement.

These factors include: (1) the type of tenant in relation to the property it occupies, (2) the quality of the tenant, including the tenant's long term business prospects, and (3) whether the fixed rate renewal option was sufficiently lower than the fair rental of the property at the date the option becomes exercisable such that it would appear to be reasonably assured that the tenant would exercise the option to renew. Each of these estimates requires a great deal of judgment, and some of the estimates involve complex calculations. These allocation assessments have a direct impact on our results of operations because if we were to allocate more value to land, there would be no depreciation with respect to such amount. If we were to allocate more value to the buildings, as opposed to allocating to the value of tenant leases, this amount would be recognized as an expense over a much longer period of time, since the amounts allocated to

buildings are depreciated over the estimated lives of the buildings whereas amounts allocated to tenant leases are amortized over the remaining terms of the leases.
The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of operations. The value of above and below market leases associated with the original noncancelable lease terms are amortized to rental income over the terms of the respective noncancelable lease periods and are reflected as either an increase (for below market leases) or a decrease (for above market leases) to rental income in the statement of operations. If a tenant vacates its space prior to contractual termination of its lease or the lease is not renewed, the unamortized balance of any in-place lease value is written off to rental income and amortization expense. The value of the leases associated with below market lease renewal options that are likely to be exercised are amortized to rental income over the respective renewal periods. We make assumptions and estimates related to below market lease renewal options, which impact revenue in the period in which the renewal options are exercised and could result in significant increases to revenue if the renewal options are not exercised at which time the related below market lease liabilities would be written off as an increase to revenue.
Capitalized Costs

Certain external and internal costs directly related to the development and redevelopment of real estate, including pre-construction costs, real estate taxes, insurance, interest, construction costs and salaries and related costs of personnel directly involved, are capitalized. We capitalize costs under development until construction is substantially complete and the property is held available for occupancy. The determination of when a development project is substantially complete and when capitalization must cease involves a degree of judgment. We consider a construction project as substantially complete and held available for occupancy upon the completion of landlord-owned tenant improvements or when the lessee takes possession of the unimproved space for construction of its own improvements, but not later than one year from cessation of major construction activity. We cease capitalization on the portion substantially completed and occupied or held available for occupancy, and capitalize only those costs associated with any remaining portion under construction.

We capitalized external and internal costs related to both development and redevelopment activities combined of $128.8 million and $43.2 million for the years ended December 31, 2014 and 2013, respectively.

We capitalized external and internal costs related to other property improvements combined of $25.8 million and $17.5 million for the years ended December 31, 2014 and 2013, respectively.

We capitalized internal costs for salaries and related benefits for development and redevelopment activities and other property improvements of $0.1 million and $0.1 million for the years ended December 31, 2014 and 2013, respectively.

Interest costs on developments and major redevelopments are capitalized as part of developments and redevelopments not yet placed in service. Capitalization of interest commences when development activities and expenditures begin and end upon completion, which is when the asset is ready for its intended use as noted above. We make judgments as to the time period over which to capitalize such costs and these assumptions have a direct impact on net income because capitalized costs are not subtracted in calculating net income. If the time period for capitalizing interest is extended, more interest is capitalized, thereby decreasing interest expense and increasing net income during that period. We capitalized interest costs related to both development and redevelopment activities combined of $5.5 million and $2.1 million for the years ended December 31, 2014 and 2013, respectively.

Segment capital expenditures for the years ended December 31, 2014 and 2013 are as follows (dollars in thousands):

Year Ended December 31, 2014

Segment	Tenant Improvements and Leasing Commissions	Maintenance Capital Expenditures	Total Tenant Improvements, Leasing Commissions and Maintenance Capital Expenditures	Redevelopment and Expansions	New Development	Total Capital Expenditures
Retail Portfolio	$4,584	$1,446	$6,030	$1,476	$1,165	$8,671
Office Portfolio	9,929	5,804	15,733	16,513	2,331	34,577
Multifamily Portfolio	—	892	892	—	100,500	101,392
Mixed-Use Portfolio	80	5,052	5,132	—	—	5,132
Total	$14,593	$13,194	$27,787	$17,989	$103,996	$149,772

Year Ended December 31, 2013

Segment	Tenant Improvements and Leasing Commissions	Maintenance Capital Expenditures	Total Tenant Improvements, Leasing Commissions and Maintenance Capital Expenditures	Redevelopment and Expansions	New Development	Total Capital Expenditures
Retail Portfolio	$2,987	$1,717	$4,704	$18	$127	$4,849
Office Portfolio	8,488	4,435	12,923	13,698	654	27,275
Multifamily Portfolio	—	787	787	—	23,854	24,641
Mixed-Use Portfolio	109	1,833	1,942	—	—	1,942
Total	$11,584	$8,772	$20,356	$13,716	$24,635	$58,707

The increase in tenant improvements and leasing commissions in our retail portfolio for the year ended December 31, 2014 compared to the year ended December 31, 2013 was primarily related to the cost of tenant improvements for new tenants located at Lomas Santa Fe Plaza and Alamo Quarry Market. The increase in tenant improvements and leasing commissions in our office portfolio was primarily related to the cost of tenant improvements incurred for large new tenants located at City Center Bellevue and Lloyd District Portfolio, and leasing commissions costs incurred for new leases signed at First & Main and Lloyd District Portfolio.

The increase in maintenance capital expenditures in our office portfolio was primarily related to building remodeling and renovations at Torrey Reserve Campus, City Center Bellevue and Lloyd District Portfolio. The increase in maintenance capital expenditures in our mixed-use portfolio was related to scheduled hotel room renovations at the

hotel.

Redevelopment and expansion expenditures in our retail portfolio for the year ended December 31, 2014 reflect costs incurred in the expansion at Carmel Mountain Plaza. Redevelopment and expansion expenditures in our office portfolio for both the years ended December 31, 2014 and 2013 reflect costs incurred in the development of Torrey Reserve Campus.

The increase in new development costs for the multifamily portfolio for the year ended December 31, 2013 is related to our development of the Lloyd District Portfolio to include multifamily units and retail leasing space, which began construction during the third quarter of 2013 and is expected to be completed in 2015.

Our capital expenditures during 2015 will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of our development, held for development and construction in progress properties. While the amount of future expenditures will depend on numerous factors, we expect expenditures incurred in 2015 will be less than those incurred in 2014 as the development activities at Torrey Reserve Campus and Lloyd District Portfolio are scheduled to be completed during 2015. We anticipate an increase in tenant improvements and leasing commissions noting lease expirations of approximately 7.0% in our total portfolio, assuming tenants do not exercise their options to extend their leases.

Impairment of Long-Lived Assets

We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. The calculation of both discounted and undiscounted cash flows requires management to make estimates of future cash flows including revenues, operating expenses, required maintenance and development expenditures, market conditions, demand for space by tenants and rental rates over long periods. Since our properties typically have a long life, the assumptions used to estimate the future recoverability of book value requires significant management judgment. Actual results could be significantly different from the estimates. These estimates have a direct impact on net income because recording an impairment charge results in a negative adjustment to net income. The evaluation of anticipated cash flows is highly subjective and is based in part on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results in future periods. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell. Although our strategy is to hold our properties over the long-term, if our strategy changes or market conditions otherwise dictate an earlier sale date, an impairment loss may be recognized to reduce the property to fair value and such loss could be material.

As of December 31, 2014 and 2013, none of our properties were impaired.

Income Taxes

We elected to be taxed as a REIT under the Code commencing with the taxable year ended December 31, 2011. To maintain our qualification as a REIT, we are required to distribute at least 90% of our net taxable income to our stockholders, excluding net capital gains, and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we maintain our qualification 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 maintain our qualification as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, our taxable income generally would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax. Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders.

We, together with one of our subsidiaries, have elected to treat such subsidiary as a taxable REIT subsidiary for federal income tax purposes. A taxable REIT subsidiary is subject to federal and state income taxes.

Interest Rate Hedging

We may use derivative instruments to manage exposure to variable interest rate risk. We may enter into interest rate swaps to manage our exposure to variable interest rate risk and treasury locks to manage the risk of interest rates rising prior to the issuance of debt. Concurrent with the closing of the amended and restated credit facility on January 9, 2014, we entered into an interest rate swap agreement that is intended to fix the interest rate associated with the term loan at approximately 3.08% through its maturity date and extension options, subject to adjustments based on our consolidated leverage ratio. If and when we enter into derivative instruments, we ensure that such instruments qualify as cash flow hedges and would not enter into derivative instruments for speculative purposes.

Any interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in other comprehensive income which is included in accumulated other comprehensive loss on our consolidated balance sheet and our consolidated statement of equity. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit worthiness of the counterparty which includes reviewing debt ratings and financial performance. However, management does not anticipate non-performance by the counterparty. If a cash flow hedge is deemed ineffective, the ineffective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected.

Property Acquisitions and Dispositions

2014 Acquisitions and Dispositions

During 2014, there were no acquisitions or dispositions.

2013 Acquisitions and Dispositions

During 2013, there were no acquisitions or dispositions.

2012 Acquisitions

On January 24, 2012, we acquired One Beach Street, consisting of approximately 97,000 square feet in a three-story fully renovated historic office building located along the Embarcadero in San Francisco's North Waterfront District. The purchase price was approximately $36.5 million, excluding closing costs of approximately $0.02 million, which are included in other income (expense), net on the statement of operations.

On August 21, 2012, we acquired City Center Bellevue, a 27-story LEED-EB Gold certified office tower, consisting of approximately 497,000 square feet, located in Bellevue, Washington. The purchase price was approximately $228.8 million, excluding closing costs of approximately $0.1 million, which are included in other income (expense), net on the statement of operations. Additionally, we received credits to our purchase price of approximately $6.9 million that primarily relate to outstanding tenant improvement obligations and rent abatements.

On December 19, 2012, we acquired Geary Marketplace, a newly constructed, approximately 35,000 square foot, 100% leased, grocery-anchored shopping center in Walnut Creek, California. The purchase price was approximately $21.0 million, excluding closing costs of approximately $0.02 million, which are included in other income (expense), net on the statement of operations.

2012 Disposition

On December 4, 2012, we sold 160 King Street located in San Francisco, California for a sales price of $93.8 million. The decision to sell 160 King Street reflects our strategy of taking advantage of market conditions to reallocate capital within our existing and future portfolio. The sale was completed as a reverse tax deferred exchange in conjunction with the acquisition of City Center Bellevue. As a result of the sale, 160 King Street no longer serves as a borrowing base property under our amended and restated credit facility.

Results of Operations

For our discussion of results of operations, we have provided information on a total portfolio and same-store basis.

Comparison of the Year Ended December 31, 2014 to the Year Ended December 31, 2013

The following summarizes our consolidated results of operations for the year ended December 31, 2014 compared to our consolidated results of operations for the year ended December 31, 2013. As of December 31, 2014 and 2013, our operating portfolio was comprised of 23 retail, office, multifamily and mixed-use properties with an aggregate of approximately 5.8 million rentable square feet of retail and office space (including mixed-use retail space), 922 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of December 31, 2014 and 2013, we owned land at five of our properties that we classified as held for development and construction in progress.

The following table sets forth selected data from our consolidated statements of income for the years ended December 31, 2014 and 2013 (dollars in thousands):

	Year Ended December 31,			
	2014	2013	Change	%
Revenues				
Rental income	$246,078	$242,757	$3,321	1 %
Other property income	13,922	12,300	1,622	13
Total property revenues	260,000	255,057	4,943	2
Expenses				
Rental expenses	68,267	68,608	(341)	—
Real estate taxes	22,964	21,378	1,586	7
Total property expenses	91,231	89,986	1,245	1
Net operating income	168,769	165,071	3,698	2
General and administrative	(18,532)	(17,195)	(1,337)	8
Depreciation and amortization	(66,568)	(66,775)	207	—
Interest expense	(52,965)	(58,020)	5,055	(9)
Other income (expense), net	441	(487)	928	(191)
Total other, net	(137,624)	(142,477)	4,853	(3)
Net income	31,145	22,594	8,551	38
Net income attributable to restricted shares	(374)	(536)	162	(30)
Net income attributable to unitholders in the Operating Partnership	(9,015)	(6,838)	(2,177)	32
Net income attributable to American Assets Trust, Inc. stockholders	$21,756	$15,220	$6,536	43 %

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue increased $4.9 million, or 2%, to $260.0 million for the year ended December 31, 2014 compared to $255.1 million for the year ended December 31, 2013. The percentage leased was as follows for each segment as of December 31, 2014 and 2013:

	Percentage Leased [1] Year Ended December 31,	
	2014	2013
Retail	98.6 %	97.0 %
Office	91.4 %	89.8 %
Multifamily	97.1 %	96.4 %
Mixed-Use [2]	99.6 %	97.8 %

(1) The percentage leased includes the square footage under lease, including leases which may not have commenced as of December 31, 2014 or December 31, 2013, as applicable.

(2) Includes the retail portion of the mixed-use property only.

The increase in total property revenue was attributable primarily to the factors discussed below.

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Rental revenues. Rental revenue includes minimum base rent, cost reimbursements, percentage rents and other rents. Rental revenue increased $3.3 million, or 1%, to $246.1 million for the year ended December 31, 2014 compared to $242.8 million for the year ended December 31, 2013. Rental revenue by segment was as follows (dollars in thousands):

	Total Portfolio Year Ended December 31,				Same-Store Portfolio [1] Year Ended December 31,			
	2014	2013	Change	%	2014	2013	Change	%
Retail	$94,869	$92,101	$2,768	3 %	$94,823	$92,044	$2,779	3 %
Office	86,657	86,395	262	—	61,081	60,874	207	—
Multifamily	15,738	14,933	805	5	15,738	14,933	805	5
Mixed-Use	48,814	49,328	(514)	(1)	48,814	49,328	(514)	(1)
	$246,078	$242,757	$3,321	1 %	$220,456	$217,179	$3,277	2 %

(1) For this table and tables following, the same-store portfolio excludes: Torrey Reserve Campus and Lloyd District Portfolio due to significant redevelopment activity during the period and land held for development.

Retail rental revenue increased $2.8 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to an increase in percentage leased during the year ended December 31, 2014 from 97.0% to 98.6% for all retail properties. The increase can be partially attributed to the commencement of the Saks Off 5th lease signed during the second quarter of 2014. The increase in rental revenue was also the result of an increase in cost reimbursements at Alamo Quarry Market related to real estate tax refunds received during 2013. These increases were offset by a decrease in rental revenue at Waikele Center due to the expiration of the Foodland Super Market lease during the first quarter of 2014.

Office rental revenue increased $0.3 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to an increase in percentage leased and annual base rent per square feet for the year ended December 31, 2014, primarily at City Center Bellevue where percentage leased and annual base rent increased from 93.6% to 97.9% and from $32.31 to $34.65, respectively. These increases were offset by a decrease in rental revenue at First & Main due to the expiration of the Treasury Tax Administration lease during the fourth quarter of 2013.

Multifamily rental revenue increased $0.8 million for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was primarily due to an increase in average occupancy to 97.1% from 96.4% for the year ended December 31, 2014 compared to the year ended December 31, 2013. The increase was also attributed to higher average base rent per unit to $1,463 from $1,405 for the year ended December 31, 2014 compared to the year ended December 31, 2013.

The rental revenue for our mixed-use segment represents rental revenue recognized for minimum base rent, cost reimbursements, percentage rents and other rents charged to retail tenants and rental of hotel rooms. Mixed-use rental revenue decreased $0.5 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to a decrease in hotel average occupancy from 87.2% for the year ended December 31, 2013 to 79.8% for the year ended December 31, 2014. The decrease in average occupancy resulted from a room refresh of both hotel towers which was completed during the second and fourth quarters of the year ended December 31, 2014. This decrease was partially offset by an increase in the average daily rate from $299.24 for the year ended December 31, 2013 to $315.36 for the year ended December 31, 2014. Additionally, rental revenues derived from our mixed-use retail property increased due to both an increase in the percentage leased and annualized base rent per square foot for the year ended December 31, 2014 compared to the year ended December 31, 2013.

Other property income. Other property income increased $1.6 million, or 13%, to $13.9 million for the year ended December 31, 2014, compared to $12.3 million for the year ended December 31, 2013. Other property income by segment was as follows (dollars in thousands):

	Total Portfolio Year Ended December 31,				Same-Store Portfolio Year Ended December 31,			
	2014	2013	Change	%	2014	2013	Change	%
Retail	$1,271	$1,348	$(77)	(6)%	$1,271	$1,348	$(77)	(6)%
Office	5,817	4,132	1,685	41	3,206	2,934	272	9
Multifamily	1,238	1,192	46	4	1,238	1,192	46	4
Mixed-Use	5,596	5,628	(32)	(1)	5,596	5,628	(32)	(1)
	$13,922	$12,300	$1,622	13%	$11,311	$11,102	$209	2%

Retail other property income decreased $0.1 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to a reduction in recoverable expenses due to the expiration of the Foodland Supermarket lease during the first quarter of 2014 and an additional distribution of bankruptcy claim amounts from the liquidation trustee of our former Borders tenants received during the second quarter of 2013.

Office other property income increased $1.7 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to lease termination fees from tenants at Torrey Reserve Campus received during the second quarter of 2014. Same-store office other property income increased $0.3 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to an increase in parking revenue at First & Main and City Center Bellevue.

Property Expenses

Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased by $1.2 million, or 1%, to $91.2 million for the year ended December 31, 2014, compared to $90.0 million for the year ended December 31, 2013. This increase in total property expenses was attributable primarily to the factors discussed below.

Rental Expenses. Rental expenses decreased $0.3 million to $68.3 million for the year ended December 31, 2014, compared to $68.6 million for the year ended December 31, 2013. Rental expense by segment was as follows (dollars in thousands):

	Total Portfolio Year Ended December 31,				Same-Store Portfolio Year Ended December 31,			
	2014	2013	Change	%	2014	2013	Change	%
Retail	$14,359	$14,194	$165	1%	$14,317	$14,166	$151	1%
Office	18,816	18,468	348	2	12,450	12,280	170	1
Multifamily	4,447	4,339	108	2	4,447	4,339	108	2
Mixed-Use	30,645	31,607	(962)	(3)	30,645	31,607	(962)	(3)
	$68,267	$68,608	$(341)	—%	$61,859	$62,392	$(533)	(1)%

Retail rental expenses increased $0.2 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 due to an increase in litigation expenses related to Lomas Santa Fe Plaza and an increase in repairs at Del Monte Center for the year ended December 31, 2014 compared to the year ended December 31, 2013. These increases were partially offset by a decrease in parking lot repairs at Carmel Mountain Plaza.

Office rental expenses increased $0.3 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to the recovery of bad debts recorded during the year ended December 31, 2013 for Torrey Reserve Campus and an increase in maintenance and utility expenses at The Landmark at One Market. The increases were partially offset by a decrease of maintenance and utility expenses at Lloyd District Portfolio.

Multifamily rental expenses increased $0.1 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to an increase in maintenance and utility expenses at our multifamily properties during the period.

Mixed-use rental expenses decreased $1.0 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to a decrease in the variable expenses of our hotel operations, such as food and beverage, room expenses and repairs and maintenance during the year ended December 31, 2014, which was itself attributable to a decrease in occupancy at the hotel portion of our mixed-use property.
Real Estate Taxes. Real estate tax expense increased $1.6 million, or 7%, to $23.0 million for the year ended December 31, 2014, compared to $21.4 million for the year ended December 31, 2013. Real estate tax expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2014	2013	Change	%	2014	2013	Change	%
Retail	$11,092	$9,706	$1,386	14 %	$11,010	$9,625	$1,385	14 %
Office	8,187	8,220	(33)	—	5,520	5,480	40	1
Multifamily	1,652	1,578	74	5	1,652	1,578	74	5
Mixed-Use	2,033	1,874	159	8	2,033	1,874	159	8
	$22,964	$21,378	$1,586	7 %	$20,215	$18,557	$1,658	9 %

Retail real estate taxes increased $1.4 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to property tax refunds received during 2013, mainly at Lomas Santa Fe Plaza and Alamo Quarry Market.
Office real estate taxes were relatively unchanged for the year ended December 31, 2014 compared to the year ended December 31, 2013. Real estate taxes at City Center Bellevue increased during the year ended December 31, 2014 due to higher tax assessments related to increased occupancy. This increase was offset by a decrease at The Landmark at One Market for additional tax refunds received during the year ended December 31, 2014.
Multifamily real estate taxes increased $0.1 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to refunds received during 2013 at the multifamily properties for successful appeals of property value reductions.
Mixed-use real estate taxes increased $0.2 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to an increase in real estate taxes for the hotel portion of our mixed-use property that are assessed annually based on the hotel's room rates, which have increased from the prior year.
Property Operating Income.
Property operating income increased $3.7 million, or 2%, to $168.8 million for the year ended December 31, 2014, compared to $165.1 million for the year ended December 31, 2013. Property operating income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2014	2013	Change	%	2014	2013	Change	%
Retail	$70,689	$69,549	$1,140	2 %	$70,767	$69,601	$1,166	2 %
Office	65,471	63,839	1,632	3	46,317	46,048	269	1
Multifamily	10,877	10,208	669	7	10,877	10,208	669	7
Mixed-Use	21,732	21,475	257	1	21,732	21,475	257	1
	$168,769	$165,071	$3,698	2 %	$149,693	$147,332	$2,361	2 %

Retail property operating income increased $1.1 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to an increase in percentage leased and annualized base rent per leased square foot. This increase was offset by the expiration of the Foodland Super Market lease during the first quarter of 2014, an increase in real estate tax expense related to property tax refunds for prior years which were received during 2013 and an increase in litigation expenses related to Lomas Santa Fe Plaza.
Office property operating income increased $1.6 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to lease termination fees at Torrey Reserve Campus received during the first quarter of 2014, increases in percentage leased and annual base rent per leased square foot at City Center Bellevue and additional tax refunds received at The Landmark at One Market. These increases were partially offset by the decrease in same store rental revenue at First & Main due to the expiration of the Treasury Tax Administration lease in 2013.
Multifamily property operating income increased $0.7 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to increases at all multifamily properties in the percentage leased and average base rent per leased unit for 2014 compared to 2013.
Mixed-use property operating income increased $0.3 million for the year ended December 31, 2014 compared to the year ended December 31, 2013 primarily due to an increase in the retail portion of our mixed use property as the result of an increase in percentage leased and annual base rent per leased square footage. This increase was partially offset by a decrease in the hotel portion of our mixed use property primarily due to a decrease in hotel occupancy which in turn was due to the room refresh of both hotel towers completed during the second and fourth quarters of the year ended December 31, 2014.
Other
General and administrative. General and administrative expenses increased $1.3 million, or 8%, to $18.5 million for the year ended December 31, 2014, compared to $17.2 million for the year ended December 31, 2013. This increase was primarily due to higher personnel costs primarily related to expenses associated with our 2011 Equity Incentive Award Plan, under which 216,748 shares of our common stock were granted during the year ended December 31, 2014 compared to 5,004 shares granted during the year ended December 31, 2013.
Depreciation and amortization. Depreciation and amortization expense decreased $0.2 million, to $66.6 million for the year ended December 31, 2014, compared to $66.8 million for the year ended December 31, 2013. This decrease was primarily due to the full amortization of in-place leases at City Center Bellevue during 2013, partially offset by accelerated depreciation of furniture and fixtures at the hotel portion of our mixed-use property in connection with the hotel's room refresh.
Interest expense. Interest expense decreased $5.1 million, or 9%, to $53.0 million for the year ended December 31, 2014 compared with $58.0 million for the year ended December 31, 2013. This decrease was primarily due to the capitalization of interest costs related to our redevelopment and development construction activities during the year ended December 31, 2014 and the payment of the outstanding mortgages encumbering Alamo Quarry Market and Waikele Center during the fourth quarter of 2013 and the fourth quarter of 2014, respectively.
Other Income (Expense), Net. Other income, net increased $0.9 million, or 191%, to $0.4 million for the year ended December 31, 2014 compared to other expense, net of $0.5 million for the year ended December 31, 2013, primarily due to a net termination fee earned on a canceled acquisition and a decrease in income tax expense attributed to the decrease in hotel revenue during 2014.
Comparison of the Year Ended December 31, 2013 to the Year Ended December 31, 2012
The following summarizes the historical results of operations for the year ended December 31, 2013 compared to our consolidated results of operations for the year ended December 31, 2012. As of December 31, 2013, our operating portfolio was comprised of 23 retail, office, multifamily and mixed-used properties with an aggregate of approximately 5.8 million rentable square feet of retail and office space (including mixed-use retail space), 922 residential units (including 122 RV spaces) and a 369-room hotel. Additionally, as of December 31, 2013, we owned land at five of our properties that we classified as held for development and construction in progress.

The following table sets forth selected data from our consolidated statements of income for the years ended December 31, 2013 and 2012 (dollars in thousands):

	Year Ended December 31,		Change	%
	2013	2012		
Revenues				
Rental income	$242,757	$225,249	$17,508	8 %
Other property income	12,300	10,217	2,083	20
Total property revenues	255,057	235,466	19,591	8
Expenses				
Rental expenses	68,608	64,089	4,519	7
Real estate taxes	21,378	22,025	(647)	(3)
Total property expenses	89,986	86,114	3,872	4
Total property income	165,071	149,352	15,719	11
General and administrative	(17,195)	(15,593)	(1,602)	10
Depreciation and amortization	(66,775)	(61,853)	(4,922)	8
Interest expense	(58,020)	(57,328)	(692)	1
Other (expense) income, net	(487)	(629)	142	(23)
Total other, net	(142,477)	(135,403)	(7,074)	5
Income from continuing operations	22,594	13,949	8,645	62
Discontinued operations				
Income from discontinued operations	—	932	(932)	(100)
Gain on sale of real estate property	—	36,720	(36,720)	(100)
Results from discontinued operations	—	37,652	(37,652)	(100)
Net income	22,594	51,601	(29,007)	(56)
Net income attributable to restricted shares	(536)	(529)	(7)	1
Net income attributable to unitholders in the Operating Partnership	(6,838)	(16,134)	9,296	(58)
Net income attributable to American Assets Trust, Inc. stockholders	$15,220	$34,938	$(19,718)	(56)%

Revenue

Total property revenues. Total property revenue consists of rental revenue and other property income. Total property revenue increased $19.6 million, or 8%, to $255.1 million for the year ended December 31, 2013 compared to $235.5 million for the year ended December 31, 2012. The percentage leased was as follows for each segment as of December 31, 2013 and 2012:

	Percentage Leased [1] Year Ended December 31,	
	2013	2012
Retail	97.0 %	97.0 %
Office	89.8 %	93.3 %
Multifamily	96.4 %	94.7 %
Mixed-Use [2]	97.8 %	95.5 %

(1) The percentage leased includes the square footage under lease, including leases which may not have commenced as of December 31, 2013 or December 31, 2012, as applicable.

(2) Includes the retail portion of the mixed-use property only.

The increase in total property revenue was attributable primarily to the factors discussed below.

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Rental revenues. Rental revenue includes minimum base rent, cost reimbursements, percentage rents and other rents. Rental revenue increased $17.5 million, or 8%, to $242.8 million for the year ended December 31, 2013 compared to $225.2 million for the year ended December 31, 2012. Rental revenue by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio (1)			
	Year Ended December 31,				Year Ended December 31,			
	2013	2012	Change	%	2013	2012	Change	%
Retail	$92,101	$90,475	$1,626	2 %	$90,199	$90,386	$(187)	— %
Office	86,395	75,582	10,813	14	39,474	38,679	795	2
Multifamily	14,933	13,806	1,127	8	14,933	13,806	1,127	8
Mixed-Use	49,328	45,386	3,942	9	49,328	45,386	3,942	9
	$242,757	$225,249	$17,508	8 %	$193,934	$188,257	$5,677	3 %

(1) For this table and tables following, the same-store portfolio excludes (i) One Beach Street acquired on January 24, 2012, City Center Bellevue acquired on August 21, 2012 and Geary Marketplace acquired on December 19, 2012, (ii) Torrey Reserve Campus and Lloyd District Portfolio due to significant redevelopment activity during the period and (iii) land held for development.

Retail rental revenue increased $1.6 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the acquisition of Geary Marketplace on December 19, 2012, which contributed additional rental revenue of $1.8 million for the year ended December 31, 2013. This increase was offset by same-store retail rental revenue, which decreased $0.2 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to a decrease in cost reimbursements related to the decrease in real estate tax expense for Lomas Santa Fe Plaza and Alamo Quarry Market. The decrease in same-store retail rental revenues was also attributed to the expiration of the Ross Dress for Less lease at Lomas Santa Fe Plaza on January 31, 2013.

Office rental revenue increased $10.8 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the acquisition of City Center Bellevue on August 21, 2012, which contributed additional rental revenue of $11.4 million for the year ended December 31, 2013. The increase was also attributed to same-store office rental revenues, which increased $0.8 million for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to the expiration of above-market leases at The Landmark at One Market. The increase in office rental revenue was partially offset by a decrease in rental revenues and cost reimbursements of approximately $1.2 million from Torrey Reserve Campus and Lloyd District Portfolio due to significant redevelopment activity during the year.

Multifamily rental revenue increased $1.1 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the higher percentage leased and higher average base rent per leased unit for 2013 compared to 2012.

The rental revenue for our mixed-use segment represents rental revenue recognized for minimum base rent, cost reimbursements, percentage rents and other rents charged to retail tenants and rental of hotel rooms. Mixed-use rental revenue increased $3.9 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to an increase in average revenue per available room from $235 in 2012 to $261 in 2013, which was attributed to the increase in the average daily rate at the hotel from $264 in 2012 to $299 for 2013. The increase in mixed-use rental revenue is also attributed to higher rental rates to retail tenants at our mixed-use property.

Other property income. Other property income increased $2.1 million, or 20%, to $12.3 million for the year ended December 31, 2013, compared to $10.2 million for the year ended December 31, 2012. Other property income by segment was as follows (dollars in thousands):

Total Portfolio				Same-Store Portfolio			
Year Ended December 31,				Year Ended December 31,			
2013	2012	Change	%	2013	2012	Change	%

Retail	$1,348	$1,516	$(168)	(11)%	$1,347	$1,514	$(167)	(11)%
Office	4,132	2,519	1,613	64	519	391	128	33
Multifamily	1,192	1,046	146	14	1,192	1,046	146	14
Mixed-Use	5,628	5,136	492	10	5,628	5,136	492	10
	$12,300	$10,217	$2,083	20 %	$8,686	$8,087	$599	7 %

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Retail other property income decreased $0.2 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to a distribution of bankruptcy claim amounts from the liquidating trustee of our former Borders tenants, a lease termination fee paid by a tenant at Solana Beach Towne Center and a lease amendment fee paid by a tenant at Rancho Carmel Plaza during 2012.
Office other property income increased $1.6 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the acquisition of City Center Bellevue on August 21, 2012, which contributed additional other property income of $1.8 million for the year ended December 31, 2013. Office other property income also increased approximately $0.2 million due to an increase in lease termination fees during 2013. These increases were partially offset by capitalized incidental operations at Lloyd District Portfolio and Sorrento Pointe in connection with development activities of approximately $0.4 million. Same-store office other property income increased $0.1 million for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to an increase in parking revenue at First & Main and a lease termination fee received from a tenant at Solana Beach Corporate Center.
Multifamily other property income increased $0.1 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to an increase in utility recoveries from residents, resulting from increases in utility expenses and average percentage leased at our multifamily properties.
Mixed-use other property income increased $0.5 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to an increase in parking income, principally as a result of increased occupancy at the hotel and an increase in the overnight hotel guest parking rate from $30/day to $35/day effective January 2013.
Property Expenses
Total Property Expenses. Total property expenses consist of rental expenses and real estate taxes. Total property expenses increased by $3.9 million, or 4%, to $90.0 million for the year ended December 31, 2013, compared to $86.1 million for the year ended December 31, 2012. This increase in total property expenses was attributable primarily to the factors discussed below.
Rental Expenses. Rental expenses increased $4.5 million, or 7%, to $68.6 million for the year ended December 31, 2013, compared to $64.1 million for the year ended December 31, 2012. Rental expense by segment was as follows (dollars in thousands):

	Total Portfolio					Same-Store Portfolio				
	Year Ended December 31,					Year Ended December 31,				
	2013	2012	Change	%		2013	2012	Change	%	
Retail	$14,194	$13,863	$331	2	%	$13,860	$13,845	$15	—	%
Office	18,468	16,407	2,061	13		7,917	7,595	322	4	
Multifamily	4,339	4,159	180	4		4,339	4,159	180	4	
Mixed-Use	31,607	29,660	1,947	7		31,607	29,660	1,947	7	
	$68,608	$64,089	$4,519	7	%	$57,723	$55,259	$2,464	4	%

Retail rental expenses increased $0.3 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 due to the acquisition of Geary Marketplace on December 19, 2012, which contributed additional rental expenses of $0.3 million for the year ended December 31, 2013.
Office rental expenses increased $2.1 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the acquisition of City Center Bellevue on August 21, 2012, which had rental expenses of $2.3 million for the year ended December 31, 2013. The increase was also attribute to same-store office rental expenses, which increased $0.3 million for the year ended December 31, 2013 compared to the year ended December 31, 2012, primarily due to an increase in on-site personnel costs and increase in building expenses for our sublease of the Annex at the Landmark at One Market. The increase in office rental expenses was partially offset by a decrease in property management fees of approximately $0.5 million due to the fact that Langley Investment Properties, Inc. who managed and operated the Lloyd District Portfolio, stopped managing and operating the Lloyd District Portfolio in the first quarter of 2013.

Multifamily rental expenses increased $0.2 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to an increase in utility expenses at our multifamily properties during the period.

Mixed-use rental expenses increased $1.9 million or the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to an increase in advertising and management fees at both the hotel and retail portions of Waikiki Beach Walk. Additionally food and beverage expenses increased at the hotel portion of Waikiki Beach Walk during the year ended December 31, 2013 due to increased cost of supplies.
Real Estate Taxes. Real estate tax expense decreased $0.6 million, or 3%, to $21.4 million for the year ended December 31, 2013, compared to $22.0 million for the year ended December 31, 2012. Real estate tax expense by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2013	2012	Change	%	2013	2012	Change	%
Retail	$9,706	$11,092	$(1,386)	(12)%	$9,375	$10,992	$(1,617)	(15)%
Office	8,220	7,373	847	11	4,260	3,986	274	7
Multifamily	1,578	1,755	(177)	(10)	1,578	1,755	(177)	(10)
Mixed-Use	1,874	1,805	69	4	1,874	1,805	69	4
	$21,378	$22,025	$(647)	(3)%	$17,087	$18,538	$(1,451)	(8)%

Retail real estate taxes decreased $1.4 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to lower property tax expense at same-store properties, mainly at Lomas Santa Fe Plaza and Alamo Quarry Market based on refunds received during 2013. The decrease was also related to additional taxes that were paid during 2012 as a result of supplemental tax bills from the California taxing authority for fiscal year 2011. These decreases were partially offset by the acquisition of Geary Marketplace on December 19, 2012, which contributed additional real estate tax expense of $0.3 million for the year ended December 31, 2013.
Office real estate taxes increased $0.8 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the acquisition of City Center Bellevue on August 21, 2012, which contributed additional real estate taxes of $0.7 million for the year ended December 31, 2013. The increase was also related to higher assessments of our same-store office properties, which were partially offset by property tax exemptions to tenants at First & Main and One Beach Street. These increases were also partially offset by capitalization of property taxes at Sorrento Pointe, which development activity commenced during the third quarter of 2013.
Multifamily real estate taxes decreased $0.2 million or the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to refunds received at the multifamily properties for successful appeals of property value reductions and additional taxes for fiscal year 2011 that were paid during 2012 as a result of supplemental tax bills from the California taxing authority for fiscal year 2011.
Property Operating Income
Property operating income increased $15.7 million, or 11%, to $165.1 million for the year ended December 31, 2013, compared to $149.4 million for the year ended December 31, 2012. Property operating income by segment was as follows (dollars in thousands):

	Total Portfolio				Same-Store Portfolio			
	Year Ended December 31,				Year Ended December 31,			
	2013	2012	Change	%	2013	2012	Change	%
Retail	$69,549	$67,036	$2,513	4%	$68,311	$67,063	$1,248	2%
Office	63,839	54,321	9,518	18	27,816	27,489	327	1
Multifamily	10,208	8,938	1,270	14	10,208	8,938	1,270	14
Mixed-Use	21,475	19,057	2,418	13	21,475	19,057	2,418	13
	$165,071	$149,352	$15,719	11%	$127,810	$122,547	$5,263	4%

Retail property operating income increased $2.5 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the acquisition of Geary Marketplace on December 19, 2012, which contributed additional retail property operating income of $1.2 million for the year ended December 31, 2013. The increase was also attributed to the decrease in property tax expense for same-store properties, mainly at Lomas Santa

Fe Plaza and Alamo Quarry Market.

Office property operating income increased $9.5 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the acquisition of City Center Bellevue on August 21, 2012, which contributed additional office operating income of $10.2 million for the year ended December 31, 2013. This increase was partially offset by a decrease in office operating income from Torrey Reserve Campus and Lloyd District Portfolio due to significant redevelopment activity during the quarter. On a same-store basis, office property operating income increased $0.3 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to the expiration of above-market leases at The Landmark at One Market. The increase was minimally offset by increases in rental expenses and real estate tax assessments for same-store properties.
Multifamily property operating income increased $1.3 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to increases in the percentage leased and average base rent per leased unit for 2014 compared to 2013. The increase was also attributed to a decrease in real estate taxes during year ended December 31, 2013.
Mixed-use property operating income increased $2.4 million for the year ended December 31, 2013 compared to the year ended December 31, 2012 primarily due to an increase in the average revenue per available room from $235 for 2012 to $261 for 2013, which was partially offset by an increase in rental expenses for the hotel.
Other
General and administrative. General and administrative expenses increased $1.6 million, or 10%, to $17.2 million for the year ended December 31, 2013, compared to $15.6 million for the year ended December 31, 2012. This increase was primarily due to higher personnel costs, including higher incentive compensation expense associated with the company's Incentive Bonus Plan, effective October 16, 2013.
Depreciation and amortization. Depreciation and amortization expense increased $4.9 million, or 8%, to $66.8 million for the year ended December 31, 2013, compared to $61.9 million for the year ended December 31, 2012. This increase was primarily due to depreciation and amortization attributable to properties acquired during 2012.
Interest expense. Interest expense increased $0.7 million, or 1%, to $58.0 million for the year ended year ended December 31, 2013 compared with $57.3 million for the year ended December 31, 2012. This increase was primarily due to interest expense on the mortgage loans issued with respect to One Beach Street on March 29, 2012 and City Center Bellevue on October 12, 2012, offset by amounts capitalized to construction.
Discontinued Operations. Discontinued operations relates to our sale of 160 King Street on December 4, 2012.
Liquidity and Capital Resources of American Assets Trust, Inc.

In this “Liquidity and Capital Resources of American Assets Trust, Inc” section, the term the “company” refers only to American Assets Trust, Inc. on an unconsolidated basis, and excludes the Operating Partnership and all other subsidiaries.

The company’s business is operated primarily through the Operating Partnership, of which the company is the parent company and sole general partner, and which it consolidates for financial reporting purposes. Because the company operates on a consolidated basis with the Operating Partnership, the section entitled “Liquidity and Capital Resources of American Assets Trust, L.P. ” should be read in conjunction with this section to understand the liquidity and capital resources of the company on a consolidated basis and how the company is operated as a whole.

The company issues public equity from time to time, but does not otherwise generate any capital itself or conduct any business itself, other than incurring certain expenses in operating as a public company which are fully reimbursed by the Operating Partnership. The company itself does not have any indebtedness, and its only material asset is its ownership of partnership interests of the Operating Partnership. Therefore, the consolidated assets and liabilities and the consolidated revenues and expenses of the company and the Operating Partnership are the same on their respective financial statements. However, all debt is held directly or indirectly by the Operating Partnership. The company’s principal funding requirement is the payment of dividends on its common stock. The company’s principal source of funding for its dividend payments is distributions it receives from the Operating Partnership.

As of December 31, 2014, the company owned an approximate 70.7% partnership interest in the Operating Partnership. The remaining 29.3% are owned by non-affiliated investors and certain of the company's directors and executive officers. As the sole general partner of the Operating Partnership, American Assets Trust, Inc. has the full, exclusive and complete authority and control over the Operating Partnership’s day-to-day management and business, can cause it to enter into certain major transactions, including acquisitions, dispositions and refinancings, and can cause changes in its line of business, capital

structure and distribution policies. The company causes the Operating Partnership to distribute such portion of its available cash as the company may in its discretion determine, in the manner provided in the Operating Partnership's partnership agreement.

The liquidity of the company is dependent on the Operating Partnership's ability to make sufficient distributions to the company. The primary cash requirement of the company is its payment of dividends to its stockholders. The company also guarantees some of the Operating Partnership's debt, as discussed further in Note 8 of the Notes to Consolidated Financial Statements included elsewhere herein. If the Operating Partnership fails to fulfill certain of its debt requirements, which trigger the company's guarantee obligations, then the company will be required to fulfill its cash payment commitments under such guarantees. However, the company's only significant asset is its investment in the Operating Partnership.

We believe the Operating Partnership's sources of working capital, specifically its cash flow from operations, and borrowings available under its unsecured line of credit, are adequate for it to make its distribution payments to the company and, in turn, for the company to make its dividend payments to its stockholders. As of December 31, 2014, the company has determined that it has adequate working capital to meet its dividend funding obligations for the next 12 months. However, we cannot assure you that the Operating Partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distribution payments to the company. The unavailability of capital could adversely affect the Operating Partnership's ability to pay its distributions to the company, which would in turn, adversely affect the company's ability to pay cash dividends to its stockholders.

Our short-term liquidity requirements consist primarily of funds to pay for future dividends expected to be paid to the company's stockholders, operating expenses and other expenditures directly associated with our properties, interest expense and scheduled principal payments on outstanding indebtedness, general and administrative expenses, funding construction projects, capital expenditures, tenant improvements and leasing commissions.

The company may from time to time seek to repurchase or redeem the Operating Partnership's outstanding debt, the company's shares of common stock or other securities in open market purchases, privately negotiated transactions or otherwise. Such repurchases or redemptions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

For the company to maintain its qualification as a REIT, it must pay dividends to its stockholders aggregating annually at least 90% of its REIT taxable income, excluding net capital gains. While historically the company has satisfied this distribution requirement by making cash distributions to American Assets Trust, Inc.'s stockholders or American Assets Trust, L.P.'s unitholders, it may choose to satisfy this requirement by making distributions of cash or other property, including, in limited circumstances, the company's own stock. As a result of this distribution requirement, the Operating Partnership cannot rely on retained earnings to fund its ongoing operations to the same extent that other companies whose parent companies are not REITs can. The company may need to continue to raise capital in the equity markets to fund the operating partnership's working capital needs, acquisitions and developments.

The company is a well-known seasoned issuer. As circumstances warrant, the company may issue equity from time to time on an opportunistic basis, dependent upon market conditions and available pricing. When the company receives proceeds from preferred or common equity issuances, it is required by the Operating Partnership's partnership agreement to contribute the proceeds from its equity issuances to the Operating Partnership in exchange for preferred or common partnership units of the operating partnership. The operating partnership may use the proceeds to repay debt, to develop new or existing properties, to acquire properties or for general corporate purposes.
In February 2012, the company filed a universal shelf registration statement on Form S-3 with the SEC, which was declared effective in February 2012. The universal shelf registration statement may permit the company, from time to time, to offer and sell up to approximately $500.0 million of equity securities. Additionally, in February 2015, the

company filed a universal shelf registration statement on Form S-3ASR with the SEC, which replaced the prior Form S-3. However, there can be no assurance that the company will be able to complete any such offerings of securities. Factors influencing the availability of additional financing include investor perception of our prospects and the general condition of the financial markets, among others.

On May 6, 2013, the company entered into an at-the-market, or ATM, equity program with four sales agents in which the company may from time to time offer and sell shares of common stock having an aggregate offering price of up to $150.0 million. The sales of shares of the company's common stock made through the ATM equity program are made in “at-the-market” offerings as defined in Rule 415 of the Securities Act. As of December 31, 2014, the company has issued 3,451,519 shares of common stock at a weighted average price per share of $34.09 for gross cash proceeds of $117.7 million. The

company intends to use the net proceeds to fund development or redevelopment activities, repay amounts outstanding from time to time under our amended and restated credit facility or other debt financing obligations, fund potential acquisition opportunities and/or for general corporate purposes. As of December 31, 2014, the company had the capacity to issue up to an additional $32.3 million in shares of common stock under the ATM equity program. Actual future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of the company's common stock and the company's capital needs. The company has no obligation to sell the remaining shares available for sale under the ATM equity program.

Liquidity and Capital Resources of American Assets Trust, L.P.

In this “Liquidity and Capital Resources of American Assets Trust, L.P.” section, the terms “we,” “our” and “us” refer to the Operating Partnership together with its consolidated subsidiaries, or the Operating Partnership and American Assets Trust, Inc. together with their consolidated subsidiaries, as the context requires. American Assets Trust, Inc. is our sole general partner and consolidates our results of operations for financial reporting purposes. Because we operate on a consolidated basis with American Assets Trust, Inc., the section entitled “Liquidity and Capital Resources of American Assets Trust, Inc.” should be read in conjunction with this section to understand our liquidity and capital resources on a consolidated basis.

Due to the nature of our business, we typically generate significant amounts of cash from operations. The cash generated from operations is used for the payment of operating expenses, capital expenditures, debt service and dividends to American Assets Trust, Inc.'s stockholders and our unitholders. As a REIT, American Assets Trust, Inc. must generally make annual distributions to its stockholders of at least 90% of its net taxable income. As of December 31, 2014, we held $59.4 million in cash and cash equivalents.

Our short-term liquidity requirements consist primarily of operating expenses and other expenditures associated with our properties, regular debt service requirements, dividend payments to American Assets Trust, Inc.'s stockholders required to maintain its REIT status, distributions to our other unitholders, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through net cash provided by operations, reserves established from existing cash and, if necessary, borrowings available under our amended and restated credit facility.

Our long-term liquidity needs consist primarily of funds necessary to pay for the repayment of debt at maturity, property acquisitions, tenant improvements and capital improvements. We expect to meet our long-term liquidity requirements to pay scheduled debt maturities and to fund property acquisitions and capital improvements with net cash from operations, long-term secured and unsecured indebtedness and, if necessary, the issuance of equity and debt securities. We also may fund property acquisitions and capital improvements using our amended and restated credit facility pending permanent financing. We believe that we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, we cannot be assured that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company. Given our past ability to access the capital markets, we expect debt or equity to be available to us. Although there is no intent at this time, if market conditions deteriorate, we may also delay the timing of future development and redevelopment projects as well as limit future acquisitions, reduce our operating expenditures, or re-evaluate our dividend policy.

Our overall capital requirements will depend upon acquisition opportunities, the level of improvements and redevelopments on existing properties and the timing and cost of development of Torrey Reserve Campus and Lloyd District Portfolio. While the amount of future expenditures will depend on numerous factors, we expect to continue to see higher levels of capital investments in our properties under development and redevelopment, partly as a result of an additional 81,500 square feet of office space under development at Torrey Reserve Campus, which we expect to complete during 2015 and which we expect to invest an additional approximate $2.0 million. Additionally, construction at Lloyd District Portfolio-Phase I is ongoing and is expected to be complete in 2015, and result in approximately 47,000 additional square feet of retail space and 657 multi-family units. Over the next year we expect

to invest approximately $56.3 million to complete the construction at Lloyd District Portfolio-Phase I. Our capital investments will be funded on a short-term basis with cash on hand, cash flow from operations and/or our amended and restated credit facility.

Contractual Obligations

The following table outlines the timing of required payments related to our commitments as of December 31, 2014 (dollars in thousands):

	Payments by Period						
Contractual Obligations	Total	Within 1 Year	2 Years	3 Years	4 Years	5 Years	More than 5 Years
Principal payments on long-term indebtedness	$1,069,983	$235,980	$113,974	$190,139	$75,224	$142,662	$312,004
Interest payments	177,577	47,141	37,486	29,757	21,888	15,073	26,232
Operating lease [1] [2]	37,232	2,636	2,682	2,686	2,686	2,686	23,856
Tenant-related commitments	13,615	8,780	4,715	120	—	—	—
Construction-related commitments	72,637	72,607	30	—	—	—	—
Total	$1,371,044	$367,144	$158,887	$222,702	$99,798	$160,421	$362,092

(1) Lease payments on The Landmark at One Market lease will be equal to fair rental value from July 2016 through the end of the options lease term. In the table, we have shown the option lease payments for this period based on the stated rate for the month of June 2016 of $162,140.

(2) Lease payments on the Waikiki Beach Walk lease will be equal to fair rental value from March 2017 through the end of the lease term. In the table, we have shown the lease payments for this period at the stated rate for February 2017 of $61,690.

Indebtedness Outstanding

Secured Notes Payable

The following table sets forth information as of December 31, 2014, with respect to our secured notes indebtedness (dollars in thousands):

Description of Debt	Principal Balance at December 31, 2014	Interest Rate		Annual Debt Service	Maturity Date	Balance at Maturity
The Shops at Kalakaua [1][2]	19,000	5.45	%	19,437	May 1, 2015	19,000
The Landmark at One Market [1][4]	133,000	5.61	%	137,390	July 5, 2015	133,000
Del Monte Center [1][3]	82,300	4.93	%	84,698	July 8, 2015	82,300
First & Main [1]	84,500	3.97	%	3,397	July 1, 2016	84,500
Imperial Beach Gardens [1]	20,000	6.16	%	1,250	September 1, 2016	20,000
Mariner's Point[1]	7,700	6.09	%	476	September 1, 2016	7,700
South Bay Marketplace [1]	23,000	5.48	%	1,281	February 10, 2017	23,000
Waikiki Beach Walk—Retail[1]	130,310	5.39	%	7,117	July 1, 2017	130,310
Solana Beach Corporate Centre III-IV[5]	36,376	6.39	%	2,798	August 1, 2017	35,136
Loma Palisades [1]	73,744	6.09	%	4,553	July 1, 2018	73,744
One Beach Street [1]	21,900	3.94	%	875	April 1, 2019	21,900
Torrey Reserve—North Court[5]	21,075	7.22	%	1,836	June 1, 2019	19,443
Torrey Reserve—VC1, VC2, VC3[5]	7,101	6.36	%	560	June 1, 2020	6,439
Solana Beach Corporate Centre I-II [5]	11,302	5.91	%	855	June 1, 2020	10,169
Solana Beach Towne Centre [5]	37,675	5.91	%	2,849	June 1, 2020	33,898
City Center Bellevue [1]	111,000	3.98	%	4,479	November 1, 2022	111,000
	$ 819,983	5.23	%	$273,851		$811,539

Total Secured Notes Payable/Weighted Average	
Unamortized fair value adjustment	(7,172)
Secured Notes Payable	$ 812,811

(1) Interest only.
(2) Loan repaid in full, without premium or penalty, on February 2, 2015.
(3) Loan repaid in full, without premium or penalty, on February 6, 2015.

(4) Maturity date is the earlier of the loan maturity date under the loan agreement, or the “Anticipated Repayment Date” as specifically defined in the loan agreement, which is the date after which substantial economic penalties apply if the loan has not been paid off.
(5) Principal payments based on a 30-year amortization schedule.

Certain loans require us to comply with various financial covenants, including the maintenance of minimum debt coverage ratios. As of December 31, 2014, we were in compliance with all loan covenants.
Description of Certain Debt
The following is a summary of the material provisions of the loan agreements evidencing our material debt outstanding as of December 31, 2014.
Mortgage Loan Secured by The Landmark at One Market
The Landmark at One Market is subject to senior mortgage debt with an original principal amount of $133.0 million, which is securitized debt that is currently held by Bank of America, N.A., as successor by merger to LaSalle Bank, N.A., as Trustee for the Morgan Stanley Capital I, Inc. Commercial Mortgage Pass-Through Certificates; Series 2005-HQ6.
Maturity and Interest. The loan has a maturity date of July 5, 2015 and bears interest at a fixed rate per annum of 5.61%. This is an interest only loan.
Security. The loan was made to two borrower subsidiaries, and is secured by a first-priority deed of trust on The Landmark at One Market, a security interest in all personal property used in connection with The Landmark at One Market and an assignment of all leases, rents and security deposits relating to the property.
Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to July 5, 2015, at which time the loan may be voluntarily prepaid without penalty or premium.
Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.
Mortgage Loan Secured by Del Monte Center (loan repaid in full without penalty or premium on February 6, 2015)
Del Monte Center was subject to senior mortgage debt with an original principal amount of $82.3 million, which is securitized debt that is currently held by Wells Fargo Bank, N.A., as Trustee for the registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2005-C5 under that certain Pooling and Servicing Agreement, dated as of November 1, 2005.
Maturity and Interest. The loan had a maturity date of July 8, 2015 and bore interest at a fixed rate per annum of 4.93%. This was an interest only loan.
Security. The loan was made to four borrower subsidiaries, and was secured by a first-priority deed of trust on the Del Monte Center property, a security interest in all personal property used in connection with the Del Monte Center property and an assignment of all leases, rents and security deposits relating to the property.
Prepayment. The loan was voluntarily defeasable in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to July 8, 2015, at which time the loan would have been eligible to be voluntarily prepaid without penalty or premium.
Events of Default. The loan agreement contained customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events.
Mortgage Loan Secured by First & Main
First & Main is subject to senior mortgage debt with an original principal amount of $84.5 million from PNC Bank, National Association.
Maturity and Interest. The loan has a maturity date of July 1, 2016 and bears interest at a fixed rate per annum of 3.97%. This is an interest only loan.

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Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust on First & Main, a security interest in all personal property used in connection with First & Main and an assignment of all leases, rents and security deposits relating to the property.
Prepayment. The loan may be voluntarily prepaid in whole or in part, subject to satisfaction of customary yield maintenance requirements in effect for a prepayment prior to March 1, 2016. On or after March 1, 2016, the loan may be voluntarily prepaid without penalty or premium.
Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.
Mortgage Loan Secured by Waikiki Beach Walk-Retail
The retail portion of Waikiki Beach Walk is subject to senior mortgage debt with an original principal amount of $130.3 million, which is securitized debt that is currently held by KeyCorp Real Estate Capital Markets, Inc. d/b/a Key Bank Real Estate Capital as Master Servicer in trust for Wells Fargo Bank, N.A., as trustee for the registered Holders of Credit Suisse First Boston Mortgage Securities Corp., Commercial Mortgage Pass-Through Certificates, Series 2008-C1.
Maturity and Interest. The loan has a maturity date of July 1, 2017 and bears interest at a fixed rate per annum of 5.39%. This is an interest only loan.
Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust on the retail portion of Waikiki Beach Walk, a security interest in all personal property used in connection with therewith and an assignment of all leases, rents and security deposits relating to the retail portion of the property.
Prepayment. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to July 1, 2017, after which time the loan may be voluntarily prepaid without penalty or premium.
Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan, defaults in payments under any other security instrument covering any part of the property, whether junior or senior to the loan, and bankruptcy or other insolvency events.
Mortgage Loan Secured by Loma Palisades
Loma Palisades is subject to senior mortgage debt with an original principal amount of $73.7 million, which is securitized debt under the Federal Home Loan Mortgage Corporation program, or Freddie Mac, that is currently held by Wells Fargo Bank, N.A.
Maturity and Interest. The loan has a maturity date of July 1, 2018 and bears interest at a rate per annum of 6.09%. This is an interest only loan.
Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on Loma Palisades, a security interest in all personal property used in connection with Loma Palisades and an assignment of all leases, rents and security deposits relating to the property.
Prepayment. The loan may be voluntarily prepaid in whole or in part, subject to satisfaction of customary yield maintenance requirements in effect for a prepayment prior to April 1, 2018, at which time the loan may be voluntarily prepaid without penalty or premium.
Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.
Mortgage Loan Secured by City Center Bellevue
City Center Bellevue is subject to senior mortgage debt with an original principal amount of $111.0 million from PNC Bank, National Association.
Maturity and Interest. The loan has a maturity date of November 1, 2022 and bears interest at a fixed rate per annum of 3.98%. This is an interest only loan.

Security. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust on City Center Bellevue, a security interest in all personal property used in connection with City Center Bellevue and an assignment of all leases, rents and security deposits relating to the property.
Prepayment. The loan may be voluntarily prepaid in whole or in part commencing on or after November 1, 2015, subject to satisfaction of customary yield maintenance requirements in effect for a prepayment prior to May 1, 2022. On or after May 1, 2022, the loan may be voluntarily prepaid without penalty or premium.
Events of Default. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.
Credit Facility
On January 19, 2011, we entered into a revolving credit facility, or the credit facility. A group of lenders for which an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated acts as administrative agent and joint arranger, and an affiliate of Wells Fargo Securities, LLC acts as syndication agent and joint arranger, provided commitments for a revolving credit facility allowing borrowings of up to $250.0 million. We expect to use our credit facility in the future for general corporate purposes, including working capital, the payment of capital expenses, acquisitions and development and redevelopment of properties in our portfolio. The credit facility also had an accordion feature that allowed us to increase the availability thereunder up to a maximum of $400.0 million, subject to meeting specified requirements and obtaining additional commitments from lenders. The credit facility bore interest at the rate of either LIBOR or a base rate, plus a margin that varied depending on our leverage ratio. The amount available for us to borrow under the credit facility was subject to the net operating income of our properties that form the borrowing base of the credit facility and a minimum implied debt yield of such properties.
On March 7, 2011, the credit facility was amended to allow us or our Operating Partnership to purchase mortgage-backed securities issued by the Government National Mortgage Association with maturities of up to 30 years.
On January 10, 2012, the credit facility was amended to, among other things, (1) extend the maturity date to January 10, 2016 (with a one-year extension option subject to payment of a 0.15% fee), (2) decrease the applicable interest rates and (3) modify certain financial covenants. The second amendment provided for an interest rate based on, at our option, either (1) one-, two-, three- or six-month LIBOR, plus, in each case, a spread (ranging from 1.60%-2.20%) based on our consolidated leverage ratio, or (2) a base rate equal to the highest of the (a) prime rate, (b) federal funds rate plus 0.50% or (c) Eurodollar rate plus 1.00%. Such rates were more favorable than previously contained in the revolving credit facility. In addition, the amendment reduced our secured debt ratio covenant under the credit facility to 50%.
On September 7, 2012, the credit facility was amended a third time to allow our consolidated total secured indebtedness to be up to 55% of our secured total asset value for the period commencing upon the date that a material acquisition (generally, greater than $100 million) is consummated through and including the last day of the third fiscal quarter that followed such date.
On January 9, 2014, we entered into an amended and restated credit agreement, or the amended and restated credit facility, which amended and restated the then-in place credit facility. The amended and restated credit facility provides for aggregate, unsecured borrowing of $350 million, consisting of a revolving line of credit of $250 million, or the revolver loans, and a term loan of $100 million, or the term loan. The amended and restated credit facility has an accordion feature that may allow us to increase the availability thereunder up to an additional $250 million, subject to meeting specified requirements and obtaining additional commitments from lenders.
On October 16, 2014, we entered into a first amendment to the amended and restated credit agreement that amends provisions of the amended and restated credit agreement to, among other things, (1) describe the treatment of our pari passu obligations under the amended and restated credit agreement and (2) remove the material acquisition provisions previously set forth in the amended and restated credit agreement.
Borrowings under the amended and restated credit facility initially bear interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from (a) 1.35%-1.95% (with respect to the revolver loan) and (b) 1.30% to 1.90% (with respect to the term loan), in each case based on our consolidated leverage ratio, or (2) a base

rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 50 bps or (c) the Eurodollar rate plus 100 bps, plus a spread which ranges from (i) 0.35%-0.95% (with respect to the revolver loan) and (ii) 0.30% to 0.90% (with respect to the term loan), in each case based on our consolidated leverage ratio. The foregoing rates are more favorable than previously contained in the credit agreement in place as of December 31, 2013. If we obtain an investment-grade debt rating, under the terms set forth in the amended and restated credit facility, the spreads will further improve.

The revolver loan initially matures on January 9, 2018, subject to our option to extend the revolver loan up to two times, with each such extension for a six-month period. The term loan initially matures on January 9, 2016, subject to our option to extend the term loan up to three times, with each such extension for a 12-month period. The foregoing extension options are exercisable by us subject to the satisfaction of certain conditions.

Concurrent with the closing of the amended and restated credit facility, we drew down on the entirety of the $100 million term loan and entered into an interest rate swap agreement that is intended to fix the interest rate associated with the term loan at approximately 3.08% through its maturity date and extension options, subject to adjustments based on our consolidated leverage ratio.

Additionally, the amended and restated credit facility includes a number of customary financial covenants, including:

- A maximum leverage ratio (defined as total indebtedness net of certain cash and cash equivalents to total asset value) of 60%,
- A maximum secured leverage ratio (defined as total secured debt to secured total asset value) of 45% at any time prior to December 31, 2015, and 40% thereafter,
- A minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.50x,
- A minimum unsecured interest coverage ratio of 1.75x,
- A maximum unsecured leverage ratio of 60%,
- A minimum tangible net worth of $721.16 million, and 75% of the net proceeds of any additional equity issuances (other than additional equity issuances in connection with any dividend reinvestment program), and
- Recourse indebtedness at any time cannot exceed 15% of total asset value.

The amended and restated credit facility provides that annual distributions by the Operating may not exceed the greater of (1) 95% of its funds from operations or (2) the amount required for us to (a) qualify and maintain our REIT status and (b) avoid the payment of federal or state income or excise tax. If certain events of default exist or would result from a distribution, we may be precluded from making distributions other than those necessary to qualify and maintain our status as a REIT.

We and certain of our subsidiaries guarantee the obligations under the amended and restated credit facility, and certain of our subsidiaries pledged specified equity interests in our subsidiaries as collateral for our obligations under the amended and restated credit facility.

As of December 31, 2014, we were in compliance with all then in-place amended and restated credit facility covenants.

Note Purchase Agreement

On October 31, 2014, the Operating Partnership entered into a note purchase agreement (the "Note Purchase Agreement" with a group of institutional purchasers that provided for the private placement of an aggregate of $350 million of senior guaranteed notes, of which (1) $150 million are designated as 4.04% Senior Guaranteed Notes, Series A, due October 31, 2021 (the “Series A Notes”), (2) $100 million are designated as 4.45% Senior Guaranteed Notes, Series B, due February 2, 2025 (the “Series B Notes”) and (3) $100 million are designated as 4.50% Senior Guaranteed Notes, Series C, due April 1, 2025 (the “Series C Notes”, and collectively with the Series A Notes and Series B Notes, are referred to herein as, the “Notes”). The Series A Notes were issued on October 31, 2014. The Series B Notes were issued on February 2, 2015 and the Series C Notes are expected to be issued on April 1, 2015, subject to customary closing conditions. Upon issuance, the Notes will pay interest quarterly on the last day of January, April, July and October until their respective maturities. As of December 31, 2014, $150 million of the Series A Notes was outstanding with an all in effective interest rate of approximately 3.88% (including interest rate swap costs).

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

Cash Flows

Comparison of the year ended December 31, 2014 to the year ended December 31, 2013

Cash and cash equivalents were $59.4 million and $49.0 million at December 31, 2014 and 2013, respectively.
Net cash provided by operating activities increased $12.9 million to $105.6 million for the year ended December 31, 2014, compared to $92.7 million for the year ended December 31, 2013. The increase was primarily the result of an increase in cash net operating income from office and retail properties due to an increase in the percentage leased and a decrease in interest expense due to increased capitalized interest related to our development and redevelopment activities primarily at Torrey Reserve Campus and Lloyd District Portfolio. In addition, proceeds from the settlement of a forward-starting seven year swap contract, deemed to be a highly effective hedge, increased cash from operating activities by $1.6 million compared to no such activity in 2013.
Net cash used in investing activities increased $94.5 million to $152.8 million for the year ended December 31, 2014, compared to $58.3 million for the year ended December 31, 2013. This increase was primarily attributable to an increase in our 2014 capital expenditures of $89.0 million related to our development and redevelopment activities primarily at our Torrey Reserve Campus and Lloyd District Portfolio.
Net cash provided by financing activities was $57.6 million for the year ended December 31, 2014 compared to net cash used in financing activities of $28.0 million for the year ended December 31, 2013. The increase in cash provided by financing activities of $85.6 million is primarily related to the net increase in proceeds of $78.8 million from the issuance of common stock under the ATM equity program. In addition, the net proceeds from debt financing activities increased $15.0 million due to the issuance of the term loan and senior guaranteed notes payable, which was partially offset by the repayment of the unsecured line of credit under the revolver loans and secured notes payable. The increase was also partially offset by the increase in dividends paid to common stock and unitholders, which increased $4.8 million to $54.3 million for the year ended December 31, 2014 compared to $49.5 million for the year ended December 31, 2013.
Comparison of the year ended December 31, 2013 to the year ended December 31, 2012
Cash and cash equivalents were $49.0 million and $42.5 million at December 31, 2013 and 2012, respectively.
Net cash provided by operating activities increased $16.8 million to $92.7 million for the year ended December 31, 2013, compared to $75.9 million for the year ended December 31, 2012. The increase was primarily the result of an increase in cash net operating income generated from the full year inclusion of our 2012 acquisitions of One Beach Street, City Center Bellevue and Geary Marketplace and was partially offset by our disposition of 160 King Street in December 2012.
Net cash used in investing activities decreased $136.0 million to $58.3 million for the year ended December 31, 2013, compared to $194.3 million for the year ended December 31, 2012. The decrease was primarily attributable to a decrease in cash paid for 2012 acquisitions of $274.0 million, which was partially offset by cash received in 2012 from the sale of marketable securities of $27.6 million and investing activities of discontinued operations of $87.6 million. The decrease was further offset by an increase in our 2013 capital expenditures of $21.1 million related to our development and redevelopment activities primarily at Torrey Reserve Campus and Lloyd District Portfolio.
Net cash used in financing activities was $28.0 million for the year ended December 31, 2013,compared to net cash provided by financing activities of $48.1 million for the year ended December 31, 2012. The decrease of cash provided by financing activities of $76.1 million was primarily related to secured notes payable of $132.9 million obtained during 2012 related to our 2012 acquisitions, with no such activity in 2013. In addition, dividends paid to common stock and unitholders increased $1.0 million in 2013. The decrease was partially offset by net proceeds of $25.3 million received in 2013 from the issuance of common stock under the ATM equity program.
Net Operating Income
Net Operating Income, or NOI, is a non-GAAP financial measure of performance. We define NOI as operating revenues (rental income, tenant reimbursements, lease termination fees, ground lease rental income and other property income) less property and related expenses (property expenses, ground lease expense, property marketing costs, real estate taxes and insurance). NOI excludes general and administrative expenses, interest expense, depreciation and amortization, acquisition-related expense, other non-property income and losses, gains and losses from property dispositions, extraordinary items, tenant improvements and leasing commissions. Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REITs.

NOI is used by investors and our management to evaluate and compare the performance of our properties and to determine trends in earnings and to compute the fair value of our properties as it is not affected by (1) the cost of funds of the property owner, (2) the impact of depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets that are included in net income computed in accordance with GAAP, or (3) general and administrative

expenses and other gains and losses that are specific to the property owner. The cost of funds is eliminated from net income because it is specific to the particular financing capabilities and constraints of the owner. The cost of funds is also eliminated because it is dependent on historical interest rates and other costs of capital as well as past decisions made by us regarding the appropriate mix of capital which may have changed or may change in the future. Depreciation and amortization expenses as well as gains or losses from the sale of operating real estate assets are eliminated because they may not accurately represent the actual change in value in our retail, office, multifamily or mixed-use properties that result from use of the properties or changes in market conditions. While certain aspects of real property do decline in value over time in a manner that is intended to be captured by depreciation and amortization, the value of the properties as a whole have historically increased or decreased as a result of changes in overall economic conditions instead of from actual use of the property or the passage of time. Gains and losses from the sale of real property vary from property to property and are affected by market conditions at the time of sale which will usually change from period to period. These gains and losses can create distortions when comparing one period to another or when comparing our operating results to the operating results of other real estate companies that have not made similarly timed purchases or sales. We believe that eliminating these costs from net income is useful because the resulting measure captures the actual revenue generated and actual expenses incurred in operating our properties as well as trends in occupancy rates, rental rates and operating costs.

However, the usefulness of NOI is limited because it excludes general and administrative costs, interest expense, interest income and other expense, depreciation and amortization expense and gains or losses from the sale of properties, and other gains and losses as stipulated by GAAP, the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, all of which are significant economic costs. NOI may fail to capture significant trends in these components of net income which further limits its usefulness.

NOI is a measure of the operating performance of our properties but does not measure our performance as a whole. NOI is therefore not a substitute for net income as computed in accordance with GAAP. This measure should be analyzed in conjunction with net income computed in accordance with GAAP and discussions elsewhere in “Management's Discussion and Analysis of Financial Condition and Results of Operations” regarding the components of net income that are eliminated in the calculation of NOI. Other companies may use different methods for calculating NOI or similarly entitled measures and, accordingly, our NOI may not be comparable to similarly entitled measures reported by other companies that do not define the measure exactly as we do.

The following is a reconciliation of our NOI to net income for the years ended December 31, 2014, 2013 and 2012 computed in accordance with GAAP (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net operating income	$168,769	$165,071	$149,352
General and administrative	(18,532)	(17,195)	(15,593)
Depreciation and amortization	(66,568)	(66,775)	(61,853)
Interest expense	(52,965)	(58,020)	(57,328)
Other income (expense), net	441	(487)	(629)
Income from continuing operations	31,145	22,594	13,949
Discontinued operations:			
Income from discontinued operations	—	—	932
Gain on sale of real estate property	—	—	36,720
Results from discontinued operations	—	—	37,652
Net income	$31,145	$22,594	$51,601

Funds from Operations

We present FFO because we consider FFO an important supplemental measure of our operating performance and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of REITs, many of which present FFO when reporting their results. We calculate FFO in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO represents net income (loss) (computed in accordance with 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 partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of operating performance, FFO 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 the performance of REITs, FFO will 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. In addition, other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, accordingly, our FFO may not be comparable to such other REITs' FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends or service indebtedness. FFO also should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP.
The following table sets forth a reconciliation of our FFO for the years ended December 31, 2014, 2013 and 2012 to net income, the nearest GAAP equivalent (in thousands, except per share and share data):

	Year Ended December 31,		
	2014	2013	2012
Net income	$31,145	$22,594	$51,601
Plus: Real estate depreciation and amortization [(1)]	66,568	66,775	63,011
Less: Gain on sale of real estate	—	—	(36,720)
Funds from operations, as defined by NAREIT	$97,713	$89,369	$77,892
Less: Nonforfeitable dividends on incentive stock awards	(137)	(357)	(354)
FFO attributable to common stock and units	$97,576	$89,012	$77,538
FFO per diluted share/unit	$1.62	$1.54	$1.35
Weighted average number of common shares and units, diluted [(2)]	60,256,335	57,726,012	57,262,767

(1) Includes depreciation and amortization related to 160 King Street, which was sold on December 4, 2012 and is included in discontinued operations on the statement of operations.

(2) For the years ended December 31, 2014, 2013 and 2012 the weighted average common shares used to compute FFO per diluted share include unvested restricted stock awards that are subject to time vesting, as the vesting of the restricted stock awards is dilutive in the computation of FFO per diluted shares, but is anti-dilutive for the computation of diluted EPS for the periods. Diluted shares exclude incentive restricted stock as these awards are considered contingently issuable.

Inflation

Substantially all of our office and retail leases provide for separate real estate tax and operating expense escalations. In addition, many of the leases provide for fixed base rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above. In addition, our multifamily leases (other than at our RV resort where spaces can be rented at a daily, weekly or monthly rate) generally have lease terms ranging from seven to 15 months, with a majority having 12-month lease terms, and generally allow for rent adjustments at the time of renewal, which we believe reduces our exposure to the effects of inflation. For the hotel portion of our mixed-use property, we possess the ability to adjust room rates daily to reflect the effects of inflation. However, competitive pressures may limit our ability to raise room rates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates.

We may enter into certain types of derivative financial instruments to further reduce interest rate risk. We use interest rate swap agreements, for example, to convert some of our variable rate debt to a fixed-rate basis or to hedge anticipated financing transactions. We use derivatives for hedging purposes rather than speculation and do not enter into financial instruments for trading purposes. As of December 31, 2014, we were party to an interest rate swap agreement that effectively fixed the rate on the $100.0 million term loan at 3.08% through its maturity date and extension options, subject to adjustments based on our

consolidated leverage ratio. In addition, on August 19, 2014, we entered into a one-month forward-starting swap contract to reduce the interest rate variability exposure of the projected interest cash flows of our then-prospective Series A Notes. The forward-starting swap contract was deemed to be a highly effective cash flow hedge and we elected to designate the forward-starting swap contract as an accounting hedge. We settled the forward-starting seven year-swap contract on September 19, 2014, resulting in a gain of approximately $1.6 million. This gain is included in accumulated other comprehensive income on the consolidated balance sheets and will be amortized to interest expense over the life of the Series A Notes.

Interest Rate Risk

Outstanding Debt

The following discusses the effect of hypothetical changes in market rates of interest on the fair value of our total outstanding debt. Interest rate risk amounts were determined by considering the impact of hypothetical interest rates on our debt. Discounted cash flow analysis is generally used to estimate the fair value of our mortgages payable. Considerable judgment is necessary to estimate the fair value of financial instruments. This analysis does not purport to take into account all of the factors that may affect our debt, such as the effect that a changing interest rate environment could have on the overall level of economic activity or the action that our management might take to reduce our exposure to the change. This analysis assumes no change in our financial structure.

Fixed Interest Rate Debt

Except as described below, all of our outstanding debt obligations (maturing at various times through November 2022) have fixed interest rates which limit the risk of fluctuating interest rates. However, interest rate fluctuations may affect the fair value of our fixed rate debt instruments. At December 31, 2014, we had $970.0 million of fixed-rate debt outstanding with an estimated fair value of $1,005.0 million. If interest rates at December 31, 2014 had been 1.0% higher, the fair value of those debt instruments on that date would have decreased by approximately $29.0 million. If interest rates at December 31, 2014 had been 1.0% lower, the fair value of those debt instruments on that date would have increased by approximately $30.8 million.

Variable Interest Rate Debt

At December 31, 2014, our only variable interest rate debt outstanding was related to our amended and restated credit agreement, of which a $100.0 million term loan was outstanding under our amended and restated credit facility at December 31, 2014. Concurrent with the funding of our term loan, we entered into an interest rate swap agreement that is intended to fix the interest rate associated with the term loan at approximately 3.08% through its maturity date and extension options, subject to adjustments based on our consolidated leverage ratio.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and supplementary data are included as a separate section of this Annual Report on Form 10-K commencing on page F-1 and are incorporated herein by reference.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Controls and Procedures (American Assets Trust, Inc.)

Evaluation of Disclosure Controls and Procedures

American Assets Trust, Inc. maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to its management, including its Chief Executive Officer 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 Rule 13a-15(b) under the Exchange Act, American Assets Trust, Inc. carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of

the effectiveness of the design and operation of its disclosure controls and procedures. Based on the foregoing, American Assets Trust, Inc.’s Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, American Assets Trust, Inc.’s disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, American Assets Trust, Inc.’s Chief Executive Officer and Chief Financial Officer, and effected by American Assets Trust, Inc.’s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company’s assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the company, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including American Assets Trust, Inc.’s Chief Executive Officer and Chief Financial Officer, American Assets Trust, Inc. conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the framework set forth in the report entitled “Internal Control — Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the company’s internal control over financial reporting. Based on its evaluation, management has concluded that the company’s internal control over financial reporting was effective as of December 31, 2014. American Assets Trust, Inc.’s independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report over American Assets Trust, Inc.’s internal control over financial reporting, which report is contained elsewhere in this annual report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in American Assets Trust, Inc.'s internal control over financial reporting during the quarter ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, American Assets Trust, Inc.'s internal control over financial reporting.

Controls and Procedures (American Assets Trust, L.P.)

Evaluation of Disclosure Controls and Procedures

The Operating Partnership maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in its Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer of its general partner, 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 Rule 13a-15(b) under the Exchange Act, the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of its general partner, of the effectiveness of the design and operation of the Operating Partnership’s disclosure controls and procedures. Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner concluded that, as of the end of the period covered by this report, the Operating Partnership’s disclosure controls and procedures were effective and were operating at a reasonable assurance level.

Management’s Report on Internal Control over Financial Reporting

Internal control over financial reporting refers to the process designed by, or under the supervision of, the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner and effected by the general partner's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, and includes those policies and procedures that: (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Operating Partnership; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the Operating Partnership are being made only in accordance with authorizations of management and directors of the general partner of the Operating Partnership; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Operating Partnership’s assets that could have a material effect on the financial statements.
Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.
Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Operating Partnership, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of the Operating Partnership's general partner, the Operating Partnership conducted an evaluation of the effectiveness of its internal control over financial reporting. Management has used the framework set forth in the report entitled “Internal Control — Integrated Framework (2013)” published by the Committee of Sponsoring Organizations of the Treadway Commission to evaluate the effectiveness of the Operating Partnership’s internal control over financial reporting. Based on its evaluation, management has concluded that the Operating Partnership’s internal control over financial reporting was effective as of December 31, 2014.
Changes in Internal Control over Financial Reporting
There were no changes in the Operating Partnership's internal control over financial reporting during the quarter ended December 31, 2014 that materially affected, or are reasonably likely to materially affect, the Operating Partnership's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information concerning our directors, executive officers and corporate governance required by Item 10 will be included in the Proxy Statement to be filed relating to American Asset Trust, Inc.'s 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

Pursuant to instruction G(3) to Form 10-K, information concerning audit committee financial expert disclosure set forth under the heading “Information Regarding the Board - Committees of the Board - Audit Committee” will be included in the Proxy Statement to be filed relating to American Asset Trust, Inc.'s 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

Pursuant to instruction G(3) to Form 10-K, information concerning compliance with Section 16(a) of the Exchange Act concerning our directors and executive officers set forth under the heading entitled “General - Section 16(a) Beneficial Ownership Reporting Compliance” will be included in the Proxy Statement to be filed relating to American Asset Trust, Inc.'s 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information concerning our executive compensation required by Item 11 will be included in the Proxy Statement to be filed relating to American Asset Trust, Inc.'s 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information concerning the security ownership of certain beneficial owners and management and related stockholder matters required by Item 12 will be included in the Proxy Statement to be filed relating to American Asset Trust, Inc.'s 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information concerning certain relationships and related transactions, and director independence required by Item 13 will be included in the Proxy Statement to be filed relating to American Asset Trust, Inc.'s 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information concerning our principal accountant fees and services required by Item 14 will be included in the Proxy Statement to be filed relating to American Asset Trust, Inc.'s 2015 Annual Meeting of Stockholders and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES
(a)
(1) Financial Statements
Our consolidated financial statements and notes thereto, together with Report of Independent Registered Public Accounting Firm are included as a separate section of this Annual Report on Form 10-K/A commencing on page F-1.
(2) Financial Statement Schedules
Our financial statement schedules are included in a separate section of this Annual Report on Form 10-K/A commencing on page F-1.
(3) Exhibits
A list of exhibits to this Annual Report on Form 10-K/A is set forth on the Exhibit Index immediately preceding such exhibits and is incorporated herein by reference.
(b) See Exhibit Index
(c) Not Applicable

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrants have duly caused this Report to be signed on their behalf by the undersigned thereunto duly authorized this 31st day of July, 2015.

American Assets Trust, Inc.	American Assets Trust, L.P. By: American Assets Trust, Inc. Its: General Partner
/s/ JOHN W. CHAMBERLAIN John W. Chamberlain President and Chief Executive Officer (Principal Executive Officer)	/s/ JOHN W. CHAMBERLAIN John W. Chamberlain President and Chief Executive Officer (Principal Executive Officer)
/s/ ROBERT F. BARTON Robert F. Barton Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	/s/ ROBERT F. BARTON Robert F. Barton Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

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

Signature	Title	Date
/s/ JOHN W. CHAMBERLAIN John W. Chamberlain	President, Chief Executive Officer, and Director	July 31, 2015
/s/ ROBERT F. BARTON Robert F. Barton	Executive Vice President, Chief Financial Officer and Treasurer	July 31, 2015
/s/ ERNEST S. RADY Ernest S. Rady	Executive Chairman of the Board	July 31, 2015
/s/ LARRY E. FINGER Larry E. Finger	Director	July 31, 2015
/s/ DUANE A. NELLES Duane A. Nelles	Director	July 31, 2015
/s/ THOMAS S. OLINGER Thomas S. Olinger	Director	July 31, 2015
/s/ ROBERT S. SULLIVAN Robert S. Sullivan	Director	July 31, 2015

Item 8 and Item 15(a) (1) and (2)
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of American Assets Trust, Inc.

We have audited the accompanying consolidated balance sheets of American Assets Trust, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a), Schedule III-Consolidated Real Estate and Accumulated Depreciation. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Assets Trust, Inc. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), American Assets Trust, Inc.’s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ ERNST &YOUNG LLP

San Diego, California
February 20, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of American Assets Trust, Inc.

We have audited American Assets Trust, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework) (the COSO criteria). American Assets Trust, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, American Assets Trust, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of American Assets Trust, Inc. as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years in the period ended December 31, 2014 of American Assets Trust, Inc. and our report dated February 20, 2015 expressed an unqualified opinion thereon.

/s/ ERNST &YOUNG LLP

San Diego, California
February 20, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Partners of American Assets Trust, L.P.

We have audited the accompanying consolidated balance sheets of American Assets Trust, L.P. (the "Operating Partnership) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, Partners' capital, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a), Schedule III-Consolidated Real Estate and Accumulated Depreciation. These financial statements are the responsibility of the Operating Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Assets Trust, L.P. at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

/s/ ERNST &YOUNG LLP

San Diego, California
February 20, 2015

American Assets Trust, Inc.
Consolidated Balance Sheets
(In Thousands, Except Share Data)

	December 31, 2014	December 31, 2013
ASSETS		
Real estate, at cost		
Operating real estate	$1,931,698	$1,919,015
Construction in progress	195,736	67,389
Held for development	9,390	9,013
	2,136,824	1,995,417
Accumulated depreciation	(361,424)	(318,581)
Net real estate	1,775,400	1,676,836
Cash and cash equivalents	59,357	48,987
Restricted cash	10,994	9,124
Accounts receivable, net	6,727	7,295
Deferred rent receivables, net	35,883	32,531
Other assets, net	53,401	57,670
TOTAL ASSETS	$1,941,762	$1,832,443
LIABILITIES AND EQUITY		
LIABILITIES:		
Secured notes payable	$812,811	$952,174
Unsecured notes payable	250,000	—
Unsecured line of credit	—	93,000
Accounts payable and accrued expenses	50,861	37,063
Security deposits payable	5,521	5,163
Other liabilities and deferred credits	55,993	58,465
Total liabilities	1,175,186	1,145,865
Commitments and contingencies (Note 13)		
EQUITY:		
American Assets Trust, Inc. stockholders' equity		
Common stock, $0.01 par value, 490,000,000 shares authorized, 43,701,669 and 40,512,563 shares issued and outstanding at December 31, 2014 and 2013, respectively	437	405
Additional paid-in capital	795,065	692,196
Accumulated dividends in excess of net income	(60,291)	(44,090)
Accumulated other comprehensive income	92	—
Total American Assets Trust, Inc. stockholders' equity	735,303	648,511
Noncontrolling interests	31,273	38,067
Total equity	766,576	686,578
TOTAL LIABILITIES AND EQUITY	$1,941,762	$1,832,443

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

American Assets Trust, Inc.
Consolidated Statements of Comprehensive Income
(In Thousands, Except Shares and Per Share Data)

	Year Ended December 31,		
	2014	2013	2012
REVENUE:			
Rental income	$246,078	$242,757	$225,249
Other property income	13,922	12,300	10,217
Total revenue	260,000	255,057	235,466
EXPENSES:			
Rental expenses	68,267	68,608	64,089
Real estate taxes	22,964	21,378	22,025
General and administrative	18,532	17,195	15,593
Depreciation and amortization	66,568	66,775	61,853
Total operating expenses	176,331	173,956	163,560
OPERATING INCOME	83,669	81,101	71,906
Interest expense	(52,965)	(58,020)	(57,328)
Other income (expense), net	441	(487)	(629)
INCOME FROM CONTINUING OPERATIONS	31,145	22,594	13,949
DISCONTINUED OPERATIONS			
Income from discontinued operations	—	—	932
Gain on sale of real estate property	—	—	36,720
Results from discontinued operations	—	—	37,652
NET INCOME	31,145	22,594	51,601
Net income attributable to restricted shares	(374)	(536)	(529)
Net income attributable to unitholders in the Operating Partnership	(9,015)	(6,838)	(16,134)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, INC. STOCKHOLDERS	$21,756	$15,220	$34,938
EARNINGS PER COMMON SHARE, BASIC			
Continuing operations	$0.52	$0.38	$0.24
Discontinued operations	—	—	0.66
Basic income attributable to common stockholders per share	$0.52	$0.38	$0.90
Weighted average shares of common stock outstanding - basic	42,041,126	39,539,457	38,736,113
EARNINGS PER COMMON SHARE, DILUTED			
Continuing operations	$0.51	$0.38	$0.24
Discontinued operations	—	—	0.66
Diluted income attributable to common stockholders per share	$0.51	$0.38	$0.90
Weighted average shares of common stock outstanding - diluted	59,947,474	57,515,810	57,053,909
COMPREHENSIVE INCOME			
Net income	$31,145	$22,594	$51,601
Other comprehensive loss - unrealized loss on swap derivative during the period	(1,448)	—	—
Other comprehensive income - unrealized gain on forward starting swap	1,617	—	—
Reclassification of amortization of forward starting swap included in interest expense	(39)	—	—
Comprehensive income	31,275	22,594	51,601
Comprehensive income attributable to non-controlling interest	(9,053)	(6,838)	(16,134)
Comprehensive income attributable to American Assets Trust, Inc.	$22,222	$15,756	$35,467

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

American Assets Trust, Inc.
Consolidated Statements of Equity
(In Thousands, Except Share Data)

	American Assets Trust, Inc. Stockholders' Equity					Noncontrolling Interests - Unitholders in the Operating Partnership	Total
	Common Shares						
	Shares	Amount	Additional Paid-in Capital	Accumulated Dividends in Excess of Net Income	Accumulated Other Comprehensive Income (Loss)		
Balance at December 31, 2011	39,283,796	$ 393	$ 653,645	$ (28,007)	$ —	$ 53,697	$ 679,728
Net income	—	—	—	35,467	—	16,134	51,601
Conversion of operating partnership units	372,654	4	7,092	—	—	(7,096)	—
Issuance of restricted stock	10,015	—	—	—	—	—	—
Forfeiture of restricted stock	(2,253)	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(33,085)	—	(15,367)	(48,452)
Stock-based compensation	—	—	2,852	—	—	—	2,852
Balance at December 31, 2012	39,664,212	397	663,589	(25,625)	—	47,368	685,729
Net income	—	—	—	15,756		6,838	22,594
Common shares issued	741,452	7	24,903	—		—	24,910
Conversion of operating partnership units	106,326	1	859	—	—	(860)	—
Issuance of restricted stock	5,004	—	—	—	—	—	—
Forfeiture of restricted stock	(4,431)	—	—	—	—	—	—
Dividends declared and paid	—	—	—	(34,221)	—	(15,279)	(49,500)
Stock-based compensation	—	—	2,845	—	—	—	2,845
Balance at December 31, 2013	40,512,563	405	692,196	(44,090)	—	38,067	686,578
Net income	—	—	—	22,130	—	9,015	31,145
Common shares issued	3,110,067	31	104,117	—	—	—	104,148
Issuance of restricted stock	216,748	2	(2)	—	—	—	—
Forfeiture of restricted stock	(1,192)	—	—	—	—	—	—
Conversion of operating partnership units	11,852	—	(133)	—	—	133	—
Dividends declared and paid	—	—	—	(38,331)	—	(15,980)	(54,311)
	—	—	3,666	—	—	—	3,666

Stock-based compensation							
Shares withheld for employee taxes	(148,369)	(1)	(4,779)	—	—	—	(4,780)
Other comprehensive loss - change in value of interest rate swap	—	—	—	—	(1,024)	(424)	(1,448)
Other comprehensive income - unrealized gain on forward starting swap	—	—	—	—	1,144	473	1,617
Reclassification of amortization of forward starting swap included in interest expense	—	—	—	—	(28)	(11)	(39)
Balance at December 31, 2014	43,701,669	$437	$795,065	$ (60,291)	$ 92	$ 31,273	$766,576

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

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American Assets Trust, Inc.
Consolidated Statements of Cash Flows
(In Thousands)

	Year ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES			
Net income	$31,145	$22,594	$51,601
Results from discontinued operations	—	—	(37,652)
Income from continuing operations	31,145	22,594	13,949
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Deferred rent revenue and amortization of lease intangibles	(4,623)	(4,997)	(6,967)
Depreciation and amortization	66,568	66,775	61,853
Amortization of debt issuance costs and debt fair value adjustments	4,075	3,932	3,911
Stock-based compensation expense	3,666	2,845	2,852
Settlement of forward interest rate swap agreement	1,617	—	—
Other noncash interest expense	(39)	—	—
Other, net	(95)	848	2,422
Changes in operating assets and liabilities			
Change in restricted cash	1,198	(755)	(1,000)
Change in accounts receivable	279	(45)	63
Change in other assets	(107)	(88)	143
Change in accounts payable and accrued expenses	1,381	1,167	(1,799)
Change in security deposits payable	358	307	(50)
Change in other liabilities and deferred credits	188	151	186
Net cash provided by operating activities of continuing operations	105,611	92,734	75,563
Net cash provided by operating activities of discontinued operations	—	—	382
Net cash provided by operating activities	105,611	92,734	75,945
INVESTING ACTIVITIES			
Acquisition of real estate, net of cash acquired	—	—	(273,990)
Capital expenditures	(144,674)	(55,675)	(34,582)
Change in restricted cash, reserves for capital improvements	(3,068)	453	2,557
Leasing commissions	(5,098)	(3,032)	(3,456)
Maturity of marketable securities	—	—	4,384
Sale of marketable securities	—	—	23,191
Net cash used in investing activities of continuing operations	(152,840)	(58,254)	(281,896)
Net cash provided by investing activities of discontinued operations	—	—	87,601
Net cash used in investing activities	(152,840)	(58,254)	(194,295)
FINANCING ACTIVITIES			
Change in restricted cash	—	(1,400)	—
Issuance of secured notes payable	—	—	132,900
Repayment of secured notes payable	(142,276)	(95,420)	(34,626)
Proceeds from term loan	100,000	—	—
Proceeds from unsecured line of credit	—	93,000	164,000
Repayment of unsecured line of credit	(93,000)	—	(164,000)
Proceeds from issuance of senior guaranteed notes payable	150,000	—	—
Debt issuance costs	(2,141)	—	(1,355)
Proceeds from issuance of common stock, net	104,107	25,348	—
Dividends paid to common stock and unitholders	(54,311)	(49,500)	(48,452)

Deferred offering costs	—	—	(361)
Shares withheld for employee taxes	(4,780)	—	—
Net cash provided by (used in) financing activities	57,599	(27,972)	48,106
Net increase (decrease) in cash and cash equivalents	10,370	6,508	(70,244)
Cash and cash equivalents, beginning of period	48,987	42,479	112,723
Cash and cash equivalents, end of period	$59,357	$48,987	$42,479

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

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American Assets Trust, L.P.
Consolidated Balance Sheets
(In Thousands, Except Share Data)

	December 31, 2014	December 31, 2013
ASSETS		
Real estate, at cost		
Operating real estate	$1,931,698	$1,919,015
Construction in progress	195,736	67,389
Held for development	9,390	9,013
	2,136,824	1,995,417
Accumulated depreciation	(361,424)	(318,581)
Net real estate	1,775,400	1,676,836
Cash and cash equivalents	59,357	48,987
Restricted cash	10,994	9,124
Accounts receivable, net	6,727	7,295
Deferred rent receivables, net	35,883	32,531
Other assets, net	53,401	57,670
TOTAL ASSETS	$1,941,762	$1,832,443
LIABILITIES AND CAPITAL		
LIABILITIES:		
Secured notes payable	$812,811	$952,174
Unsecured notes payable	250,000	—
Unsecured line of credit	—	93,000
Accounts payable and accrued expenses	50,861	37,063
Security deposits payable	5,521	5,163
Other liabilities and deferred credits	55,993	58,465
Total liabilities	1,175,186	1,145,865
Commitments and contingencies (Note 13)		
CAPITAL:		
Limited partners' capital, 17,905,257 and 17,917,109 units issued and outstanding as of December 31, 2014 and December 31, 2013, respectively	31,235	38,067
General partners' capital, 43,701,669 and 40,512,563 units issued and outstanding as of December 31, 2014 and December 31, 2013, respectively	735,211	648,511
Accumulated other comprehensive income	130	—
Total capital	766,576	686,578
TOTAL LIABILITIES AND CAPITAL	$1,941,762	$1,832,443

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

American Assets Trust, L.P.
Consolidated Statements of Comprehensive Income
(In Thousands, Except Units and Per Unit Data)

	Year Ended December 31,		
	2014	2013	2012
REVENUE:			
Rental income	$246,078	$242,757	$225,249
Other property income	13,922	12,300	10,217
Total revenue	260,000	255,057	235,466
EXPENSES:			
Rental expenses	68,267	68,608	64,089
Real estate taxes	22,964	21,378	22,025
General and administrative	18,532	17,195	15,593
Depreciation and amortization	66,568	66,775	61,853
Total operating expenses	176,331	173,956	163,560
OPERATING INCOME	83,669	81,101	71,906
Interest expense	(52,965)	(58,020)	(57,328)
Other income (expense), net	441	(487)	(629)
INCOME FROM CONTINUING OPERATIONS	31,145	22,594	13,949
DISCONTINUED OPERATIONS			
Income from discontinued operations	—	—	932
Gain on sale of real estate property	—	—	36,720
Results from discontinued operations	—	—	37,652
NET INCOME	31,145	22,594	51,601
Net income attributable to restricted shares	(374)	(536)	(529)
NET INCOME ATTRIBUTABLE TO AMERICAN ASSETS TRUST, L.P.	$30,771	$22,058	$51,072
EARNINGS PER UNIT - BASIC			
Continuing operations	$0.51	$0.38	$0.24
Discontinued operations	—	—	0.66
Earnings per unit, basic	$0.51	$0.38	$0.90
Weighted average units outstanding, basic	59,947,474	57,515,810	57,053,909
EARNINGS PER UNIT - DILUTED			
Continuing operations	$0.51	$0.38	$0.24
Discontinued operations	—	—	0.66
Earnings per unit, diluted	$0.51	$0.38	$0.90
Weighted average units outstanding, diluted	59,947,474	57,515,810	57,053,909
DISTRIBUTIONS PER UNIT	$0.8925	$0.8500	$0.8400
COMPREHENSIVE INCOME			
Net income	$31,145	$22,594	$51,601
Other comprehensive loss - unrealized loss on swap derivative during the period	(1,448)	—	—
Other comprehensive income - unrealized gain on forward starting swap	1,617	—	—
Reclassification of amortization of forward starting swap included in interest expense	(39)	—	—
Comprehensive income	31,275	22,594	51,601

Comprehensive income attributable to Limited Partners	(9,053)	(6,838)	(16,134)
Comprehensive income attributable to General Partners	$22,222	$15,756	$35,467

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

American Assets Trust, L.P.
Consolidated Statements of Partners' Capital
(In Thousands, Except Share Data)

	Limited Partners' Capital (1)		General Partners' Capital (2)		Accumulated Other Comprehensive Income (Loss)	Total Capital
	Units	Amount	Units	Amount		
Balance at December 31, 2011	18,396,089	$53,697	39,283,796	$626,031	$ —	$679,728
Net income	—	16,134	—	35,467	—	51,601
Conversion of operating partnership units	(372,654)	(7,096)	372,654	7,096	—	—
Issuance of restricted units	—	—	10,015	—	—	—
Forfeiture of restricted units	—	—	(2,253)	—	—	—
Distributions	—	(15,367)	—	(33,085)	—	(48,452)
Stock-based compensation	—	—	—	2,852	—	2,852
Balance at December 31, 2012	18,023,435	$47,368	39,664,212	$638,361	$ —	$685,729
Net income	—	6,838	—	15,756	—	22,594
Contributions from American Assets Trust, Inc.	—	—	741,452	24,910	—	24,910
Conversion of operating partnership units	(106,326)	(860)	106,326	860	—	—
Issuance of restricted units	—	—	5,004	—	—	—
Forfeiture of restricted units	—	—	(4,431)	—	—	—
Distributions	—	(15,279)	—	(34,221)	—	(49,500)
Stock-based compensation	—	—	—	2,845	—	2,845
Balance at December 31, 2013	17,917,109	$38,067	40,512,563	$648,511	$ —	$686,578
Net income	—	9,015	—	22,130	—	31,145
Contributions from American Assets Trust, Inc.	—	—	3,110,067	104,148	—	104,148
Conversion of operating partnership units	(11,852)	133	11,852	(133)	—	—
Issuance of restricted units	—	—	216,748	—	—	—
Forfeiture of restricted units	—	—	(1,192)	—	—	—
Distributions	—	(15,980)	—	(38,331)	—	(54,311)
Stock-based compensation	—	—	—	3,666	—	3,666
Shares withheld for employee taxes	—	—	(148,369)	(4,780)	—	(4,780)
Other comprehensive loss - change in value of interest rate swap	—	—	—	—	(1,448)	(1,448)
Other comprehensive income - unrealized gain on forward starting swap	—	—	—	—	1,617	1,617
Reclassification of amortization of forward starting swap included in interest expense	—	—	—	—	(39)	(39)

Balance at December 30, 2014	17,905,257	$31,235	43,701,669	$735,211	$ 130	$766,576

(1) Consists of limited partnership interests held by third parties.
(2) Consists of general and limited partnership interests held by American Assets Trust, Inc.
The accompanying notes are an integral part of these consolidated financial statements.

American Assets Trust, L.P.
Consolidated Statements of Cash Flows
(In Thousands)

	Year Ended December 31,		
	2014	2013	2012
OPERATING ACTIVITIES			
Net income	$31,145	$22,594	$51,601
Results from discontinued operations	—	—	(37,652)
Income from continuing operations	31,145	22,594	13,949
Adjustments to reconcile income from operations to net cash provided by operating activities:			
Deferred rent revenue and amortization of lease intangibles	(4,623)	(4,997)	(6,967)
Depreciation and amortization	66,568	66,775	61,853
Amortization of debt issuance costs and debt fair value adjustments	4,075	3,932	3,911
Stock-based compensation expense	3,666	2,845	2,852
Settlement of forward interest rate swap agreement	1,617	—	—
Other noncash interest expense	(39)	—	—
Other, net	(95)	848	2,422
Changes in operating assets and liabilities			
Change in restricted cash	1,198	(755)	(1,000)
Change in accounts receivable	279	(45)	63
Change in other assets	(107)	(88)	143
Change in accounts payable and accrued expenses	1,381	1,167	(1,799)
Change in security deposits payable	358	307	(50)
Change in other liabilities and deferred credits	188	151	186
Net cash provided by operating activities of continuing operations	105,611	92,734	75,563
Net cash provided by operating activities of discontinued operations	—	—	382
Net cash provided by operating activities	105,611	92,734	75,945
INVESTING ACTIVITIES			
Acquisition of real estate, net of cash acquired	—	—	(273,990)
Capital expenditures	(144,674)	(55,675)	(34,582)
Change in restricted cash, reserves for capital improvements	(3,068)	453	2,557
Leasing commissions	(5,098)	(3,032)	(3,456)
Maturity of marketable securities	—	—	4,384
Sale of marketable securities	—	—	23,191
Net cash used in investing activities of continuing operations	(152,840)	(58,254)	(281,896)
Net cash used in investing activities of discontinued operations	—	—	87,601
Net cash used in investing activities	(152,840)	(58,254)	(194,295)
FINANCING ACTIVITIES			
Change in restricted cash	—	(1,400)	—
Issuance of secured notes payable	—	—	132,900
Repayment of secured notes payable	(142,276)	(95,420)	(34,626)
Proceeds from term loan	100,000	—	—
Proceeds from unsecured line of credit	—	93,000	164,000
Repayment of unsecured line of credit	(93,000)	—	(164,000)
Proceeds from issuance of senior guaranteed notes payable	150,000	—	—
Debt issuance costs	(2,141)	—	(1,355)
Contributions from American Assets Trust, Inc.	104,107	25,348	—
Distributions	(54,311)	(49,500)	(48,452)

Deferred offering costs	—	—	(361)
Shares withheld for employee taxes	(4,780)	—	—
Net cash provided by (used in) financing activities	57,599	(27,972)	48,106
Net increase (decrease) in cash and cash equivalents	10,370	6,508	(70,244)
Cash and cash equivalents, beginning of period	48,987	42,479	112,723
Cash and cash equivalents, end of period	$59,357	$48,987	$42,479

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

American Assets Trust, Inc. and American Assets Trust, L.P.
Notes to Consolidated Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business and Organization

American Assets Trust, Inc. (which may be referred to in these financial statements as the “company,” “we,” “us,” or “our”) is a Maryland corporation formed on July 16, 2010 that did not have any operating activity until the consummation of our initial public offering (the “Offering”) and the related acquisition on January 19, 2011 of certain assets of a combination of entities whose assets included entities owned and/or controlled by Ernest S. Rady and his affiliates, including the Rady Trust, which in turn owned (1) controlling interests in entities owning 17 properties and the property management business of American Assets, Inc. and (2) noncontrolling interests in entities owning four properties. The company is the sole general partner of American Assets Trust, L.P., a Maryland limited partnership formed on July 16, 2010 (the “Operating Partnership”). The company's operations are carried on through our Operating Partnership and its subsidiaries, including our taxable REIT subsidiary. Since the formation of our Operating Partnership, the company has controlled our Operating Partnership as its general partner and has consolidated its assets, liabilities and results of operations.

We are a vertically integrated and self-administered REIT with 113 employees providing substantial in-house expertise in asset management, property management, property development, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment and financing.

Any reference to the number of properties or units and square footage or acres are unaudited and outside the scope of our independent registered public accounting firm's audit of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

As of December 31, 2014, we owned or had a controlling interest in 23 office, retail, multifamily and mixed-use operating properties, the operations of which we consolidate. Additionally, as of December 31, 2014, we owned land at five of our properties that we classify as held for development and construction in progress. A summary of the properties owned by us is as follows:

Retail	
Carmel Country Plaza	Del Monte Center
Carmel Mountain Plaza	Geary Marketplace
South Bay Marketplace	The Shops at Kalakaua
Rancho Carmel Plaza	Waikele Center
Lomas Santa Fe Plaza	Alamo Quarry Market
Solana Beach Towne Centre	
Office	
Torrey Reserve Campus	Lloyd District Portfolio
Solana Beach Corporate Centre	City Center Bellevue
The Landmark at One Market	
One Beach Street	
First & Main	
Multifamily	
Loma Palisades	
Imperial Beach Gardens	
Mariner's Point	
Santa Fe Park RV Resort	
Mixed-Use	
Waikiki Beach Walk Retail and Embassy Suites™ Hotel	

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Held for Development and Construction in Progress
Solana Beach Corporate Centre – Land
Solana Beach – Highway 101 – Land
Sorrento Pointe – Land
Torrey Reserve – Construction in Progress
Lloyd District Portfolio – Construction in Progress

Basis of Presentation

Our consolidated financial statements include the accounts of the company, our Operating Partnership and our subsidiaries. The equity interests of other investors in our Operating Partnership are reflected as noncontrolling interests.

All significant intercompany transactions and balances are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, referred to as "GAAP," requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and revenues and expenses. These estimates are prepared using management's best judgment, after considering past, current and expected events and economic conditions. Actual results could differ from these estimates.

Consolidated Statements of Cash Flows-Supplemental Disclosures

The following table provides supplemental disclosures related to the Consolidated Statements of Cash Flows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Supplemental cash flow information			
Total interest costs incurred	$58,455	$60,133	$58,074
Interest capitalized	$5,490	$2,113	$746
Interest expense	$52,965	$58,020	$57,328
Cash paid for interest, net of amounts capitalized (including discontinued operations)	$48,032	$54,345	$55,349
Cash paid for income taxes	$404	$901	$1,239
Supplemental schedule of noncash investing and financing activities			
Accounts payable and accrued liabilities for construction in progress	$9,908	$5,001	$4,944
Accrued leasing commissions	$763	$1,385	$(782)
Accrued placement fees for senior guaranteed notes payable	$750	$—	$—
Reduction to capital for prepaid equity financing costs	$40	$437	$—

Revenue Recognition and Accounts Receivable

Our leases with tenants are classified as operating leases. Substantially all such leases contain fixed rent escalations which occur at specified times during the term of the lease. Base rents are recognized on a straight-line basis from when the tenant controls the space through the term of the related lease, net of valuation adjustments, based on management's assessment of credit, collection and other business risks. When we determine that we are the owner of tenant improvements and the tenant has reimbursed us for a portion or all of the tenant improvement costs, we consider the amount paid to be additional rent, which is recognized on a straight-line basis over the term of the related lease. For first generation tenants, in instances in which we fund tenant improvements and the improvements are deemed to be owned by us, revenue recognition will commence when the improvements are substantially completed and possession or control of the space is turned over to the tenant. When we

determine that the tenant is the owner of tenant improvements, tenant allowances are recorded as lease incentives and we commence revenue recognition and lease incentive amortization when possession or control of the space is turned over to the tenant for tenant work to begin. Percentage rents, which represent additional rents based upon the level of sales achieved by certain tenants, are recognized at the end of the lease year or earlier if we have determined the required sales level is achieved and the percentage rents are collectible. Real estate tax and other cost reimbursements are recognized on an accrual basis over the periods in which the related expenditures are incurred.

Other property income includes parking income, general excise tax billed to tenants and fees charged to tenants at our multifamily properties. Other property income is recognized when earned. We recognize general excise tax gross, with the amounts billed to tenants and customers recorded in other property income and the related taxes paid as rental expense. The general excise tax included in other income was $3.4 million, $3.5 million and $3.3 million for the years ended December 31, 2014, 2013 and 2012, respectively. For a tenant to terminate its lease agreement prior to the end of the agreed term, we may require that they pay a fee to cancel the lease agreement. Lease termination fees for which the tenant has relinquished control of the space are generally recognized on the termination date. When a lease is terminated early but the tenant continues to control the space under a modified lease agreement, the lease termination fee is generally recognized evenly over the remaining term of the modified lease agreement.

We recognize revenue on the hotel portion of our mixed-use property from the rental of hotel rooms and guest services when the rooms are occupied and services have been provided. Food and beverage sales are recognized when the customer has been served or at the time the transaction occurs. Revenue from room rental is included in rental revenue on the statement of income. Revenue from other sales and services provided is included in other property income on the statement of income.

We make estimates of the collectability of our accounts receivable related to minimum rents, straight-line rents, expense reimbursements and other revenue. Accounts receivable and deferred rent receivable are carried net of this allowance for doubtful accounts. We generally do not require collateral or other security from our tenants, other than letters of credit or security deposits. Our determination as to the collectability of accounts receivable and correspondingly, the adequacy of this allowance, is based primarily upon evaluations of individual receivables, current economic conditions, historical experience and other relevant factors. The allowance for doubtful accounts is increased or decreased through bad debt expense. In some cases, primarily relating to straight-line rents, the collection of these amounts extends beyond one year. Our experience relative to unbilled straight-line rents is that a portion of the amounts otherwise recognizable as revenue is never billed to or collected from tenants due to early lease terminations, lease modifications, bankruptcies and other factors. Accordingly, the extended collection period for straight-line rents along with our evaluation of tenant credit risk may result in the nonrecognition of a portion of straight-line rental income until the collection of such income is reasonably assured. If our evaluation of tenant credit risk changes indicating more straight-line revenue is reasonably collectible than previously estimated and realized, the additional straight-line rental income is recognized as revenue. If our evaluation of tenant credit risk changes indicating a portion of realized straight-line rental income is no longer collectible, a reserve and bad debt expense is recorded. At December 31, 2014 and December 31, 2013, our allowance for doubtful accounts was $0.8 million and $1.0 million, respectively, and our allowance for deferred rent receivables was $1.2 million and $1.2 million, respectively. Total bad debt expense was $0.2 million, $0.1 million and $0.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

We recognize gains on sales of properties upon the closing of the transaction with the purchaser. Gains on properties sold are recognized using the full accrual method when (1) the collectability of the sales price is reasonably assured, (2) we are not obligated to perform significant activities after the sale, (3) the initial investment from the buyer is sufficient and (4) other profit recognition criteria have been satisfied. Gains on sales of properties may be deferred in whole or in part until the requirements for gain recognition have been met.

Real Estate

Land, buildings and improvements are recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives range generally from 30 years to a maximum of 40 years on buildings and major improvements.

Minor improvements, furniture and equipment are capitalized and depreciated over useful lives ranging from 3 years to 15 years. Maintenance and repairs that do not improve or extend the useful lives of the related assets are charged to operations as incurred. Tenant improvements are capitalized and depreciated over the life of the related lease or their estimated useful life, whichever is shorter. If a tenant vacates its space prior to the contractual termination of its lease, the undepreciated balance of any tenant improvements are written off if they are replaced or have no future value. For the years ended December 31, 2014, 2013 and 2012, real estate depreciation expense was $56.0 million, $52.0 million and $47.8 million, respectively, including amounts from discontinued operations.

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Acquisitions of properties are accounted for in accordance with the authoritative accounting guidance on acquisitions and business combinations. Our methodology of allocating the cost of acquisitions to assets acquired and liabilities assumed is based on estimated fair values, replacement cost and appraised values. When we acquire operating real estate properties, the purchase price is allocated to land and buildings, intangibles such as in-place leases, and to current assets and liabilities acquired, if any. Such valuations include a consideration of the noncancelable terms of the respective leases as well as any applicable renewal periods. The fair values associated with below market renewal options are determined based on a review of several qualitative and quantitative factors on a lease-by-lease basis at acquisition to determine whether it is probable that the tenant would exercise its option to renew the lease agreement. These factors include: (1) the type of tenant in relation to the property it occupies, (2) the quality of the tenant, including the tenant's long term business prospects and (3) whether the fixed rate renewal option was sufficiently lower than the fair rental of the property at the date the option becomes exercisable such that it would appear to be reasonably assured that the tenant would exercise the option to renew. The value allocated to in-place leases is amortized over the related lease term and reflected as depreciation and amortization in the statement of income.

The value of above and below market leases associated with the original noncancelable lease terms are amortized to rental income over the terms of the respective noncancelable lease periods and are reflected as either an increase (for below market leases) or a decrease (for above market leases) to rental income in the statement of income. The value of the leases associated with below market lease renewal options that are likely to be exercised are amortized to rental income over the respective renewal periods. If a tenant vacates its space prior to contractual termination of its lease or the lease is not renewed, the unamortized balance of any in-place lease value is written off to rental income and amortization expense. Acquisition-related expenses are expensed in the period incurred.

Capitalized Costs

We capitalize certain costs related to the development and redevelopment of real estate including pre-construction costs, real estate taxes, insurance and construction costs and salaries and related costs of personnel directly involved. Additionally, we capitalize interest costs related to development and significant redevelopment activities. Capitalization of these costs begins when the activities and related expenditures commence and cease when the project is substantially complete and ready for its intended use, at which time the project is placed in service and depreciation commences. Additionally, we make estimates as to the probability of certain development and redevelopment projects being completed. If we determine that the completion of development or redevelopment is no longer probable, we expense all capitalized costs which are not recoverable.

Impairment of Long Lived Assets

We review for impairment on a property by property basis. Impairment is recognized on properties held for use when the expected undiscounted cash flows for a property are less than its carrying amount at which time the property is written-down to fair value. Properties held for sale are recorded at the lower of the carrying amount or the expected sales price less costs to sell.

Financial Instruments

The estimated fair values of financial instruments are determined using available market information and appropriate valuation methods. Considerable judgment is necessary to interpret market data and develop estimated fair values. The use of different market assumptions or estimation methods may have a material effect on the estimated fair value amounts. Accordingly, estimated fair values are not necessarily indicative of the amounts that could be realized in current market exchanges.

Derivative Instruments

At times, we may use derivative instruments to manage exposure to variable interest rate risk. We may enter into interest rate swaps to manage our exposure to variable interest rate risk. If and when we enter into derivative instruments, we ensure that such instruments qualify as cash flow hedges and would not enter into derivative instruments for speculative purposes.

Any interest rate swaps associated with our cash flow hedges are recorded at fair value on a recurring basis. We assess effectiveness of our cash flow hedges both at inception and on an ongoing basis. The effective portion of changes in fair value of the interest rate swaps associated with our cash flow hedges is recorded in accumulated other

comprehensive income (loss) and is subsequently reclassified into interest expense as interest is incurred on the related variable rate debt. Our cash flow hedges become ineffective if critical terms of the hedging instrument and the debt instrument do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and LIBOR rate. In addition, we evaluate the default risk of the counterparty by monitoring the credit worthiness of the counterparty. When ineffectiveness exists, the ineffective portion of

changes in fair value of the interest rate swaps associated with our cash flow hedges is recognized in earnings in the period affected. We had no hedging instruments outstanding during 2013 or 2012. Concurrent with the closing of the amended and restated credit facility, we entered into an interest rate swap agreement that is intended to fix the interest rate associated with the term loan at approximately 3.08% through its maturity date and extension options, subject to adjustments based on our consolidated leverage ratio (see Note 9).

Cash and Cash Equivalents

We define cash and cash equivalents as cash on hand, demand deposits with financial institutions and short term liquid investments with an initial maturity of less than 3 months. Cash balances in individual banks may exceed the federally insured limit of $250,000 by the Federal Deposit Insurance Corporation (the "FDIC"). No losses have been experienced related to such accounts. At December 31, 2014 and December 31, 2013, we had $32.4 million and $29.0 million, respectively, in excess of the FDIC insured limit. At December 31, 2014 and December 31, 2013, we had $20.0 million and $11.0 million, respectively, in money market funds that are not FDIC insured.

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate tax expenditures, insurance expenditures and reserves for capital improvements. Activity for accounts related to real estate tax and insurance expenditures is classified as operating activities in the statement of cash flows. Changes in reserves for capital improvements are classified as investing activities in the statement of cash flows. At December 31, 2014 and 2013, we had $11.0 million and $9.1 million, respectively, in restricted cash.

Marketable Securities

Our portfolio of marketable securities was comprised of debt securities that are classified as trading. Trading securities are presented on our consolidated balance sheets at fair value at the end of each reporting period. Gains and losses resulting from the mark-to-market of these securities were recognized as unrealized and realized gains or losses in income.

Other Assets

Other assets consist primarily of lease costs, lease incentives, acquired in-place leases, acquired above market leases and debt issuance costs. Capitalized lease costs are direct costs incurred which were essential to originate a lease and would not have been incurred had the leasing transaction not taken place and include third party commissions related to obtaining a lease. Capitalized lease costs are amortized over the life of the related lease and included in depreciation and amortization expense on the statement of income. If a tenant vacates its space prior to the contractual termination of its lease, the unamortized balance of any lease costs are written off. We view these lease costs as part of the up-front initial investment we made in order to generate a long-term cash inflow. Therefore, we classify cash outflows for lease costs as an investing activity in our consolidated statements of cash flows.

Costs related to the issuance of debt instruments are capitalized and are amortized as interest expense over the estimated life of the related issue using the straight-line method which approximates the effective interest method. If a debt instrument is paid off prior to its original maturity date, the unamortized balance of debt issuance costs are written off to interest expense or, if significant, included in “early extinguishment of debt.” For the years ended December 31, 2014, 2013 and 2012 there were no early extinguishments of debt or write offs of debt issuance costs.

Variable Interest Entities

Certain entities that do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties or in which equity investors do not have the characteristics of a controlling financial interest qualify as variable interest entities (“VIEs”). VIEs are required to be consolidated by their primary beneficiary. The primary beneficiary of a VIE is the party that has a controlling interest in the VIE. Identifying the party with the controlling interest requires a focus on which entity has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (1) the obligation to absorb the expected losses of the VIE or (2) the right to receive the benefits from the VIE. At December 31, 2014 we have no investments in real estate joint ventures and, accordingly we have no VEIs which need to be consolidated.

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Stock-Based Compensation

We grant stock-based compensation awards to our employees and directors typically in the form of restricted shares of common stock, options to purchase common stock and/or shares of common stock. We measure stock-based compensation expense based on the fair value of the award on the grant date and recognize the expense ratably over the vesting period.

Deferred Compensation

Our Operating Partnership has adopted the American Assets Trust Executive Deferral Plan V (“EDP V”) and the American Assets Trust Executive Deferral Plan VI (“EDP VI”). These plans were adopted by our Operating Partnership as successor plans to those deferred compensation plans maintained by American Assets Inc. ("AAI") in which certain employees of AAI, who were transferred to us in connection with the Offering (the “Transferred Participants”), participated prior to the Offering. EDP V and EDP VI contain substantially the same terms and conditions as these predecessor plans. AAI transferred to our Operating Partnership the Transferred Participants' account balances under the predecessor plans. These transferred account balances represent amounts deferred by the Transferred Participants prior to the Offering while they were employed by AAI.

At the time eligible participants defer compensation, we record compensation cost and a corresponding deferred compensation plan liability, which is included in other liabilities and deferred credits on our consolidated balance sheets. This liability is adjusted to fair value at the end of each accounting period based on the performance of the benchmark funds selected by each participant, and the impact of adjusting the liability to fair value is recorded as an increase or decrease to compensation cost.

Income Taxes

We elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with the taxable year ending December 31, 2011. To maintain our qualification as a REIT, we are required 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 such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we maintain our qualification for taxation as a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to maintain our qualification as a REIT in any taxable year, and are 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. We are subject to certain state and local income taxes.

We, together with one of our subsidiaries, have elected to treat such subsidiary as a taxable REIT subsidiary (a “TRS”) for federal income tax purposes. Certain activities that we undertake must be conducted by a TRS, such as non-customary services for our tenants, and holding assets that we cannot hold directly. A TRS is subject to federal and state income taxes.

Segment Information

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We operate in four business segments: the acquisition, redevelopment, ownership and management of retail real estate, office real estate, multifamily real estate and mixed-use real estate. The products for our retail segment primarily include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products of our mixed-use segment include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental and operation of a 369-room all-suite hotel.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-2, Comprehensive Income (Topic 220): Reporting Amounts Reclassified Out of Accumulated Other Comprehensive Income. ASU 2013-2 requires entities to disclose certain information relating to amounts reclassified out of accumulated other comprehensive income. This pronouncement became effective for us in the first quarter of 2013 and did not have a significant impact on our consolidated financial

statements.
In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU

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2014-08 revises the definition of a discontinued operation to a disposal, sale or held-for-sale component or group of components that represents a strategic shift that will have a major effect on an entity's operations and financial results. This pronouncement is effective in 2015, however, calendar year-end companies may early adopt during the first quarter of 2014. We have chosen to early adopt this pronouncement and it became effective for us in the first quarter of 2014. This pronouncement did not have a significant impact on our consolidated financial statements.
In May 2014, the FASB issued Update No. 2014-09, Revenue from Contracts with Customers. Update No. 2014-09 establishes that companies may recognize revenue to depict the transfer of promised 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. This pronouncement is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period; early adoption is not permitted. We are in the process of evaluating the impact this pronouncement will have on our consolidated financial statements.

NOTE 2. REAL ESTATE

A summary of our real estate investments is as follows (in thousands):

	Retail	Office	Multifamily	Mixed-Use	Total	
December 31, 2014						
Land	$248,386	$143,575	$25,507	$76,635	$494,103	
Buildings	500,088	621,343	42,270	125,798	1,289,499	
Land improvements	39,999	8,273	3,085	2,363	53,720	
Tenant improvements	50,504	56,127	—	1,679	108,310	
Furniture, fixtures, and equipment	491	750	5,832	5,383	12,456	
Construction in progress	5,327	31,878	141,205	326	178,736	(1)
	844,795	861,946	217,899	212,184	2,136,824	
Accumulated depreciation	(205,339)	(104,092)	(35,431)	(16,562)	(361,424)	
Net real estate	$639,456	$757,854	$182,468	$195,622	$1,775,400	
December 31, 2013						
Land	$248,008	$143,575	$25,507	$76,635	$493,725	
Buildings	499,091	618,077	42,270	123,142	1,282,580	
Land improvements	39,892	7,528	3,010	2,363	52,793	
Tenant improvements	46,649	51,016	—	1,697	99,362	
Furniture, fixtures, and equipment	489	517	5,482	10,080	16,568	
Construction in progress	2,673	14,189	32,252	1,275	50,389	(1)
	836,802	834,902	108,521	215,192	1,995,417	
Accumulated depreciation	(185,095)	(84,012)	(33,909)	(15,565)	(318,581)	
Net real estate	$651,707	$750,890	$74,612	$199,627	$1,676,836	

(1) Land related to held for development and construction in progress is included in the Held for Development and Construction in Progress classifications on the consolidated balance sheets.

Acquisitions

2012 Acquisitions

On January 24, 2012, we acquired One Beach Street, consisting of approximately 97,000 square feet in a three-story fully renovated historic office building located along the Embarcadero in San Francisco's North Waterfront District. The purchase price was approximately $36.5 million, excluding closing costs of approximately $0.02 million, which are included in other income (expense), net on the statement of income. The identified intangible assets and liabilities are being amortized over a weighted average life of 7.0 years.

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On August 21, 2012, we acquired City Center Bellevue, a 27-story LEED-EB Gold certified office tower, consisting of approximately 497,000 square feet, located in Bellevue, Washington. The purchase price was approximately $228.8 million, excluding closing costs of approximately $0.1 million, which are included in other income (expense), net on the statement of income. Additionally, we received credits to our purchase price of approximately $6.9 million that primarily relate to outstanding tenant improvement obligations and rent abatements. The identified intangible assets and liabilities are being amortized over a weighted average life of 5.8 years.

On December 19, 2012, we acquired Geary Marketplace, a newly constructed, approximately 35,000 square foot, 100% leased, grocery-anchored shopping center in Walnut Creek, California. The purchase price was approximately $21.0 million, excluding closing costs of approximately $0.02 million, which are included in other income (expense), net on the statement of income. The identified intangible assets and liabilities are being amortized over a weighted average life of 19.8 years.

The fair values assigned to identifiable intangible assets acquired were based on estimates and assumptions determined by management. Using information available at the time the acquisition closed, we allocated the total consideration to tangible assets and liabilities and identified intangible assets and liabilities. The allocation of the purchase price for each of One Beach Street, City Center Bellevue and Geary Marketplace is as follows (in thousands):

	One Beach Street	City Center Bellevue	Geary Marketplace	Total
Land	$15,332	$25,135	$8,239	$48,706
Building	16,764	185,653	11,179	213,596
Land improvements	30	154	704	888
Tenant improvements	1,223	5,191	470	6,884
Total real estate	33,349	216,133	20,592	270,074
Lease intangibles	4,141	11,870	1,017	17,028
Prepaid expenses and other assets	1	2,596	414	3,011
Total assets	$37,491	$230,599	$22,023	$290,113
Accounts payable and accrued expenses	$94	$456	$—	$550
Security deposits payable	75	740	—	815
Lease intangibles	1,382	8,733	1,124	11,239
Other liabilities and deferred credits	22	497	—	519
Total liabilities	$1,573	$10,426	$1,124	$13,123

We have included the results of operations for One Beach Street, City Center Bellevue and Geary Marketplace in our consolidated statements of income from the date of acquisition. For the period of acquisition through December 31, 2012, One Beach Street contributed $3.9 million to total revenue, $1.0 million to operating expenses, $2.9 million to operating income and $0.6 million to net income. For the period of acquisition through December 31, 2012, City Center Bellevue contributed $7.0 million to total revenue, $1.6 million to operating expenses, $5.4 million to operating income and an insignificant amount to net income. For the period of acquisition through December 31, 2012, Geary Marketplace contributed an insignificant amount to total revenue, expenses, operating income and net income.

Dispositions

On December 4, 2012, we sold 160 King Street for a sales price of approximately $93.8 million. The property is located in San Francisco, California and was previously included in our office segment. The decision to sell 160 King Street was a result of our desire to focus resources on our core, high-barrier-to-entry markets. The sale was completed as a reverse tax deferred exchange in conjunction with the acquisition of City Center Bellevue pursuant to the provisions of Section 1031 of the Code and applicable state revenue and taxation code sections. As a result of the sale, 160 King Street no longer serves as a borrowing base property under our amended and restated credit facility.

We determined that 160 King Street became a discontinued operation in the fourth quarter of 2012. We have, therefore, classified 160 King Street's net assets, liabilities and operating results as discontinued operations on our balance sheets and our statements of income for all periods prior to the sale.

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Net revenue and net income from the property's discontinued operations were as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Net revenue from discontinued operations	$—	$—	$6,734
Results from discontinued operations			
Income from discontinued operations	—	—	932
Gain on sale of real estate from discontinued operations	—	—	36,720
Total income from discontinued operations	$—	$—	$37,652

NOTE 3. ACQUIRED IN-PLACE LEASES AND ABOVE/BELOW MARKET LEASES

The following summarizes our acquired lease intangibles, which are included in other assets and other liabilities and deferred credits (in thousands):

	December 31, 2014	December 31, 2013
In-place leases	$53,967	$62,813
Accumulated amortization	(35,336)	(38,279)
Above market leases	22,500	28,279
Accumulated amortization	(17,397)	(20,880)
Acquired lease intangible assets, net	$23,734	$31,933
Below market leases	$70,013	$76,502
Accumulated accretion	(27,161)	(28,592)
Acquired lease intangible liabilities, net	$42,852	$47,910

The value allocated to in-place leases is amortized over the related lease term as depreciation and amortization expense in the statement of income. Above and below market leases are amortized over the related lease term as additional rental income for below market leases or a reduction of rental income for above market leases in the statement of income. Rental income (loss) includes net amortization from acquired above and below market leases of $2.8 million, $2.4 million and $(0.2) million in 2014, 2013 and 2012, respectively. The remaining weighted-average amortization period as of December 31, 2014, is 2.4 years, 1.4 years and 8.5 years for in-place leases, above market leases and below market leases, respectively. Below market leases include $17.5 million related to below market renewal options, and the weighted-average period prior to the commencement of the renewal options is 10.8 years.

Increases (decreases) in net income as a result of amortization of our in-place leases, above market leases and below market leases are as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Amortization of in-place leases	$(5,903)	$(9,120)	$(10,248)
Amortization of above market leases	(2,296)	(4,052)	(5,739)
Amortization of below market leases	5,057	6,440	5,502
Net loss	$(3,142)	$(6,732)	$(10,485)

As of December 31, 2014, the amortization for acquired leases during the next five years and thereafter, assuming no early lease terminations, is as follows (in thousands):

	In-Place Leases	Above Market Leases	Below Market Leases
Year Ending December 31,			
2015	$4,744	$1,752	$4,667
2016	3,954	1,263	4,525
2017	3,189	932	4,169
2018	1,893	628	3,649
2019	1,452	318	3,560
Thereafter	3,399	210	22,282
	$18,631	$5,103	$42,852

NOTE 4. MARKETABLE SECURITIES

Our portfolio of marketable securities was comprised of debt securities that were classified as trading securities. Our marketable securities consisted of investments in mortgage-backed securities issued by the Government National Mortgage Association (“GNMA securities”). We reported our trading securities at fair value, using prices provided by independent market participants that are based on observable inputs using market-based valuation techniques (Level 2 of the fair value hierarchy-see Note 5). On August 20, 2012, we sold all of our outstanding GNMA securities with a realized loss of $0.7 million for the year ended December 31, 2012.

NOTE 5. FAIR VALUE OF FINANCIAL INSTRUMENTS

A fair value measurement is based on the assumptions that market participants would use in pricing an asset or liability. The hierarchy for inputs used in measuring fair value is as follows:

1. Level 1 Inputs—quoted prices in active markets for identical assets or liabilities
2. Level 2 Inputs—observable inputs other than quoted prices in active markets for identical assets and liabilities
3. Level 3 Inputs—unobservable inputs

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Except as disclosed below, the carrying amount of our financial instruments approximates their fair value. Financial assets and liabilities whose fair values we measure on a recurring basis using Level 2 inputs consist of our deferred compensation liability and interest rate swap liability. We measure the fair values of these liabilities based on prices provided by independent market participants that are based on observable inputs using market-based valuation techniques provided by third parties using proprietary valuation models and analytical tools as of December 31, 2014 and 2013. These valuation models and analytical tools use market pricing or similar instruments that are both objective and publicly available, including matrix pricing or reported trades, benchmark yields, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids and/or offers.

A summary of our financial liabilities that are measured at fair value on a recurring basis by level within the fair value hierarchy is as follows (in thousands):

	December 31, 2014				December 31, 2013			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Deferred compensation liability	$—	$981	$—	$981	$—	$769	$—	$769
Interest rate swap liability	$—	$1,448	$—	$1,448	$—	$—	$—	$—

The fair value of our secured notes payable and unsecured notes payable is sensitive to fluctuations in interest rates. Discounted cash flow analysis (Level 2) is generally used to estimate the fair value of our mortgages and notes payable, using rates ranging from 3.6% to 5.7%.

Considerable judgment is necessary to estimate the fair value of financial instruments. The estimates of fair value presented herein are not necessarily indicative of the amounts that could be realized upon disposition of the financial instruments. The carrying values of our line of credit and term loan set forth below are deemed to be at fair value since the outstanding debt is directly tied to monthly LIBOR contracts. A summary of the carrying amount and fair value of our financial instruments, all of which are based on Level 2 inputs, is as follows (in thousands):

	December 31, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Secured notes payable	$812,811	$850,475	$952,174	$990,296
Term loan	$100,000	$100,000	$—	$—
Senior guaranteed notes, Series A	$150,000	$154,560	$—	$—
Line of credit	$—	$—	$93,000	$93,000

NOTE 6. OTHER ASSETS

Other assets consist of the following (in thousands):

	December 31, 2014	December 31, 2013
Leasing commissions, net of accumulated amortization of $20,659 and $19,606 respectively	$19,484	$18,071
Acquired above market leases, net	5,103	7,399
Acquired in-place leases, net	18,631	24,534
Lease incentives, net of accumulated amortization of $2,960 and $2,590, respectively	740	1,110
Other intangible assets, net of accumulated amortization of $1,590 and $1,554, respectively	453	655
Debt issuance costs, net of accumulated amortization of $4,147 and $2,985, respectively	5,361	2,632
Prepaid expenses, deposits and other	3,629	3,269
Total other assets	$53,401	$57,670

Lease incentives are amortized over the term of the related lease and included as a reduction of rental income in the statement of income.

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NOTE 7. OTHER LIABILITIES AND DEFERRED CREDITS

Other liabilities and deferred credits consist of the following (in thousands):

	December 31, 2014	December 31, 2013
Acquired below market leases, net	$42,852	$47,910
Prepaid rent and deferred revenue	7,288	7,506
Interest rate swap liability	1,448	—
Straight-line rent liability	2,533	1,145
Deferred rent expense	584	829
Deferred compensation	981	769
Deferred tax liability	219	233
Other liabilities	88	73
Total other liabilities and deferred credits	$55,993	$58,465

Straight-line rent liability relates to leases which have rental payments that decrease over time or one-time upfront payments for which the rental revenue is deferred and recognized on a straight-line basis.

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NOTE 8. DEBT

Debt of American Assets Trust, Inc.

American Assets Trust, Inc. does not hold any indebtedness. All debt is held directly or indirectly by the Operating Partnership; however, American Assets Trust, Inc. has guaranteed the Operating Partnership's amended and restated credit facility, term loan and carve-out guarantees on property-level debt.

Debt of American Assets Trust, L.P.

Secured notes payable

The following is a summary of the Operating Partnership's total secured notes payable outstanding as of December 31, 2014 and December 31, 2013 (in thousands):

Description of Debt	Principal Balance as of December 31, 2014	December 31, 2013	Stated Interest Rate as of December 31, 2014	Stated Maturity Date
Waikele Center [1][2]	—	140,700	—	November 1, 2014
The Shops at Kalakaua [1][3]	19,000	19,000	5.45 %	May 1, 2015
The Landmark at One Market [1][5]	133,000	133,000	5.61 %	July 5, 2015
Del Monte Center [1][4]	82,300	82,300	4.93 %	July 8, 2015
First & Main [1]	84,500	84,500	3.97 %	July 1, 2016
Imperial Beach Gardens [1]	20,000	20,000	6.16 %	September 1, 2016
Mariner’s Point [1]	7,700	7,700	6.09 %	September 1, 2016
South Bay Marketplace [1]	23,000	23,000	5.48 %	February 10, 2017
Waikiki Beach Walk—Retail [1]	130,310	130,310	5.39 %	July 1, 2017
Solana Beach Corporate Centre III-IV [6]	36,376	36,804	6.39 %	August 1, 2017
Loma Palisades [1]	73,744	73,744	6.09 %	July 1, 2018
One Beach Street [1]	21,900	21,900	3.94 %	April 1, 2019
Torrey Reserve—North Court [6]	21,075	21,377	7.22 %	June 1, 2019
Torrey Reserve—VCI, VCII, VCIII [6]	7,101	7,200	6.36 %	June 1, 2020
Solana Beach Corporate Centre I-II [6]	11,302	11,475	5.91 %	June 1, 2020
Solana Beach Towne Centre [6]	37,675	38,249	5.91 %	June 1, 2020
City Center Bellevue [1]	111,000	111,000	3.98 %	November 1, 2022
Total	819,983	962,259		
Unamortized fair value adjustment	(7,172)	(10,085)		
Total Secured Notes Payable	$812,811	$952,174		

(1) Interest only.

(2) Loan repaid in full, without premium or penalty, on October 31, 2014

(3) Loan repaid in full, without premium or penalty, on February 2, 2015.

(4) Loan repaid in full, without premium or penalty, on February 6, 2015.

(5) Maturity Date is the earlier of the loan maturity date under the loan agreement, or the “Anticipated Repayment Date” as specifically defined in the loan agreement, which is the date after which substantial economic penalties apply if the loan has not been paid off.

(6) Principal payments based on a 30-year amortization schedule.

On October 10, 2012, the Operating Partnership entered into a ten-year non-recourse mortgage loan with PNC Bank, National Association with an original principal amount of $111.0 million. The loan is secured by a first-priority deed of trust on City Center Bellevue and an assignment of all leases, rents and security deposits relating to City Center Bellevue. The loan has a maturity date of November 1, 2022, bears interest at a fixed rate per annum of 3.98% and is interest only.

On March 29, 2012, the Operating Partnership entered into a seven-year non-recourse mortgage loan with PNC Bank, National Association with an original principal amount of $21.9 million. The loan is secured by a first-priority deed of trust on

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One Beach Street and an assignment of all leases, rents and security deposits relating to One Beach Street. The loan has a maturity date of April 1, 2019, bears interest at a fixed rate per annum of 3.94% and is interest only.
Unsecured notes payable
The following is a summary of the Operating Partnership's total unsecured notes payable outstanding as of December 31, 2014 and December 31, 2013 (in thousands):

Description of Debt	Principal Balance as of December 31, 2014	December 31, 2013	Stated Interest Rate as of December 31, 2014	Stated Maturity Date
Term Loan	$100,000	$—	Variable [1]	January 9, 2019 [2]
Senior Guaranteed Notes, Series A	150,000	—	4.04% [3]	October 31, 2021
Total Unsecured Notes Payable	$250,000	$—		

(1) The company has entered into an interest rate swap agreement that is intended to fix the interest rate associated with the loan term at approximately 3.08% through its maturity date and extension options, subject to adjustments based on the Operating Partnership's consolidated leverage ratio.

(2) The Operating Partnership has an option to extend the term loan up to three times, with each such extension for a 12-month period. The foregoing extension options are exercisable by the Operating Partnership subject to the satisfaction of certain conditions.

(3) The company entered into a one-month forward-starting seven-year swap contract on August 19, 2014, which was settled on September 19, 2014 at a gain of approximately $1.6 million (see Note 9). The forward-starting seven-year swap contract was deemed to be a highly effective cash flow hedge, accordingly, the effective interest rate is approximately 3.88% per annum.

On October 31, 2014, the Operating Partnership entered into a note purchase agreement (the "Note Purchase Agreement") with a group of institutional purchasers that provided for the private placement of an aggregate of $350 million of senior guaranteed notes, of which (1) $150 million are designated as 4.04% Senior Guaranteed Notes, Series A, due October 31, 2021 (the “Series A Notes”), (2) $100 million are designated as 4.45% Senior Guaranteed Notes, Series B, due February 2, 2025 (the “Series B Notes”) and (3) $100 million are designated as 4.50% Senior Guaranteed Notes, Series C, due April 1, 2025 (the “Series C Notes”, and collectively with the Series A Notes and Series B Notes, are referred to herein as, the “Notes”). The Series A Notes were issued on October 31, 2014. The Series B Notes were issued on February 2, 2015 and the Series C Notes are expected to be issued on April 1, 2015, subject to customary closing conditions. Upon issuance, the Notes will pay interest quarterly on the last day of January, April, July and October until their respective maturities. As of December 31, 2014, $150 million of the Series A Notes were outstanding with an all in effective interest rate of approximately 3.88% (including interest rate swap costs).
The Operating Partnership may prepay at any time all, or from time to time any part of, the Notes, in an amount not less than 5% of the aggregate principal amount of any series of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid plus a Make-Whole Amount (as defined in the Note Purchase Agreement).

The Note Purchase Agreement contains a number of customary financial covenants, including, without limitation, tangible net worth thresholds, secured and unsecured leverage ratios and fixed charge coverage ratios. Subject to the terms of the Note Purchase Agreement and the 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 Notes, and (ii) a default in the payment of certain other indebtedness by us or our subsidiaries, the principal, accrued and unpaid interest, and the Make-Whole Amount on the outstanding Notes will become due and payable at the option of the purchasers.
The Operating Partnership's obligations under the Notes are fully and unconditionally guaranteed by the Operating Partnership and certain of the Operating Partnership's subsidiaries.

Certain loans require the Operating Partnership to comply with various financial covenants, including the maintenance of minimum debt coverage ratios. As of December 31, 2014, the Operating Partnership was in compliance with all loan covenants.

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Scheduled principal payments on secured and unsecured notes payable as of December 31, 2014 are as follows (in thousands):

2015	$235,980
2016	113,974
2017	190,139
2018	75,224
2019	142,662
Thereafter	312,004
	$1,069,983

Credit Facility

On January 19, 2011, the company and the Operating Partnership entered into a revolving credit facility, or the credit facility. A group of lenders for which an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated acts as administrative agent and joint arranger, and an affiliate of Wells Fargo Securities, LLC acts as syndication agent and joint arranger, provided commitments for a revolving credit facility allowing borrowings of up to $250.0 million. The credit facility also had an accordion feature that allowed the Operating Partnership to increase the availability thereunder up to a maximum of $400.0 million, subject to meeting specified requirements and obtaining additional commitments from lenders. The credit facility bore interest at the rate of either LIBOR or a base rate, in each case plus a margin that varied depending on our leverage ratio. The amount available for us to borrow under the credit facility was subject to the net operating income of our properties that form the borrowing base of the facility and a minimum implied debt yield of such properties.

On March 7, 2011, the credit facility was amended to allow the company or the Operating Partnership to purchase GNMA securities with maturities of up to 30 years. On January 10, 2012, the credit facility was amended a second time to (1) extend the maturity date to January 10, 2016 (with a one-year extension option), (2) decrease the applicable interest rates and (3) modify certain financial covenants contained therein. On September 7, 2012, the credit facility was amended a third time to allow our consolidated total secured indebtedness to be up to 55% of our secured total asset value for the period commencing upon the date that a material acquisition (generally, greater than $100 million) was consummated through and including the last day of the third fiscal quarter that followed such date.

On January 9, 2014, the company and the Operating Partnership entered into an amended and restated credit agreement, or the amended and restated credit facility, which amended and restated the then in-place credit facility. The amended and restated credit facility provides for aggregate, unsecured borrowing of $350 million, consisting of a revolving line of credit of $250 million, or the revolver loan, and a term loan of $100 million, or the term loan. The amended and restated credit facility has an accordion feature that may allow the Operating Partnership to increase the availability thereunder up to an additional $250 million, subject to meeting specified requirements and obtaining additional commitments from lenders.

On October 16, 2014, we entered into a first amendment to the amended and restated credit agreement that amends provisions of the amended and restated credit agreement to, among other things, (1) describe the treatment of our pari passu obligations under the amended and restated credit agreement and (2) remove the material acquisition provisions previously set forth in the amended and restated credit agreement.

Borrowings under the amended and restated credit facility initially bear interest at floating rates equal to, at our option, either (1) LIBOR, plus a spread which ranges from (a) 1.35%-1.95% (with respect to the revolver loan) and (b) 1.30% to 1.90% (with respect to the term loan), in each case based on our consolidated leverage ratio, or (2) a base rate equal to the highest of (a) the prime rate, (b) the federal funds rate plus 50 bps or (c) the Eurodollar rate plus 100 bps, plus a spread which ranges from (i) 0.35%-0.95% (with respect to the revolver loan) and (ii) 0.30% to 0.90% (with respect to the term loan), in each case based on our consolidated leverage ratio. The foregoing rates are more favorable than previously contained in the credit agreement in place as of December 31, 2013. If American Assets Trust, Inc. obtains an investment-grade debt rating, under the terms set forth in the amended and restated credit facility, the spreads will further improve.

The revolver loan initially matures on January 9, 2018, subject to the Operating Partnership's option to extend the revolver loan up to two times, with each such extension for a six-month period.

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Concurrent with the closing of the amended and restated credit facility, the Operating Partnership drew down on the entirety of the $100 million term loan remains outstanding and is included in unsecured notes payable as discussed above.

Additionally, the amended and restated credit facility includes a number of financial covenants, including:

- A maximum leverage ratio (defined as total indebtedness net of certain cash and cash equivalents to total asset value) of 60%,
- A maximum secured leverage ratio (defined as total secured debt to secured total asset value) of 45% at any time prior to December 31, 2015, and 40% thereafter,
- A minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.50x,
- A minimum unsecured interest coverage ratio of 1.75x,
- A maximum unsecured leverage ratio of 60%,
- A minimum tangible net worth of $721.16 million, and 75% of the net proceeds of any additional equity issuances (other than additional equity issuances in connection with any dividend reinvestment program), and
- Recourse indebtedness at any time cannot exceed 15% of total asset value.

The amended and restated credit facility provides that American Assets Trust, Inc.'s annual distributions may not exceed the greater of (1) 95% of our funds from operations (“FFO”) or (2) the amount required for us to (a) qualify and maintain our REIT status and (b) avoid the payment of federal or state income or excise tax. If certain events of default exist or would result from a distribution, we may be precluded from making distributions other than those necessary to qualify and maintain our status as a REIT.

American Assets Trust, Inc. and certain of its subsidiaries guaranteed the obligations under the amended and restated credit facility, and certain of its subsidiaries pledged specified equity interests in our subsidiaries as collateral for our obligations under the amended and restated credit facility.

As of December 31, 2014, the Operating Partnership was in compliance with all then in-place amended and restated credit facility covenants.

NOTE 9. DERIVATIVE AND HEDGING ACTIVITIES

Our objectives in using interest rate derivatives are to add stability to interest expense and to manage exposure to interest rate movement. To accomplish these objectives, we 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-rate amounts from a counterparty in exchange for us making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

Concurrent with the closing of our amended and restated credit facility, we entered into an interest rate swap agreement that is intended to fix the interest rate associated with our term loan of $100 million at approximately 3.08% through its maturity date and extension options, subject to adjustments based on our consolidated leverage ratio. The following is a summary of the terms of the interest rate swap as of December 31, 2014 (dollars in thousands):

Swap Counterparty	Notional Amount	Effective Date	Maturity Date	Fair Value
Bank of America, N.A.	$100,000	1/9/2014	1/9/2019	$1,448

The effective portion of changes in the fair value of the derivatives that are designated as cash flow hedges are being recorded as accumulated other comprehensive income and will be subsequently reclassified into earnings during the period in which the hedged forecasted transaction affects earnings.

The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of the derivative. This analysis reflects the contractual terms of the derivative, including the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied

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volatilities. The fair value of the interest rate swaps is determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves.

Forward Starting Swap

On August 19, 2014, we entered into a one-month forward-starting seven-year swap contract with Wells Fargo Bank, N.A. to reduce the interest rate variability exposure of the projected interest cash flows of our then-prospective Series A Notes. The forward-starting seven-year swap contract had a notional amount of $150 million, a termination date of October 31, 2014, a fixed pay rate of 2.1305%, a receive rate equal to the one-month LIBOR, with fixed rate payments due quarterly on the last day of each January, April, July and October commencing January 30, 2015, floating payments due quarterly on the last day of each January, April, July and October commencing January 30, 2015, and floating reset dates two days prior to the first day of each calculation period. The forward-starting seven-year swap contract's accrual period, October 31, 2014 to October 31, 2021, was designed to match the expected tenor of the Series A Notes.

The forward-starting seven-year swap contract was deemed to be a highly effective cash flow hedge and we elected to designate the forward-starting swap contract as an accounting hedge. We settled the forward-starting seven-year swap contract on September 19, 2014, resulting in a gain of approximately $1.6 million. This gain is included in accumulated other comprehensive income and will be amortized to interest expense over the life of the Series A Notes.

NOTE 10. PARTNERS' CAPITAL OF AMERICAN ASSETS TRUST, L.P.

As of December 31, 2014, the Operating Partnership had 17,905,257 common units (the “Noncontrolling Common Units”) outstanding. American Assets Trust, Inc. owned 70.7% of the Operating Partnership at December 31, 2014. The remaining 29.3% of the partnership interests are owned by non-affiliated investors and certain of our directors and executive officers. Common units and shares of the company's common stock have essentially the same economic characteristics in that common units and shares of the company's common stock share equally in the total net income or loss distributions of the Operating Partnership.

American Assets Trust, Inc. is the Operating Partnership’s general partner and is responsible for the management of the Operating Partnership’s business. As the general partner of the Operating Partnership, the company effectively controls the ability to issue common stock of American Assets Trust, Inc. upon a limited partner’s notice of redemption. Investors who own common units have the right to cause the Operating Partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of the company's common stock, or, at the company's election, shares of the company's common stock on a one-for-one basis. In addition, American Assets Trust, Inc. has generally acquired common units upon a limited partner’s notice of redemption in exchange for shares of the company's common stock. The redemption provisions of common units owned by limited partners that permit the Operating Partnership to settle in either cash or common stock at the option of the company are further evaluated in accordance with applicable accounting guidance to determine whether temporary or permanent equity classification on the balance sheet is appropriate. The Operating Partnership evaluated this guidance, including the requirement to settle in unregistered shares, and determined that these common units meet the requirements to qualify for presentation as permanent equity.

During the years ended December 31, 2014, 2013 and 2012, approximately 11,852, 106,326 and 372,654, respectively, common units were converted into shares of the company's common stock.

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11. EQUITY OF AMERICAN ASSETS TRUST, INC.

Stockholders' Equity

On May 6, 2013, we entered into an at-the-market (“ATM”) equity program with four sales agents pursuant to which we may, from time to time, offer and sell shares of our common stock having an aggregate offering price of up to $150.0 million. The sales of shares of our common stock made through the ATM equity program are made in "at-the-market" offerings as defined in Rule 415 of the Securities Act of 1933, as amended ("the Securities Act"). For the year ended December 31, 2014, we issued 2,710,067 shares of common stock through the ATM equity program at a weighted average price per share of $33.84 for gross proceeds of $91.7 million and paid $0.9 million in sales agent compensation and $0.1 million in additional offering expenses related to the sales of these shares of common stock. As of December 31, 2014, we had the capacity to issue up to an additional $32.3 million in shares of our common stock under our ATM equity program. Actual future sales will depend on a variety of factors including, but not limited to, market conditions, the trading price of our common stock and our capital needs. We have no obligation to sell the remaining shares available for sale under the ATM equity program.

On September 12, 2014, we entered into a common stock purchase agreement (the “Purchase Agreement”) with Insurance Company of the West, a California corporation ("ICW") which is an insurance company majority owned and controlled by Ernest Rady, the Executive Chairman of our board of directors ("Board of Directors"). The Purchase Agreement provided for the sale by the company to ICW, in a private placement, of 400,000 shares of the company's common stock at a purchase price of $33.76 per share, resulting in gross proceeds to the company of approximately $13.5 million. The price per share paid by ICW was equal to the closing price of a share of the company's common stock on the New York Stock Exchange on the date of the Purchase Agreement. These shares were registered in connection with the filing of our universal shelf registration statement on Form S-3 ASR on February 6, 2015.

Preferred Stock Authorized Shares

We have been authorized to issue 10,000,000 shares of preferred stock with a par value of $0.01, of which no shares were outstanding at December 31, 2014. Upon issuance, our Board of Directors has the ability to define the terms of the preferred shares, including voting rights, liquidation preferences, conversion and redemption provisions and dividend rates.

Dividends

The following table lists the dividends declared and paid on our shares of common stock and Noncontrolling Common Units for the years ended December 31, 2014, 2013 and 2012:

Period	Amount per Share/Unit	Period Covered	Dividend Paid Date
First Quarter 2012	$0.2100	January 1, 2012 to March 31, 2012	March 30, 2012
Second Quarter 2012	$0.2100	April 1, 2012 to June 30, 2012	June 29, 2012
Third Quarter 2012	$0.2100	July 1, 2012 to September 30, 2012	September 28, 2012
Fourth Quarter 2012	$0.2100	October 1, 2012 to December 31, 2012	December 28, 2012
First Quarter 2013	$0.2100	January 1, 2013 to March 31, 2013	March 29, 2013
Second Quarter 2013	$0.2100	April 1, 2013 to June 30, 2013	June 28, 2013
Third Quarter 2013	$0.2100	July 1, 2013 to September 30, 2013	September 27, 2013
Fourth Quarter 2013	$0.2200	October 1, 2013 to December 31, 2013	December 27, 2013
First Quarter 2014	$0.2200	January 1, 2014 to March 31, 2014	March 28, 2014
Second Quarter 2014	$0.2200	April 1, 2014 to June 30, 2014	June 27, 2014
Third Quarter 2014	$0.2200	July 1, 2014 to September 30, 2014	September 26, 2014
Fourth Quarter 2014	$0.2325	October 1, 2014 to December 31, 2014	December 26, 2014

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Taxability of Dividends

Earnings and profits, which determine the taxability of distributions to stockholders and holders of common units, may differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of loss on extinguishment of debt, revenue recognition and compensation expense and in the basis of depreciable assets and estimated useful lives used to compute depreciation. A summary of the income tax status of dividends per share paid is as follows:

	Year Ended December 31,								
	2014			2013			2012		
	Per Share	%		Per Share	%		Per Share	%	
Ordinary income	$0.61	68.9	%	$0.83	97.6	%	$0.56	66.7	%
Return of capital	0.28	31.1	%	0.02	2.4	%	0.28	33.3	%
Total	$0.89	100.0	%	$0.85	100.0	%	$0.84	100.0	%

Stock-Based Compensation

The company has established the 2011 Equity Incentive Award Plan (the "2011 Plan"), which provides for grants to directors, employees and consultants of the company and the Operating Partnership of stock options, restricted stock, dividend equivalents, stock payments, performance shares, LTIP units, stock appreciation rights and other incentive awards. An aggregate of 4,054,411 shares of our common stock are authorized for issuance under awards granted pursuant to the 2011 Plan, and as of December 31, 2014, 3,560,872 shares of common stock remain available for future issuance.

The following shares of restricted common stock have been issued as of December 31, 2014:

Grant	Price at Grant Date	Number
January 19, 2012 (1)	$11.91 - $12.61	2,000
July 10, 2012 (2)	$25.05	8,015
July 13, 2013 (2)	$31.97	5,004
March 25, 2014 (3)	$28.89 - $31.25	112,119
June 17, 2014 (4)	$34.10	5,864
December 1, 2014 (5)	$36.28 - $36.32	98,765

(1) Restricted common stock issued to certain of the company's senior management and other employees, which are subject to performance-based vesting. These shares vest in two substantially equal installments, with the first installment vested on the third anniversary of the date of grant and the second installment vesting on the fourth anniversary of the date of grant, subject to the employee's continued employment on those dates.

(2) Restricted common stock issued to members of the company's non-employee directors. These awards of restricted stock vest ratably as to one-third of the shares granted on each of the first three anniversaries of the date of grant, subject to the director's continued service on our Board of Directors.

(3) Restricted common stock issued to certain of the company's senior management and other employees, which are subject to pre-defined market specific performance criteria based vesting. Up to one-third of the shares of restricted stock may vest on each of November 30, 2014, 2015 and 2016, subject to the employee's continued employment on those dates.

(4) Restricted common stock issued to members of the company's non-employee directors. These awards of restricted stock will vest subject to the director's continued service on the Board of Directors on the earlier of (i) the one year anniversary of the date of grant or (ii) the date of the next annual meeting of our stockholders, if such non-employee director continues his or her service on the Board of Directors until the next annual meeting of stockholders, but not thereafter, pursuant to our independent director compensation policy.

[5] Restricted common stock issued to certain of the company's senior management and other employees, which are subject to pre-defined market specific performance criteria based vesting. Up to one-third of the shares of restricted stock may vest on each of November 30, 2015, 2016 and 2017, subject to the employee's continued employment on those dates.

For the performance-based stock awards, the fair value of the awards was estimated using a Monte Carlo Simulation model. Our stock price, along with the stock prices of the group of peer REITs, is assumed to follow the Multivariate Geometric Brownian Motion Process. Multivariate Geometric Brownian Motion is a common assumption when modeling in financial markets, as it allows the modeled quantity (in this case, the stock price) to vary randomly from its current value and take any value greater than zero. The volatilities of the returns on the stock price of the company and the group REITs were estimated based on a three year look-back period. The expected growth rate of the stock prices over the "derived service period" of the employee is determined with consideration of the risk free rate as of the grant date. For the restricted stock grants that are time-vesting, we estimate the stock compensation expense based on the fair value of the stock at the grant date.

The following table summarizes the activity of non-vested restricted stock awards during the year ended December 31, 2014:

	2014	
	Units	Weighted Average Grant Date Fair Value
Balance at beginning of year	629,058	$ 15.58
Granted	216,748	32.96
Vested	(351,075)	17.22
Forfeited	(1,192)	29.83
Balance at end of year	493,539	$ 22.01

We recognize noncash compensation expense ratably over the vesting period, and accordingly, we recognized $3.7 million, $2.8 million and $2.9 million in noncash compensation expense for the years ended December 31, 2014, 2013 and 2012, each of which is included in general and administrative expense on the statement of income. Unrecognized compensation expense was $5.1 million at December 31, 2014, which will be recognized over a weighted-average period of 1.0 years.

Earnings Per Share

We have calculated earnings per share ("EPS") under the two-class method. The two-class method is an earnings allocation methodology whereby EPS for each class of common stock and participating security is calculated according to dividends declared and participation rights in undistributed earnings. For the years ended December 31, 2014, 2013 and 2012, we had a weighted average of approximately 430,584 shares, 630,130 shares and 629,493 unvested shares outstanding, respectively, which are considered participating securities. Therefore, we have allocated our earnings for basic and diluted EPS between common shares and unvested shares.

Diluted EPS is calculated by dividing the net income attributable to common stockholders for the period by the weighted average number of common and dilutive instruments outstanding during the period using the treasury stock method. For the year ended December 31, 2014, diluted shares exclude incentive restricted stock as these awards are considered contingently issuable. Additionally, the unvested restricted stock awards subject to time vesting are anti-dilutive for all periods presented and accordingly, have been excluded from the weighted average common shares used to compute diluted EPS.

Earnings Per Unit of the Operating Partnership

Basic earnings (loss) per unit ("EPU") of the Operating Partnership is computed by dividing income (loss) applicable to unitholders by the weighted average Operating Partnership units outstanding, as adjusted for the effect of participating securities. Operating Partnership units granted in equity-based payment transactions are considered participating securities prior to vesting. The impact of unvested Operating Partnership unit awards on EPU has been calculated

using the two-class method whereby earnings are allocated to the unvested Operating Partnership unit awards based on distributions and the unvested Operating Partnership units' participation rights in undistributed earnings (losses). The calculation of diluted earnings per unit for the year ended December 31, 2014, 2013, and 2012 does not include 430,584 units, 630,130 units, and 629,493 unvested weighted average Operating Partnership units, respectively, as the effect of including these equity securities was anti-dilutive to income from continuing operations and net income attributable to the unitholders.

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The computation of basic and diluted EPS is presented below (dollars in thousands, except share and per share amounts):

	Year Ended December 31,		
	2014	2013	2012
NUMERATOR			
Income from continuing operations	$31,145	$22,594	$13,949
Less: Net income attributable to restricted shares	(374)	(536)	(529)
Less: Income from continuing operations attributable to unitholders in the Operating Partnership	(9,015)	(6,838)	(4,239)
Income from continuing operations attributable to American Assets Trust, Inc. common stockholders—basic	21,756	15,220	9,181
Plus: Results from discontinued operations attributable to American Assets Trust, Inc. common stockholders	—	—	25,757
Net income attributable to common stockholders—basic	$21,756	$15,220	$34,938
Income from continuing operations attributable to American Assets Trust, Inc. common stockholders—basic	$21,756	$15,220	$9,181
Plus: Income from continuing operations attributable to unitholders in the Operating Partnership	9,015	6,838	4,239
Income from continuing operations attributable to common stockholders—diluted	30,771	22,058	13,420
Plus: Results from discontinued operations attributable to American Assets Trust, Inc. common stockholders	—	—	25,757
Plus: Results from discontinued operations attributable to unitholders in the Operating Partnership	—	—	11,895
Net income attributable to common stockholders—diluted	$30,771	$22,058	$51,072
DENOMINATOR			
Weighted average common shares outstanding—basic	42,041,126	39,539,457	38,736,113
Effect of dilutive securities—conversion of Operating Partnership units	17,906,348	17,976,353	18,317,796
Weighted average common shares outstanding—diluted	59,947,474	57,515,810	57,053,909
Earnings per common share—basic			
Continuing operations	$0.52	$0.38	$0.24
Discontinued operations	—	—	0.66
	$0.52	$0.38	$0.90
Earnings per common share—diluted			
Continuing operations	$0.51	$0.38	$0.24
Discontinued operations	—	—	0.66
	$0.51	$0.38	$0.90

NOTE 12. INCOME TAXES

We elected to be taxed as a REIT and operate in a manner that allows us to qualify as a REIT, for federal income tax purposes commencing with our taxable year ending December 31, 2011. As a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. Taxable income from non-REIT activities managed through our TRS is subject to federal and state income taxes.

We lease our hotel property to a wholly owned TRS that is subject to federal and state income taxes. We account for income taxes using the asset and liability method, under which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between GAAP carrying amounts and their respective tax bases. Additionally, we classify certain state taxes as income taxes for financial reporting purposes in accordance with ASC Topic 740, Income Taxes.

A deferred tax liability is included in our consolidated balance sheets of $0.2 million as of December 31, 2014 and 2013, in relation to real estate asset basis differences and prepaid expenses for our TRS.

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The income tax provision included in other income (expense) on the consolidated statement of income is as follows (in thousands):

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Current:			
Federal	$190	$370	$361
State	284	362	335
Deferred:			
Federal	$—	$(47)	$118
State	(14)	(40)	202
Provision for income taxes	$460	$645	$1,016

NOTE 13. COMMITMENTS AND CONTINGENCIES

Legal

We are sometimes involved in various disputes, lawsuits, warranty claims, environmental and other matters arising in the ordinary course of business. Management makes assumptions and estimates concerning the likelihood and amount of any potential loss relating to these matters.

We are currently a party to various legal proceedings. We accrue a liability for litigation if an unfavorable outcome is probable and the amount of loss can be reasonably estimated. If an unfavorable outcome is probable and a reasonable estimate of the loss is a range, we accrue the best estimate within the range; however, if no amount within the range is a better estimate than any other amount, the minimum within the range is accrued. Legal fees related to litigation are expensed as incurred. We do not believe that the ultimate outcome of these matters, either individually or in the aggregate, could have a material adverse effect on our financial position or overall trends in results of operations; however, litigation is subject to inherent uncertainties. Also, under our leases, tenants are typically obligated to indemnify us from and against all liabilities, costs and expenses imposed upon or asserted against us as owner of the properties due to certain matters relating to the operation of the properties by the tenant.

Commitments

At The Landmark at One Market, we lease, as lessee, a building adjacent to The Landmark under an operating lease effective through June 30, 2016, which we have the option to extend until 2031 by way of three five-year extension options.

At Waikiki Beach Walk, we sublease a portion of the building of which Quiksilver is currently in possession, under an operating lease effective through December 31, 2021, which we have the option to extend at fair rental value in the event the sublessor extends its lease for the space with the master landlord. The lease payments under the lease will increase by approximately 3.4% annually through 2017 and, thereafter, will be equal to fair rental value, as defined in the lease, through lease expiration.

Current minimum annual payments under the leases are as follows, as of December 31, 2014 (in thousands):

2015	$2,636	
2016	2,682	(1)
2017	2,686	(2)
2018	2,686	
2019	2,686	
Thereafter	23,856	
Total	$37,232	

(1) Lease payments on The Landmark at One Market lease will be equal to fair rental value from July 2016 through the end of the options lease term. In the table, we have shown the option lease payments for this period based on the stated rate for the month of June 2016 of $162,140.

(2) Lease payments on the Waikiki Beach Walk lease will be equal to fair rental value from March 2017 through the end of the lease term. In the table, we have shown the lease payments for this period based on the stated rate for the month of February 2017 of $61,690.

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We have management agreements with Outrigger Hotels & Resorts or an affiliate thereof ("Outrigger") pursuant to which Outrigger manages each of the retail and hotel portions of the Waikiki Beach Walk property. Under the management agreement with Outrigger relating to the retail portion of Waikiki Beach Walk (the "retail management agreement"), we pay Outrigger a monthly management fee of 3.0% of net revenues from the retail portion of Waikiki Beach Walk. Pursuant to the terms of the retail management agreement, if the agreement is terminated in certain instances, including our election not to repair damage or destruction at the property, a condemnation or our failure to make required working capital infusions, we would be obligated to pay Outrigger a termination fee equal to the sum of the management fees paid for the two calendar months immediately preceding the termination date. The retail management agreement may not be terminated by us or by Outrigger without cause. Under our management agreement with Outrigger relating to the hotel portion of Waikiki Beach Walk (the "hotel management agreement"), we pay Outrigger a monthly management fee of 6.0% of the hotel's gross operating profit, as well as 3.0% of the hotel's gross revenues; provided that the aggregate management fee payable to Outrigger for any year shall not exceed 3.5% of the hotel's gross revenues for such fiscal year. Pursuant to the terms of the hotel management agreement, if the agreement is terminated in certain instances, including upon a transfer by us of the hotel or upon a default by us under the hotel management agreement, we would be required to pay a cancellation fee calculated by multiplying (1) the management fees for the previous 12 months by (2) (a) eight, if the agreement is terminated in the first 11 years of its term, or (b) four, three, two or one, if the agreement is terminated in the twelfth, thirteenth, fourteenth or fifteenth year, respectively, of its term. The hotel management agreement may not be terminated by us or by Outrigger without cause.

A wholly owned subsidiary of our Operating Partnership, WBW Hotel Lessee LLC, entered into a franchise license agreement with Embassy Suites Franchise LLC, the franchisor of the brand "Embassy Suites™," to obtain the non-exclusive right to operate the hotel under the Embassy Suites brand for 20 years. The franchise license agreement provides that WBW Hotel Lessee LLC must comply with certain management, operational, record keeping, accounting, reporting and marketing standards and procedures. In connection with this agreement, we are also subject to the terms of a product improvement plan pursuant to which we expect to undertake certain actions to ensure that our hotel's infrastructure is maintained in compliance with the franchisor's brand standards. In addition, we must pay to Embassy Suites Franchise LLC a monthly franchise royalty fee equal to 4.0% of the hotel's gross room revenue through December 2021 and 5.0% of the hotel's gross room revenue thereafter, as well as a monthly program fee equal to 4.0% of the hotel's gross room revenue. If the franchise license is terminated due to our failure to make required improvements or to otherwise comply with its terms, we may be liable to the franchisor for a termination payment, which could be as high as $6.6 million based on operating performance through December 31, 2014.

Our Del Monte Center property has ongoing environmental remediation related to ground water contamination. The environmental issue existed at purchase and is currently in the final stages of remediation. The final stages of the remediation will include routine, long term ground monitoring by the appropriate regulatory agency over the next two to nine years. The work performed is financed through an escrow account funded by the seller upon our purchase of the Del Monte Center. We believe the funds in the escrow account are sufficient for the remaining work to be performed. However, if further work is required costing more than the remaining escrow funds, we could be required to pay such overage, although we may have a contractual claim for such costs against the prior owner or our environmental remediation consultant.

In connection with the Offering, we entered into tax protection agreements with certain limited partners of our Operating Partnership. These agreements provide that if we dispose of any interest with respect to Carmel Country Plaza, Carmel Mountain Plaza, Del Monte Center, Loma Palisades, Lomas Santa Fe Plaza, Waikele Center or the ICW Plaza portion of Torrey Reserve Campus, in a taxable transaction during the period from the closing of the Offering through January 19, 2018, we will indemnify such limited partners for their tax liabilities attributable to their share of the built-in gain that existed with respect to such property interest as of the time of the Offering and tax liabilities incurred as a result of the reimbursement payment. Subject to certain exceptions and limitations, the indemnification rights will terminate for any such protected partner that sells, exchanges or otherwise disposes of more than 50% of his or her common units. We have no present intention to sell or otherwise dispose of the properties

or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages in the amount of the taxes owed by these limited partners (plus additional damages in the amount of the taxes incurred as a result of such payment).

As of December 31, 2014, the company accrued approximately $6.6 million for transfer taxes in connection with its Offering. The company believes that it has filed all necessary forms with the requisite taxing authorities.

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Concentrations of Credit Risk

Our properties are located in Southern California, Northern California, Hawaii, Oregon, Texas and Washington. 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. Twelve of our consolidated properties, representing 29.9% of our total revenue for the year ended December 31, 2014, are located in Southern California, which exposes us to greater economic risks than if we owned a more geographically diverse portfolio. Our mixed-use property located in Honolulu, Hawaii accounted for 20.9% of total revenues for the year ended December 31, 2014.

Tenants in the retail industry accounted for 37.0% and 36.6% of total revenues for the years December 31, 2014 and 2013, respectively. This makes us susceptible to demand for retail rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the retail industry. Two retail properties, Alamo Quarry Market and Waikele Center, accounted for 15.6% and 15.8% of total revenues for the years ended December 31, 2014 and 2013, respectively.

Tenants in the office industry accounted for 35.6% and 35.5% of total revenues for the years December 31, 2014 and 2013, respectively. This makes us susceptible to demand for office rental space and subject to the risks associated with an investment in real estate with a concentration of tenants in the office industry.

For the years ended December 31, 2014 and 2013, no tenant accounted for more than 10.0% of our total rental revenue. At December 31, 2014, salesforce.com, inc. at The Landmark at One Market accounted for 8.0% of total annualized base rent. Three other tenants (Autodesk, Inc., Lowe's, and Kmart) comprise 8.7% of our total annualized base rent at December 31, 2014, in the aggregate. No other tenants represent greater than 2.0% of our total annualized base rent. Total annualized base rent used for the percentage calculations includes the annualized base rent as of December 31, 2014 for our office properties, retail properties and the retail portion of our mixed-use property.

NOTE 14. OPERATING LEASES

At December 31, 2014, our retail, office and mixed-use properties are located in five states: California, Oregon, Hawaii, Washington and Texas. At December 31, 2014, we had approximately 829 leases with office and retail tenants, including the retail portion of our mixed-use property. Our multifamily properties are located in Southern California, and we had approximately 794 leases with residential tenants at December 31, 2014, excluding Santa Fe Park RV Resort.

Our leases with office, retail, mixed-use and residential tenants are classified as operating leases. Leases at our office and retail properties and the retail portion of our mixed-use property generally range from three to ten years (certain leases with anchor tenants may be longer), and in addition to minimum rents, usually provide for cost recoveries for the tenant's share of certain operating costs and also may include percentage rents based on the tenant's level of sales achieved. Leases on apartments generally range from seven to fifteen months, with a majority having 12 month lease terms. Rooms at the hotel portion of our mixed-use property are rented on a nightly basis.

As of December 31, 2014, minimum future rentals from noncancelable operating leases before any reserve for uncollectible amounts and assuming no early lease terminations, at our office and retail properties and the retail portion of our mixed-use property are as follows for the years ended December 31 (in thousands):

2015	$159,988
2016	144,660
2017	128,865
2018	96,844
2019	69,309
Thereafter	193,704
Total	$793,370

The above future minimum rentals exclude residential leases, which are typically range from seven to 15 months, and exclude the hotel, as rooms are rented on a nightly basis.

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NOTE 15. COMPONENTS OF RENTAL INCOME AND EXPENSE

The principal components of rental income are as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Minimum rents			
Retail	$70,573	$69,374	$67,046
Office	82,018	81,845	71,817
Multifamily	15,732	14,926	13,796
Mixed-Use	10,004	9,549	8,893
Cost reimbursement	29,052	27,583	27,763
Percentage rent	3,107	2,655	2,608
Hotel revenue	33,911	35,137	31,729
Other	1,681	1,688	1,597
Total rental income	$246,078	$242,757	$225,249

Minimum rents include $1.9 million, $2.6 million and $7.2 million for the years ended December 31, 2014, 2013 and 2012, respectively, to recognize minimum rents on a straight-line basis. In addition, minimum rents include $2.8 million, $2.4 million and $(0.2) million for the years ended December 31, 2014, 2013 and 2012, respectively, to recognize the amortization of above and below market leases.

The principal components of rental expenses are as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Rental operating	$26,371	$26,028	$24,264
Hotel operating	21,488	22,115	20,905
Repairs and maintenance	10,600	10,514	9,452
Marketing	1,623	1,547	1,266
Rent	2,452	2,442	2,378
Hawaii excise tax	3,981	4,153	3,813
Management fees	1,752	1,809	2,011
Total rental expenses	$68,267	$68,608	$64,089

NOTE 16. OTHER INCOME (EXPENSE)

The principal components of other income (expense), net are as follows (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Interest and investment income	$155	$148	$336
Income tax expense	(460)	(645)	(1,016)
Acquisition related expenses	—	—	(152)
Other non-operating income	746	10	203
Total other income (expense)	$441	$(487)	$(629)

NOTE 17. RELATED PARTY TRANSACTIONS

At Torrey Reserve Campus, we lease space to ICW. Rental revenue recognized on the leases of $2.2 million, $2.2 million and $2.1 million for the years ended December 31, 2014, 2013 and 2012, respectively, is included in rental income. Additionally, on July 1, 2014, we entered into a workers' compensation insurance policy with ICW. The policy premium is approximately $0.4 million for the period July 1, 2014 through July 1, 2015.

On September 12, 2014, the company entered into a common stock purchase agreement (the “Purchase Agreement”) with ICW. The Purchase Agreement provides for the sale by the company to ICW, in a private placement, of 400,000 shares of common stock at a price of $33.76 per share, resulting in gross proceeds to the company of approximately $13.5 million. See Note 11.

The Waikiki Beach Walk entities have a 47.7% investment in WBW CHP LLC, an entity that was formed to, among other things, construct a chilled water plant to provide air conditioning to the property and other adjacent facilities. The operating expenses of WBW CHP LLC are recovered through reimbursements from its members, and reimbursements to WBW CHP LLC of $1.1 million, $1.1 million and $1.0 million were made for the years ended December 31, 2014, 2013 and 2012 and included in rental expenses on the statements of income.

NOTE 18. SEGMENT REPORTING

Segment information is prepared on the same basis that our management reviews information for operational decision-making purposes. We review operating and financial information for each property on an individual basis and therefore, each property represents an individual operating segment. However, we have aggregated our properties into reportable segments as the properties share similar long-term economic characteristics and have other similarities including the fact that they are operated using consistent business strategies.

We operate in four business segments: the acquisition, redevelopment, ownership and management of retail real estate, office real estate, multifamily real estate and mixed-use real estate. The products for our retail segment primarily include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our office segment primarily include rental of office space and other tenant services, including tenant reimbursements, parking and storage space rental. The products for our multifamily segment include rental of apartments and other tenant services. The products of our mixed-use segment include rental of retail space and other tenant services, including tenant reimbursements, parking and storage space rental and operation of a 369-room all-suite hotel.

We evaluate the performance of our segments based on segment profit which is defined as property revenue less property expenses. We do not use asset information as a measure to assess performance and make decisions to allocate resources. Therefore, depreciation and amortization expense is not allocated among segments. General and administrative expenses, interest expense, depreciation and amortization expense and other income and expense are not included in segment profit as our internal reporting addresses these items on a corporate level.

Segment profit is not a measure of operating income or cash flows from operating activities as measured by GAAP, and it is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. Not all companies calculate segment profit in the same manner. We consider segment profit to be an appropriate supplemental measure to net income because it assists both investors and management in understanding the core operations of our properties.

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The following table represents operating activity within our reportable segments (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Total Retail			
Property revenue	$96,140	$93,449	$91,991
Property expense	(25,451)	(23,900)	(24,955)
Segment profit	70,689	69,549	67,036
Total Office			
Property revenue	92,474	90,527	78,101
Property expense	(27,003)	(26,688)	(23,780)
Segment profit	65,471	63,839	54,321
Total Multifamily			
Property revenue	16,976	16,125	14,852
Property expense	(6,099)	(5,917)	(5,914)
Segment profit	10,877	10,208	8,938
Total Mixed-Use			
Property revenue	54,410	54,956	50,522
Property expense	(32,678)	(33,481)	(31,465)
Segment profit	21,732	21,475	19,057
Total segments' profit	$168,769	$165,071	$149,352

The following table is a reconciliation of segment profit to net income attributable to stockholders (in thousands):

	Year Ended December 31,		
	2014	2013	2012
Total segments' profit	$168,769	$165,071	$149,352
General and administrative	(18,532)	(17,195)	(15,593)
Depreciation and amortization	(66,568)	(66,775)	(61,853)
Interest expense	(52,965)	(58,020)	(57,328)
Other income (expense), net	441	(487)	(629)
Income from continuing operations	31,145	22,594	13,949
Discontinued operations			
Income from discontinued operations	—	—	932
Gain on sale of real estate property	—	—	36,720
Results from discontinued operations	—	—	37,652
Net income	31,145	22,594	51,601
Net income attributable to restricted shares	(374)	(536)	(529)
Net income attributable to unitholders in the Operating Partnership	(9,015)	(6,838)	(16,134)
Net income attributable to American Assets Trust, Inc. stockholders	$21,756	$15,220	$34,938

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The following table shows net real estate and secured note payable balances for each of the segments, along with their capital expenditures for each year (in thousands):

	December 31, 2014	December 31, 2013
Net real estate		
Retail	$639,456	$651,707
Office	757,854	750,890
Multifamily	182,468	74,612
Mixed-Use	195,622	199,627
	$1,775,400	$1,676,836
Secured Notes Payable [1]		
Retail	$161,975	$303,249
Office	426,254	427,256
Multifamily	101,444	101,444
Mixed-Use	130,310	130,310
	$819,983	$962,259
Capital Expenditures [2]		
Retail	$8,671	$4,849
Office	34,577	27,275
Multifamily	101,392	24,641
Mixed-Use	5,132	1,942
	$149,772	$58,707

(1) Excludes unamortized fair market value adjustment of $7.2 million and $10.1 million as of December 31, 2014 and 2013, respectively.

(2) Capital expenditures represent cash paid for capital expenditures during the year and include leasing commissions paid.

NOTE 19. QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

The tables below reflect selected American Assets Trust, Inc. quarterly information for 2014 and 2013 (in thousands, except per shares data):

	Three Months Ended			
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total revenue	$66,478	$67,343	$62,199	$63,980
Operating income	22,526	23,036	17,726	20,381
Net income	10,046	9,090	5,351	6,658
Net income attributable to restricted shares	(115)	(95)	(94)	(70)
Net income attributable to unitholders in the Operating Partnership	(2,907)	(2,578)	(1,544)	(1,986)
Net income attributable to American Assets Trust, Inc. stockholders	$7,024	$6,417	$3,713	$4,602
Net income from continuing operations attributable to common stockholders - basic and diluted	$0.16	$0.15	$0.09	$0.11
Net income attributable to common stockholders - basic and diluted	$0.16	$0.15	$0.09	$0.11

	Three Months Ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total revenue	$64,645	$65,318	$62,914	$62,180
Operating income	20,407	21,441	19,373	19,880
Net income	6,907	6,258	4,564	4,865
Net income attributable to restricted shares	(139)	(132)	(133)	(132)
Net income attributable to unitholders in the Operating Partnership	(2,086)	(1,903)	(1,354)	(1,495)
Net income attributable to American Assets Trust, Inc. stockholders	$4,682	$4,223	$3,077	$3,238
Net income from continuing operations attributable to common stockholders- basic and diluted	$0.11	$0.11	$0.08	$0.08
Net income attributable to common stockholders - basic and diluted	$0.11	$0.11	$0.08	$0.08

The tables below reflect selected American Assets Trust, L.P. quarterly information for 2014 and 2013 (in thousands, except per shares data):

	Three Months Ended			
	December 31, 2014	September 30, 2014	June 30, 2014	March 31, 2014
Total revenue	$66,478	$67,343	$62,199	$63,980
Operating income	22,526	23,036	17,726	20,381
Net income	10,046	9,090	5,351	6,658
Net income attributable to restricted shares	(115)	(95)	(94)	(70)
Net income attributable to unitholders in the Operating Partnership	(2,907)	(2,578)	(1,544)	(1,986)
Net income attributable to American Assets Trust, L.P. stockholders	$7,024	$6,417	$3,713	$4,602
Net income from continuing operations attributable to common stockholders - basic and diluted	$0.16	$0.15	$0.09	$0.11
Net income attributable to common stockholders - basic and diluted	$0.16	$0.15	$0.09	$0.11

	Three Months Ended			
	December 31, 2013	September 30, 2013	June 30, 2013	March 31, 2013
Total revenue	$64,645	$65,318	$62,914	$62,180
Operating income	20,407	21,441	19,373	19,880
Net income	6,907	6,258	4,564	4,865
Net income attributable to restricted shares	(139)	(132)	(133)	(132)
Net income attributable to unitholders in the Operating Partnership	(2,086)	(1,903)	(1,354)	(1,495)
Net income attributable to American Assets Trust, L.P. stockholders	$4,682	$4,223	$3,077	$3,238
Net income from continuing operations attributable to common stockholders- basic and diluted	$0.11	$0.11	$0.08	$0.08
Net income attributable to common stockholders - basic and diluted	$0.11	$0.11	$0.08	$0.08

NOTE 20. SUBSEQUENT EVENTS

On February 2, 2015, we closed on and issued our Series B Notes. As of February 20, 2015, $100 million of the Series B Notes was outstanding.
Additionally, on February 2, 2015 and February 6, 2015, we prepaid in full, without penalty or premium, the secured mortgages encumbering The Shops at Kalakaua and Del Monte Center, respectively.

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American Assets Trust, Inc.
SCHEDULE III—Consolidated Real Estate and Accumulated Depreciation
(In Thousands)

Description	Encumbrance as of December 31, 2014	Initial Cost		Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount at December 31, 2014		Accumulated Depreciation and Amortization	Year Built/ Renovated	Date Acquired
		Land	Building and Improvements		Land	Building and Improvements			
Alamo Quarry Market	$—	$26,396	$109,294	$13,181	$26,816	$122,055	$(41,786)	1997/1999	12/9/2003
Carmel Country Plaza	—	4,200	—	11,639	4,200	11,639	(6,871)	1991	1/10/1989
Carmel Mountain Plaza	—	22,477	65,217	23,719	31,035	80,378	(28,807)	1994/2014	3/28/2003
Del Monte Center	82,300	27,412	87,570	22,300	27,117	110,165	(45,368)	1967/1984/2006	4/8/2004
Geary Marketplace	—	8,239	12,353	129	8,238	12,483	(818)	2012	12/19/201
Lomas Santa Fe Plaza	—	8,600	11,282	11,269	8,620	22,531	(13,225)	1972/1997	6/12/1995
Rancho Carmel Plaza	—	3,450	—	3,914	3,487	3,877	(2,243)	1993	4/30/1990
The Shops at Kalakaua	19,000	13,993	10,919	100	14,006	11,006	(3,364)	1971/2006	3/31/2005
Solana Beach Towne Centre	37,675	40,980	38,842	1,854	40,980	40,696	(5,419)	1973/2000/2004	1/19/2011
South Bay Marketplace	23,000	4,401	—	10,751	4,401	10,751	(6,112)	1997	9/16/1995
Waikele Center	—	55,593	126,858	59,021	70,643	170,829	(51,137)	1993/2008	9/16/2004
City Center Bellevue	111,000	25,135	190,998	10,674	25,135	201,672	(15,254)	1987	8/21/2012
First & Main	84,500	14,697	109,739	3,095	14,697	112,834	(13,796)	2010	3/11/2011
The Landmark at One Market	133,000	34,575	141,196	7,994	34,575	149,190	(20,780)	1917/2000	6/30/2010
Lloyd District Portfolio	—	18,660	61,401	151,933	18,875	213,119	(9,597)	1940-2011/present	7/1/2011
One Beach Street	21,900	15,332	18,017	2,367	15,332	20,384	(1,971)	1924/1972/1987/1992	1/24/2012

Solana Beach Corporate Centre:										
Solana Beach Corporate Centre I-II	11,302	7,111	17,100	2,795	7,111	19,895	(2,480	)	1982/2005	1/19/2011
Solana Beach Corporate Centre III-IV	36,376	7,298	27,887	1,231	7,298	29,118	(4,003	)	1982/2005	1/19/2011
Solana Beach Corporate Centre Land	—	487	—	60	547	—	—		N/A	1/19/2011
Torrey Reserve:										
ICW Plaza	—	4,095	—	39,064	5,408	37,751	(10,918	)	1996-1997/2014	6/6/1989
Pacific North Court	21,075	3,263	—	20,885	4,309	19,839	(9,160	)	1997-1998	6/6/1989
Pacific South Court	—	3,285	—	22,021	4,226	21,080	(10,003	)	1996-1997	6/6/1989
Pacific VC	7,101	1,413	—	8,180	2,148	7,445	(4,099	)	1998/2000	6/6/1989
Pacific Torrey Daycare	—	715	—	1,671	911	1,475	(769	)	1996-1997	6/6/1989
Torrey Reserve Building 6	—	—	—	7,907	682	7,225	(297	)	2013	6/6/1989
Torrey Reserve Land	—	229	—	19,912	3,205	16,936	—		2014-present	6/6/1989
Imperial Beach Gardens	20,000	1,281	4,820	4,180	1,281	9,000	(7,512	)	1959/2008-present	7/31/1985
Loma Palisades	73,744	14,000	16,570	18,304	14,051	34,823	(24,049	)	1958/2001-2008	7/20/1990
Mariner's Point	7,700	2,744	4,540	1,187	2,744	5,727	(2,479	)	1986	5/9/2001
Santa Fe Park RV Resort	—	401	928	818	401	1,746	(1,391	)	1971/2007-2008	6/1/1979
Waikiki Beach Walk:										
Retail	130,310	45,995	74,943	42	45,995	74,985	(9,315	)	2006	1/19/2011
Hotel	—	30,640	60,029	535	30,640	60,564	(7,248	)	2008/2014	1/19/2011
Solana Beach - Highway 101 Land	—	7,847	202	795	8,844	—	(189	)	N/A	9/20/2011

Sorrento Valley Holdings Land	—	2,073	741	4,834	6,145	1,503	(964)	N/A	5/9/1997
	$819,983	$457,017	$1,191,446	$488,361	$494,103	$1,642,721	$(361,424)		

(1) For Federal tax purposes, the aggregate tax basis is approximately $1.4 billion as of December 31, 2014.

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American Assets Trust, Inc.
SCHEDULE III—Consolidated Real Estate and Accumulated Depreciation -(Continued)
(In Thousands)

	Year Ended December 31,		
	2014	2013	2012
Real estate assets			
Balance, beginning of period	$1,995,417	1,938,676	1,687,276
Additions:			
Property acquisitions	—	—	270,082
Improvements [1]	154,594	60,677	41,303
Deductions:			
Cost of Real Estate Sold	—	—	(57,188)
Other [1][2]	(13,187)	(3,936)	(2,797)
Balance, end of period	$2,136,824	$1,995,417	$1,938,676
Accumulated depreciation			
Balance, beginning of period	$318,581	$270,494	$234,595
Additions—depreciation [1]	55,159	51,949	47,792
Deductions:			
Cost of Real Estate Sold	—	—	(9,216)
Other [1][2]	(12,316)	(3,862)	(2,677)
Balance, end of period	$361,424	$318,581	$270,494

(1) Includes discontinued operations for 160 King Street, which was sold on December 4, 2012.
(2) Other deductions for the years ended December 31, 2014, 2013 and 2012 represent the write-off of fully depreciated assets.

EXHIBIT INDEX

Exhibit No.	Description
3.1(1)	Articles of Amendment and Restatement of American Assets Trust, Inc.
3.2(1)	Amended and Restated Bylaws of American Assets Trust, Inc.
3.3(16)	Certificate of Limited Partnership of American Assets Trust, L.P.
4.1(1)	Form of Certificate of Common Stock of American Assets Trust, Inc.
10.1(2)	Amended and Restated Agreement of Limited Partnership of American Assets Trust, L.P., dated January 19, 2011
10.2(2)	Registration Rights Agreement among American Assets Trust, Inc. and the persons named therein, dated January 19, 2011
10.3(1)	American Assets Trust, Inc. and American Assets Trust, L.P. 2011 Equity Incentive Award Plan
10.4(1)	Form of American Assets Trust, Inc. Restricted Stock Award Agreement (Time Vesting)
10.5(1)	Form of American Assets Trust, Inc. Restricted Stock Award Agreement (Performance Vesting)
10.6(1)	Form of Indemnification Agreement between American Assets Trust, Inc. and its directors and officers
10.9(2)	Tax Protection Agreement by and among American Assets Trust, Inc., American Assets Trust, L.P., and each partner set forth in Schedule I, Schedule II and Schedule III thereto, dated January 19, 2011
10.10(1)	Deed of Trust and Security Agreement by Landmark Venture Holdings, LLC and Landmark Firehill Holdings, LLC, as trustor, in favor of Chicago Title Company, as trustee, for the benefit of Morgan Stanley Mortgage Capital Inc., as beneficiary, dated as of June 13, 2005
10.11(1)	Form of Promissory Note by the borrower named therein to Morgan Stanley Mortgage Capital Inc.
10.12(1)	Deed of Trust and Security Agreement by Del Monte—POH, LLC, Del Monte—DMSJH, LLC, Del Monte—KMBC, LLC and Del Monte—DMCH, LLC, as trustor, in favor of First American Title Insurance Company, as trustee, for the benefit of Column Financial, Inc., as beneficiary, dated as of June 30, 2005
10.13(1)	Form of Promissory Note by the borrower named therein to Column Financial, Inc.
10.14(1)	Mortgage, Assignment of Leases and Rents, Security Agreement, Financing Statement and Fixture Filing by ABW Holdings LLC, as mortgagor, to Column Financial, Inc., as mortgagee, dated as of February 15, 2007
10.15(1)	First Amendment to Mortgage and Other Loan Documents by and among ABW Holdings LLC, American Assets, Inc. Outrigger Enterprises, Inc. and Column Financial, Inc., dated as of October 31, 2007
10.16(1)	Promissory Note by ABW Holdings LLC, as maker, to Column Financial, Inc., dated as of February 15, 2007
10.17(1)	Multifamily Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing by Loma Palisades, a California general partnership, as trustor, to First American Title Insurance Company, as trustee, for the benefit of Wells Fargo Bank, National Association, as beneficiary, dated as of June 30, 2008
10.18(1)	Multifamily Note by Loma Palisades, a California general partnership, to Wells Fargo Bank, National Association, dated as of June 30, 2008
10.19(2)	Transition Services Agreement between American Assets, Inc. and American Assets Trust, L.P., dated January 19, 2011
10.20(1)	Management Agreement for Waikiki Beach Walk®—Retail between ABW Holdings LLC and Retail Resort Properties LLC, dated as of November 1, 2007
10.21(1)	Outrigger Hotels Hawaii—Hotel Management Agreement—Embassy Suites™—Waikiki Beach Walk™ Hotel by and among EBW Hotel LLC, Waikele Venture Holdings, LLC, Broadway 225 Sorrento Holdings, LLC, Broadway 225 Stonecrest Holdings, LLC and Outrigger Hotels Hawaii, dated as of January 10, 2006

10.22(11)	Amended and Restated Independent Director Compensation Policy
10.23(2)	Franchise License Agreement—Embassy Suites—Waikiki Beach Walk—Honolulu, Hawaii between Embassy Suites Franchise LLC and WBW Hotel Lessee, LLC, dated January 19, 2011
10.24(3)	Credit Agreement among American Assets Trust, L.P., as the Borrower, American Assets Trust, Inc., as a Guarantor, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners and Wells Fargo Bank, N.A., as Syndication Agent and KeyBank National Association and Royal Bank of Canada as Co-Documentation Agents, dated January 19, 2011

Exhibit No.	Description
10.25(4)	Purchase Agreement between Two Main Development LLC, as Seller, and American Assets Trust, L.P., as Buyer, dated March 1, 2011
10.26(5)	Deed of Trust and Security Agreement by and between AAT Oregon Office I, LLC, as Borrower, and PNC Bank, National Association, as Lender, dated June 1, 2011
10.27(5)	Promissory Note by AAT Oregon Office I, LLC, as maker, to PNC Bank, National Association, dated June 1, 2011
10.28(6)	First Amendment to Credit Agreement, dated March 7, 2011, by and among the company, the Operating Partnership, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other entities named therein
10.29(6)	Second Amendment to Credit Agreement, dated January 10, 2012, by and among the company, the Operating Partnership, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other entities named therein
10.30(8)	Third Amendment to Credit Agreement, dated September 7, 2012, by and among the company, the Operating Partnership, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other entities named herein.
10.31(9)	Deed of Trust and Security Agreement by and between AAT CC Bellevue, LLC, as Borrower, and PNC Bank, National Association, as Lender, dated October 10, 2012.
10.32(9)	Promissory Note by AAT CC Bellevue, LLC, as maker, to PNC Bank, National Association, dated as of October 10, 2012.
10.33(11)	American Assets Trust, Inc. and American Assets Trust, L.P. Incentive Bonus Plan, effective as of October 16, 2013.
10.34(10)	Amended and Restated Credit Agreement, dated January 9, 2014, among American Assets Trust, L.P., as the Borrower, American Assets Trust, Inc., as a Guarantor, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and the other lenders party thereto and Merrill Lynch, Pierce, Fenner & Smith Incorporated and Wells Fargo Securities, LLC, as Joint Lead Arrangers and Joint Bookrunners and Wells Fargo Bank, N.A., as Syndication Agent and KeyBank National Association, Royal Bank of Canada and U.S. Bank National Association as Documentation Agents
10.35(12)	American Assets Trust, Inc. and American Assets Trust, L.P. Amended and Restated Incentive Bonus Plan, effective as of March 25, 2014.
10.36(12)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Ernest S. Rady dated March 25, 2014
10.37(12)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and John W. Chamberlain dated March 25, 2014
10.38(12)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Robert F. Barton dated March 25, 2014
10.39(12)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Adam Wyll dated March 25, 2014
10.40(12)	Amended and Restated Employment Agreement among American Assets Trust, Inc., American Assets Trust, L.P. and Patrick Kinney dated March 25, 2014
10.41(12)	Form of American Assets Trust, Inc. Restricted Stock Award Agreement (Performance Vesting)
10.42(13)	Common Stock Purchase Agreement dated as of September 12, 2014 by and between American Assets Trust, Inc. and Insurance Company of the West.
10.43(14)	First Amendment to Amended and Restated Credit Agreement, dated as of October 16, 2014, by and among the company, the Operating Partnership, Bank of America, N. A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other entities named therein.
10.44(15)	Note Purchase Agreement, dated as of October 31, 2014 by and among American Assets Trust, Inc., American Assets Trust, L.P. and the purchasers named therein.

21.1(16)	List of Subsidiaries of American Assets Trust, Inc.
23.1*	Consent of Ernst & Young LLP for American Assets Trust, Inc.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.
31.2*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.
31.3*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, Inc.
31.4*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of American Assets Trust, L.P.

Exhibit No.	Description
32.1*	Certification of Chief Executive Officer and Chief Financial Officer of American Assets Trust, Inc. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Executive Officer and Chief Financial Officer of American Assets Trust, L.P. pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	The company's Annual Report on Form 10-K/A for the year ended December 31, 2014, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statement of Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text

*Filed herewith.

(1) Incorporated herein by reference to American Assets Trust, Inc.'s Registration Statement on Form S-11, as amended (File No. 333-169326), filed with the Securities and Exchange Commission on September 13, 2010.

(2) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2011.

(3) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 20, 2011.

(4) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on March 3, 2011.

(5) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on June 1, 2011.

(6) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 10, 2012.

(7) Incorporated herein by reference to American Assets Trust, Inc’s Current Report on Form 8-K filed with the Securities and Exchange Commission on July 31, 2012.

(8) Incorporated herein by reference to American Assets Trust, Inc’s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 7, 2012.

(9) Incorporated herein by reference to American Assets Trust, Inc’s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 10, 2012.

(10) Incorporated herein by reference to American Assets Trust, Inc’s Current Report on Form 8-K filed with the Securities and Exchange Commission on January 9, 2014.

(11) Incorporated herein by reference to American Assets Trust, Inc’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 21, 2014.

(12) Incorporated herein by reference to American Assets Trust, Inc’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 2, 2014.

(13) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on September 15, 2014.

(14) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 17, 2014.

(15) Incorporated herein by reference to American Assets Trust, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2014.

(16) Incorporated herein by reference to American Assets Trust, Inc.'s Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 20, 2015.