

As filed with the Securities and Exchange Commission on August 14, 1998

Registration No. 333-32099

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 3 TO
FORM S-11
REGISTRATION STATEMENT
Under
The Securities Act of 1933

WELLS REAL ESTATE INVESTMENT TRUST, INC.
(Exact Name of Registrant as Specified in Its Governing Instruments)

3885 Holcomb Bridge Road
Norcross, Georgia 30092
(770) 449-7800

(Address, Including Zip Code, and Telephone Number, Including Area Code, of
Registrant's Principal executive offices)

Brian M. Conlon, Executive Vice President
Wells Real Estate Investment Trust, Inc.
3885 Holcomb Bridge Road
Norcross, Georgia 30092
(770) 449-7800

(Name, Address, Including Zip Code and Telephone Number, Including Area Code,
of Agent for Service)

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Maryland
(State or Other Jurisdiction
of Incorporation)

58-2328421
(I.R.S. Employer
Identification Number)

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. _____

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement

for the same offering. |_|_____

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. |_|

WELLS REAL ESTATE INVESTMENT TRUST, INC.
CROSS REFERENCE SHEET PURSUANT TO ITEM 501(b) OF REGULATION S-K

Registration Statement Item and Heading -----	Location of Heading in Prospectus -----
1. Forepart of Registration Statement and Outside Front Cover Page of Prospectus ..	Facing Page, Cover Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus	Inside Front Cover and Outside Back Cover Page of Prospectus
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges ..	Outside Front Cover Page of Prospectus; Summary of the Offering; Risk Factors; Estimated Use of Proceeds; Management Compensation
4. Determination of Offering Price	Risk Factors
5. Dilution	Risk Factors
6. Selling Security Holders	*
7. Plan of Distribution	Outside Front Cover Page of Prospectus; Summary of the Offering; Estimated Use of Proceeds; Plan of Distribution; Supplement No. 1
8. Use of Proceeds	Estimated Use of Proceeds; Investment Objectives and Criteria
9. Selected Financial Data	*
10. Management's Discussion and Analysis of Financial Condition and Results of Operations	Management's Discussions and Analysis of Financial Condition and Results of Operations; Supplement No. 2; Supplement No. 3
11. General Information as to Registrant	Summary of the Offering; Management; The Advisor and the Advisory Agreement; Description of Capital Stock; Partnership Agreement; Supplement No. 2; Supplement No. 3
12. Policy with Respect to Certain Activities	Investment Objectives and Criteria; Summary of Reinvestment Plan
13. Investment Policies of Registrant	Investment Objectives and Criteria; Real Property Investments; Conflicts of Interest; Supplement No. 2; Supplement No. 3
14. Description of Real Estate	Investment Objectives and

	Criteria; Real Property Investments; Supplement No. 2; Supplement No. 3
15. Operating Data	*
16. Tax Treatment of Registrant and its Security Holders	Federal Income Tax Considerations; ERISA Considerations
17. Market Price of and Dividends on the Registrant's Common Entry and Related Stockholder Matters.....	*
18. Description of Registrant's Securities ..	Description of Capital Stock; Distribution Policy; Partnership Agreement
19. Legal Proceedings	Management; The Advisor and the Advisory Agreement; Legal Matters
20. Security Ownership of Certain Beneficial Owners and Management.....	Management Compensation; Management; The Advisor and the Advisory Agreement
21. Directors and Executive Officers	Management; Supplement No. 2
22. Executive Compensation	Management Compensation; Conflicts of Interest; Management
23. Certain Relationships and Related Transactions	Management Compensation; Conflicts of Interest; Management; Supplement No. 2; Supplement No. 3
24. Selection, Management and Custody of Registrant's Investments.....	Management Compensation; Conflicts of Interest; Investment Objectives and Criteria; Real Property Investments; Plan of Distribution; Supplement No. 2; Supplement No. 3
25. Policies with Respect to Certain Transactions	Management Compensation; Conflicts of Interest; Management
26. Limitations of Liability.....	Description of Capital Stock; Partnership Agreement
27. Financial Statements and Information.....	Appendix I: Exhibit A; Supplement No. 1; Supplement No. 2; Supplement No. 3
28. Interests of Named Experts and Counsel .	Conflicts of Interest; Experts
29. Disclosure of Commission Position on Indemnification for Securities Act Liabilities	*

*Not Applicable

[The following is text to a sticker to be attached to the front cover page of the Prospectus in a manner that will not obscure the Risk Factors:]

SUPPLEMENTAL INFORMATION - The Prospectus of Wells Real Estate Investment Trust, Inc. consists of this sticker, the Prospectus dated January 30, 1998, Supplement No. 1 dated April 20, 1998, Supplement No. 2 dated June 30, 1998 and Supplement No. 3 dated August 12, 1998 (the Supplements are contained inside the

back cover page of the Prospectus). Supplement No. 1 includes updated Prior Performance Tables and certain revisions to the Prospectus. Supplement No. 2 includes descriptions of the acquisition of ownership interests in certain real properties and revisions to the Prospectus to reflect the increase in the size of the Board of Directors. Supplement No. 3 includes descriptions of transactions involving joint ventures with Affiliates and acquisitions of certain real properties.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SHARES OF COMMON STOCK
\$1,250,000 MINIMUM

Wells Real Estate Investment Trust, Inc. (the "Company") is a newly organized Maryland corporation which intends to qualify as a real estate investment trust ("REIT"). The Company has been formed to acquire and operate commercial properties, including properties which are under development or construction, are newly constructed or have been constructed and have operating histories and some of which may have tenants subject to "triple net" leases (individually, a "property," collectively, "properties"). The Company's operations will be managed by Wells Capital, Inc., a Georgia corporation (the "Advisor"), an Affiliate (as defined herein) of the Company.

The Company hereby offers, pursuant to this Prospectus (the "Prospectus"), for sale to the public up to a maximum of 16,500,000 shares and a minimum of 125,000 shares of its common stock, \$.01 par value per share (the "Shares"). All of the Shares offered hereby are being offered by the Company. The minimum purchase is 100 Shares (\$1,000) (except in certain states as described herein).

An investment in Shares involves significant risks (See Risk Factors at page 8), including the following:

- . The Company's Articles of Incorporation impose restrictions on ownership and transfers of Shares, and no public market for the Shares currently exists, and there is no assurance that one will develop.
- . The Company may purchase properties from its Affiliates (generally without profit to such selling Affiliates), and enter into joint venture agreements with its Affiliates and with the Prior Wells Public Programs (as defined herein) for the acquisition and development of properties. Accordingly, because such transactions will not be on an arm's-length basis, the Company will face inherent conflicts of interest based on such relationships.
- . The Advisor and other Affiliates of the Company are involved in partnerships with investment objectives similar to the Company's, and therefore will face conflicts of interest in managing the Company's operations and those of such other activities. Accordingly, such conflicts may affect negatively the Company's financial performance and Cash Available for Distribution to Investors (as defined herein).
- . If the Company sells only the minimum amount of Shares required to close the Offering, the Company may be able to acquire only an estimated three or fewer properties, and thus the Company would have very limited asset diversification and possibly no geographic diversification.
- . Certain real estate investment programs previously sponsored by the Advisor and distributions to investors therein have experienced fluctuating financial performance based on varying occupancy levels, amounts of capital improvements and other necessary expenses for each property owned by such other programs.
- . The Company does not own any real property, and the Advisor has not identified any properties in which there is a reasonable probability that the Company will invest. Accordingly, investors in the Company ("Investors") will not have the opportunity to evaluate the properties that the Company will acquire and must rely totally upon the ability of the Advisor with respect to the acquisition of properties.
- . Failure by the Company to qualify as a REIT for federal income tax purposes

will cause it to be taxed as a regular corporation under federal income tax laws, which would materially reduce the Company's Cash Available for Distribution to Investors.

. The Company may incur indebtedness of up to 50% of the properties' aggregate value, though such debt limitation does not apply to individual properties. Accordingly, the Company and its properties may be moderately leveraged, which could have adverse consequences to the Company.

. Of the proceeds from the sale of the Shares, approximately 84% will be used to acquire properties, and the balance will be paid as commissions and fees to certain Affiliates of the Company for their services and as reimbursement for certain organizational and offering expenses, though some of such amounts will be reallocated or paid directly to participating broker-dealers.

The Company has registered an offering of 16,500,000 Shares, with 1,500,000 of such Shares available only to shareholders purchasing Shares in this initial public offering who receive a copy of this Prospectus and who elect to Any than By participating in this Offering must be made pursuant to a separate prospectus. See "Summary of Reinvestment Plan" and Exhibit C hereto.

The Company's Affiliates include Wells Capital, Inc.--the Advisor, Wells Investment Securities, Inc.--the Dealer Manager (the "Dealer Manager"), Wells Management Company, Inc.--the property manager (the "Management Company"), Wells Operating Partnership, L.P.--the partnership that will own the properties (the "Operating Partnership"), and Wells Development Corporation--a property development company (the "Development Company"). The Shares are being placed for the Company by the Dealer Manager on a "best efforts" basis. See "Plan of Distribution."

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS ANY SUCH AUTHORITY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

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	Price to Public (1)	Selling Commissions	Proceeds to Company (2) (3)
	-----	-----	-----
Per Share.....	\$10.00	\$ 0.70	\$ 9.30
Total Minimum.....	\$1,250,000	\$ 87,500	\$ 1,162,500
Total Maximum (4).....	\$165,000,000	\$11,550,000	\$153,450,000

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(See footnotes on following page)

WELLS INVESTMENT SECURITIES, INC.

The date of this Prospectus is January 30, 1998.

(Cover Page Continued From Previous Page)

Footnotes:

(1) Price to Public and Selling Commissions may be reduced in connection with certain large volume purchases and under other circumstances described herein; however, in no event will the proceeds to the Company be reduced thereby. In addition to Selling Commissions in the amount of up to 7% of the Gross Offering Proceeds, the Company will reimburse the Dealer Manager and nonaffiliated broker-dealers participating in this Offering for actual expenses paid for marketing support and due diligence purposes, up to a maximum of 2.5% of the Gross Offering Proceeds (the "Marketing and Due Diligence Fee"). The Company also will issue to participating dealers a warrant to purchase one Share at a price of \$12.00 per Share for every 25 Shares sold (the "Soliciting Dealer Warrants"). See "Plan of

Distribution."

- (2) These figures are before deducting other expenses of the Offering to be paid by the Company in an estimated amount equal to 3% of Gross Offering Proceeds -- \$4,500,000 if the maximum amount under the Offering is sold and \$37,500 if the minimum amount is sold -- which amount does not include Selling Commissions or amounts reimbursed for due diligence expenses. Includes Selling Commissions equal to 7% of the aggregate Gross Offering Proceeds (which commissions may be reduced under certain circumstances), but excludes the Marketing and Due Diligence Fee of up to 2.5% of Gross Offering Proceeds, both of which are payable to the Dealer Manager, an Affiliate of the Company. The Dealer Manager, in its sole discretion, may reallocate Selling Commissions of up to 7% of Gross Offering Proceeds to other broker-dealers participating in this Offering attributable to shares sold by them, and may reallocate the Marketing and Due Diligence Fee (up to 2.5% of Gross Offering Proceeds) as reimbursements to the Dealer Manager and broker-dealers participating in this Offering based on such factors as the volume of shares sold by such participating broker-dealers, marketing support provided by such participating broker-dealers and bona fide conference fees incurred. See "Estimated Use of Proceeds" and "Plan of Distribution."
- (3) In addition, assuming all 600,000 Soliciting Dealer Warrants are issued to the Dealer Manager, \$480 of additional proceeds will be raised, based on a purchase price of \$.0008 per share. Assuming all such warrants are exercised at the exercise price of \$12.00, an additional \$1,200,000 will be raised. No Selling Commission will be paid in connection with the issuance of the Soliciting Dealer Warrants or the Shares issuable upon the exercise thereof.
- (4) The maximum number of Shares to be sold hereunder is 16,500,000, which includes 1,500,000 Shares that may be issued pursuant to the Company's Dividend Reinvestment Plan (the "Reinvestment Plan"), and 600,000 shares that may be issued upon exercise of the Soliciting Dealer Warrants. Those shareholders who elect to participate in the Reinvestment Plan will have their dividends reinvested in additional Shares. The Soliciting Dealer Warrants may not be exercised for one year from the date of issuance, and are subject to restrictions on transfer. See "Description of Capital Stock-Soliciting Dealer Warrants."

The Offering will commence upon the effective date of this Prospectus and will continue until and terminate upon the earlier of (i) January 30, 2000 (two years after the initial date of this Prospectus), or (ii) the date on which an aggregate of 15,000,000 Shares (excluding any Shares sold pursuant to the Reinvestment Plan) (the "Maximum Offering") have been sold. Subscription proceeds will be placed in an interest-bearing escrow account with NationsBank, N.A., Atlanta, Georgia (the "Escrow Agent"), until subscriptions for at least 125,000 Shares (the "Minimum Offering") have been received and accepted by the Company, at which time the proceeds will be released to the Company to be held in trust for the benefit of investors. If the Minimum Offering is not met by January 30, 1999 (one year after the date of this Prospectus), the Offering will be terminated and subscriber's funds (plus interest and without deducting for escrow expenses) will be promptly refunded.

THE USE OF PROJECTIONS OR FORECASTS IN THIS OFFERING IS PROHIBITED. ANY REPRESENTATIONS TO THE CONTRARY AND ANY PREDICTIONS, WRITTEN OR ORAL, AS TO THE AMOUNT OR CERTAINTY OF ANY PRESENT OR FUTURE CASH BENEFIT OR TAX CONSEQUENCE WHICH MAY FLOW FROM AN INVESTMENT IN THE COMPANY ARE NOT PERMITTED.

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SUMMARY OF THE OFFERING

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus. Unless the context requires otherwise, the term "Company" includes Wells Operating Partnership, L.P., a Delaware limited partnership (the "Operating Partnership"). See "Glossary" for the definitions of certain terms used in this Prospectus. Investors should carefully consider the information set forth under the heading "Risk Factors."

THE COMPANY: Wells Real Estate Investment Trust, Inc. was incorporated in July 1997 as a Maryland corporation, and intends to qualify as a REIT. The Company's principal place of business and registered office is located at the office of the Advisor: 3885 Holcomb Bridge Road, Norcross, Georgia 30092, and its telephone number at that office is 800-448-1010. The Company intends to operate as an "Up-REIT" through the use of the Operating Partnership for acquisitions of properties.

ADVISOR: Wells Capital, Inc., incorporated in Georgia in April 1984, is the Advisor and will make all investment decisions for the Company, subject to approval by the Board of Directors in certain circumstances. See "The Advisor and the Advisory Agreement." The Advisor is an affiliate of the Company. See "Conflicts of Interest." For information regarding the previous experience of the Advisor and its Affiliates in the management of real estate limited partnerships, see "Prior Performance Summary."

SECURITIES OFFERED: A Minimum Offering of 125,000 Shares and a Maximum Offering of 16,500,000 Shares (the "Maximum Offering"). The Maximum Offering includes up to 1,500,000 Shares to be issued pursuant to the Reinvestment Plan and up to 600,000 shares to be issued pursuant to the Soliciting Dealer Warrants. The Shares issued in this Offering and under the Reinvestment Plan are offered at a price of \$10 per share.

RISK FACTORS: An investment in the Shares involves various risks including the following:

- . To ensure that the Company will not fail to qualify as a REIT, the Articles of Incorporation, subject to

certain exceptions, will limit any person from owning, directly or indirectly, more than 9.8% of the outstanding Shares or more than 9.8% of the number of outstanding shares of any class of the Company's preferred stock.

- . Initially, the Shares will not be listed (and therefore not traded) on a securities exchange or any over-the-counter market. However, the Board of Directors may elect to so list the Shares in the future (the "Listing") though there can be no assurances that the Company will ever qualify for such a Listing. Listing does not assure liquidity. There can be no assurance that a market for the Shares will develop. In the event that Listing does not occur by January 30, 2008 (ten years after the initial date of this Prospectus), the Company will be dissolved. See "Description of Capital Stock--Articles of Incorporation and Bylaw Provisions."
- . Shareholders must rely on the Advisor and the Board of Directors, who will have full responsibility for the day-to-day management of the Company.
- . The number of properties that the Company will acquire and the diversification of its investments will be reduced to the extent that less than the maximum number of Shares are sold. Lack of diversification of

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the Company's investments will increase the risks associated with an investment in the Shares.

- . This Offering involves payment of substantial fees to the Advisor and other Affiliates, some of which will be payable regardless of the success or failure of the Company.
- . Distributions to investors in certain real estate programs previously sponsored by the Advisor and its Affiliates have fluctuated with real estate business cycles and other external market conditions, as well as varying occupancy levels, amounts of capital improvements and other necessary expenses for each property owned by such other programs. Accordingly, there are no assurances that properties acquired by the Company will be profitable. See "Prior Performance Summary."
- . The Company will be subject to market and economic risks associated with investments in real estate, which means that both the amount of cash the Company will receive from the lessees of its properties and the future value of its properties cannot be predicted. Accordingly, Cash Available for Distribution and the value of the Company's real estate investments will be dependent upon fluctuating market and economic conditions.
- . The Company does not own any real property, and the Advisor has not identified any properties in which there is a reasonable probability that the Company will invest. Accordingly, investors will not have the opportunity to evaluate the properties that the Company will acquire and must rely totally upon the

ability of the Advisor and the Board of Directors with respect to the acquisition of properties.

- . A portion of the proceeds available for Investment in properties may be invested in the acquisition and construction of undeveloped properties, which involve risks relating to the builder's ability to control construction costs, failure to perform, or failure to build in conformity with plan specifications and timetables, thus potentially subjecting the Company to cost overruns and time delays for properties under construction. Increased costs of newly constructed properties may have the effect of reducing Cash Available for Distribution, while construction delays may have the effect of delaying cash flow from the operation of such properties.
- . As a result of the fact that the Advisor and its Affiliates serve as general partners of real estate limited partnerships with investment objectives similar to the Company's and will continue to engage in other business activities, the Advisor will have conflicts of interest in allocating its time between the Company and such partnerships and activities. The Advisor also will have conflicts of interest when evaluating potential investments for the Company in deciding which entity will acquire a particular property, and in leasing properties in the event that the Company and another program managed by the Advisor or its Affiliates were to compete for the same tenants in negotiating leases.
- . The Company intends to borrow money in connection with the construction and development of properties. Accordingly, the Company will be subject to risks normally associated with debt financing, including

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the risk that the Company will not be able to meet its debt service obligations, and, to the extent that it cannot, the risk that the Company may lose its investment in any properties encumbered by debt.

- . The Company intends to elect to be taxed as a REIT for federal income tax purposes. In order to qualify to be taxed as a REIT, the Company must meet numerous organizational and operating requirements. While the Company has received an opinion of counsel that it will qualify to be taxed as a REIT, this opinion is not binding on the Service or any court. In the event that the Company fails to qualify as a REIT, it will be taxed as a corporation, which could have a material adverse effect on the Company's Cash Available for Distribution.

See "Risk Factors" for a discussion of the risk factors relating to an investment in the Shares.

TERMS OF THE OFFERING:

The Offering will commence upon the date of this Prospectus and will continue until and terminate upon the earlier of (i) two years after the date of this Prospectus, or (ii) the date on which an aggregate of 15,000,000 Shares (excluding Shares sold pursuant to the Dividend Reinvestment Plan) have been sold, provided, that if the Minimum Offering is not sold within one year of the date of this Prospectus, the

Offering will be terminated and investors' funds, with interest and not net of escrow expenses, will be returned promptly. Subscription proceeds will be held in escrow until investors are admitted as shareholders, which will occur no less often than quarterly.

PROPERTIES:

The Company will seek to acquire and operate commercial properties, including without limitation, office buildings, shopping centers, business and industrial parks and other commercial and industrial properties, including properties which are under construction or development, are newly constructed, or have been constructed and have operating histories. All such properties may be acquired, developed and operated by the Company alone or jointly with another party. The Company is likely to enter into one or more joint ventures with certain of its Affiliates and the present and future real estate limited partnership sponsored by the Advisor for the acquisition of properties. As of the date of this Prospectus, the Company has neither purchased nor contracted to purchase any properties, nor has the Advisor identified any properties in which there is a reasonable probability that the Company will invest. The Company may incur indebtedness of up to 50% of its properties' aggregate value. Such limitation, however, does not apply to individual properties. The Company intends to use the straight-line depreciation method for its properties. See "Real Property Investments," "Investment Objectives and Criteria," "Conflicts of Interest," and "Glossary."

ESTIMATED USE OF
PROCEEDS OF OFFERING:

It is anticipated that approximately 84% of the proceeds of this Offering will actually be invested in properties, and the remainder will be used to pay selling commissions and fees and expenses relating to the selection and acquisition of properties and the costs of organizing the Company and the Offering. See "Estimated Use of Proceeds" for a more detailed discussion of the Company's estimated use of the proceeds of the Offering, which includes proceeds from shares

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sold pursuant to the Reinvestment Plan, but excludes proceeds from shares sold pursuant to the Soliciting Dealer Warrants. See also "Management Compensation" regarding the compensation and fees to be paid to the Advisor and other Affiliates.

INVESTMENT OBJECTIVES:

The Company's objectives are: (i) to preserve, protect and return the Invested Capital (as defined herein) of the shareholders; (ii) to maximize Cash Available for Distribution; (iii) to realize capital appreciation upon the ultimate sale of Company's properties; and (iv) to provide shareholders with liquidity of their investment within ten years after the commencement of the Offering through either (a) the Listing of the Shares, or (b) if Listing does not occur within ten years following the commencement of the Offering, the dissolution of the Company and orderly liquidation of its assets. Distributions to investors in certain real estate investment programs

previously sponsored by the Advisor, as shown in the Prior Performance Tables included as Exhibit A hereto, have fluctuated with real estate business cycles and other external market conditions, as well as varying occupancy levels, amounts of capital improvements and other necessary expenses for each property owned by such other programs. Many of the real properties in which such prior programs have invested have experienced the same economic problems as other real estate investments in recent years, including without limitation, general over-building and an excess of supply in many markets, along with increased operating costs and a general downturn in the real estate industry. These prior Funds have not yet sold any real property investments and thus no evaluation can be made as to whether these prior programs will achieve their objectives of returning capital contributions or realizing capital appreciation upon the sale of such properties. See "Investment Objectives and Criteria" and "Prior Performance Summary."

CONFLICTS OF INTEREST:

The Advisor and other Affiliates will experience conflicts of interest in connection with the management of the Company, including the following:

- . The Advisor and certain of its Affiliates serve as general partners of real estate limited partnerships that have objectives similar to the Company's and expect that they will organize additional real estate partnerships in the future. As a result, investors should be aware that the Advisor will have to allocate its time between the Company and such partnerships and activities and may have conflicts of interest in deciding which entity will acquire a particular property.
- . The Company may acquire properties in the same geographic areas where other properties owned or managed by the Advisor or other Affiliates are located, resulting in potential conflicts in the leasing or resale of the Company's properties in the event that the Company and another program managed by the Advisor were to attempt to compete for the same tenants in negotiating leases or to sell similar properties at the same time.
- . Since it is anticipated that the Company's properties will be managed by the Management Company, an Affiliate of the Advisor, the Company will not have the benefit of independent property management, and investors must rely on the Advisor and the Management Company, for management of the Company's properties.
- . The Company is likely to enter into one or more joint ventures for the acquisition and operation of specific properties with one or more real estate limited partnerships sponsored by the Advisor and other Affiliates,

determining which program should enter into a particular joint venture, in structuring the terms of the relationship and in managing the joint venture. In addition, the Company may purchase properties from the Advisor and other Affiliates (with no profit to the Advisor or such selling Affiliate), resulting in conflicts of the Advisor based on its relationship with both parties to such transactions. See "Conflicts of Interest."

- . Fees payable to the Advisor and other Affiliates in connection with Company transactions involving the purchase, management and sale of Company properties are not the result of arm's-length negotiations and will be payable regardless of the quality of the property acquired or the services provided to the Company.
- . The conflicts of interest created at the time of a sale of a property by: (a) the loss of management fees by the Management Company conflicting with the brokerage fee which may be received by the Advisor, and (b) the receipt of brokerage fees by the Advisor conflicting with the advisability of such a sale.
- . The Company's Affiliates include Wells Capital, Inc.--the Advisor, Wells Investment Securities, Inc.--the Dealer Manager, Wells Management Company, Inc.--the Management Company, Wells Operating Partnership, L.P.--the Operating Partnership, and Wells Development Corporation--the Development Company.

See "Conflicts of Interest" for a discussion of the various conflicts of interest relating to an investment in the Shares.

PRIOR OFFERING SUMMARY:

The Advisor and its Affiliates have previously sponsored eleven publicly offered real estate limited partnerships on an unspecified property or "blind pool" basis (the "Prior Wells Public Programs"). The total amount of funds raised from the approximately 24,000 investors in the Prior Wells Public Programs as of August 31, 1997 was approximately \$257,000,000, and the amount of such funds invested in properties as of August 31, 1997, was approximately \$200,000,000. Distributions to investors in certain real estate investment programs previously sponsored by the Advisor have fluctuated with real estate business cycles and other external market conditions, as well as varying occupancy levels, amounts of capital improvements and other necessary expenses for each property owned by such other programs. The "Prior Performance Summary" section of this Prospectus contains a discussion of the Prior Wells Public Programs. Certain statistical data relating to the Prior Wells Public Programs are contained in the Prior Performance Tables included as Exhibit A to this Prospectus.

COMPENSATION TO ADVISOR
AND OTHER AFFILIATES:

The Advisor and other Affiliates will receive compensation and fees for services relating to this Offering and in connection with the investment and management of the Company's assets, which are not the result of arm's-length negotiations and will be

paid regardless of the quality of the property acquired or the services provided to the Company. The most significant items of compensation are:

Offering Stage: Selling Commissions of 7% (\$10,500,000 at the Maximum Offering and \$87,500 at the Minimum Offering) payable to the Dealer Manager; one Soliciting Dealer Warrant for every 25 Shares sold, issuable to the Dealer

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Manager, all or a part of which may be reallocated to unaffiliated participating broker-dealers; a Marketing and Due Diligence Fee for marketing support and due diligence reimbursements of up to 2.5%, comprised of .5% for due diligence reimbursements and 2% for marketing support (\$3,750,000 at the Maximum Offering and \$31,250 at the Minimum Offering); and up to 3% (\$4,500,000 at the Maximum Offering and \$37,500 at the Minimum Offering) of Gross Offering Proceeds as a reimbursement of costs and expenses of organizing the Company, including legal, accounting, printing, marketing and other offering expenses (the "Organization and Offering Expense Fee"), a majority of which will be paid to third parties unaffiliated with the Advisor.

Acquisition Stage: A fee of up to 3% (\$4,500,000) of Gross Offering Proceeds in connection with the selection, valuation and acquisition of properties (subject to certain overall limitations) (the "Acquisition and Advisory Fees"), which is payable to the Advisor (an Affiliate of the Company) regardless of the quality of the properties acquired by the Company; and reimbursement of costs and expenses for the acquisition of properties.

Operational Stage: Property management fee (the "Management Fee") payable to the Management Company in an amount equal to 4.5% of the gross rental income from each property, approximately 2% to 3% of which is expected to be generated from direct tenant chargebacks, resulting in a net amount payable by each property of approximately 1.5% to 2.5%; and in the case of leases to new tenants, an initial leasing fee equal to the lesser of (i) the first month's rent under the applicable lease or (ii) the amounts charged by unaffiliated persons rendering comparable services in the same geographic area. A real estate brokerage commission of up to 3% of the sale price of properties sold by the Company will be payable to the Advisor.

Also, a Listing Fee shall be payable to the Advisor generally equal to 10% of the amount by which the adjusted market value of the Company exceeds the adjusted amount of capital invested in the Company.

Liquidation Stage: After all shareholders have received a return of their Invested Capital and an 8% per annum cumulative, noncompounded return on their Invested Capital from inception until the date of the property sale (the "Common Return"), then the Advisor is entitled to receive (a) a return of contributed capital in Liquidating Distributions,

and (b) 10% of remaining amounts of Nonliquidating Net Sale Proceeds and Liquidating Distributions available for distribution. Payment of certain fees is subject to conditions and restrictions or to change under certain specified circumstances. The Advisor and other Affiliates also may receive reimbursement for out-of-pocket expenses that they incur on behalf of the Company, subject to certain expense limitations, and a subordinated incentive fee if Listing occurs.

SHARE REDEMPTION:

The Company may use proceeds received from sales of Shares pursuant to the Reinvestment Plan to redeem Shares at its sole discretion. Shareholders will have no right to request that the Company redeem their Shares after Listing.

DIVIDEND REINVESTMENT PLAN: The Company will establish the Reinvestment Plan pursuant to which shareholders who elect to participate may have their dividends from the Company automatically invested in Shares. Shareholders who participate in the Reinvestment Plan will be

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allocated their share of the Company's taxable income even though such shareholders will receive no cash distributions from the Company, which may result in tax liability for such participants even though they would receive no cash distributions with which to pay such tax liability. The Company may terminate the Reinvestment Plan for any reason at any time with ten days' prior notice to participants. See "Dividend Reinvestment Plan" and "Risk Factors--Federal Income Tax Risks."

DISTRIBUTION POLICY:

As a REIT, the Company will be required to distribute to its shareholders at least 95% of its annual net taxable income. Because the Company has not identified any probable acquisitions, there can be no assurances as to when the Company will begin to generate net taxable income and to make distributions.

TAX STATUS:

The Company intends to qualify and will elect to be taxed as a REIT under sections 856 through 860 of the Code, commencing with the taxable year ending December 31 of the year in which the Offering is closed. If the Company qualifies for taxation as a REIT, the Company generally will not be subject to federal corporate income tax on its taxable income that is distributed to its shareholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it currently distribute at least 95% of its annual taxable income. Although the Company does not intend to request a ruling from the Internal Revenue Service (the "Service") as to its REIT status, the Company has received an opinion of Hunton & Williams, its legal counsel, that the Company will qualify as a REIT for its taxable year ending December 31 of the year in which the Offering is closed, and the Company's organization and proposed method of operation will enable it to continue to qualify as a REIT, which opinion is based on certain assumptions and representations about the Company's

ongoing businesses and investment activities and other matters. No complete assurance can be given that the Company will be able to comply with such assumptions and representations in the future. Furthermore, such opinion is not binding on the Service or on any court. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain federal state and local taxes on its income and property. Failure to qualify as a REIT would render the Company subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates and distributions to the Company's shareholders in any such year would not be deductible. See "Risk Factors--Legal Risks--Tax Risks" and "Federal Income Tax Considerations -- Taxation of the Company."

OPERATING PARTNERSHIP:

The Company intends to own its properties through the Operating Partnership. Initially, the Company will be the sole general partner of the Operating Partnership, and the Advisor will contribute \$200,000 to the Operating Partnership and will be the sole limited partner thereof. This "UPREIT" structure will allow the Company to acquire properties by exchanging units of limited partnership interest in the Operating Partnership ("OP Units") for interests in properties, which generally will allow sellers of properties to defer gain recognition with respect to such properties. Holders may redeem OP Units for cash equal to the value of one Share or, at the option of the Company, holders may receive one Share for each tendered OP Unit.

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LISTING:

Initially, the Company's Shares will not be listed, but the Board of Directors may elect to effect the Listing of the Shares at any time following the completion of the Offering, though there can be no assurances that the Board of Directors will make such election or that the Company will ever qualify for Listing. In the event that the Listing does not occur on or before January 30, 2008 (ten years after the date of the Prospectus), the Company will automatically terminate and dissolve, unless the shareholders holding a majority of the Common Shares vote to extend the duration of the Company.

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RISK FACTORS

The purchase of Shares involves a number of risks. In addition to the factors set forth elsewhere in this Prospectus, prospective investors should consider specifically the following:

INVESTMENT RISKS

LACK OF LIQUIDITY OF SHARES. Shareholders may not be able to sell their Shares promptly at a desired price; therefore, the Shares should be considered as a long-term investment only. Currently there is no public market for the Shares. The Board of Directors, with or without the consent of the shareholders, may apply for Listing of the Shares if the Board of Directors (including a majority of Independent Directors) determines Listing to be in the

best interests of the shareholders. There can be no assurance, however, that the Company will apply for Listing, that any such application will be made before the passage of a significant period of time, that any application will be accepted or, even if accepted, that a public trading market will develop. In any event, the Articles of Incorporation provide that the Company will not apply for Listing before the completion or termination of the Offering. See "Description of Capital Stock."

TOTAL RELIANCE ON THE ADVISOR. All decisions with respect to the management of the Company will be made by the Advisor, with oversight from the Board of Directors. The shareholders will have no right or power to take part in the management of the Company except through the exercise of their voting rights, which are limited. The Advisor may be removed under certain conditions, as set forth in the Advisory Agreement, subject to payment and release from all obligations incurred by the Advisor in connection with its role as advisor. Further, the Advisor has the ability to assign the Advisory Agreement to an affiliate, subject to approval by the Company's Independent Directors. In such case, the shareholders will not be able to vote on such new Advisor, and there can be no assurances that such new Advisor will perform satisfactorily. See "Management," "Management Compensation" and "The Advisor and the Advisory Agreement."

CONFLICTS OF INTEREST RELATED TO THE COMPANY'S AFFILIATES. In connection with its relationship with the Advisor and other Affiliates, the Company has several conflicts of interest, including the following: (a) The Advisor and certain of its Affiliates serve as general partners of real estate limited partnerships that have objectives similar to the Company's and expect that they will organize additional real estate partnerships in the future. As a result, investors should be aware that the Advisor will have to allocate its time between the Company and such partnerships and activities and may have conflicts of interest in deciding which entity will acquire a particular property; (b) The Company may acquire properties in the same geographic areas where other properties owned or managed by the Advisor or other Affiliates are located, resulting in potential conflicts in the leasing or resale of the Company's properties in the event that the Company and another program managed by the Advisor were to attempt to compete for the same tenants in negotiating leases or to sell similar properties at the same time; (c) Since it is anticipated that the Company's properties will be managed by the Management Company, an Affiliate of the Advisor, the Company will not have the benefit of independent property management, and investors must rely on the Advisor and the Management Company, for management of the Company's properties; (d) The Company is likely to enter into one or more joint ventures for the acquisition and operation of specific properties with one or more real estate limited partnerships sponsored by the Advisor and other Affiliates, resulting in potential conflicts of interest in determining which program should enter into a particular joint venture, in structuring the terms of the relationship and in managing the joint venture. In addition, the Company may purchase properties from the Advisor and other Affiliates (without profit to such selling Affiliates) resulting in conflicts of the Advisor based on its relationship with both parties to such transactions; (e) Fees payable to the Advisor and other Affiliates in connection with Company transactions involving the purchase, management and sale of Company properties are not the result of arm's-length negotiations and will be payable regardless of the quality of the property acquired or the services provided to the Company; (f) The conflicts of interest created at the time of a sale of a property by: (i) the loss of management fees by the Management Company conflicting with the brokerage fee which may be received by the Advisor, and (ii) the receipt of brokerage fees by the Advisor conflicting with the advisability of such a sale. The Company's Affiliates include Wells Capital, Inc.--the Advisor, Wells Investment Securities, Inc.--the Dealer Manager, Wells Management Company, Inc. --the Management Company, Wells Operating Partnership, L.P.--the Operating Partnership, and Wells Development Corporation--the Development Company. Collectively, these several

relationships among the Company and the Affiliates reduce substantially the

presence of independent, arm's length managerial and advisory influence on the operations of the Company. Consequently, such affiliated relationships and conflicts of interest have the potential to reduce the Company's financial performance and return to investors. See "Conflicts of Interest" and "The Advisor and Advisory Agreement."

POSSIBLE LACK OF DIVERSIFICATION RESULTING FROM SUBSCRIPTIONS FOR LESS THAN THE MAXIMUM NUMBER OF SHARES. To the extent that less than the Maximum Offering is sold, the diversification of the Company's investments will be decreased and the extent to which the Company's profitability will be affected by any one of its investments will increase. Specifically, the various types of real estate assets in which the Company invests and the geographic diversity of such assets will be reduced proportionally. Consequently, the effects of the financial performance of such fewer assets will be concentrated and thus the risks of poor financial performance will be increased. Further, reduced geographic diversity of the Company's properties will increase the Company's reliance on (and therefore risks) related to regional economic conditions. Accordingly, lack of diversification of the Company's investments will have the effect of increasing the risks associated with an investment in the Shares. See "Estimated Use of Proceeds" and "Investment Objectives and Criteria."

SUBSTANTIAL MANAGEMENT COMPENSATION; PROCEEDS TO BENEFIT AFFILIATED PARTIES. The Advisor and the other Affiliates will perform services for the Company in connection with the offer and sale of Shares, the selection and acquisition of the Company's properties, and the management and leasing of the Company's properties, and will receive substantial compensation from the Company in consideration for these services. In connection with the Offering, the Dealer Manager will receive 7% (\$10,500,000 at the Maximum Offering) of the Gross Offering Proceeds as a Selling Commission and a Marketing and Due Diligence Fee equal to 2.5% (\$3,750,000 at the Maximum Offering) for marketing and due diligence reimbursements, substantially all of which is expected to be reallocated to participating broker-dealers. In connection with the review and evaluation of potential acquisitions, the Advisor will receive Acquisition and Advisory Fees equal to 3% (\$4,500,000 at the Maximum Offering) of the Gross Offering Proceeds. In connection with the management and leasing of properties, the Management Company will receive a fee equal to 4.5% of the gross rental income from each property as well as certain leasing fees, though approximately 2% to 3% of such 4.5% fee is expected to be generated from direct chargebacks to tenants of such properties, resulting in a net fee payable by the properties of 1.5% to 2.5%. The amount of such compensation has not been determined in arm's-length negotiations, and such amounts will be payable regardless of the quality of services provided to the Company. Further, the Selling Commission, Marketing and Due Diligence Fee, Organization and Offering Expense Fee and the initial Acquisition and Advisory Fees will be paid to Affiliates prior to any distributions to shareholders. See "Management Compensation" and "Conflicts of Interest."

NO IDENTIFIED SOURCES FOR FUNDING OF FUTURE CAPITAL NEEDS. As the Company raises capital from investors, substantially all of the Gross Proceeds of the Offering will be used for investment in properties and for payment of various fees and expenses. See "Estimated Use Of Proceeds." In order to qualify as a REIT, the Company must distribute to its shareholders at least 95% of its annual taxable income. Therefore, it is not anticipated that the Company will maintain any meaningful permanent working capital reserves. Accordingly, in the event that the Company develops a need for additional capital in the future for the improvement of its properties or for any other reason, no sources for such funding have been identified, and no assurance can be made that such sources of funding will be available to the Company for potential capital needs in the future or, if available, that such funds can be obtained on economically feasible terms. See "Estimated Use of Proceeds" and "Investment Objectives and Criteria."

JOINT VENTURES MAY NEGATIVELY AFFECT THE COMPANY. The Company is likely to enter into one or more joint ventures with Affiliates for the acquisition, development or improvement of properties. In this regard, the Company may enter into joint ventures with future programs sponsored by the Advisors or other Affiliates or with one or more Prior Wells Public Programs. The Company may purchase and develop properties in joint ventures or in partnerships, co-

tenancies or other co-ownership arrangements with the Advisor or other Affiliates, the sellers of the properties, affiliates of the sellers, developers or other persons. Such investments may, under certain circumstances, involve risks not otherwise present, including, for example, the possibility that the Company's co-venturer, co-tenant or partner in an investment might become bankrupt, that such co-venturer, co-tenant or partner may at any time have economic or business interests or goals which are inconsistent with the business interests or goals of the Company, or that such co-venturer, co-tenant or partner may be in a position to take action contrary to the instructions or the requests of the Company or contrary to the Company's policies or objectives. Actions by such a co-venturer, co-tenant or partner might

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have the result of subjecting the applicable property to liabilities in excess of those otherwise contemplated and may have the effect of reducing Cash Available for Distribution. In the event a co-venturer has a right of first refusal to buy out the other co-venturer, it may be unable to finance such buy-out at that time. It may also be difficult for the Company to sell its interest in any such joint venture or partnership or as a co-tenant in such property. In addition, to the extent that the Company's co-venturer or partner is the Advisor or one of its Affiliates, certain conflicts of interest will exist. See "Conflicts of Interest--Joint Ventures with the Advisor and other Affiliates."

ANTI-TAKEOVER EFFECTS OF GOVERNING DOCUMENTS AND MARYLAND LAW. Certain provisions of the Company's Articles of Incorporation, including the ownership limitations, transfer restrictions and ability to issue preferential preferred stock, may have the effect of preventing, delaying or discouraging takeovers of the Company by third parties. In addition, certain provisions of the Maryland General Corporation Law ("MGCL"), including the restrictions on certain business combinations and control share acquisitions, may have a similar effect. See "Description of Capital Stock."

REINVESTMENT PLAN PROCEEDS MAY NOT BE USED TO ACQUIRE PROPERTIES. Proceeds from sale of Shares in the Reinvestment Plan may, in the Advisor's discretion, be used to fund the Share Repurchase Program rather than for the funding of real estate investment. In such case, the Company's real estate investments, and therefore the underlying value of the Shares and potential distributions to shareholders, will not be increased by the amount of net proceeds so directed into the Share Repurchase Program. See "Summary of Reinvestment Plan."

REAL ESTATE RISKS

FLUCTUATING FINANCIAL PERFORMANCE OF PREVIOUSLY SPONSORED PROGRAMS. Distributions to investors in certain real estate investment programs previously sponsored by the Advisor have fluctuated with real estate business cycles and other external market conditions, as well as varying occupancy levels, amounts of capital improvements and other necessary expenses for each property owned by such other programs. The real properties in which the Prior Wells Public Programs have invested have experienced the same economic problems as other real estate investments in recent years, including, without limitation, general overbuilding and an excess of supply in many markets, along with increased operating costs and a general downturn in the real estate industry. The historical fluctuations in net income of the Prior Wells Public Programs were primarily due to tenant turnover, resulting in increased vacancies and the requirement to expend funds for tenant refurbishments, and increases in administrative and other operating expenses. Specifically, certain of the Prior Wells Public Programs suffered decreases in net income during the real estate recession of the late 1980s and early 1990s, which decreases were generally attributable to the overall downturn in the economy and in the real estate market in particular. Because of the cyclical nature of the real estate market, such downturns in the performance of a real estate program could occur at any time in the future when economic conditions decline. None of the Prior Wells Public Programs has liquidated or sold any of its real properties to date and, accordingly, no assurance can be made that such programs will ultimately be successful in meeting their investment objectives. There are no assurances that properties

acquired by the Company will not also experience fluctuating financial performance. See "Prior Performance Summary" and the Prior Performance Tables included as Exhibit A hereto.

POTENTIAL ADVERSE ECONOMIC AND REGULATORY CHANGES. The Company will be subject to risks generally incident to the ownership of real estate, including changes in general economic or local conditions, changes in supply of or demand for similar or competing properties in an area, changes in interest rates and availability of permanent mortgage funds which may render the sale of a property difficult or unattractive, and changes in tax, real estate, environmental and zoning laws. Periods of high interest rates and tight money supply may make the sale of properties more difficult. For these and other reasons, no assurance of profitable operation or realization of gains from the sales of the Company's properties can be given. See "Investment Objectives and Criteria."

"BLIND POOL" OFFERING; LACK OF PROPERTIES REQUIRES TOTAL RELIANCE ON ABILITIES OF ADVISOR. This Offering is commonly referred to as a "blind pool" offering in that the Advisor has not identified any properties in which there is a reasonable probability that the Company will invest. Investors must rely upon the ability of the Advisor and the Board of Directors with respect to the investment of the proceeds of this Offering and the management of the unspecified properties and will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the specific properties in which the proceeds of this Offering will be invested. Accordingly, the

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risk of investing in the Shares may be increased. No assurance can be given that the Company will be successful in obtaining suitable investments or that, if investments are made, the objectives of the Company will be achieved. See "Estimated Use of Proceeds," "The Advisor and Advisory Agreement" and "Investment Objectives and Criteria."

INDEBTEDNESS ON PROPERTIES BRINGS RISKS. The Company intends to borrow money in connection with the construction and development of properties. Accordingly, the Company will be subject to risks normally associated with debt financing, including the risk that the Company will not be able to meet its debt service obligations, and, to the extent that it cannot, the risk that the Company may lose its investment in any properties encumbered by debt. The Company may incur indebtedness of up to 50% of the properties' aggregate value, though such debt limitation does not apply to individual properties. However, the Company expects that its aggregate indebtedness generally will not exceed such 50% limit. Accordingly, the Company and its properties may be moderately leveraged, which could have adverse consequences to the Company, including the potential for loss of one or more properties if any such secured debt is defaulted upon and imposition of operating restrictions on the Company by such lenders. See "Investment Objectives and Criteria--Borrowing Policies."

POTENTIAL INCREASED COSTS AND DELAYS RELATED TO PROPERTY DEVELOPMENT. The Company may invest some or all of the net proceeds of this Offering in the acquisition and development of properties upon which it will develop and construct improvements at a fixed contract price, provided that the Company may not invest more than 10% of its total assets in properties which are not expected to produce income within two years of their acquisition. In this regard, the Company will be subject to risks relating to the builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. The builder's failure to perform may necessitate legal action by the Company to rescind its purchase or the construction contract or to compel performance. Performance also may be affected or delayed by conditions beyond the builder's control. Delays in completion of construction could also give lessees the right to terminate preconstruction leases for space at a newly developed project. Additional risks may be incurred where the Company makes periodic progress payments or other advances to such builders prior to completion of construction. However, the Company will make such payments only after having received a certification from an independent architect or an

independent engineer, or both, as to the percentage of the project which has been completed and as to the dollar amount of the construction then completed. Factors such as those discussed above can result in increased costs of a project and a corresponding depletion of the Company's working capital reserves or loss of the Company's investment. In addition, the Company will be subject to normal lease-up risks relating to newly constructed projects. Furthermore, the price to be paid for a property upon which improvements are to be constructed or completed, which price is normally agreed upon at the time of acquisition, of necessity must be based upon projections of rental income and expenses or fair market value of the property upon completion of construction, which are not certain until after a number of months of actual operation. See "Investment Objectives and Criteria--Development and Construction of Properties."

COMPETITION FOR INVESTMENTS. The Company will experience competition for real property investments from individuals, corporations and bank and insurance company investment accounts, as well as other real estate investment partnerships, including the Prior Wells Public Programs, real estate investment trusts and other entities engaged in real estate investment activities. For example, one Prior Wells Public Program has approximately \$11,000,000 available for real estate investments, and another will be seeking up to \$35,000,000 in investments, both of which will compete with the Company for real estate investment opportunities and both of which are managed by the Advisor. Competition for investments may have the effect of increasing costs and reducing Cash Available for Distribution. See "Conflicts of Interest."

POTENTIAL ADVERSE EFFECTS OF DELAYS IN INVESTMENTS. Delays which may take place in the selection, acquisition and development of properties could adversely affect the per Share Cash Available for Distribution as a result of the lower returns that will be received by the Company if it is required to invest in short-term investments. Also, where properties are acquired prior to the commencement of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. See "Investment Objectives and Criteria."

FAILURE TO LIST AND RESULTING LIQUIDATION MAY ADVERSELY AFFECT RETURNS TO STOCKHOLDERS. The Company intends, to the extent consistent with its objective of qualifying as a REIT, to reinvest Net Sales Proceeds from the sale of its properties in additional properties for at least the first five to ten years after commencement of the Offering.

Unless Listing occurs within ten years after commencement of the Offering, the Company will undertake, to the extent consistent with the Company's objective of qualifying as a REIT, the orderly sale of the Company's assets, the distribution of the Net Sales Proceeds of such sales to stockholders, and will engage only in activities related to its orderly liquidation unless the stockholders elect otherwise. If Listing occurs, the Company will become a perpetual life entity, and Net Sales Proceeds may be reinvested in other properties for an indefinite period of time. Neither the Advisor nor the Board of Directors may be able to control the timing of sales due to market conditions, and there can be no assurance that the Company will be able to sell its assets so as to return stockholders' aggregate Invested Capital, or to generate a profit for the stockholders. Invested Capital, in the aggregate, will be returned to shareholders upon disposition of the Company's properties only if the properties are sold for more than their original purchase price, although return of capital, for federal income tax purposes, is not necessarily limited to stockholder distributions following sales of properties. See "Federal Income Tax Considerations." In the event that a purchase money obligation is taken in partial payment of the sales price of a property, the proceeds of the sale will be realized over a period of years.

POTENTIAL LIABILITIES RELATED TO ENVIRONMENTAL MATTERS. Under various federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. Such laws often impose liability whether or not the owner or

operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. In connection with the acquisition and ownership of its properties, the Company may be potentially liable for such costs. The cost of defending against claims of liability, of compliance with environmental regulatory requirements or of remediating any contaminated property could materially adversely affect the business, assets or results of operations of the Company and, consequently, Cash Available for Distribution. See "Real Property Investments."

UNINSURED LOSSES. Material damages at one or more of its Properties that are not covered, or not adequately covered, by insurance could have a material adverse effect on the Company. Although the Company believes it is adequately insured, there can be no assurances that material uninsured losses will not occur in the future.

TAX RISKS

FAILURE TO QUALIFY AS A REIT. The Company intends to operate so as to qualify as a REIT for federal income tax purposes. Although the Company has not requested, and does not expect to request, a ruling from the Service that it qualifies as a REIT, it has received an opinion of its counsel that, based on certain assumptions and representations, it so qualifies. Investors should be aware, however, that opinions of counsel are not binding on the Service or any court. The REIT qualification opinion only represents the view of counsel to the Company based on counsel's review and analysis of existing law, which includes no controlling precedent. Furthermore, both the validity of the opinion and the qualification of the Company as a REIT will depend on the Company's continuing ability to meet various requirements concerning, among other things, the ownership of its outstanding stock, the nature of its assets, the sources of its income, and the amount of its distributions to its shareholders. See "Federal Income Tax Considerations--Taxation of the Company."

If the Company were to fail to qualify as a REIT for any taxable year, the Company would not be allowed a deduction for distributions to its shareholders in computing its taxable income and would be subject to federal income tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Unless entitled to relief under certain Code provisions, the Company also would be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost. As a result, Cash Available for Distribution would be reduced for each of the years involved. Although the Company intends to operate in a manner intended to allow it to qualify as a REIT, it is possible that future economic, market, legal, tax or other considerations may cause the Board of Directors to revoke the Company's REIT election. See "Federal Income Tax Considerations."

REIT MINIMUM DISTRIBUTION REQUIREMENTS; POSSIBLE INCURRENCE OF ADDITIONAL DEBT. In order to qualify as a REIT, the Company generally will be required each year to distribute to its shareholders at least 95% of its net taxable

income (excluding any net capital gain). In addition, the Company will be subject to a 4% nondeductible excise tax on the amount, if any, by which certain distributions paid by it with respect to any calendar year are less than the sum of (i) 85% of its ordinary income for that year, (ii) 95% of its capital gain net income for that year, and (iii) 100% of its undistributed taxable income from prior years.

The Company intends to make distributions to its shareholders to comply with the 95% distribution requirement and to avoid the nondeductible excise tax. The Company's income will consist primarily of its share of the income of the Operating Partnership, and the Cash Available for Distribution by the Company to its shareholders will consist of its share of cash distributions from the Operating Partnership. Differences in timing between (i) the actual receipt of

income and actual payment of deductible expenses and (ii) the inclusion of such income and deduction of such expenses in arriving at taxable income of the Company could require the Company, through the Operating Partnership, to borrow funds on a short-term basis to meet the 95% distribution requirement and to avoid the nondeductible excise tax. The requirement to distribute a substantial portion of the Company's net taxable income could cause the Company to distribute amounts that otherwise would be spent on future acquisitions, unanticipated capital expenditures or repayment of debt, which would require the Company to borrow funds or to sell assets to fund the costs of such items. See "Federal Income Tax Considerations --Taxation of the Company."

FAILURE OF THE OPERATING PARTNERSHIP TO BE CLASSIFIED AS A PARTNERSHIP FOR FEDERAL INCOME TAX PURPOSES; IMPACT ON REIT STATUS. Although the Company has not requested, and does not expect to request, a ruling from the Service that the Operating Partnership will be classified as a partnership for federal income tax purposes, the Company has received an opinion of its counsel stating that the Operating Partnership will be classified as a partnership, and not as a corporation or association taxable as a corporation for federal income tax purposes. If the Service were to challenge successfully the tax status of the Operating Partnership as a partnership for federal income tax purposes, the Operating Partnership would be taxable as a corporation. In such event, the Company likely would cease to qualify as a REIT for a variety of reasons. Furthermore, the imposition of a corporate income tax on the Operating Partnership would reduce substantially the amount of Cash Available for Distribution. See "Federal Income Tax Considerations --Tax Aspects of the Operating Partnership."

ERISA RISKS. The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and section 4975 of the Code prohibit certain transactions that involve (i) certain pension, profit-sharing, employee benefit, or retirement plans or individual retirement accounts (each, a "Plan") and (ii) the assets of a Plan. A "party in interest" or "disqualified person" with respect to a Plan will be subject to (x) an initial 5% excise tax on the amount involved in any prohibited transaction involving the assets of the Plan and (y) an excise tax equal to 100% of the amount involved if any prohibited transaction is not corrected. Consequently, the fiduciary of a Plan contemplating an investment in the Shares should consider whether the Company, any other person associated with the issuance of the Shares, or any affiliate of the foregoing is or might become a "party in interest" or "disqualified person" with respect to the Plan. In such a case, the acquisition or holding of Shares by or on behalf of the Plan could be considered to give rise to a prohibited transaction under ERISA and the Code. See "ERISA Considerations--Employee Benefit Plans, Tax-Qualified Retirement Plans, and IRAs" herein.

Regulations of the Department of Labor that define "plan assets" (the "Plan Asset Regulations") provide that in some situations, when a Plan acquires an equity interest in an entity, the Plan's assets include both the equity interest and an undivided interest in each of the underlying assets of the entity, unless one or more exceptions specified in the Plan Asset Regulations are satisfied. In such a case, certain transactions that the Company might enter into in the ordinary course of its business and operations might constitute "prohibited transactions" under ERISA and the Code. The assets of the Company should not be deemed to be "plan assets" of any Plan that invests in the Shares. See "ERISA Considerations --Status of the Company and the Operating Partnership under ERISA."

INVESTOR SUITABILITY STANDARDS

An investment in the Company involves significant risk. An investment in the Shares is suitable only for persons who have adequate financial means and desire a relatively long-term investment with respect to which they do not anticipate any need for immediate liquidity.

If the investor is an individual (including an individual beneficiary of a purchasing IRA), or if the investor is a fiduciary (such as a trustee of a trust

or corporate pension or profit sharing plan, or other tax-exempt organization, or a custodian under a Uniform Gifts to Minors Act), such individual or fiduciary, as the case may be, must represent that he meets certain requirements, as set forth in the Subscription Agreement attached as Exhibit B to this Prospectus, including the following:

(i) that such individual (or, in the case of a fiduciary, that the fiduciary account or the donor who directly or indirectly supplies the funds to purchase the Shares) has a minimum annual gross income of \$45,000 and a net worth (excluding home, furnishings and automobiles) of not less than \$45,000; or

(ii) that such individual (or, in the case of a fiduciary, that the fiduciary account or the donor who directly or indirectly supplies the funds to purchase the Shares) has a net worth (excluding home, furnishings and automobiles) of not less than \$150,000.

Under the laws of certain states, transferees will also be required to comply with applicable standards, except for intra-family transfers and transfers made by gift, inheritance or family dissolution.

The minimum purchase is 100 Shares (\$1,000) (except in certain states as described below). No transfers will be permitted of less than the minimum required purchase, nor (except in very limited circumstances) may an investor transfer, fractionalize or subdivide such Shares so as to retain less than such minimum number thereof. For purposes of satisfying the minimum investment requirement for Retirement Plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate Individual Retirement Accounts ("IRAs"), provided that each such contribution is made in increments of at least \$100. It should be noted, however, that an investment in the Company will not, in itself, create a Retirement Plan for any investor and that, in order to create a Retirement Plan, an investor must comply with all applicable provisions of the Code. Except in Maine, Minnesota and Washington, investors who have satisfied the minimum purchase requirements and have purchased units in Prior Wells Public Programs may purchase less than the minimum number of Shares set forth above, but in no event less than 10 Shares (\$100). The minimum purchase for New York investors is 250 Shares (\$2,500), however, the minimum investment for New York IRAs is 100 Shares (\$1,000). After an investor has purchased the minimum investment, any additional investments must be made in increments of at least 10 Shares (\$100), except for (i) those made by investors in Maine, who must still meet the minimum investment requirement for Maine residents of \$1,000 for IRAs and \$2,500 for non-IRAs, (ii) purchases of Shares pursuant to the Reinvestment Plan, which may be in lesser amounts, and (iii) minimum purchase for Minnesota investors is 250 Shares (\$2,500), however, the minimum investment for Minnesota IRAs and qualified plans may be 200 Shares (\$2,000).

Various states have established suitability standards for individual investors and subsequent transferees different from those set by the Company. Those requirements are set forth below.

ARIZONA, IOWA, MASSACHUSETTS, MISSOURI, NORTH CAROLINA AND TENNESSEE -- The investor has either (i) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$60,000 and an annual gross income of at least \$60,000, or (ii) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$225,000.

MAINE -- The investor has either (i) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$50,000 and an annual gross income of at least \$50,000, or (ii) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$200,000.

MASSACHUSETTS -- The investor has either (i) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$100,000 and an annual gross income of at least \$100,000, or (ii) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$250,000.

NEW HAMPSHIRE -- The investor has either (i) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$125,000 and an annual gross income of at least \$50,000, or (ii) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$250,000.

NEW YORK -- The investor has either (i) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$35,000 and an annual gross income of at least \$35,000, or (ii) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$100,000.

OHIO -- The investor's investment in the Shares shall not exceed 10% of the investor's net worth (exclusive of home, furnishings, and personal automobiles.)

PENNSYLVANIA AND OREGON -- The investor has (i) a net worth (exclusive of home, furnishings, and personal automobiles) of at least ten times the investor's investment in the Company, and (ii) either (a) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$45,000 and an annual gross income of at least \$45,000, or (b) a net worth (exclusive of home, furnishings, and personal automobiles) of at least \$150,000. Because the minimum offering of Shares of the Company is less than \$16,500,000, Pennsylvania investors are cautioned to evaluate carefully the Company's ability to fully accomplish its stated objectives and to inquire as to the current dollar volume of the Company's subscription proceeds.

NET WORTH IN ALL CASES EXCLUDES HOME, FURNISHINGS AND AUTOMOBILES.

In order to assure adherence to the suitability standards described above, requisite suitability standards must be met as set forth in the Subscription Agreement and Subscription Agreement Signature Page (collectively, the "Subscription Agreement"), which is attached as Exhibit B to this Prospectus. The Company and each person selling Shares on behalf of the Company are required to (i) make reasonable efforts to assure that each person purchasing Shares in the Company is suitable in light of such person's age, educational level, knowledge of investments, financial means and other pertinent factors and (ii) maintain records for at least six years of the information used to determine that an investment in Shares is suitable and appropriate for each investor. The agreements with the selling broker-dealers require such broker-dealers to (i) make inquiries diligently as required by law of all prospective investors in order to ascertain whether a purchase of the Shares is suitable for the investor, and (ii) transmit promptly to the Company all fully completed and duly executed Subscription Agreements.

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ESTIMATED USE OF PROCEEDS

The following table sets forth information concerning the estimated use of the Gross Proceeds of the Offering of Shares made hereby. Many of the figures set forth below represent the best estimate of the Company since they cannot be precisely calculated at this time. The percentage of the Gross Proceeds of the Offering of Shares to be invested in Company properties is estimated to be approximately 84%.

	MINIMUM OFFERING		MAXIMUM OFFERING (1)	
	Amount	Percent	Amount	Percent
Gross Offering Proceeds (2)	\$1,250,000	100%	\$151,200,000	100%
Less Public Offering Expenses:				
Selling Commissions (3)	87,500	7%	10,080,000	6.7%
Organization and Offering Expenses (4)	37,500	3%	4,500,000	3%
Marketing support and due diligence reimbursement fee(5)	31,250	2.5%	3,750,000	2.5%
Amount Available for Investment (6)	\$1,093,750	87.5%	\$132,870,000	87.8%
Acquisition and Development:				

Acquisition and Advisory Fees (7)	\$ 37,500	3%	\$ 4,500,000	3%
Acquisition Expenses (8)	6,250	0.5%	750,000	0.5%
Initial Working Capital Reserve (9)	(9)	-	(9)	-
Amount Invested in Properties (6) (10)	\$1,050,000	84%	\$127,620,000	84.4%
	=====	=====	=====	=====

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- (1) Excludes 1,500,000 Shares that may be sold pursuant to the Reinvestment Plan, but includes 600,000 Shares which may be issued pursuant to the Soliciting Dealer Warrants.
 - (2) The amounts shown for Gross Offering Proceeds do not reflect the possible discounts in commissions and other fees as described in "Plan Of Distribution."
 - (3) Includes Selling Commissions equal to 7% of aggregate Gross Offering Proceeds (which commissions may be reduced under certain circumstances) which are payable to the Dealer Manager, an Affiliate. The Company also will issue to the Dealer Manager one Soliciting Dealer Warrant for every 25 Shares sold. The Dealer Manager, in its sole discretion, may reallocate Selling Commissions of up to 7% of Gross Offering Proceeds and Soliciting Dealer Warrants to other broker-dealers participating in this Offering attributable to the Shares sold by them. In no event shall the total underwriting compensation, including Selling Commissions, and expense reimbursements, exceed 7% of Gross Offering Proceeds, except for an additional Marketing and Due Diligence Fee equal to 2.5% of Gross Offering Proceeds which may be paid as a reimbursement of expenses incurred for marketing support (2%) and due diligence (.5%) purposes. See "Plan of Distribution."
 - (4) These amounts represent the Advisor's best estimates of the Organization and Offering Expenses to be incurred in connection with the Offering. Organization and Offering Expenses consist of estimated legal, accounting, printing and other accountable offering expenses (other than Selling Commissions and the Marketing and Due Diligence Fee). The Advisor and other Affiliates will be responsible for the payment of Organization and Offering Expenses (other than Selling Commissions and the marketing support and due diligence reimbursement fee) to the extent they exceed 3% of Gross Offering Proceeds, without recourse against or reimbursement by the Company.
 - (5) All or a portion of the Marketing and Due Diligence Fee may be reallocated to the non-affiliated Dealers which will assist the Dealer Manager in the distribution of Shares (the "Soliciting Dealers") for bona fide due diligence expenses. Up to .5% of the Marketing and Due Diligence Fee may be paid as a reimbursement of due diligence expenses and up to 2% of the Marketing and Due Diligence Fee may be paid as a reimbursement of marketing support expenses in connection with the Offering.
 - (6) Until required in connection with the acquisition and development of properties, substantially all of the net proceeds of the Offering and, thereafter, the working capital reserves of the Company, may be invested in short-

term, highly-liquid investments including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts.

- (7) The Company will pay Acquisition and Advisory Fees to the Advisor or other Affiliates in connection with the acquisition of properties up to a maximum amount of 3% of Gross Offering Proceeds. Acquisition and Advisory Fees do not include Acquisition Expenses.
- (8) Includes legal fees and expenses, travel and communication expenses, costs of appraisals, nonrefundable option payments, accounting fees and expenses,

title insurance premiums and other closing costs and miscellaneous expenses relating to the selection, acquisition and development of properties that ultimately are not acquired by the Company. With respect to successful acquisitions, such costs generally will be included in the purchase price of the applicable property. It is anticipated that substantially all of such items will be directly related to the acquisition of specific properties and will be capitalized rather than currently deducted by the Company.

- (9) Because the vast majority of leases for the properties acquired by the Company will provide for tenant reimbursement of operating expenses, it is not anticipated that a permanent reserve for maintenance and repairs of the Company's properties will be established. However, to the extent that the Company has insufficient funds for such purposes, the Company may apply an aggregate amount of up to 1% of Gross Offering Proceeds for maintenance and repairs of the Company's properties. The Company also may, but is not required to, establish reserves from Gross Offering Proceeds, out of cash flow generated by operations properties or out of Nonliquidating Net Sale Proceeds.
- (10) Includes amounts anticipated to be invested in properties net of fees and expenses. It is estimated that approximately 84% of the proceeds of this Offering will be used to acquire properties.

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MANAGEMENT COMPENSATION

The following table summarizes and discloses all of the compensation and fees (including reimbursement of expenses) to be paid by the Company to the Dealer Manager, the Soliciting Dealers, the Advisor and the Management Company during the various phases of the organization and operation of the Company.

FORM OF COMPENSATION AND ENTITY RECEIVING -----	DETERMINATION OF AMOUNT -----	ESTIMATED MAXIMUM DOLLAR AMOUNT (1) (2) -----
ORGANIZATIONAL AND OFFERING STAGE -----		
Selling Commissions - The Dealer Manager	Up to 7% of Gross Offering Proceeds before reallocation of commissions earned by participating broker-dealers. The Dealer Manager intends to reallocate 100% of commissions earned by participating broker-dealers.	\$10,500,000 at the Maximum Offering and \$87,500 at the Minimum Offering
Reimbursement of Organization and Offering Expenses - The Advisor and its Affiliates	Up to 3% of Gross Offering Proceeds. All Organization and Offering Expenses (excluding Selling Commissions) will be advanced by the Advisor and its Affiliates and reimbursed by the Company.	\$4,500,000 at the Maximum Offering and \$37,500 at the Minimum Offering.
Marketing support and due diligence expense - Dealer Manager and Soliciting Dealers	Up to 2.5% of Gross Offering Proceeds for reimbursement of bona fide marketing and due diligence expenses.	\$3,750,000 at the Maximum Offering and \$31,250 at the Minimum Offering.
ACQUISITION AND DEVELOPMENT STAGE -----		
Acquisition and Advisory Fees - The Advisor or its Affiliates	For the review and evaluation of potential real property acquisitions, a fee of up to 3% of Gross Offering Proceeds, plus reimbursement of costs and expenses for the acquisition of properties.	\$4,500,000 at the Maximum Offering and \$43,750 at the Minimum Offering.
Reimbursement of Acquisition Expenses - The Advisor	Up to .5% of the Gross Offering Proceeds for reimbursement of expenses related to real property acquisitions, such as legal fees, travel and communication expenses, title insurance premiums expenses.	\$750,000 at the Maximum Offering and \$6,250 at the Minimum Offering.
OPERATIONAL STAGE -----		
Property Management and Leasing Fees - The Management Company	For supervising the management of the Company's properties, a fee equal to 4.5% of the gross rental incomes (approximately 2% - 3% of which is expected to come from direct tenant chargebacks resulting in a net fee payable by each property of 1.5% to 2.5%), and in the case of leases to new tenants, an initial leasing fee equal to the lesser of (i) the first month's rent under the applicable lease or (ii) the amounts charged by unaffiliated persons rendering comparable services in the same geographic area.	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.
Real Estate Commissions - The Advisor or Its Affiliates	In connection with the sale of any Company property, an amount not exceeding the lesser of: (A) 50% of the reasonable, customary and Competitive Real Estate Brokerage Commissions customarily paid for the sale of a comparable property in light of the	Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

size, type and location of the property, or (B) 3% of the gross sales price of each property (subject to limitations), subordinated to distributions to shareholders from Sale Proceeds of an amount which, together with prior distributions to the shareholders, will equal (i) 100% of their Invested Capital plus (ii) an 8% per annum cumulative (noncompounded) return on their Invested Capital (their "Common Return").

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Subordinated Incentive fee upon Listing - The Advisor

Upon Listing, a fee equal to 10% of the amount by which (i) the market value of the Company plus the total distributions made to shareholders from the Company's inception until the date of Listing exceeds (ii) the sum of (A) 100% of Invested Capital and (B) the total distributions required to pay the Common Return to the shareholders from inception through the date on which the market value is determined.

Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

LIQUIDATION/TERMINATION STAGE

Subordinated Participation in Nonliquidating Net Sale Proceeds and Liquidating Distributions - The Advisor

After all shareholders have received a return of their Invested Capital and their Common Return, then the Advisor is entitled to receive the following amounts: (a) an amount equal to the capital contributed by the Advisor to the Operating Partnership, (b) then, 10% of remaining Residual Proceeds available for distribution.

Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time.

The Company may not make reimbursements to any entity for operating expenses in excess of 2% of Average Invested Assets or 25% of Net Income for such year.

- (1) Assumes that the maximum number of 15,000,000 Shares is sold (excluding any Shares sold pursuant to the Reinvestment Plan).
- (2) The Company may not make reimbursements to any entity for operating expenses in excess of 2% of Average Invested Assets or 25% of Net Income for such year.

In addition, the Advisor and its Affiliates will be reimbursed only for the actual cost of goods, services and materials used for or by the Company as set forth in Section 10 of the Advisory Agreement. The Advisor may be reimbursed for the administrative services, including personnel costs, necessary to the prudent operation of the Company, provided that the reimbursement shall be at the lower of the Advisor's actual cost or the amount the Company would be required to pay to independent parties for comparable administrative services in the same geographic location. No payment or reimbursement will be made for services or personnel costs for which the Advisor is entitled to compensation by way of a separate fee. If the Subordinated Incentive Fee is paid to the Advisor, no other performance fee will be paid to the Advisor; if the Subordinated Participation Fee is paid to the Advisor, no Net Sales Proceeds will be paid to the Advisor.

Since the Advisor and its Affiliates are entitled to differing levels of compensation for undertaking different transactions on behalf of the Company, such as the property management fees for operating the Company's properties and the subordinated participation in proceeds from the sale of the Company's properties, the Advisor has the ability to affect the nature of the compensation it receives by undertaking different transactions. However, the Advisor is obligated to exercise good faith and integrity in all its dealings with respect to Company affairs pursuant to its fiduciary duties to the shareholders. See "The Advisor and the Advisory Agreement." As noted above, there are ceilings on certain categories of fees or expenses payable to the Advisor and its Affiliates. Because these fees or expenses are payable only with respect to certain transactions or services, they may not be recovered by the Advisor or their Affiliates by reclassifying them under a different category. The Company may not make reimbursements to any entity for operating expenses in excess of 2% of Average Invested Assets or 25% of Net Income for such year.

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stockholders of the Company and, as general partners or directors of the Prior Wells Public Programs, to act in the best interests of the partners in other programs with investments that may be similar to those of the Company and will use their best efforts to assure that the Company will be treated as favorably as any such other program. See "Management-- Fiduciary Responsibility of the Board of Directors." In addition, the Company has developed procedures to resolve potential conflicts of interest in the allocation of properties between the Company and certain of its Affiliates. See "Certain Conflict Resolution Procedures" below. The Company will supplement this Prospectus during the Offering period to disclose the acquisition of a material property at such time as the Advisor believes that a reasonable probability exists that the Company will acquire a property, including an acquisition from the Advisor or its Affiliates.

OTHER ACTIVITIES OF THE ADVISOR AND ITS AFFILIATES

The Company will rely on the Advisor for the day-to-day operation of the Company and the management of its assets. As a result of its interests in other partnerships and the fact that it has also engaged and will continue to engage in other business activities, the Advisor and its Affiliates and certain of the Directors will have conflicts of interest in allocating their time between the Company and other partnerships and activities in which they are involved. However, the Advisor believes that it and its Affiliates have sufficient personnel to discharge fully their responsibilities to all partnerships and ventures in which they are involved.

The Company may (i) purchase or lease any property in which the Advisor or any of its Affiliates have an interest, (ii) temporarily enter into contracts relating to investment in properties to be assigned to the Company prior to closing or may purchase property in their own name and temporarily hold title for the Company, and (iii) enter into joint ventures with Affiliates of the Advisor to acquire properties held by such Affiliates, provided that in any case such transaction shall be made upon a finding by a majority of Directors (including a majority of Independent Directors) not otherwise interested in the transaction that such transaction is competitive and commercially reasonable to the Company and at a price to the Company no greater than the cost of the asset to the Advisor or such Affiliate (including acquisition and carrying costs), or, if the price to the Company is in excess of such cost, that substantial justification for such excess exists and such excess is reasonable and only if the possibility of such acquisition(s) is disclosed, and there is appropriate disclosure of the material facts concerning each such investment. In no event shall the cost of such asset to the Company exceed its current appraised value. The Advisor or such Affiliate may not hold title to any such property on behalf of the Company or an Affiliated joint venture for more than 12 months, and further the Advisor or its Affiliates shall not sell property to the Company or an Affiliated joint venture if the cost of the property exceeds the funds reasonably anticipated to be available for the Company to purchase any such property, and that all profits and losses during the period any such property is held by the Advisor or the Affiliate will accrue to the Company or the Affiliated joint venture, as applicable. In no event may the Company (i) sell or lease real property to the Advisor or any of its Affiliates (unless a majority of the Independent Directors determine that the transaction is fair and reasonable to the Company); (ii) loan Company funds to the Advisor or any of its Affiliates; (iii) obtain appraisals of real properties from the Advisor or any of their Affiliates; or (iv) enter into agreements with the Advisor or its Affiliates for the provision of insurance covering the Company or any property owned by the Company.

COMPETITION

Conflicts of interest will exist to the extent that the Company may acquire properties in the same geographic areas where other properties owned by the Advisor and its Affiliates are located. In such a case, a conflict could arise in the leasing of the Company's properties in the event that the Company and

another program managed by the Advisor or its Affiliates were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of the Company's properties in the event that the Company and another program managed by the Advisor or its Affiliates were to attempt to sell similar properties at the same time. Conflicts of interest may also exist at such time as the Company or Affiliates of the Advisor managing property on behalf of the Company seek to employ developers, contractors or building managers as well as under other circumstances. The Advisor will seek to reduce conflicts relating to the employment of developers, contractors or building managers by making prospective employees aware of all such properties seeking to employ such persons. In addition, the Advisor will seek to reduce conflicts which may arise with respect to properties available for sale or rent by making prospective purchasers or lessees aware of all such properties. However, these conflicts cannot be fully avoided in that the Advisor may establish differing compensation arrangements for employees at different properties or differing terms for resales or leasing of the various properties.

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AFFILIATED DEALER MANAGER

Because the Dealer Manager is an Affiliate of the Advisor, the Company will not have the benefit of an independent due diligence review and investigation of the type normally performed by an unaffiliated, independent underwriter in connection with the offering of securities. See "Plan of Distribution."

AFFILIATED PROPERTY MANAGER

Since it is anticipated that the Company's properties will be managed and leased by the Management Company, an Affiliate of the Advisor, the Company will not have the benefit of independent property management. See "Management Compensation."

AFFILIATED DEVELOPER

It is expected that Wells Development, an Affiliate of the Advisor, will serve as the developer of certain unimproved properties acquired by the Company, but will not receive any profit from the development of such properties.

LACK OF SEPARATE REPRESENTATION

Hunton & Williams is counsel to the Company, the Advisor, the Dealer Manager and their Affiliates in connection with this Offering and may in the future act as counsel to the Company, the Advisor, the Dealer Manager and their Affiliates. There is a possibility that in the future the interests of the various parties may become adverse. In the event that a dispute were to arise between the Company, the Advisor, the Dealer Manager or their Affiliates, the Advisor will cause the Company to retain separate counsel for such matters as and when appropriate.

JOINT VENTURES WITH AFFILIATES OF THE ADVISOR

The Company is likely to enter into one or more joint venture agreements with Affiliates of the Advisor for the acquisition, development or improvement of properties. See "Investment Objectives and Criteria--Joint Venture Investments." The Advisor and its Affiliates may have conflicts of interest in determining which partnerships should enter into any joint venture agreement. Should any such joint venture be consummated, the Advisor may face a conflict in structuring the terms of the relationship between the interest of the Company and the interest of the affiliated co-venturer. Since the Advisor and its Affiliates will control both the Company and the affiliated co-venturer, agreements and transactions between the co-venturers with respect to any such joint venture will not have the benefit of arm's-length negotiation of the type normally conducted between unrelated co-venturers.

RECEIPT OF FEES AND OTHER COMPENSATION BY ADVISOR AND AFFILIATES

Company transactions involving the purchase and sale of the Company's properties may result in the receipt of commissions, fees and other compensation by the Advisor and its Affiliates, including Acquisition and Advisory Fees, property management and leasing fees, real estate brokerage commissions, and participation in distributions of Nonliquidating Net Sale Proceeds and Liquidating Distributions. However, the fees and compensation payable to the Advisor and its Affiliates relating to sale of the Company's properties are subordinated to the return to the shareholders of their Invested Capital plus cumulative returns thereon. Subject to the oversight of the Board of Directors, the Advisor has considerable discretion with respect to all decisions relating to the terms and timing of all Company transactions. Therefore, the Advisor may have conflicts of interest concerning certain actions taken on behalf of the Company, particularly due to the fact that such fees will generally be payable to the Advisor and its Affiliates regardless of the quality of the properties acquired or the services provided to the Company. See "Management Compensation."

CERTAIN CONFLICT RESOLUTION PROCEDURES

In order to reduce or eliminate certain potential conflicts of interest, the Articles of Incorporation contain a number of restrictions relating to (i) transactions between the Company and the Advisor or its Affiliates, (ii) certain

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future offerings, and (iii) allocation of properties among certain affiliated entities. These restrictions include, among others, the following:

1. No goods or services will be provided by the Advisor or its Affiliates to the Company except for transactions in which the Advisor or its Affiliates provide goods or services to the Company in accordance with the Articles of Incorporation which provides that a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in such transactions must approve such transactions as fair and reasonable to the Company and on terms and conditions not less favorable to the Company than those available from unaffiliated third parties and not less favorable than those available from the Advisor or its Affiliates in transactions with unaffiliated third parties.

2. The Company will not purchase or lease properties in which the Advisor or its Affiliates has an interest without the determination, by a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in such transaction, that such transaction is competitive and commercially reasonable to the Company and at a price to the Company no greater than the cost of the asset to the Advisor or its Affiliate unless there is substantial justification for any amount that exceeds such cost and such excess amount is determined to be reasonable. In no event shall the Company acquire any such asset at an amount in excess of its appraised value. The Company will not sell or lease properties to the Advisor, Directors, or any Affiliates unless a majority of the Directors (including a majority of the Independent Directors) not interested in the transaction determine the transaction is fair and reasonable to the Company. The Company will not purchase or lease properties from the Advisor, Directors, or any Affiliate without the approval of a majority of the Directors (including the Independent Directors).

3. The Company will not make any loans to the Advisor, Directors or any Affiliates. The Advisor and its Affiliates will not make loans to the Company, or to joint ventures in which the Company is a co-venturer, for the purpose of acquiring properties. Any loans to the Company by the Advisor, Directors, or any Affiliates for other purposes must be approved by a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in such transaction as fair, competitive, and commercially reasonable, and no less favorable to the Company than comparable loans between unaffiliated parties. It is anticipated that the Advisor or its Affiliates shall be entitled to reimbursement, at cost, for actual expenses incurred by them on behalf of the Company or joint ventures in which the Company is a co-venturer, subject to the 2%/25% Guidelines (2% of Average Invested Assets or 25%

of Net Income) described under "The Advisor and the Advisory Agreement--The Advisory Agreement."

4. The Board of Directors and the Advisor have agreed that, in the event than an investment opportunity becomes available which is suitable for both the Company and a public or private entity with which the Advisor or its Affiliates are affiliated, for which both entities have sufficient uninvested funds, then the entity which has had the longest period of time elapse since it was offered an investment opportunity will first be offered the investment opportunity. An investment opportunity will not be considered suitable for a program if the requirements of Item 3 above could not be satisfied if the program were to make the investment. In determining whether or not an investment opportunity is suitable for more than one program, the Board of Directors and the Advisor will examine such factors, among others, as the cash requirements of each program, the effect of the acquisition both on diversification of each program's investments by types of commercial office properties and geographic area, and on diversification of the tenants of its properties (which also may affect the need for one of the programs to prepare or produce audited financial statements for a property or a tenant), the anticipated cash flow of each program, the size of the investment, the amount of funds available to each program, and the length of time such funds have been available for investment. If a subsequent development, such as a delay in the closing of a property or a delay in the construction of a property, causes any such investment, in the opinion of the Board of Directors and the Advisor, to be more appropriate for an entity other than the entity which committed to make the investment, however, the Advisor has the right to agree that the other entity affiliated with the Advisor or its Affiliates may make the investment. It shall be the duty of the Directors (including the Independent Directors) to insure that the method for the allocation of the acquisition of properties by two or more programs of the same Advisor seeking to acquire similar types of assets shall be reasonable. The Advisor and certain other Affiliates of the Company are affiliated with Wells Fund X, a prior public program which terminated its offering in December 1997. In addition, the Advisor and its Affiliates are affiliated with Wells Fund XI, a publicly registered partnership that has not offered any securities to date. As of August 31, 1997, Wells Fund X had approximately \$ 10,979,538 available for investment.

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SUMMARY OF REINVESTMENT PLAN

The Company has adopted the Reinvestment Plan pursuant to which stockholders may elect to have the full amount of their cash distributions from the Company reinvested in additional Shares of the Company. The following discussion summarizes the principal terms of the Reinvestment Plan. The Reinvestment Plan and the Prospectus to be used in connection with certain sales of the Company's stock are attached hereto as Exhibit C.

GENERAL

Shareholders who have received a copy of this Prospectus and participate in this Offering can elect to participate in and purchase Shares through the Reinvestment Plan at any time and will not need to receive a separate prospectus relating solely to the Reinvestment Plan. A person who becomes a stockholder otherwise than by participating in this Offering may purchase Shares through the Reinvestment Plan only after receipt of a separate prospectus relating solely to the Reinvestment Plan.

The price per Share purchased pursuant to the Reinvestment Plan shall be the Offering price, which is \$10.00 per Share, until all of the Shares in this Offering that are reserved for the Reinvestment Plan have been sold thereunder. After such time, Shares for the Reinvestment Plan may be acquired by the Company either through purchases on the open market and/or additional registrations relating to the Reinvestment Plan, in either case at a per Share price equal to the then-prevailing market price on the securities exchange or over-the-counter market on which the Shares are listed at the date of purchase. The Company is unable to predict the effect which such a Listing would have on the price of the

Shares acquired through the Reinvestment Plan.

INVESTMENT OF DISTRIBUTIONS

Distributions will be used to purchase Shares on behalf of the Participants from the Company. All such distributions shall be invested in Shares within 30 days after such payment date. Any distributions not so invested will be returned to Participants.

At this time, Participants will not have the option to make voluntary contributions to the Reinvestment Plan to purchase Shares in excess of the amount of Shares that can be purchased with their distributions. The Board of Directors reserves the right, however, to amend the Reinvestment Plan in the future to permit voluntary contributions to the Reinvestment Plan by Participants, to the extent consistent with the Company's objective of qualifying as a REIT.

PARTICIPANT ACCOUNTS, FEE, AND ALLOCATION OF SHARES

For each Participant, the Company will maintain a record which shall reflect for each fiscal quarter the distributions received by the Company on behalf of such Participant. Any interest earned on such Distributions will be paid to the Company to defray certain costs relating to the Reinvestment Plan.

The Company will use the aggregate amount of distributions to all Participants for each fiscal quarter to purchase Shares for the Participants. If the aggregate amount of distributions to Participants exceeds the amount required to purchase all Shares then available for purchase, the Company will purchase all available Shares and will return all remaining distributions to the Participants within 30 days after the date such distributions are made. The purchased Shares will be allocated among the Participants based on the portion of the aggregate distributions received on behalf of each Participant, as reflected in the records maintained by the Company. The ownership of the Shares purchased pursuant to the Reinvestment Plan shall be reflected on the books of the Company.

Shares acquired pursuant to the Reinvestment Plan will entitle the Participant to the same rights and to be treated in the same manner as those purchased by the Participants in the Offering. Accordingly, the Company will pay the following commissions and fees in connection with Shares sold under the Reinvestment Plan (until all such Shares are sold): the Selling Commissions of 7% (subject to reduction under the circumstances provided under "The Offering--Plan of Distribution"), the Marketing and Due Diligence Fee of 2.5%, and the Acquisition and Advisory Fees of 3% of the purchase price of the Shares sold pursuant to the Reinvestment Plan. In connection with investments by

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Ohio investors, the Company will pay only Acquisition and Advisory Fees of 3% of the purchase price of the Shares sold pursuant to the Reinvestment Plan. Thereafter, Acquisition and Advisory Fees will be paid by the Company only in the event that proceeds of the sale of Shares are used to acquire properties. As a result, aggregate fees payable to Affiliates of the Company will total between 9% and 12.5% of the proceeds of reinvested distributions, up to 7% of which may be reallocated to Soliciting Dealers.

The allocation of Shares among Participants may result in the ownership of fractional Shares, computed to four decimal places.

REPORTS TO PARTICIPANTS

Within 60 days after the end of each fiscal quarter, the Company will mail to each Participant a statement of account describing, as to such Participant, the distributions reinvested during the quarter, the number of Shares purchased during the quarter, the per Share purchase price for such Shares, the total administrative charge paid by the Company on behalf of each Participant (see "--Participant Accounts, Fees and Allocation of Shares" above), and the total

number of Shares purchased on behalf of the Participant pursuant to the Reinvestment Plan. See "--General" above.

Tax information with respect to income earned on Shares under the Reinvestment Plan for the calendar year will be sent to each participant by the Company.

ELECTION TO PARTICIPATE OR TERMINATE PARTICIPATION

Stockholders of the Company who purchase Shares in this Offering may become Participants in the Reinvestment Plan by making a written election to participate on their Subscription Agreements at the time they subscribe for Shares. Any other stockholder who receives a copy of this Prospectus or a separate prospectus relating solely to the Reinvestment Plan and who has not previously elected to participate in the Reinvestment Plan may so elect at any time by completing the enrollment form attached to such prospectus or by other appropriate written notice to the Plan Administrator or Company of such stockholder's desire to participate in the Reinvestment Plan. Participation in the Reinvestment Plan will commence with the next distribution made after receipt of the Participant's notice, provided it is received at least ten days prior to the record date for such distribution. Subject to the preceding sentence, the election to participate in the Reinvestment Plan will apply to all distributions attributable to the fiscal quarter in which the stockholder made such written election to participate in the Reinvestment Plan and to all fiscal quarters thereafter, whether made (i) upon subscription or subsequently for stockholders who participate in this offering, or (ii) upon receipt of a separate prospectus relating solely to the Reinvestment Plan for stockholders who do not participate in this offering. Participants will be able to terminate their participation in the Reinvestment Plan at any time without penalty by delivering written notice to the Plan Administrator or Company no less than ten days prior to the next record date. The Company may also terminate the Reinvestment Plan for any reason at any time, upon 10 days' prior written notice to all Participants.

A Participant who chooses to terminate participation in the Reinvestment Plan must terminate his or her entire participation in the Reinvestment Plan and will not be allowed to terminate in part. If the Reinvestment Plan is terminated, the Company will update its stock records to account for all whole shares purchased by the participant(s) in the Plan, and if any fractional shares exist, the Company may either (a) send you a check in payment for any fractional shares in your account based in the then-current market price for the shares, or (b) credit your stock ownership account with any such fractional shares. There are no fees associated with a Participant's terminating his interest in the Reinvestment Plan or the Company's termination of the plan. A Participant in the Reinvestment Plan who terminates his interest in the Reinvestment Plan will be allowed to participate in the Reinvestment Plan again by notifying the Company and completing any required forms.

The Board of Directors reserves the right to prohibit Qualified Plans from participating in the Reinvestment Plan if such participation would cause the underlying assets of the Company to constitute "plan assets" of Qualified Plans. See "Federal Income Tax Considerations --Taxation of Tax-Exempt Shareholders."

FEDERAL INCOME TAX CONSIDERATIONS

Stockholders subject to federal income taxation who elect to participate in the Reinvestment Plan will incur a tax liability for distributions allocated to them even though they have elected not to receive their distributions in cash but rather to have their distributions held pursuant to the Reinvestment Plan. Specifically, stockholders will be treated as if they have received the distribution from the Company and then applied such Distribution to purchase Shares in the Reinvestment Plan. A stockholder designating a distribution for reinvestment will be taxed on the amount of such distribution as ordinary income to the extent such distribution is from current or accumulated earnings and profits, unless the Company has designated all or a portion of the distribution

as a capital gain dividend. In such case, such designated portion of the distribution will be taxed as long-term capital gain.

AMENDMENTS AND TERMINATION

The Company reserves the right to amend any aspect of the Reinvestment Plan without the consent of stockholders, provided that notice of the amendment is sent to Participants at least 30 days prior to the effective date thereof. The Company also reserves the right to terminate the Reinvestment Plan for any reason at any time by ten days' prior written notice of termination to all Participants. The Company may terminate a Participant's participation in the Plan immediately if in the Company's judgment such Participant's participation jeopardizes in any way the Company's status as a real estate investment trust.

SHARE REPURCHASE PROGRAM

The Share Repurchase Program ("SRP") may, subject to certain restrictions, provide eligible stockholders with limited, interim liquidity by enabling them to sell Shares back to the Company at a price during the period of this Offering equal to \$8.40 per Share. After the Offering, the price per Share pursuant to the SRP will be set from time to time by the Board of Directors in its sole discretion. In such cases, the Board of Directors will consider the Company's net asset value, recent comparable offerings and other factors which the Board of Directors, in its sole discretion, deems relevant. Repurchase prices are expected to be available on the Company's Internet/World Wide Web site (www.wellsref.com), and will be given by telephone upon request.

Repurchases under the SRP, when done, will be made quarterly by the Company in its sole discretion on a first-come, first-served basis, and will be limited in the following ways: (i) not more than \$500,000 worth of the outstanding Shares will be repurchased in any given year; and (ii) the funds available for repurchase will be limited to available proceeds received by the Company from the sale of Shares under the Reinvestment Plan. The determination of available funds from sales under the Reinvestment Plan and the decision to repurchase Shares will be at the sole discretion of the Board. In making this determination, the Board will consider the need to use proceeds from the Share sales under the Reinvestment Plan for investment in additional properties, or for maintenance or repair of existing properties. Such property-related uses will have priority over the need to allocate funds to the SRP. To be eligible to offer Shares for purchase to the SRP, the stockholder must have beneficially held the Shares for at least one year.

The Company cannot guarantee that funds will be available for repurchase. If no funds are available for the SRP at the time when repurchase is requested, the stockholder could: (i) withdraw his request for repurchase; or (ii) ask that the Company honor the request at such time, if any, when funds are available. Such pending requests will be honored on a first-come, first-served basis. There is no requirement that stockholders sell their Shares to the Company. The SRP is only intended to provide interim liquidity for stockholders until a secondary market develops for the Shares. No such market presently exists and no assurance can be given that one will develop. The SRP will exist during the Offering period and will be terminated following the close of the Offering period upon the Listing.

Shares purchased by the Company under the SRP will be canceled, and will have the status of authorized but unissued Shares. Shares acquired by the Company through the SRP will not be reissued unless they are first registered with the Commission under the Act and under appropriate state securities laws or otherwise issued in compliance with such laws.

PRIOR PERFORMANCE SUMMARY

THE INFORMATION PRESENTED IN THIS SECTION REPRESENTS THE HISTORICAL EXPERIENCE OF REAL ESTATE PROGRAMS MANAGED BY THE ADVISOR AND ITS AFFILIATES. INVESTORS IN THE COMPANY SHOULD NOT ASSUME THAT THEY WILL EXPERIENCE RETURNS, IF

ANY, COMPARABLE TO THOSE EXPERIENCED BY INVESTORS IN SUCH PRIOR REAL ESTATE PROGRAMS.

The Advisor serves as a general partner of a total of twelve real estate limited partnerships, eleven of which have completed offerings and one of which has commenced but not completed its public offering. A twelfth partnership is in registration with the Commission and thus has not commenced. These limited partnerships and the year in which their offerings were completed are as follows:

1. Wells Real Estate Fund I (1986)
2. Wells Real Estate Fund II (1988)
3. Wells Real Estate Fund II-OW (1988)
4. Wells Real Estate Fund III, L.P. (1990)
5. Wells Real Estate Fund IV, L.P. (1992)
6. Wells Real Estate Fund V, L.P. (1993)
7. Wells Real Estate Fund VI, L.P. (1994)
8. Wells Real Estate Fund VII, L.P. (1995)
9. Wells Real Estate Fund VIII, L.P. (1996)
10. Wells Real Estate Fund IX, L.P. (1996)
11. Wells Real Estate Fund X, L.P. (1997)
12. Wells Real Estate Fund XI, L.P. (offering commenced 12-31-97)

The tables included in Exhibit A attached hereto set forth information as of the dates indicated regarding certain of these prior programs as to (i) experience in raising and investing funds (Table I); (ii) compensation to sponsor (Table II); and (iii) annual operating results of prior programs (Table III). No information is given as to results of completed programs or sales or disposals of property because, to date, none of the prior programs have sold any of their properties.

PRIOR WELLS PUBLIC PROGRAMS

The Advisor and its Affiliates sponsored the Prior Wells Public Programs, all of which were offered on an unspecified property or "blind pool" basis. The total amount of funds raised from investors in the offerings of the Prior Wells Public Programs, as of August 31, 1997, was approximately \$257,000,000, and the total number of investors in such partnerships was approximately 24,000.

The investment objectives of the Prior Wells Public Programs are substantially identical to the investment objectives of the Company. All of the proceeds of the offerings of Wells Fund I, Wells Fund II, Wells Fund II-OW, Wells Fund III, Wells Fund IV, Wells Fund V, Wells Fund VI and Wells Fund VII available for investment in real properties have been invested in properties. In addition, all of the proceeds of the offering of Wells Fund VIII available for investment in real properties have either been invested or are committed for investment in properties. As of August 31, 1997, approximately 74% and 50% of the proceeds of the offerings of Wells Fund IX and Wells Fund X, respectively, available for investment in real properties had either been invested in properties or were committed for investment in properties. Wells Fund XI commenced its offering in January 1998 and thus has no funds available for investment as of the date of this Prospectus. For the fiscal year ended December 31, 1996, approximately two-thirds of the aggregate gross rental income of ten of these eleven publicly offered partnerships was derived from tenants which are U.S. corporations, each of which the Company believes has net worth of at least \$100,000,000 or whose lease obligations are guaranteed by another corporation with a net worth of at least \$100,000,000.

The Prior Wells Public Programs have acquired a total of 31 properties in the following U.S. regions: 24 in the Southeast, one in the Northeast, two in Southcentral, one in Northcentral and two in the West. Each Prior Wells Public Program has used only proceeds from its respective offering to finance its acquisitions of properties.

The real properties in which the Prior Wells Public Programs have invested

have experienced the same economic problems as other real estate investments in recent years, including without limitation, general over-building and an excess supply in many markets, along with increased operating costs and a general downturn in the real estate industry. As a result, certain of these public partnerships have experienced increases in expenses and decreases in net income. These fluctuations were primarily due to tenant turnover, resulting in increased vacancies and the requirement to expend funds for tenant refurbishments, and increases in administrative and other operating expenses. See the Prior Performance Tables included as Exhibit A hereto. Additionally, while overall occupancy rates have not decreased significantly at the properties owned by the Prior Wells Public Programs, some of these properties have experienced high tenant turnover, and the partnerships owning these properties have generally been unable to raise rental rates and have been required to make expenditures for tenant improvements and to grant free rent and other concessions in order to attract new tenants. Specifically, certain of the Prior Wells Public Programs suffered decreases in net income during the real estate recession of the late 1980s and early 1990s, which decreases were generally attributable to the overall downturn in the economy and in the real estate market in particular. Because of the cyclical nature of the real estate market, such decreases in net income of the public partnerships could occur at any time in the future when economic conditions decline. None of these prior programs has liquidated or sold any of its real properties to date and, accordingly, no assurance can be made that prior programs will ultimately be successful in meeting their investment objectives. See "Risk Factors."

The aggregate dollar amount of the acquisition and development costs of the properties purchased by the Prior Wells Public Programs, as of August 31, 1997, was approximately \$196,419,519, of which \$4,254,000 (or approximately 2.2%) had not yet been expended on the development of certain of the projects which are still under construction. Of the aggregate amount, approximately 65.0% was or will be spent on acquiring or developing office buildings, and approximately 35.0% was or will be spent on acquiring or developing shopping centers. Of the aggregate amount, approximately 4% was or will be spent on new properties, 38% on existing or used properties and 58% on construction properties. Following is a table showing a breakdown of the aggregate amount of the acquisition and development costs of the properties purchased by the eleven Prior Wells Public Programs as of October 31, 1997:

Type of Property	New	Existing	Construction
Office Buildings	4%	26%	35%
Shopping Centers	---	11%	24%

Wells Fund I terminated its offering on September 5, 1986, and received gross proceeds of \$35,321,000 representing subscriptions from 4,895 limited partners. \$24,679,000 of the gross proceeds were attributable to sales of Class A Limited Partnership Units ("Class A Units"), and \$10,642,000 of the gross proceeds were attributable to sales of Class B Limited Partnership Units ("Class B Units" and, collectively with the Class A Units, "Units"). Limited partners in Wells Fund I have no right to change the status of their Units from Class A to Class B or vice versa. Wells Fund I owns interests in the following properties: (i) a medical office building in Atlanta, Georgia; (ii) two commercial office buildings in Atlanta, Georgia; (iii) a shopping center in DeKalb County, Georgia; (iv) a shopping center in Knoxville, Tennessee; (v) a shopping center in Cherokee County, Georgia; and (vi) a project consisting of seven office buildings and a shopping center in Tucker, Georgia. The prospectus of Wells Fund I provided that the properties purchased by Wells Fund I would typically be held for a period of eight to twelve years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund I and the partnership will have no obligation to sell properties at any particular time. Wells Fund I acquired its properties between 1985 and 1987, and has not yet liquidated or sold any of its properties.

Wells Fund II and Wells Fund II-OW terminated their offerings on September 7, 1988, and received aggregate gross proceeds of \$36,870,250 representing subscriptions from 4,659 limited partners. \$28,829,000 of the gross proceeds were attributable to sales of Class A Units, and \$8,041,250 of the gross proceeds were attributable to sales of

Class B Units. Limited partners in Wells Fund II and Wells Fund II-OW have no right to change the status of their Units from Class A to Class B or vice versa. Wells Fund II and Wells Fund II-OW own all of their properties through a joint venture, which owns interests in the following properties: (i) a shopping center in Cherokee County, Georgia; (ii) a project consisting of seven office buildings and a shopping center in Tucker, Georgia; (iii) a two story office building in Charlotte, North Carolina; (iv) a four story office building in Houston, Texas; (v) a restaurant in Roswell, Georgia; and (vi) a combined retail and office development in Roswell, Georgia.

Wells Fund III terminated its offering on October 23, 1990, and received gross proceeds of \$22,206,310 representing subscriptions from 2,700 limited partners. \$19,661,770 of the gross proceeds were attributable to sales of Class A Units, and \$2,544,540 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund III have no right to change the status of their Units from Class A to Class B or vice versa. Wells Fund III owns interests in the following properties: (i) a four story office building in Houston, Texas; (ii) a restaurant in Roswell, Georgia; (iii) a combined retail and office development in Roswell, Georgia; (iv) a two story office building in Greenville, North Carolina; (v) a shopping center in Stockbridge, Georgia; and (vi) a two story office building in Richmond, Virginia.

Wells Fund IV terminated its offering on February 29, 1992, and received gross proceeds of \$13,614,655 representing subscriptions from 1,286 limited partners. \$13,229,150 of the gross proceeds were attributable to sales of Class A Units, and \$385,505 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund IV have no right to change the status of their Units from Class A to Class B or vice versa. Wells Fund IV owns interests in the following properties: (i) a shopping center in Stockbridge, Georgia; (ii) a four story office building in Jacksonville, Florida; (iii) a two story office building in Richmond, Virginia; and (iv) two two-story office buildings in Stockbridge, Georgia.

Wells Fund V terminated its offering on March 3, 1993, and received gross proceeds of \$17,006,020 representing subscriptions from 1,667 limited partners. \$15,209,666 of the gross proceeds were attributable to sales of Class A Units, and \$1,796,354 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund V who purchased Class B Units are entitled to change the status of their Units to Class A, but limited partners who purchased Class A Units are not entitled to change the status of their Units to Class B. After taking into effect conversion elections made by limited partners subsequent to their subscription for Units, as of October 31, 1997, \$15,514,160 of Units of Wells Fund V were treated as Class A Units, and \$1,491,860 of Units were treated as Class B Units. Wells Fund V owns interests in the following properties: (i) a four story office building in Jacksonville, Florida; (ii) two two-story office buildings in Stockbridge, Georgia; (iii) a four story office building in Hartford, Connecticut; (iv) two restaurants in Stockbridge, Georgia; and (v) a three story office building in Appleton, Wisconsin. Since its inception in 1992, Wells Fund V reported a net loss of \$18,089 in 1992, and net income of \$354,999, \$561,721, \$689,639 and \$505,650 in years 1993 through 1996, respectively. In such years, Wells Fund V distributed a total of \$151,336, \$643,334, \$969,011 and \$1,007,107, respectively, to investors (excluding returns of capital and distributions from prior year operations). See "Exhibit A--Prior Performance Tables" attached to this Prospectus for further detail on the performance of Wells Fund V.

Wells Fund VI terminated its offering on April 4, 1994, and received gross proceeds of \$25,000,000 representing subscriptions from 1,793 limited partners. \$19,332,176 of the gross proceeds were attributable to sales of Class A Units, and \$5,667,824 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund VI are entitled to change the status of their Units from Class A to Class B and vice versa. After taking into effect

conversion elections made by limited partners subsequent to their subscription for Units, as of October 31, 1997, \$21,538,950 of Units of Wells Fund VI were treated as Class A Units, and \$3,461,050 of Units were treated as Class B Units. Wells Fund VI owns interests in the following properties: (i) a four story office building in Hartford, Connecticut; (ii) two restaurants in Stockbridge, Georgia; (iii) another restaurant and a retail building in Stockbridge, Georgia; (iv) a shopping center in Stockbridge, Georgia; (v) a three story office building in Appleton, Wisconsin; (vi) a shopping center in Cherokee County, Georgia; (vii) a combined retail and office development in Roswell, Georgia; (viii) a four story office building in Jacksonville, Florida; and (ix) a shopping center in Clemmons, North Carolina. Since its inception in 1993, Wells Fund VI reported net income of \$31,428, \$700,896, \$901,828 and \$589,053 in years 1993 through 1996, respectively. In such years, Wells Fund VI distributed a total of \$0, \$245,800, \$1,044,940 and \$1,042,175, respectively, to investors (excluding returns of capital and distributions from prior year operations). See "Exhibit A--Prior Performance Tables" attached hereto for further detail on the performance of Wells Fund VI.

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Wells Fund VII terminated its offering on January 5, 1995, and received gross proceeds of \$24,180,174 representing subscriptions from 1,910 limited partners. \$16,788,095 of the gross proceeds were attributable to sales of Class A Units, and \$7,392,079 of the gross proceeds were attributable to sales of Class B Units. Limited partners in Wells Fund VII are entitled to change the status of their Units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for Units, as of October 31, 1997, \$18,656,280 of Units in Wells Fund VII were treated as Class A Units, and \$5,523,890 of Units were treated as Class B Units. Wells Fund VII owns interests in the following properties: (i) a three story office building in Appleton, Wisconsin; (ii) a restaurant and a retail building in Stockbridge, Georgia; (iii) a shopping center in Stockbridge, Georgia; (iv) a shopping center in Cherokee County, Georgia; (v) a combined retail and office development in Roswell, Georgia; (vi) a two story office building in Alachua County, Florida near Gainesville; (vii) a four story office building in Jacksonville, Florida; (viii) a shopping center in Clemmons, North Carolina; and (ix) a retail development in Clayton County, Georgia. Since its inception in 1994, Wells Fund VII has reported net income of \$203,263, \$804,043 and \$452,776 in years 1994 through 1996, respectively. In such years, Wells Fund VII distributed a total of \$52,195, \$856,032 and \$781,511, respectively, to investors (excluding returns of capital and distributions from prior year operations). See "Exhibit A--Prior Performance Tables" attached to this Prospectus for further detail on the performance of Wells Fund VII.

Wells Fund VIII terminated its offering on January 4, 1996, and received gross proceeds of \$32,042,689 representing subscriptions from 2,241 limited partners. \$26,135,339 of the gross proceeds were attributable to sales of Class A Status Units, and \$5,907,350 were attributable to sales of Class B Status Units. Limited partners in Wells Fund VIII are entitled to change the status of their Units from Class A to Class B and vice versa. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for Units, as of October 31, 1997, \$26,353,280 of Units in Wells Fund VIII were treated as Class A Status Units, and \$5,679,410 of Units were treated as Class B Status Units. Wells Fund VIII owns interests in the following properties: (i) a two story office building in Alachua County, Florida near Gainesville; (ii) a four story office building in Jacksonville, Florida; (iii) a shopping center in Clemmons, North Carolina; (iv) a retail development in Clayton County, Georgia; (v) a four story office building in Madison, Wisconsin; and (vi) a one-story office building in Farmers Branch, Texas; (vii) a two story office building in Orange County, California; and (viii) a two story office building in Boulder County, Colorado. Since its inception in 1995, Wells Fund VIII has reported net income of \$273,914 and \$936,590 in years 1995 and 1996, respectively. In such years, Wells Fund VIII distributed a total of \$0 and \$903,252, respectively (excluding returns of capital and distributions from prior year operations). See "Exhibit A--Prior Performance Tables" attached to this Prospectus for further detail on the performance of Wells Fund VIII.

Wells Fund IX terminated its offering on December 30, 1996, and received gross proceeds of \$35,000,000 representing subscriptions from 2,095 limited partners. \$29,359,270 of the gross proceeds were attributable to sales of Class A Units and \$5,640,730 were attributable to sales of Class B Units. Wells Fund IX owns interests in (i) a four story office building in Madison, Wisconsin; (ii) a one story office building in Farmers Branch, Texas; (iii) a two story office building in Orange County, California; (iv) a two story office building in Boulder County, Colorado; and (v) an interest in a joint venture (in which Wells Fund X is a partner), which owns a tract of land in Knox County, Tennessee in the Knoxville metropolitan area, upon which a three story office building is being developed (the "Knoxville Joint Venture"). Wells Fund IX, which commenced operations in 1996, reported net income of \$298,756 and distributed a total of \$149,425 to investors in that year. See "Exhibit A--Prior Performance Tables" attached to this Prospectus for further detail on the performance of Wells Fund IX.

Wells Fund X commenced a public offering of up to \$35,000,000 of limited partnership units on December 31, 1996, and terminated its offering on December 30, 1997. As of November 30, 1997, Wells Fund X had received gross proceeds of \$23,058,019 representing subscriptions from 1,632 limited partners. \$18,589,699 of the gross proceeds were attributable to sales of Class A Status Units, and \$4,468,320 were attributable to sales of Class B Status Units. Wells Fund X owns an interest in the Knoxville Joint Venture.

THE INFORMATION SET FORTH ABOVE SHOULD NOT BE CONSIDERED INDICATIVE OF RESULTS TO BE EXPECTED FROM THE COMPANY.

The foregoing properties in which the Prior Wells Public Programs have invested have all been acquired and developed on an all cash basis.

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The Advisor is the general partner of Wells Partners L.P., which is a general partner of the Operating Partnership, which is a general partner of Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X and Wells Fund XI. The Advisor is a general partner of Wells Fund I, Wells Fund II, Wells Fund II-OW and Wells Fund III. Leo F. Wells, III, the President and a Director of the Company, is a general partner in each of the Prior Wells Public Programs and the sole shareholder and Director of Wells Real Estate Funds, Inc., the parent corporation of the Advisor.

Potential investors are encouraged to examine the Prior Performance Tables attached as Exhibit A hereto for more detailed information regarding the prior experience of the Advisor. In addition, upon request, prospective investors may obtain from the Advisor without charge copies of offering materials and any reports prepared in connection with any of the Prior Wells Public Programs, including a copy of the most recent Annual Report on Form 10-K filed with the Commission. For a reasonable fee, the Company will also furnish upon request copies of the exhibits to any such Form 10-K. Any such request should be directed to the Advisor. Additionally, Table VI contained in Part II of the Registration Statement (which is not part of this Prospectus) gives certain additional information relating to properties acquired by the Prior Wells Public Programs. The Company will furnish, without charge, copies of such table upon request.

MANAGEMENT

GENERAL

The Company will operate under the direction of the Board of Directors, the members of which are accountable to the Company as fiduciaries. As required by applicable regulations, a majority of the Independent Directors and a majority of the Directors have reviewed and ratified the Articles of Incorporation and have adopted the Bylaws.

The Company currently has five Directors; it may have no fewer than three Directors and no more than fifteen. Directors will be elected annually, and each Director will hold office until the next annual meeting of stockholders or until his successor has been duly elected and qualified. There is no limit on the number of times that a Director may be elected to office. Although the number of Directors may be increased or decreased as discussed above, a decrease shall not have the effect of shortening the term of any incumbent Director.

Any Director may resign at any time and may be removed with or without cause by the stockholders upon the affirmative vote of at least a majority of all the Shares outstanding and entitled to vote at a meeting called for this purpose. The notice of such meeting shall indicate that the purpose, or one of the purposes, of such meeting is to determine if a Director shall be removed.

FIDUCIARY RESPONSIBILITY OF THE BOARD OF DIRECTORS

The Board of Directors will be responsible for the management and control of the affairs of the Company; however, the Board of Directors will retain the Advisor to manage the Company's day-to-day affairs and the acquisition and disposition of investments, subject to the supervision of the Board of Directors.

The Directors are not required to devote all of their time to the Company and are only required to devote such of their time to the affairs of the Company as their duties require. The Board of Directors will meet quarterly in person or by telephone, or more frequently if necessary. It is not expected that the Directors will be required to devote a substantial portion of their time to discharge their duties as directors. Consequently, in the exercise of their fiduciary responsibilities, the Directors will rely heavily on the Advisor. In this regard, the Advisor, in addition to the Directors, will have a fiduciary duty to the Company.

The Directors will monitor the administrative procedures, investment operations, and performance of the Company and the Advisor to assure that such policies are in the best interest of the stockholders and are fulfilled. Until

modified by the Directors, the Company will follow the policies on investments set forth in this Prospectus. See "Investment Objectives and Policies."

The Independent Directors are responsible for reviewing the fees and expenses of the Company at least annually or with sufficient frequency to determine that the total fees and expenses of the Company are reasonable in light of the Company's investment performance, Net Assets, Net Income, and the fees and expenses of other comparable unaffiliated real estate investment trusts. This determination shall be reflected in the minutes of the meetings of the Board of Directors. For purposes of this determination, Net Assets are the Company's total assets (other than intangibles), calculated at cost before deducting depreciation or other non-cash reserves, less total liabilities, and computed at least quarterly on a basis consistently applied. Such determination will be reflected in the minutes of the meetings of the Board of Directors. In addition, a majority of the Independent Directors and a majority of Directors not otherwise interested in the transaction must approve each transaction with the Advisor or its Affiliates. The Board of Directors also will be responsible for reviewing and evaluating the performance of the Advisor before entering into or renewing an advisory agreement. The Independent Directors shall determine from time to time and at least annually that compensation to be paid to the Advisor is reasonable in relation to the nature and quality of services to be performed and shall supervise the performance of the Advisor and the compensation paid to it by the Company to determine that the provisions of the Advisory Agreement are being carried out. Specifically, the Independent Directors will consider factors such as the capital, Net Assets and Net Income of the Company, amount of the fee paid to the Advisor in relation to the size, composition and performance of the Company's investments, the success of the Advisor in generating appropriate investment opportunities, rates charged to

other comparable REITs and other investors by advisors performing similar services, additional revenues realized by the Advisor and its Affiliates through their relationship with the Company, whether paid by the Company or by others with whom the Company does business, the quality and extent of service and advice furnished by the Advisor, the performance of the investment portfolio of the Company and the quality of the portfolio of the Company relative to the investments generated by the Advisor for its own account. Such review and evaluation will be reflected in the minutes of the meetings of the Board of Directors. The Board of Directors shall determine that any successor Advisor possesses sufficient qualifications to (i) perform the advisory function for the Company and (ii) justify the compensation provided for in its contract with the Company.

The liability of the officers and Directors while serving in such capacity is limited in accordance with the Articles of Incorporation, Bylaws and applicable law. See "Description of Capital Stock -- Limitation of Liability and Indemnification."

DIRECTORS AND EXECUTIVE OFFICERS

The Directors and executive officers of the Company are listed below:

Name	Age	Positions
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Leo F. Wells, III	53	President and Director
Brian M. Conlon	39	Executive Vice President, Treasurer, Secretary and Director
John L. Bell	57	Independent Director
Richard W. Carpenter	60	Independent Director
Walter W. Sessoms	63	Independent Director

LEO F. WELLS, III is the President and a Director of the Company and the President and sole Director of the Advisor. He is also the sole shareholder and Director of Wells Real Estate Funds, Inc., the parent corporation of the Advisor. In addition, he is President of Wells & Associates, Inc., a real estate brokerage and investment company formed in 1976 and incorporated in 1978, for which he serves as principal broker. He is also the sole Director and President of Wells Management Company, Inc., a property management company he founded in 1983; the Dealer Manager, a registered securities broker-dealer he formed in 1984; and Wells Advisors, Inc., a company he organized in 1991 to act as a non-bank custodian for IRAs. Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta real estate company, and he was associated from 1973 to 1976 with

Sax Gaskin Real Estate Company, during which time he became a Life Member of the Atlanta Board of Realtors Million Dollar Club. From 1980 to February 1985, he served as Vice President of Hill-Johnson, Inc., a Georgia corporation engaged in the construction business. Mr. Wells holds a Bachelor of Business Administration degree in Economics from the University of Georgia. Mr. Wells is a member of the International Association for Financial Planning and a registered NASD principal.

Mr. Wells has over 25 years of experience in real estate sales, management and brokerage services. He is currently a co-general partner in a total of 26 real estate limited partnerships formed for the purpose of acquiring, developing and operating office buildings and other commercial properties, a majority of which are located in suburban areas of metropolitan Atlanta, Georgia. As of March 31, 1997, these 23 real estate limited partnerships represented investments totaling \$255,433,723 from 23,741 investors. See "Prior Performance Summary."

BRIAN M. CONLON is the Executive Vice President and a Director of the Company. He also serves in the same capacity for the Advisor. Mr. Conlon joined the Advisor in 1985 as a Regional Vice President, and served as Vice President and National Marketing Director from 1991 until April 1996 when he

assumed his current position. Previously, Mr. Conlon was Director of Business Development for Tishman Midwest Management & Leasing Services Corp. where he was responsible for marketing the firm's property management and leasing services to institutions. Mr. Conlon also spent two years as an Investment Property Specialist with Carter & Associates where he specialized in acquisitions and dispositions of office and retail properties for institutional clients. Mr. Conlon received a Bachelor of Business Administration degree from Georgia State University and a Master of Business Administration degree from the University of Dallas. Mr. Conlon is a member of the International Association for Financial Planning (IAFP), a general securities principal and a Georgia real estate broker. Mr. Conlon also holds the certified commercial investment member (CCIM) designation of the Commercial Investment Real Estate Institute and the certified financial planner (CFP) designation of the Certified Financial Planner Board of Standards, Inc.

JOHN L. BELL. From February 1971 to February 1996 Mr. Bell was the owner and Chairman of Bell-Mann, Inc., the largest commercial flooring contractor in the Southeast ("Bell-Mann"). Mr. Bell also served on the board of directors of Realty South Investors, a REIT on the American Stock Exchange and was the founder and served as a director of both the Chattahoochee Bank and the Buckhead Bank. In 1997 Mr. Bell initiated and implemented Shaw Industries' Dealer Acquisition Plan which included the acquisition of Bell-Mann.

Mr. Bell currently serves on the advisory boards of Windsor Capital, Mountain Top Boys Home and the Eagle Ranch Boys Home. Mr. Bell is also extensively involved in buying and selling real estate individually and in partnership with others. Mr. Bell graduated from Florida State University majoring in Accounting and Marketing.

RICHARD W. CARPENTER served as General Vice President, Real Estate Finance, of the Citizens and Southern National Bank from 1975 to 1979, during which time his duties included the supervision and establishment of the co-mingled United Kingdom Pension Fund, U.K.-American Properties, Inc. established for the purpose of investment primarily in United States commercial real estate.

Mr. Carpenter is presently President and director of Realmark Holdings Corp., a residential and commercial developer, and has served in that position since October 1983. He is also President and director of Leisure Technology, Inc., a retirement community developer, a position which he has held since March 1993, Managing Partner of Carpenter Properties, L.P., a real estate limited partnership and President and director of the oil refining companies Wyatt Energy, Inc. and Commonwealth Oil Refining Company, Inc., positions which he has held since 1995 and 1984 respectively.

Mr. Carpenter is a director of both Tara Corp., a steel manufacturing company, and Environmental Compliance Corp., an environmental firm. Mr. Carpenter also serves as Vice Chairman and director of both First Liberty Financial Corp. and Liberty Savings Bank, F.S.B. He has been a member of The National Association of Real Estate Investment Trusts and served as President and Chairman of the Board of Southmark Properties, an Atlanta based real estate investment trust investing in commercial properties, until 1981. Mr. Carpenter is a past Chairman of the American Bankers Association Housing and Real Estate Finance Division Executive Committee. Mr. Carpenter holds a Bachelor of Science degree from Florida State University, where he was named the outstanding alumni of the School of Business in 1973.

WALTER W. SESSOMS was employed by BellSouth Telecommunications, Inc. ("BellSouth") from 1971 until his retirement in June 1997. While at BellSouth Mr. Sessoms served in a number of key positions including Vice President-Residence for the State of Georgia from June 1979 to July 1981, Vice President-Transitional Planning Officer from July 1981 to February 1982, Vice President-Georgia from February 1982 until June 1989, Senior Vice President-Regulatory and External Affairs from June 1989 until November 1991 and Group President-Services from December 1991 until his retirement on June 30, 1997.

Mr. Sessoms currently serves as a director of the Georgia Chamber of Commerce for which he is a past Chairman of the Board, the Atlanta Civic Enterprises and the Salvation Army's Board of Visitors of the Southeast Region. Mr. Sessoms is also a past executive advisory council member for the University of Georgia College of Business Administration and past member of the executive committee of the Atlanta Chamber of Commerce. Mr. Sessoms is a graduate of Wofford College where he earned a degree in economics and business administration and is currently a practitioner/lecturer at the University of Georgia.

COMMITTEES

The Audit Committee will consist of a majority of Independent Directors. If the Listing occurs, the Audit Committee will consist entirely of Independent Directors. The Audit Committee will make recommendations concerning the engagement of independent public accountants, review with the independent public accountants the plans and results of the audit engagement, approve professional services provided by the independent public accountants, review the independence of the independent public accountants, consider the range of audit and non-audit fees and review the adequacy of the Company's internal accounting controls.

In the event that the Listing occurs, the Board of Directors will establish a Compensation Committee, which will oversee the compensation of the Company's executive officers and which will consist of three Independent Directors.

The Company may from time to time form other committees as circumstances warrant. Such committees will have authority and responsibility as delegated by the Board of Directors. At least a majority of the members of each committee of the Board of Directors will be Independent Directors.

COMPENSATION OF DIRECTORS AND OFFICERS

The Board of Directors shall determine the amount of compensation to be received by each non-employee director for serving on the Board of Directors. Such compensation, including fees for attending meetings, will not exceed \$7,500 annually. The Company will not pay any compensation to officers and directors of the Company who also serve as officers and directors of the Advisor.

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THE ADVISOR AND THE ADVISORY AGREEMENT

THE ADVISOR

The Advisor is a Georgia corporation organized in 1984. The Company has entered into the Advisory Agreement effective as of the date hereof. The Advisor has a fiduciary responsibility to the Company and its stockholders.

The directors and officers of the Advisor are as follows:

Leo F. Wells, III	President and sole Director
Brian M. Conlon	Executive Vice President
Louis A. Trahant	Vice President of Sales and Operations
Kim R. Comer	National Vice President of Marketing
Edna B. King	Vice President of Investor Services
Linda L. Carson	Vice President of Accounting

The backgrounds of Messrs. Wells and Conlon are described above under "Management--Directors and Executive Officers."

LOUIS A. TRAHANT (age 51) is Vice President of Sales and Operations for the Advisor. He is responsible for the internal sales support provided to regional vice presidents and to registered representatives of broker-dealers participating in other public offerings by the Wells Prior Public Program. Mr. Trahant is also responsible for statistical analysis of sales-related activities, development of office and communication systems, and hiring of administrative personnel. Mr. Trahant joined the Advisor in 1993 as Vice

President for Marketing of the Southern Region and assumed his current position in 1995. Prior to joining the Advisor, Mr. Trahant had extensive sales and marketing experience in the commercial lighting industry. He is a graduate of Southeastern Louisiana University, a member of the International Association for Financial Planning (IAFP) and the American Management Association, and holds a Series 22 license.

KIM R. COMER (age 43) rejoined the Advisor as National Vice President of Marketing in April 1997, after working for the Company in similar capacities from January 1992 through September 1995. He is responsible for all investor, financial advisor, and broker-dealer communications and broker-dealer relations. In prior positions with the Advisor, Mr. Comer served as Vice President of Marketing for the southeast and northeast regions at the Advisor's' home office. He has ten years of experience in the securities industry and is a licensed registered representative and financial principal with the NASD. Additionally, he brings strong financial experience to his marketing position with the Advisor, including experience as controller and Chief Financial Officer of two regional broker-dealers. In 1976, Mr. Comer graduated with honors from Georgia State University with a BBA degree in accounting.

EDNA B. KING (age 60) is the Vice President of Investor Services for the Advisor. She is responsible for processing new investments, sales reporting, and investor communications. Prior to joining the Advisor in 1985, Ms. King served as the Southeast Service Coordinator for Beckman Instruments and as office manager for a regional office of Commerce Clearing House. Ms. King holds an Associate Degree in Business Administration from DeKalb Community College in Atlanta, Georgia, and has completed various courses at the University of North Carolina at Wilmington.

LINDA L. CARSON (age 54) is Vice President of Accounting for the Advisor. She is responsible for fund, property, and corporate accounting, SEC reporting and coordination of the audit with its independent auditors. Ms. Carson joined The Advisor in 1989 as Staff Accountant, became Controller in 1991, and assumed her current position in

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1996. Prior to joining the Advisor, Ms. Carson was an accountant with an electrical distributor. She is a graduate of City College of New York and has completed additional accounting courses at Kennesaw State. She is a member of the National Society of Accountants.

The Advisor employs personnel, in addition to the directors and executive officers listed above, who have extensive experience in selecting and managing commercial properties similar to the properties sought to be acquired by the Company.

The Advisor currently owns 20,000 OP Units, for which it contributed \$200,000 to the capital of the Operating Partnership. The Advisor may not sell these OP Units while the Advisory Agreement is in effect, although the Advisor may transfer such OP Units to Affiliates. Neither the Advisor, a Director, nor any Affiliate may vote or consent on matters submitted to the stockholders regarding removal of the Advisor, or any transaction between the Company and the Advisor, Directors, or an Affiliate. In determining the requisite percentage in interest of Shares necessary to approve a matter on which the Advisor, Directors, and any Affiliate may not vote or consent, any Shares owned by any of them will not be included.

THE ADVISORY AGREEMENT

Under the terms of the Advisory Agreement, the Advisor (acting in the capacity of Sponsor) has responsibility for the day-to-day operations of the Company, administers the Company's bookkeeping and accounting functions, serves as the Company's consultant in connection with policy decisions to be made by the Board of Directors, manages the Company's properties and renders other services as the Board of Directors deems appropriate. The Advisor is subject to the supervision of the Company's Board of Directors and has only such functions

as are delegated to it.

The Company will reimburse the Advisor for all of the costs it incurs in connection with the services it provides to the Company, including, but not limited to: (i) Organizational and Offering Expenses, which are defined to include expenses attributable to preparing the documents relating to this Offering, the formation and organization of the Company, qualification of the Shares for sale in the states, escrow arrangements, filing fees and expenses attributable to the sale of the Shares, (ii) Selling Commissions, advertising expenses, expense reimbursements, and legal and accounting fees, (iii) the actual cost of goods and materials used by the Company and obtained from entities not affiliated with the Advisor, including brokerage fees paid in connection with the purchase and sale of securities, (iv) administrative services (including personnel costs; provided, however that no reimbursement shall be made for costs of personnel to the extent that such personnel perform services in transactions for which the Advisor receives a separate fee), and (v) Acquisition Expenses, which are defined to include expenses related to the selection and acquisition of properties, at the lesser of actual cost or 90% of the competitive rate charged by unaffiliated persons providing similar goods and services in the same geographic location.

The Company shall not reimburse the Advisor at the end of any fiscal quarter for operating expenses that, in the four consecutive fiscal quarters then ended (the "Expense Year") exceed (the "Excess Amount") the greater of 2% of Average Invested Assets or 25% of Net Income (the "2%/25% Guidelines") for such year. If the Advisor receives an incentive fee, Net Income, for purposes of calculating operating expenses, shall exclude any gain from the sale of the Company's assets. Any Excess Amount paid to the Advisor during a fiscal quarter shall be repaid to the Company within sixty (60) days after the end of the fiscal year.

The Company will not reimburse the Advisor or its Affiliates for services for which the Advisor or its Affiliates are entitled to compensation in the form of a separate fee.

Pursuant to the Advisory Agreement, the Advisor is entitled to receive certain fees and reimbursements, as listed in "Management Compensation." The Subordinated Incentive Fee, which is payable to the Advisor under certain circumstances if Listing occurs, may be paid, at the option of the Company, in cash, in Shares, by delivery of a promissory note payable to the Advisor, or by any combination thereof. In the event the Subordinated Incentive Fee is paid to the Advisor following Listing, no other performance fee will be paid to the Advisor; and in the event the Subordinated Participation Fee is paid to the Advisor, no Net Sales Proceeds will be paid to the Advisor. The Acquisition Fees payable to the Advisor in connection with the selection or acquisition of any property shall be reduced

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to the extent that, and if necessary to limit, the total compensation paid to all persons involved in the acquisition of such property to the amount customarily charged in arm's-length transactions by other persons or entities rendering similar services as an ongoing public activity in the same geographical location and for comparable types of properties, and to the extent that other acquisition fees, finder's fees, real estate commissions, or other similar fees or commissions are paid by any person in connection with the transaction.

If the Advisor or an Affiliate performs services that are outside of the scope of the Advisory Agreement, compensation will be at such rates and in such amounts as are agreed to by the Advisor and the Independent Directors of the Company.

Further, if Listing occurs, the Company automatically will become a perpetual life entity. At such time, the Company and the Advisor will negotiate in good faith a fee structure appropriate for an entity with a perpetual life, subject to approval by a majority of the Independent Directors. In negotiating

a new fee structure, the Independent Directors shall consider all of the factors they deem relevant. These are expected to include, but will not necessarily be limited to: (i) the amount of the advisory fee in relation to the asset value, composition, and profitability of the Company's portfolio; (ii) the success of the Advisor in generating opportunities that meet the investment objectives of the Company; (iii) the rates charged to other REITs and to investors other than REITs by advisors that perform the same or similar services; (iv) additional revenues realized by the Advisor and its Affiliates through their relationship with the Company, including loan administration, underwriting or broker commissions, servicing, engineering, inspection and other fees, whether paid by the Company or by others with whom the Company does business; (v) the quality and extent of service and advice furnished by the Advisor; (vi) the performance of the investment portfolio of the Company, including income, conservation or appreciation of capital, and number and frequency of problem investments; and (vii) the quality of the portfolio of the Company in relationship to the investments generated by the Advisor for its own account. The Board of Directors, including a majority of the Independent Directors, may not approve a new fee structure that, in its judgment, is more favorable to the Advisor than the current fee structure.

The Company also shall pay the Advisor a deferred, subordinated real estate disposition fee upon sale of one or more Properties, in an amount equal to the lesser of (i) one-half (1/2) of a Competitive Real Estate Brokerage Commission, or (ii) three percent (3%) of the sales price of such Property or Properties. In addition, the amount paid when added to the sums paid to unaffiliated parties in such a capacity shall not exceed the lesser of the Competitive Real Estate Brokerage Commission or an amount equal to 6% of the sales price of such Property or Properties. Payment of such fee shall be made only if the Advisor provides a substantial amount of services in connection with the Sale of a Property or Properties and shall be subordinated to receipt by the stockholders of distributions equal to the sum of (i) their aggregate Common Return and (ii) their aggregate invested capital. If, at the time of a sale of one or more Properties, payment of such disposition fee is deferred because the subordination conditions have not been satisfied, then the disposition fee shall be paid at such later time as the subordination conditions are satisfied. Upon Listing, if the Advisor has accrued but not been paid such real estate disposition fee, then for purposes of determining whether the subordination conditions have been satisfied, Stockholders will be deemed to have received a Distribution in the amount equal to the product of the total number of Shares outstanding and the average closing price of the Shares over a period, beginning 180 days after Listing, of 30 days during which the Shares are traded.

The Advisory Agreement, which was entered into by the Company with the unanimous approval of the Board of Directors, including the Independent Directors, expires one year after the date hereof on January 30, 1999, subject to successive one-year renewals upon mutual consent of the parties. In the event that a new Advisor is retained, the previous Advisor has agreed to cooperate with the Company and the Directors in effecting an orderly transition of the advisory functions. The Board of Directors (including a majority of the Independent Directors) shall approve a successor Advisor only upon a determination that such successor Advisor possesses sufficient qualifications to perform the advisory functions for the Company and that the compensation to be received by the new Advisor pursuant to the new Advisory Agreement is justified.

The Advisory Agreement may be terminated without cause or penalty by either party, or by the mutual consent of the parties (by a majority of the Independent Directors of the Company or a majority of the directors of the Advisor, as the case may be), upon 60 days' prior written notice. The Advisor shall be entitled to receive all accrued but unpaid compensation and expense reimbursements in cash within 30 days of the effective date of termination of the Advisory

Agreement. All other amounts payable to the Advisor in the event of a termination shall be evidenced by a promissory note and shall be payable from time to time.

The Advisor has the right to assign the Advisory Agreement to an Affiliate subject to approval by the Independent Directors of the Company. The Company has the right to assign the Advisory Agreement to any successor to all of its assets, rights, and obligations.

The Advisor will not be liable to the Company or its stockholders or others, except by reason of acts constituting bad faith, fraud, misconduct, or negligence, and will not be responsible for any action of the Board of Directors in following or declining to follow any advice or recommendation given by it. The Company has agreed to indemnify the Advisor with respect to acts or omissions of the Advisor undertaken in good faith, in accordance with the foregoing standards and pursuant to the authority set forth in the Advisory Agreement. Any indemnification made to the Advisor may be made only out of the net assets of the Company and not from stockholders.

WELLS MANAGEMENT

It is expected that substantially all of the Company's properties will be managed by the Management Company. The officers of the Management Company are as follows:

Leo F. Wells, III	President
Brian M. Conlon	Executive Vice President
Michael C. Berndt	Vice President and Chief Financial Officer
M. Scott Meadows	Vice President - Property Management
Michael L. Watson	Vice President - Construction
Robert H. Stroud	Vice President - Leasing

The backgrounds of Messrs. Wells and Conlon are described above under "Management--Directors and Executive Officers."

MICHAEL C. BERNDT (50), Vice President and Chief Financial Officer of the Management Company, joined in 1996. He is responsible for asset management of the Prior Wells Public Program portfolios. Mr. Berndt is an attorney and a Certified Public Accountant. From 1990 to 1995, Mr. Berndt was with the Investigations Unit of the Resolution Trust Corporation. From 1985 to 1989, Mr. Berndt was an independent real estate syndicator. From 1982 to 1985, he was President of Phoenix Financial Corporation, an NASD broker-dealer. Previously, he served as an accountant, attorney and securities analyst for various firms. Mr. Berndt holds a B.S. in Accounting from Samford University, a J.D. from Cumberland Law School and an L.L.M. in Taxation from New York University School of Law.

M. SCOTT MEADOWS (33) is Vice President of Property Management for the Management Company. He is responsible for overseeing a 1.8 million square foot portfolio of office and retail properties. Prior to joining the Management Company, Mr. Meadows served as Senior Property Manager for The Griffin Company, a full-service commercial real estate firm in Atlanta, where he was responsible for managing a half million square foot office and retail portfolio. He also served several years as Property Management for Sea Pines Plantation Company, managing real estate around Harbour Town. Mr. Meadows received a Bachelor of Business Administration degree from the University of Georgia. He is a Georgia real estate broker and holds the Real Property Administrator (RPA) designation of the Building Owners and Managers Institute International.

MICHAEL WATSON (age 52) is Vice President of Construction for the Management Company. Mr. Watson is responsible for overseeing construction and tenant improvement projects for the Prior Wells Public Programs, including design, engineering, and progress-monitoring functions. With more than 25 years of experience in the construction industry, Mr. Watson has supervised projects ranging from high rises to neighborhood shopping centers. Prior to joining the Management Company in 1995, he was senior project management with Abrams Construction in Atlanta. Mr. Watson received a Bachelor's degree in civil engineering from the University of Miami and keeps up with current practices by periodically enrolling in supplemental college courses.

ROBERT H. STROUD (age 56), Vice President of Leasing and Associate Broker for Wells & Associates, Inc., joined the Management Company in 1987. Mr. Stroud is responsible for leasing Atlanta office and retail properties on behalf of the Prior Wells Public Programs. With more than 20 years in commercial and investment real estate, Mr. Stroud is experienced in many facets of the real estate industry, including site selection, tenant and landlord representation, investment sales, and assemblage and property management. Prior to joining the Management Company, Mr. Stroud was investment properties consultant with Royal LePage Commercial Real Estate Services. He received a Bachelor's degree in management from Georgia State University and earned the MCRE Commercial Real Estate designation from the University of Toronto.

INVESTMENT OBJECTIVES AND CRITERIA

GENERAL

The Company is a corporation that intends to elect to be taxed as a REIT for federal income tax purposes. The Company was organized to invest in commercial real properties, including properties which are under development or construction, are newly constructed or have been constructed and have operating histories. The Company's objectives are: (i) to maximize Cash Available for Distribution; (ii) to preserve, protect and return the Invested Capital of the shareholders; (iii) to realize capital appreciation upon the ultimate sale of the Company's properties; and (iv) to provide shareholders with liquidity of their investment, within 10 years after commencement of the Offering, through either (a) the listing of the Shares, or (b) if Listing does not occur within ten years following the commencement of the Offering, the dissolution of the Company and the orderly liquidation of its assets. No assurance can be given that these objectives will be attained.

Decisions relating to the purchase or sale of the Company's properties will be made by the Advisor, subject to the oversight of the Board of Directors. See "The Advisor and the Advisory Agreement" for a description of the background and experience of the Advisor.

ACQUISITION AND INVESTMENT POLICIES

The Company will seek to invest substantially all of the net Offering proceeds available for Investment in properties in the acquisition of commercial real properties, which are under development or construction, are newly constructed or which have been previously constructed and have operating histories. While not limited to such investments, the Advisor will generally seek to invest in commercial properties such as office buildings, shopping centers and industrial properties which are less than five years old, the space in which has been leased or preleased to one or more large corporate tenants who satisfy the Advisor's standards of creditworthiness. Based on the Advisor's prior experience with the Prior Wells Public Programs, the Company anticipates that a majority of the tenants of the Company's properties will be U.S. corporations (or other entities) each of which has a net worth in excess of \$100,000,000 or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of \$100,000,000. The Company may, however, invest in office buildings, shopping centers or industrial properties which are not preleased to such tenants or in other types of commercial or industrial properties such as hotels, motels, restaurants or business or industrial parks. Notwithstanding the foregoing, under the REIT qualification rules, the Company may not be actively engaged in the business of operating hotels, motels or similar properties.

While the Company will seek to invest in properties that will satisfy the primary objective of providing distributions of current cash flow to investors, due to the fact that a significant factor in the valuation of income-producing real properties is their potential for future income, the Advisor anticipates that the majority of properties

acquired by the Company will satisfy both attributes of providing potential for capital appreciation and providing distributions of current cash flow to investors. To the extent feasible, the Advisor will strive to invest in a diversified portfolio of properties that will satisfy the Company's investment objectives of maximizing Cash Available for Distribution, preserving investors' capital and realizing capital appreciation upon the ultimate sale of the Company's properties.

It is anticipated that approximately 84% of the Gross Proceeds of the Offering will be used to acquire properties and the balance will be used to pay various fees and expenses. See "Estimated Use of Proceeds."

The Company may not invest more than 10% of its total assets in Unimproved Real Property. A property which is expected to produce income within two years of its acquisition will not be considered a non-income producing property.

Investment in property generally will take the form of fee title or of a leasehold estate having a term, including renewal periods, of at least 40 years, and may be made either directly or indirectly through investments in joint ventures, general partnerships, co-tenancies or other co-ownership arrangements with the developers of the properties, Affiliates of the Advisor or other persons. See "Joint Venture Investments" below. In addition, the Company may purchase properties and lease them back to the sellers of such properties. While the Advisor will use its best efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a "true lease" and so that the Company will be treated as the owner of the property for federal income tax purposes, no assurance can be given that the Service will not challenge such characterization. In the event that any such sale-leaseback transaction is recharacterized as a financing transaction for federal income tax purposes, deductions for depreciation and cost recovery relating to such property would be disallowed or significantly reduced. See "Federal Income Tax Considerations."

The Company is not limited as to the geographic area where it may conduct its operations, but the Advisor intends to cause the Company to invest primarily in properties located in the United States.

There are no specific limitations on the number or size of properties to be acquired by the Company or on the percentage of net proceeds of this Offering which may be invested in a single property. The number and mix of properties acquired will depend upon real estate and market conditions and other circumstances existing at the time the Company is acquiring its properties and the amount of the net proceeds of this Offering.

In making investment decisions for the Company, the Advisor will consider relevant real property and financial factors, including the location of the property, its suitability for any development contemplated or in progress, its income-producing capacity, the prospects for long-range appreciation, its liquidity and income tax considerations. In this regard, the Advisor will have substantial discretion with respect to the selection of specific Company investments.

The Company will obtain independent appraisals for each property in which it invests, and the purchase price of each such property will not exceed its appraised value. However, the Advisor and the Board of Directors will rely on their own independent analysis and not on such appraisals in determining whether to invest in a particular property. It should be noted that appraisals are estimates of value and should not be relied upon as measures of true worth or realizable value. Copies of these appraisals will be available for review and duplication by shareholders at the office of the Company and will be retained for at least five years.

The Company's obligation to close the purchase of any investment will generally be conditioned upon the delivery and verification of certain documents from the seller or developer, including, where appropriate, plans and specifications, environmental reports, surveys, evidence of marketable title (subject only to such liens and encumbrances as are acceptable to the Advisor), audited financial statements covering recent operations of any properties having operating histories (unless such statements are not required to be filed with

the Securities and Exchange Commission and delivered to investors), title and liability insurance policies and opinions of counsel in certain circumstances. The Company will not close the purchase of any property unless and until it obtains an environmental assessment (a minimum of a Phase I review) for each property purchased and the Advisor is generally satisfied with the environmental status of the property.

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The Company may also enter into arrangements with the seller or developer of a property whereby the seller or developer agrees that if during a stated period the property does not generate a specified cash flow, the seller or developer will pay in cash to the Company a sum necessary to reach the specified cash flow level, subject in some cases to negotiated dollar limitations.

In determining whether to purchase a particular property, the Company may, in accordance with customary practices, obtain an option on such property. The amount paid for an option, if any, is normally surrendered if the property is not purchased and is normally credited against the purchase price if the property is purchased.

In purchasing, leasing and developing real properties, the Company will be subject to risks generally incident to the ownership of real estate, including changes in general economic or local conditions, changes in supply of or demand for similar or competing properties in an area, changes in interest rates and availability of permanent mortgage funds which may render the sale of a property difficult or unattractive, and changes in tax, real estate, environmental and zoning laws. Periods of high interest rates and tight money supply may make the sale of properties more difficult. The Company may experience difficulty in keeping the properties fully leased due to tenant turnover, general overbuilding or excess supply in the market area. Development of real properties is subject to risks relating to the builders' ability to control construction costs or to build in conformity with plans, specifications and timetables. See "Risk Factors--Real Estate Risks."

DEVELOPMENT AND CONSTRUCTION OF PROPERTIES

The Company may invest substantially all of the net proceeds available for Investment in properties on which improvements are to be constructed or completed although the Company may not invest in excess of 10% of total assets in properties which are not expected to produce income within two years of their acquisition. To help ensure performance by the builders of properties which are under construction and completion of properties under construction, the Advisor may rely upon the substantial net worth of the contractor or developer or a personal guarantee accompanied by financial statements showing a substantial net worth provided by an Affiliate of the person entering into the construction or development contract, or, in certain circumstances, the Advisor may require an adequate completion bond or performance bond.

The Company may make periodic progress payments or other cash advances to developers and builders of its properties prior to completion of construction only upon receipt of an architect's certification as to the percentage of the project then completed and as to the dollar amount of the construction then completed. The Company intends to use such additional controls on its disbursements to builders and developers as it deems necessary or prudent.

The Company may directly employ one or more project managers to plan, supervise and implement the development of any Unimproved Real Properties which it may acquire. Such persons would be compensated directly by the Company and, other than through such employment, will not be affiliated with the Advisor.

TERMS OF LEASES AND LESSEE CREDITWORTHINESS

The terms and conditions of any lease entered into by the Company with regard to a tenant may vary substantially from those described herein. However, a majority of leases are expected to be what is generally referred to as "triple net" leases, which means that the lessee will be required to pay or reimburse

the Company for all real estate taxes, sales and use taxes, special assessments, utilities, insurance and building repairs as well as lease payments.

The Advisor has developed specific standards for determining the creditworthiness of potential lessees of Company Properties. While authorized to enter into leases with any type of lessee, the Advisor anticipates that a majority of the tenants of the Company Properties will be top U.S. corporations or other entities each of which has a net worth in excess of \$100,000,000 or whose lease obligations are guaranteed by another corporation or entity with a net worth in excess of \$100,000,000.

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BORROWING POLICIES

The Company may incur indebtedness in connection with the development or acquisition of properties, which indebtedness may be secured by one or more of the Company's properties. The Company also may borrow funds (a) for Company operating purposes in the event of unexpected circumstances in which the Company's working capital reserves and other cash resources available to the Company become insufficient for the maintenance and repair of its properties or for the protection or replacement of the Company's assets, and (b) in order to finance improvement of and improvements to its properties, when the Advisor deems such improvements to be necessary or appropriate to protect the capital previously invested in the properties, to protect the value of the Company's investment in a particular property, or to make a particular property more attractive for sale or lease. The aggregate borrowing of the Company, secured and unsecured, shall be reasonable in relation to Net Assets of the Company and shall be reviewed by the Board of Directors at least quarterly. Such indebtedness may be in the form of secured and unsecured bank borrowings, and publicly and privately placed debt offerings. Borrowings may be incurred through either the Operating Partnership or the Company. The Board of Directors anticipates that the aggregate amount of any borrowing will not exceed 50% of the aggregate value of the Company's aggregate properties, provided, however, -----
that such level may be exceeded on an individual property basis.

JOINT VENTURE INVESTMENTS

The Company is likely to enter into one or more joint ventures with Affiliated entities for the acquisition, development or improvement of properties, under the conditions described below. The Company may invest some or all of the proceeds of the Offering in such joint ventures. In this connection, the Company may enter into joint ventures with future programs sponsored by the Advisor or its Affiliates or Prior Wells Public Programs. The Advisor also has the authority to enter into joint ventures, general partnerships, co-tenancies and other participations with real estate developers, owners and others for the purpose of developing, owning and operating properties in accordance with the Company's investment policies. See "Risk Factors" and "Conflicts of Interest." In determining whether to invest in a particular joint venture, the Advisor will evaluate the real property which such joint venture owns or is being formed to own under the same criteria described herein for the selection of real property investments of the Company. The Company shall not invest in joint ventures with the Advisor, any Directors or any Affiliate thereof, unless a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in such transactions, approve the transaction as being fair and reasonable to the Company and on substantially the same terms and conditions as those received by other joint venturers. See "--Acquisition and Investment Policies," "--Development and Construction of Properties," "--Terms of Leases and Lessee Creditworthiness," and "--Borrowing Policies."

At such time as the Advisor believes that a reasonable probability exists that the Company will enter into a joint venture with a Prior Wells Public Program for the acquisition or development of a specific material property, this Prospectus will be supplemented to disclose the terms of such proposed investment transaction. Based upon the Advisor's experience, in connection with

the development of a property which is currently owned by a Prior Wells Public Program, this would normally occur upon the signing of legally binding leases with one or more major tenants for commercial space to be developed on such property, but may occur before or after any such signing, depending upon the particular circumstances surrounding each potential investment. It should be understood that the initial disclosure of any such proposed transaction cannot be relied upon as an assurance that the Company will ultimately consummate such proposed transaction nor that the information provided in any such supplement to this Prospectus concerning any such proposed transaction will not change after the date of the supplement.

The Company may enter into a partnership, joint venture or co-tenancy with unrelated parties if (i) the management of such partnership, joint venture or co-tenancy is under the control of the Company; (ii) the Company, as a result of such joint ownership or partnership ownership of a property, is not charged, directly or indirectly, more than once for the same services; (iii) the joint ownership, partnership or co-tenancy agreement does not authorize or require the Company to do anything as a partner, joint venturer or co-tenant with respect to the property which the Company or the Advisor could not do directly because of the Company's Articles of Incorporation; and (iv) the Advisor and its Affiliates are prohibited from receiving any compensation, fees or expenses which are not permitted to be paid under the Advisory Agreement. In the event that any such co-ownership arrangement contains a provision giving each party a right of first refusal to purchase the other party's interest, the Company may not have sufficient capital to finance any such buy-out. See "Risk Factors."

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The Company intends to enter into joint ventures with other publicly registered Affiliated entities for the acquisition of properties, but may only do so provided that (i) each such co-venturer has substantially identical investment objectives as those of the Company; (ii) the Company, as a result of such joint ownership or partnership ownership of a property, is not charged, directly or indirectly, more than once for the same services; (iii) compensation payable to the Company by such Affiliate is substantially identical to that payable to the Advisor by the Company; (iv) the Company will have a right of first refusal to buy if such co-venturer elects to sell its interest in the property held by the joint venture; and (v) the investment by the Company and such Affiliate are on substantially the same terms and conditions, and each such entity's ownership interest in such joint venture or partnership shall be based upon the respective proportion of funds invested in such joint venture or partnership by the Company and such Affiliate. In the event that the co-venturer were to elect to sell property held in any such joint venture, however, the Company may not have sufficient funds to exercise its right of first refusal to buy the other co-venturer's interest in the property held by the joint venture. In the event that any joint venture with an Affiliated entity holds interests in more than one property, the interest in each such property may be specially allocated based upon the respective proportion of funds invested by each co-venturer in each such property. Entering into such joint ventures with Affiliated entities will result in certain conflicts of interest. See "Risk Factors" and "Conflicts of Interest--Joint Ventures with Affiliates of the Advisor."

OTHER POLICIES

The Company will not invest as a limited partner in limited partnerships, except such investments acquired through the Operating Partnership. The Company may in the future issue senior securities. The Company may, pursuant to the Reinvestment Plan, repurchase or otherwise reacquire its common stock.

Except in connection with sales of properties by the Company where purchase money obligations may be taken by the Company as partial payment, the Company will not make loans to any person, nor will the Company underwrite securities of other issuers, in exchange for property, or invest in securities of other issuers for the purpose of exercising control. Notwithstanding the foregoing, the Company may invest in joint ventures or partnerships as described above and in a corporation where real estate is the principal asset and its acquisition

can best be effected by the acquisition of the stock of such corporation, subject to the limitations set forth below.

The Company will not: (i) make or invest in real estate mortgage loans (except in connection with the sale or other disposition of a property); (ii) make loans to the Advisor or other Affiliates, or to any director, officer or principal of the Company or any of its Affiliates; (iii) invest in commodities or commodity future contracts (does not apply to future contracts, when used solely for hedging purposes in connection with the Company's ordinary business of investing in real estate assets and mortgages); (iv) issue redeemable equity securities; (v) issue debt securities unless the historical debt service coverage (in the most recently completed fiscal year), as adjusted for known changes, is sufficient to properly service that higher level of debt; (vi) issue options or warrants to purchase its Shares to the Advisor, Directors, or any Affiliate thereof except on the same terms as such options or warrants may be sold to the general public, any such options or warrants issued to the Advisor, Directors, or any Affiliate shall not exceed an amount equal to 10% of the outstanding Shares of the Company on the date of grant; (vii) issue its shares on a deferred payment basis or other similar arrangement; (viii) invest in or underwrite the securities of other issuers, including any publicly offered or traded limited partnership interests, except for investments in joint ventures as described herein, and except for permitted temporary investments pending utilization of Company funds, provided that following one year after the commencement of operations of the Company no more than 45% of the value of the Company's total assets (exclusive of Government securities and cash items) will consist of, and no more than 45% of the Company's net income after taxes (for the last four fiscal quarters combined) will be derived from, securities other than (A) Government securities, or (B) securities in a corporation where real estate is the principal asset and the acquisition of such real estate can best be effected by the acquisition of the stock of such corporation, provided that any such corporation is either (x) a corporation which is a majority owned subsidiary of the Company and which is not an investment company as defined by the Investment Company Act of 1940, as amended, or (y) a corporation which is controlled primarily by the Company, through which corporation the Company engages in the business of acquisition and operation of real estate and which is not an investment company.

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REAL PROPERTY INVESTMENTS

As of the date of this Prospectus, the Company has not acquired nor contracted to acquire any specific real properties. The Advisor is continually evaluating various potential property investments and engaging in discussions and negotiations with sellers, developers and potential tenants regarding the purchase and development of properties for the Company and prior programs. At such time during the negotiations for a specific property as the Advisor believes that a reasonable probability exists that the Company will acquire such property, this Prospectus will be supplemented to disclose the negotiations and pending acquisition. Based upon the Advisor's experience and acquisition methods, this will normally occur on the signing of a legally binding purchase agreement for the acquisition of a specific property, but may occur before or after such signing or upon the satisfaction or expiration of major contingencies in any such purchase agreement, depending on the particular circumstances surrounding each potential investment. A supplement to this Prospectus will describe any improvements proposed to be constructed thereon and other information considered appropriate for an understanding of the transaction. Further data will be made available after any pending acquisition is consummated, also by means of a supplement to this Prospectus, if appropriate. IT SHOULD BE UNDERSTOOD THAT THE INITIAL DISCLOSURE OF ANY PROPOSED ACQUISITION CANNOT BE RELIED UPON AS AN ASSURANCE THAT THE COMPANY WILL ULTIMATELY CONSUMMATE SUCH PROPOSED ACQUISITION NOR THAT THE INFORMATION PROVIDED CONCERNING THE PROPOSED ACQUISITION WILL NOT CHANGE BETWEEN THE DATE OF SUCH SUPPLEMENT AND ACTUAL PURCHASE.

It is intended that the proceeds of this Offering will be invested in properties in accordance with the Company's investment policies. Funds

available for Investment in properties which are not expended or committed to the acquisition or development of specific real properties on or before the later of the second anniversary of the effective date of the Registration Statement or one year after the termination of the Offering and not reserved for working capital purposes will be returned to the shareholders.

The Company intends to obtain adequate insurance coverage for all properties in which it invests.

DISTRIBUTION POLICY

REIT STATUS

In order to qualify as a REIT for federal income tax purposes, among other things, the Company must make distributions each taxable year (not including any return of capital for federal income tax purposes) equal to at least 95% of its real estate investment trust taxable income, although the Board of Directors, in its discretion, may increase that percentage as it deems appropriate. See "Federal Income Tax Considerations--Requirements for Qualification." The declaration of distributions is within the discretion of the Board of Directors and depends upon the Company's Cash Available for Distribution, current and projected cash requirements, tax considerations and other factors.

The Company intends to make regular quarterly distributions to holders of the Shares. Distributions will be made to those stockholders who are stockholders as of the record date selected by the Directors. Distributions will be declared monthly and paid on a quarterly basis during the Offering period and declared and paid quarterly thereafter. Generally, income distributed to stockholders will not be taxable to the Company under federal income tax laws if the Company distributes at least 95% of its annual taxable income. If Cash Available for Distribution is insufficient to pay such distributions, the Company may obtain the necessary funds by borrowing, issuing new securities, or selling assets. These methods of obtaining funds could affect future distributions by increasing operating costs. To the extent that distributions to stockholders exceed the Company's current and accumulated earnings and profits, such amounts will constitute a return of capital for federal income tax purposes, although such distributions will not reduce stockholders' aggregate Invested Capital.

Distributions will be made at the discretion of the Directors, depending primarily on Cash Available for Distribution and the general financial condition of the Company, subject to the obligation of the Directors to cause the Company to qualify and remain qualified as a REIT for federal income tax purposes. The Company intends to increase distributions in accordance with increases in Cash Available for Distribution.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As of the date of this Prospectus, the Company had not yet commenced active operations. Subscription proceeds may be released to the Company as accepted and applied to investment in properties and the payment or reimbursement of Selling Commissions and other Organization and Offering Expenses. See "Estimated Use of Proceeds." The Company will experience a relative increase in liquidity as additional subscriptions for Shares are received, and a relative decrease in liquidity as net Offering proceeds are expended in connection with the acquisition, development and operation of properties.

As of the initial date of this Prospectus, the Company has not entered into any arrangements creating a reasonable probability that any specific property will be acquired by the Company. The number of Company properties to be acquired by the Company will depend upon the number of Shares sold and the resulting amount of the net proceeds available for investment in properties available to the Company. See "Risk Factors."

The Company is not aware of any material trends or uncertainties, favorable or unfavorable, other than national economic conditions affecting real estate generally, which may be reasonably anticipated to have a material impact on either capital resources or the revenues or income to be derived from the operation of the Company's properties.

Until required for the acquisition, development or operation of properties, net Offering proceeds will be kept in short-term, liquid investments. Because the vast majority of leases for the properties acquired by the Company will provide for tenant reimbursement of operating expenses, it is not anticipated that a permanent reserve for maintenance and repairs of Company properties will be established. However, to the extent that the Company has insufficient funds for such purposes, the Advisor may contribute to the Company an aggregate amount of up to 1% of Gross Offering Proceeds for maintenance and repairs of the Company's properties. The Advisor also may, but is not required to, establish reserves from Gross Offering Proceeds, out of cash flow generated by operating properties or out of Nonliquidating Net Sale Proceeds.

DESCRIPTION OF CAPITAL STOCK

The following summary of certain provisions of the Company's Articles of Incorporation and Bylaws and Maryland law is subject to and qualified in its entirety by reference to such documents, copies of which are Exhibits to the Registration Statement of which this Prospectus is a part.

Under its Articles of Incorporation, the Company has authority to issue a total of 90,000,000 shares of capital stock, of which 40,000,000 shares are designated as common stock, \$.01 par value per share (the "Common Stock"), 5,000,000 shares of which are designated as preferred stock, \$.01 par value per share (the "Preferred Stock"), and 45,000,000 shares are designated as Shares-in-Trust (as described in "-- Articles of Incorporation and Bylaw Provisions."

COMMON STOCK

The holders of Shares are entitled to one vote per share on all matters voted on by shareholders, including elections of directors. Except as otherwise required by law or provided in any resolution adopted by the Board of Directors with respect to any series of Preferred Stock, the holders of such shares exclusively possess all voting power. The Articles of Incorporation do not provide for cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of Preferred Stock, the holders of Shares are entitled to such dividends as may be declared from time to time by the Board of Directors from funds available therefor, and upon liquidation are entitled to receive pro rata all assets of the Company available for distribution to such holders. All Shares issued in the Offering will be fully paid and nonassessable and the holders thereof will not have preemptive rights.

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PREFERRED STOCK

The Articles of Incorporation authorize the Board of Directors to designate and issue from time to time one or more classes or series of Preferred Stock without stockholder approval. The Board of Directors may determine the relative rights, preferences and privileges of each class or series of Preferred Stock so issued, which may be more beneficial than those of the Common Stock. However, the voting rights for each share of Preferred Stock shall not exceed voting rights of the Common Stock. The issuance of Preferred Stock could have the effect of delaying or preventing a change in control of the Company. The Board of Directors has no present plans to issue any Preferred Stock, but may nevertheless do so in the future.

SOLICITING DEALER WARRANTS

The Company has agreed to issue and sell, and the Dealer Manager has agreed to purchase for the price of \$.0008 per warrant, warrants (the "Soliciting Dealer Warrants") to purchase one Share per Soliciting Dealer Warrant for each

Share sold by the Dealer Manager (and/or the Soliciting Dealers), up to a maximum of 600,000 Soliciting Dealer Warrants. The Soliciting Dealer Warrants will be issued on a quarterly basis commencing 60 days after the date on which the Shares are first sold pursuant to this Offering. The Dealer Manager may retain or reallocate all Soliciting Dealer Warrants to the Soliciting Dealers (except Soliciting Dealers in Minnesota), unless such issuance of the Soliciting Dealer Warrants is prohibited by either federal or state securities laws. The Shares issuable upon exercise of the Soliciting Dealer Warrants are being registered as part of this Offering.

Each Soliciting Dealer will receive from the Dealer Manager one Soliciting Dealer Warrant for each 25 Shares sold by such Soliciting Dealer during this Offering. All Shares sold by the Company other than through the Reinvestment Plan will be included in the computation of the number of Shares sold to determine the number of Soliciting Dealer Warrants to be issued. The holder of a Soliciting Dealer Warrant will be entitled to purchase one Share from the Company at a price of \$12 (120% of the public offering price per Share) during the time period beginning one year from the effective date of this Offering and ending five years after the effective date of this Offering (the "Exercise Period"). A Soliciting Dealer Warrant may not be exercised unless the Shares to be issued upon the exercise of the Soliciting Dealer Warrant have been registered or are exempt from registration in the state of residence of the holder of the Soliciting Dealer Warrant or if a prospectus required under the laws of such state cannot be delivered to the buyer on behalf of the Company. Notwithstanding the foregoing, no Soliciting Dealer Warrants will be exercisable until one year from the effective date of the Offering. In addition, holders of Soliciting Dealer Warrants may not exercise the Soliciting Dealer Warrants to the extent such exercise would jeopardize the Company's status as a REIT under the Code.

The terms of the Soliciting Dealer Warrants, including the exercise price and the number and type of securities issuable upon exercise of a Soliciting Dealer Warrant and the number of such warrants may be adjusted in the event of stock dividends, stock splits, or a merger, consolidation, reclassification, reorganization, recapitalization, or sale of assets. Soliciting Dealer Warrants are not transferable or assignable except by the Dealer Manager, the Soliciting Dealers, their successors in interest, or to individuals who are officers of such a person. Exercise of these Soliciting Dealer Warrants will be under the terms and conditions detailed in this Prospectus and in the Warrant Purchase Agreement, which is an exhibit to the Registration Statement.

Holders of Soliciting Dealer Warrants do not have the rights of stockholders, may not vote on Company matters and are not entitled to receive distributions until such time as such warrants are exercised.

ARTICLES OF INCORPORATION AND BYLAW PROVISIONS

Restrictions on Ownership and Transfer

For the Company to qualify as a REIT under the Code, it must meet certain requirements concerning the ownership of its outstanding shares of capital stock. Specifically, not more than 50% in value of the Company's outstanding shares of capital stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year, and the Company must be beneficially owned by

100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. See "Federal Income Tax Considerations -- Requirements for Qualification." In addition, the Company must meet certain requirements regarding the nature of its gross income in order to qualify as a REIT. One such requirement is that at least 75% of the Company's gross income for each year must consist of "rents from real property" and income from certain other real property investments. No rent that the Company receives from a tenant in which it owns 10% or more of the ownership interests will qualify as "rents from real property." See "Federal Income Tax Considerations --

Requirements for Qualification -- Income Tests."

Because the Board of Directors believes it is essential for the Company to continue to qualify as a REIT, the Articles of Incorporation, subject to certain exceptions described below, provide that no person may own, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% (the "Ownership Limitation") of the number of outstanding shares of Common Stock or more than 9.8% of the number of outstanding shares of any class of Preferred Stock.

Any transfer of Shares that would (i) result in any person owning, directly or indirectly, Shares in excess of the Ownership Limitation, (ii) result in Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of section 856(h) of the Code, or (iv) cause the Company to own, actually or constructively, 10% or more of the ownership interests in a tenant of the Company's or the Operating Partnership's real property, within the meaning of section 856(d)(2)(B) of the Code, will be null and void, and the intended transferee will acquire no rights in such Shares.

Subject to certain exceptions described below, any purported transfer of Shares that would (i) result in any person owning, directly or indirectly, Shares in excess of the Ownership Limitation, (ii) result in the Shares being owned by fewer than 100 persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of section 856(h) of the Code, or (iv) cause the Company to own, actually or constructively, 10% or more of the ownership interests in a tenant of the Company's or the Operating Partnership's real property, within the meaning of section 856(d)(2)(B) of the Code, will be designated as "Shares-in-Trust" and will be transferred automatically to a trust (a "Trust"), effective on the day before the purported transfer of such Shares. The record holder of the Shares that are designated as Shares-in-Trust (the "Prohibited Owner") will be required to submit such number of Shares to the Company for registration in the name of the trustee of the Trust (the "Trustee"). The Trustee will be designated by the Company, but will not be affiliated with the Company. The beneficiary of a Trust (the "Beneficiary") will be one or more charitable organizations named by the Company.

Shares-in-Trust will remain issued and outstanding Shares and will be entitled to the same rights and privileges as all other shares of the same class or series. The Trustee will receive all dividends and distributions on the Shares-in-Trust and will hold such dividends or distributions in trust for the benefit of the Beneficiary. The Trustee will vote all Shares-in-Trust. The Trustee will designate a permitted transferee of the Shares-in-Trust, provided that the permitted transferee (i) purchases such Shares-in-Trust for valuable consideration and (ii) acquires such Shares-in-Trust without such acquisition resulting in another transfer to another Trust.

The Prohibited Owner with respect to Shares-in-Trust will be required to repay to the Trustee the amount of any dividends or distributions received by the Prohibited Owner (i) that are attributable to any Shares-in-Trust and (ii) the record date of which was on or after the date that such shares became Shares-in-Trust. Within 20 days of receiving notice from the Company that shares of the Company's common stock have been transferred to the Trust, the Company shall, at its sole option, either (i) repurchase such Shares-in-Trust from the Prohibited Owner, or (ii) cause the Trustee to sell the Shares-in-Trust on behalf of the Prohibited Owner to a third party (the "Option"). The Prohibited Owner shall receive from the Trustee the lesser of (i) the price per share in the transaction that created such Shares-in-Trust (or, in the case of a gift or devise, the Market Price (as defined below) per share on the date of such transfer) or (ii) the Market Price per share on the date that the Company, or its designee, accepts such offer. Any amounts received by the Trustee in excess of the amounts to be paid to the Prohibited Owner will be distributed to the Beneficiary. Such purchase price amount shall be sent to the Prohibited Owner within five business days from the close of such sale transaction.

In connection with the Option described above, the Shares-in-Trust will be deemed to have been offered for sale to the Company, or its designee. The

Company will have the right to accept such offer for a period of 20 days after

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the later of (i) the date of the purported transfer which resulted in such Shares-in-Trust or (ii) the date the Company determines in good faith that a transfer resulting in such Shares-in-Trust occurred.

"Market Price" on any date shall mean the average of the Closing Price for the five consecutive Trading Days ending on such date. The "Closing Price" on any date shall mean the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the NYSE or, if the Shares are not listed or admitted to trading on the NYSE, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Shares are listed or admitted to trading or, if the Shares are not listed or admitted to trading on any national securities exchange, the last quoted price, or if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System or, if such system is no longer in use, the principal other automated quotations system that may then be in use or, if the Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Shares selected by the Board of Directors, or, if no such market maker exists, as determined in good faith by the Board of Directors. "Trading Day" shall mean a day on which the principal national securities exchange on which the Shares are listed or admitted to trading is open for the transaction of business or, if the Shares are not listed or admitted to trading on any national securities exchange, shall mean any day other than a Saturday, a Sunday or a day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

Any person who (a) acquires Shares in violation of the foregoing restrictions or who owned Shares that were transferred to a Trust is required to give immediately written notice to the Company of such event, and (b) transfers or receives (or attempts to transfer or receive) Shares subject to such limitations is required to give the Company at least 15 days written notice prior to such transaction, and in both cases such persons shall provide to the Company such other information as the Company may request in order to determine the effect, if any, of such transfer on the Company's status as a REIT.

All persons who own, directly or indirectly, more than 5% (or such lower percentages as required pursuant to regulations under the Code) of the outstanding Shares must, within 30 days after January 1 of each year, provide to the Company a written statement or affidavit stating (i) the name and address of such direct or indirect owner, (ii) the number of Shares owned directly or indirectly, and (iii) a description of how such shares are held. In addition, each direct or indirect shareholder shall provide to the Company such additional information as the Company may request in order to determine the effect, if any, of such ownership on the Company's status as a REIT and to ensure compliance with the Ownership Limitation.

The Ownership Limitation generally will not apply to the acquisition of Shares by an underwriter that participates in a public offering of such shares. In addition, the Board of Directors, upon receipt of a ruling from the Service or an opinion of counsel and upon such other conditions as the Board of Directors may direct, may exempt a person from the Ownership Limitation under certain circumstances. The foregoing restrictions will continue to apply until (i) the Board of Directors determines that it is no longer in the best interests of the Company to attempt to qualify, or to continue to qualify, as a REIT and (ii) there is an affirmative vote of a majority of the number of Shares entitled to vote on such matter at a regular or special meeting of the shareholders of the Company.

All certificates representing Shares will bear a legend referring to the

restrictions described above.

The Ownership Limitation could have the effect of discouraging a takeover or other transaction in which holders of some, or a majority, of the Shares might receive a premium from their Shares over the then prevailing market price or which such holders might believe to be otherwise in their best interest.

Number of Directors; Removal; Filling Vacancies

The Articles of Incorporation and Bylaws provide that the number of directors will consist of not less than 3 nor more than 15 persons, subject to increase or decrease by the affirmative vote of 80% of the members of the entire

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Board of Directors. At all times a majority of the directors shall be Independent Directors, except that upon the death, removal or resignation of an Independent Director, such requirement shall not be applicable for 90 days. Upon completion of the Offering, there will be five directors, three of whom shall be Independent Directors. The shareholders shall be entitled to vote on the election or removal of directors, with each share entitled to one vote. The Articles of Incorporation provide that, subject to any rights of holders of any class of preferred stock, and unless the Board of Directors otherwise determines, any vacancies will be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum, provided that Independent Directors shall nominate and approve directors to fill vacancies created by Independent Directors. Accordingly, the Board of Directors could temporarily prevent any shareholder from enlarging the Board of Directors and filling the new directorships with such shareholder's own nominees. Any directors so elected shall hold office until the next annual meeting of shareholders.

A director may be removed with or without cause by the vote of the holders of a majority of the outstanding shares of capital stock entitled to vote for the election of directors at a special meeting of the shareholders called for the purpose of removing such director.

LIMITATION OF LIABILITY AND INDEMNIFICATION

The MGCL permits a Maryland corporation to include in its Articles of Incorporation a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment as being material to the cause of action.

Subject to the conditions set forth below, the Articles of Incorporation provides that the Company shall indemnify and hold harmless a Director, Advisor or Affiliate against any or all losses or liabilities reasonably incurred by such Director, Advisor or Affiliate in connection with or by reason of any act or omission performed or omitted to be performed on behalf of the Company in such capacity.

Under the Company's Articles of Incorporation, the Company shall not indemnify its Directors, Advisor or any Affiliate for any liability or loss suffered by the Directors, Advisors or Affiliates, nor shall it provide that the Directors, Advisors or Affiliates be held harmless for any loss or liability suffered by the Company, unless all of the following conditions are met: (i) the Directors, Advisor or Affiliates have determined, in good faith, that the course of conduct which caused the loss or liability was in the best interests of the Company; (ii) the Directors, Advisor or Affiliates were acting on behalf of or performing services of the Company; (iii) such liability or loss was not the result of (A) negligence or misconduct by the Directors, excluding the Independent Directors, Advisors or Affiliates; or (B) gross negligence or willful misconduct by the Independent Directors; (iv) such indemnification or agreement to hold harmless is recoverable only out of the Company's net assets and not from Shareholders. Notwithstanding the foregoing, the Directors, Advisors or Affiliates and any persons acting as a broker-dealer shall not be

indemnified by the Company for any losses, liability or expenses arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met: (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee; (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnitee; (iii) a court of competent jurisdiction approves a settlement of the claims against a particular indemnitee and finds that indemnification of the settlement and the related costs should be made, and the court considering the request for indemnification has been advised of the position of the SEC and of the published position of any state securities regulatory authority in which securities of the Company were offered or sold as to indemnification for violations of securities laws.

The Articles of Incorporation provides that the advancement of Company funds to the Directors, Advisors or Affiliates for legal expenses and other costs incurred as a result of any legal action for which indemnification is being sought is permissible only if all of the following conditions are satisfied: (i) the legal action relates to acts or omissions with respect to the performance of duties or services on behalf of the Company; (ii) the legal action is initiated by a third party who is not a Shareholder or the legal action is initiated by a Shareholder acting in his or her capacity as such and a court of competent jurisdiction specifically approves such advancement; (iii) the Directors, Advisor or Affiliates undertake to repay the advanced funds to the Company together with the applicable legal rate of interest thereon, in cases in which such Directors, Advisor or Affiliates are found not to be entitled to indemnification.

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The MGCL requires a Maryland corporation (unless its Articles of Incorporation provide otherwise, which the Company's Articles of Incorporation do not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he is made a party by reason of his service in that capacity. The MGCL permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. However, under the MGCL a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation's receipt of (a) a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the Company as authorized by the Bylaws and (b) a written undertaking by or on his behalf to repay the amount paid or reimbursed by the Company if it shall ultimately be determined that the standard of conduct was not met. Indemnification under the provisions of the MGCL is not deemed exclusive of any other rights, by indemnification or otherwise, to which an officer or director may be entitled under the Company's Articles of Incorporation or Bylaws, or under resolutions of stockholders or directors, contract or otherwise. It is the position of the Commission that indemnification of directors an officers for liabilities arising under the Securities Act is against public policy and is unenforceable pursuant to Section 14 of the Securities Act.

The Company intends to purchase and maintain insurance on behalf of all of its directors and executive officers against liability asserted against or incurred by them in their official capacities with the Company, whether or not

the Company is required or has the power to indemnify them against the same liability.

Causes of action resulting from violations of federal or state securities law shall be governed by such law.

BUSINESS COMBINATIONS

Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and any person who beneficially owns 10% or more of the voting power of such corporation's shares or an affiliate of such corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting shares of such corporation (an "Interested Stockholder") or an affiliate thereof, are prohibited for five years after the most recent date on which the Interested Stockholder became an Interested Stockholder. Thereafter, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (b) two-thirds of the votes entitled to be cast by holders of voting shares of such corporation other than shares held by the Interested Stockholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the Interested Stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the Interested Stockholder becomes an Interested Stockholder.

CONTROL SHARE ACQUISITION STATUTE

The MGCL provides that "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter, excluding shares owned by the acquiror, by officers or by directors who are employees of the corporation. "Control Shares" are voting shares which, if aggregated with all other such shares previously acquired by the acquiror, or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following

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ranges of voting power: (i) one-fifth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control Shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors of the corporation to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share

acquisition by the acquiror or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquiror in the control share acquisition.

The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange, if the corporation is a party to the transaction, or to acquisitions approved or exempted by the Articles of Incorporation or bylaws of the corporation.

The Articles of Incorporation and Bylaws of the Company contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of the Company's capital stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future.

AMENDMENT TO THE ARTICLES OF INCORPORATION

The Articles of Incorporation of the Company may be amended by the affirmative vote by holders of a majority of the shares then outstanding and entitled to vote thereon, without the concurrence of the Board of Directors, provided, however, (i) no amendment may be made which would change any rights with respect to any outstanding class of securities by reducing the amount payable thereon upon liquidation or by diminishing or eliminating any voting rights pertaining thereto; (ii) the provisions pertaining to amending the Articles of Incorporation and reorganizations shall not be amended, (iii) no term or provision of the Articles of Incorporation may be added, amended or repealed in any respect that would, in the determination of the Board of Directors, cause the Company not to qualify as a REIT under the Code, (iv) certain provisions of the Articles of Incorporation, including provisions relating to the removal of directors, Independent Directors, preemptive rights of holders of stock and the indemnification and limitation of liability of officers and directors may not be amended or repealed and (v) provisions imposing cumulative voting in the election of directors may not be added to the Articles of Incorporation, unless, in each such case, such action is approved by the affirmative vote of the holders of not less than a majority of all the votes entitled to be cast thereon. The Board of Directors may amend the Articles of Incorporation (without the concurrence by the stockholders) only to enable the Company to qualify as a real estate investment trust under the Code.

DISSOLUTION OF THE COMPANY

The dissolution of the Company must be approved by the affirmative vote of the holders of not less than a majority of all of the votes entitled to be cast on the matter. Under the Articles of Incorporation, the Company will automatically terminate and dissolve on January 30, 2008 (ten years after the initial date of this Prospectus), unless the Listing occurs, in which event the Company will automatically become a perpetual life entity.

ADVANCE NOTICE OF DIRECTOR NOMINATIONS AND NEW BUSINESS

The Bylaws of the Company provide that (a) with respect to an annual meeting of stockholders, nominations of persons for election to the Board of Directors and the proposal of business to be considered by stockholders may be made only (i) pursuant to the Company's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) by a stockholder who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the Bylaws and (b) with respect to special meetings of stockholders, only the business specified in the Company's notice of meeting may be brought before the meeting of stockholders and nominations of persons for election to the Board of Directors may be made only (i) pursuant to the Company's notice of the meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be

elected at such meeting, by a stockholder who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the Bylaws.

MEETING OF STOCKHOLDERS

The Company's Bylaws provide that annual meetings of stockholders shall be held on a date and at the time set by the Board of Directors. The Board of Directors (including the Independent Directors) will take reasonable steps to ensure that the annual stockholders meeting shall be set within a reasonable period (not less than 30 days) following delivery of the annual report. Special meetings of the stockholders may be called by (i) the President of the Company, (ii) the Chief Executive Officer or (iii) the Board of Directors. As permitted by the MGCL, the Bylaws of the Company provide that special meetings must be called by the Secretary of the Company upon the written request of the holders of shares entitled to cast not less than a majority of all votes entitled to be cast at the meeting.

OPERATIONS

The Articles of Incorporation require the Board of Directors generally to use its best efforts to cause the Company to qualify as a REIT. Although the Company has opted to not be governed by Maryland's business combination and control share acquisition statutes, if the Company's Articles of Incorporation and Bylaws are amended to include them, such provisions of the MGCL could delay, defer or prevent a transaction or a change in control of the Company that might involve a premium price for holders of Shares or otherwise be in their best interests.

INSPECTION OF BOOKS AND RECORDS

The Advisor will keep, or cause to be kept, on behalf of the Company, full and true books of account on an accrual basis of accounting, in accordance with generally accepted accounting principles. All of such books of account, together with all other records of the Company, including a copy of the Articles of Incorporation and any amendments thereto, will at all times be maintained at the principal office of the Company, and will be open to inspection, examination, and, for a reasonable charge, duplication upon reasonable notice and during normal business hours by a stockholder or his agent.

As a part of its books and records, the Company will maintain at its principal office an alphabetical list of names of stockholders, along with their addresses and telephone numbers and the number of Shares held by each stockholder. Such list shall be updated at least quarterly and shall be available for inspection at the Company's home office by a stockholder or his or her designated agent upon such stockholder's request. Such list also shall be mailed to any stockholder requesting the list within 10 days of a request. The Company may require the stockholder requesting the stockholder list to represent that the list is not requested for a commercial purpose unrelated to the stockholder's interest in the Company and that he or she will not make any commercial distribution of such list or the information disclosed through such inspection. The Company may impose a reasonable charge for expenses incurred in reproducing such list. The list may not be sold or used for commercial purposes.

RESTRICTIONS ON "ROLL-UP" TRANSACTIONS

In connection with a proposed "Roll-Up Transaction," which, in general terms, is any transaction involving the acquisition, merger, conversion, or consolidation, directly or indirectly, of the Company and the issuance of securities of

an entity that would be created or would survive after the successful completion of the Roll-Up Transaction (a "Roll-Up Entity"), an appraisal of all of the Company's properties shall be obtained from an independent appraiser. In order to qualify as an independent appraiser for this

purpose(s), the person or entity shall have no material current or prior business or personal relationship with the Advisor or Directors and shall be engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the Company. The Company's properties shall be appraised on a consistent basis, and the appraisal shall be based on the evaluation of all relevant information and shall indicate the value of the Company's properties as of a date immediately prior to the announcement of the proposed Roll-Up Transaction. The appraisal shall assume an orderly liquidation of properties over a 12-month period. The terms of the engagement of such Independent Expert shall clearly state that the engagement is for the benefit of the Company and the stockholders. A summary of the independent appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to stockholders in connection with a proposed Roll-Up Transaction. In connection with a proposed Roll-Up Transaction, the person sponsoring the Roll-Up Transaction shall offer to stockholders who vote against the proposal the choice of:

(i) accepting the securities of the Roll-Up Entity offered in the proposed Roll-Up Transaction; or

(ii) one of the following:

a. remaining stockholders of the Company and preserving their interests therein on the same terms and conditions as existed previously;
or

b. receiving cash in an amount equal to the stockholder's pro rata share of the appraised value of the net assets of the Company.

The Company is prohibited from participating in any proposed Roll-Up Transaction:

(i) which would result in the stockholders having democracy rights in the Roll-Up Entity that are less than those provided in the Company's Articles of Incorporation and described elsewhere in this Prospectus, including rights with respect to the election and removal of Directors, annual reports, annual and special meetings, amendment of the Articles of Incorporation, and dissolution of the Company;

(ii) which includes provisions that would operate as a material impediment to, or frustration of, the accumulation of shares by any purchaser of the securities of the Roll-Up Entity (except to the minimum extent necessary to preserve the tax status of the Roll-Up Entity), or which would limit the ability of an investor to exercise the voting rights of its securities of the Roll-Up Entity on the basis of the number of shares held by that investor;

(iii) in which investor's rights to access of records of the Roll-Up Entity will be less than those provided in the Company's Articles of Incorporation and described in "Inspection of Books and Records," above; or

(iv) in which any of the costs of the Roll-Up Transaction would be borne by the Company if the Roll-Up Transaction is not approved by the stockholders.

FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of material federal income tax considerations that may be relevant to a prospective holder of Shares in the Company. Hunton & Williams has acted as counsel to the Company and has reviewed this summary and is of the opinion that it fairly summarizes the federal income tax considerations that will be material to a holder of Shares. The discussion contained herein does not address all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances, or to certain types of shareholders (including insurance companies, tax-exempt organizations, financial institutions or broker-dealers, foreign corporations, and persons who are not citizens or residents of the

United States) subject to special treatment under the federal income tax laws.

The statements in this discussion and the opinion of Hunton & Williams are based on current provisions of the Code, existing, temporary, and currently proposed Treasury Regulations promulgated under the Code, the legislative history of the Code, existing administrative rulings and practices of the Service, and judicial decisions. No assurance can be given that future legislative, judicial, or administrative actions or decisions, which may be retroactive in effect, will not affect the accuracy of any statements in this Prospectus with respect to the transactions entered into or contemplated prior to the effective date of such changes.

EACH PROSPECTIVE PURCHASER IS ADVISED TO CONSULT HIS OWN TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO HIM OF THE PURCHASE, OWNERSHIP, AND SALE OF SHARES AND OF THE COMPANY'S ELECTION TO BE TAXED AS A REIT, INCLUDING THE FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE, AND ELECTION, AND OF POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

TAXATION OF THE COMPANY

The Company currently has in effect an election to be taxed as a pass-through entity under Subchapter S of the Code, but intends to revoke its S election on the day prior to the date on which the Offering commences. The Company plans to make an election to be taxed as a REIT under sections 856 through 860 of the Code, effective for its short taxable year beginning on the day prior to the date on which the Offering commences and ending on December 31, 1998. The Company believes that, commencing with such taxable year, it will be organized and will operate in such a manner as to qualify for taxation as a REIT under the Code, and the Company intends to continue to operate in such a manner, but no assurance can be given that the Company will operate in a manner so as to qualify or remain qualified as a REIT.

The sections of the Code relating to qualification and operation as a REIT are highly technical and complex. The following discussion sets forth the material aspects of the Code sections that govern the federal income tax treatment of a REIT and its shareholders. The discussion is qualified in its entirety by the applicable Code provisions, Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof, all of which are subject to change prospectively or retroactively.

Hunton & Williams has acted as counsel to the Company in connection with the Offering and the Company's election to be taxed as a REIT. In the opinion of Hunton & Williams, assuming that the elections and other procedural steps described in this discussion of "Federal Income Tax Considerations" are completed by the Company in a timely fashion, the Company's organization and proposed method of operation will enable it to qualify to be taxed as a REIT under the Code commencing with the Company's short taxable year beginning the day prior to the date on which the Offering commences and ending December 31, 1998, and for its future taxable years. Investors should be aware, however, that opinions of counsel are not binding upon the Service or any court. It must be emphasized that Hunton & Williams' opinion is based on various assumptions and is conditioned upon certain representations made by the Company as to factual matters, including representations regarding the nature of the Company's properties and the future conduct of its business. Such factual assumptions and representations are described below in this discussion of "Federal Income Tax Considerations" and are set out in the federal income tax opinion that has been delivered by Hunton & Williams. Moreover, such qualification and taxation as a REIT depends upon the Company's ability to meet on a

continuing basis, through actual annual operating results, distribution levels, and share ownership, the various qualification tests imposed under the Code discussed below. Hunton & Williams will not review the Company's compliance with those tests on a continuing basis. Accordingly, no assurance can be given that the actual results of the Company's operations for any particular taxable year will satisfy such requirements. For a discussion of the tax consequences of

failure to qualify as a REIT, see "Failure to Qualify."

If the Company qualifies for taxation as a REIT, it generally will not be subject to federal corporate income tax on its net income that is distributed currently to its shareholders. That treatment substantially eliminates the "double taxation" (i.e., taxation at both the corporate and shareholder levels) that generally results from investment in a corporation. However, the Company will be subject to federal income tax in the following circumstances. First, the Company will be taxed at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains. Second, under certain circumstances, the Company may be subject to the "alternative minimum tax" on its undistributed items of tax preference, if any. Third, if the Company has (i) net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or (ii) other nonqualifying income from foreclosure property, it will be subject to tax at the highest corporate rate on such income. Fourth, if the Company has net income from prohibited transactions (which are, in general, certain sales or other dispositions of property (other than foreclosure property) held primarily for sale to customers in the ordinary course of business), such income will be subject to a 100% tax. Fifth, if the Company should fail to satisfy the 75% gross income test or the 95% gross income test (as discussed below), and nonetheless has maintained its qualification as a REIT because certain other requirements have been met, it will be subject to a 100% tax on the net income attributable to the greater of the amount by which the Company fails the 75% or 95% gross income test. Sixth, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain net income for such year, and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. Seventh, the Company may elect to retain and pay income tax on the net long-term capital gain it receives in a taxable year. Finally, if the Company acquires any asset from a C corporation (i.e., a corporation generally subject to full corporate-level tax) in a transaction in which the basis of the asset in the Company's hands is determined by reference to the basis of the asset (or any other asset) in the hands of the C corporation and the Company recognizes gain on the disposition of such asset during the 10-year period beginning on the date on which such asset was acquired by the Company, then to the extent of such asset's "built-in-gain" (i.e., the excess of the fair market value of such asset at the time of acquisition by the Company over the adjusted basis in such asset at such time), such gain will be subject to tax at the highest regular corporate rate applicable (as provided in Treasury Regulations that have not yet been promulgated). The results described above with respect to the recognition of "built-in-gain" assume that the Company will make an election pursuant to IRS Notice 88-19 if it were to make any such acquisition.

REQUIREMENTS FOR QUALIFICATION

The Code defines a REIT as a corporation, trust, or association (i) that is managed by one or more trustees or directors; (ii) the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest; (iii) that would be taxable as a domestic corporation, but for sections 856 through 860 of the Code; (iv) that is neither a financial institution nor an insurance company subject to certain provisions of the Code; (v) the beneficial ownership of which is held by 100 or more persons; (vi) not more than 50% in value of the outstanding shares of which is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of each taxable year (the "5/50 Rule"); (vii) that makes an election to be a REIT (or has made such election for a previous taxable year) and satisfies all relevant filing and other administrative requirements established by the Service that must be met in order to elect and maintain REIT status; (viii) that uses a calendar year for federal income tax purposes and complies with the recordkeeping requirements of the Code and Treasury Regulations promulgated thereunder; and (ix) that meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (i) to (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year

of less than 12 months. Conditions (v) and (vi) will not apply until after the first taxable year for which an election is made by the Company to be taxed as a REIT. For purposes of determining stock ownership under the 5/50 Rule, a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes generally is considered an individual. A trust that is a qualified trust under Code section 401(a), however, generally is not considered an individual and beneficiaries of such

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trust are treated as holding shares of a REIT in proportion to their actuarial interests in such trust for purposes of the 5/50 Rule.

The Company anticipates issuing sufficient Shares with sufficient diversity of ownership pursuant to the Offering to allow it to satisfy requirements (v) and (vi) after its 1998 taxable year. In addition, the Company's Articles of Incorporation provide for restrictions regarding transfer of Shares that are intended to assist the Company in continuing to satisfy the share ownership requirements described in clauses (v) and (vi) above. Such transfer restrictions are described in "Description of Capital Stock -- Articles of Incorporation and Bylaw Provisions -- Restrictions on Ownership and Transfer."

The Company currently does not have any corporate subsidiaries, but may have corporate subsidiaries in the future. Code section 856(i) provides that a corporation that is a "qualified REIT subsidiary" will not be treated as a separate corporation, and all assets, liabilities, and items of income, deduction, and credit of a "qualified REIT subsidiary" will be treated as assets, liabilities, and items of income, deduction, and credit of the REIT. A "qualified REIT subsidiary" is a corporation, all of the capital stock of which is owned by the REIT. Thus, in applying the requirements described herein, any qualified REIT subsidiaries of the Company will be ignored and all assets, liabilities, and items of income, deduction, and credit of such subsidiaries will be treated as assets, liabilities, and items of income, deduction, and credit of the Company.

In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership and will be deemed to be entitled to the gross income of the partnership attributable to such share. In addition, the assets and gross income of the partnership will retain the same character in the hands of the REIT for purposes of section 856 of the Code, including satisfying the gross income and asset tests described below. Thus, the Company's proportionate share of the assets, liabilities and items of income of the Operating Partnership will be treated as assets, liabilities and items of income of the Company for purposes of applying the requirements described herein

Income Tests

In order for the Company to qualify and to maintain its qualification as a REIT, two requirements relating to the Company's gross income must be satisfied annually. First, at least 75% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must consist of defined types of income derived directly or indirectly from investments relating to real property or mortgages on real property (including "rents from real property" and, in certain circumstances, interest) or temporary investment income. Second, at least 95% of the Company's gross income (excluding gross income from prohibited transactions) for each taxable year must be derived from such real property or temporary investments, and from dividends, other types of interest, and gain from the sale or disposition of stock or securities, or from any combination of the foregoing. The specific application of these tests to the Company is discussed below.

The rent received by the Company from its tenants ("Rent") will qualify as "rents from real property" in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent must not be based, in whole or in part, on the income or profits of any

person. However, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, the Code provides that rents received from a tenant will not qualify as "rents from real property" in satisfying the gross income tests if the Company, or a direct or indirect owner of 10% or more of the Company, directly or constructively owns 10% or more of such tenant (a "Related Party Tenant"). Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as "rents from real property." Finally, for the Rent to qualify as "rents from real property," the Company generally must not operate or manage its properties or furnish or render services to the tenants of such properties, other than through an "independent contractor" who is adequately compensated and from whom the Company derives no revenue. The "independent contractor" requirement, however, does not apply to the extent the services provided by the Company are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not otherwise considered "rendered to the occupant." In addition, The Company may render a de minimus amount of

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noncustomary services to its tenants, or manage or operate property, as long as the amount received with respect to the services or management does not exceed 1% of the Company's income from the property.

The Company has represented that it will not charge Rent for any portion of any property that is based, in whole or in part, on the income or profits of any person to the extent that the receipt of such Rent would jeopardize the Company's status as a REIT. In addition, the Company has represented that, to the extent that it receives Rent from a Related Party Tenant, such Rent will not cause the Company to fail to satisfy either the 75% or 95% gross income test. The Company also has represented that it will not allow the Rent attributable to personal property leased in connection with any lease of real property to exceed 15% of the total Rent received under the lease, if the receipt of such Rent would cause the Company to fail to satisfy either the 75% or 95% gross income test.

The Company may provide certain services to its tenants. The Company believes and has represented that all such services will be considered "usually or customarily rendered" in connection with the rental of space for occupancy only and will not otherwise be considered "rendered to the occupant," so that the provision of such services will not jeopardize the qualification of the Rent as "rents from real property." In the case of any services that are not "usual and customary" under the foregoing rules, the Company intends to employ qualifying independent contractors to provide such services to the extent that the provision of such services would cause the Company to fail to satisfy either the 75% or 95% gross income test.

If any portion of the Rent does not qualify as "rents from real property" because the Rent attributable to personal property leased in connection with any lease of real property exceeds 15% of the total Rent received under the lease for a taxable year, the portion of the Rent that is attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. Thus, if the Rent attributable to personal property, plus any other income received by the Company during a taxable year that is not qualifying income for purposes of the 95% gross income test, exceeds 5% of the Company's gross income during such year, the Company likely would lose its REIT status. If, however, any portion of the Rent received under a lease does not qualify as "rents from real property" because either (i) the Rent is considered based on the income or profits of any person or (ii) the tenant is a Related Party Tenant, none of the Rent received by the Company under such lease would qualify as "rents from real property." In that case, if the Rent received by the Company under such lease, plus any other income received by the Company during the taxable year that is not qualifying income for purposes of the 95% gross income test, exceeds 5% of the Company's gross income for such year, the Company likely would lose its REIT status. Finally, if any portion of the Rent

does not qualify as "rents from real property" because the Company furnishes noncustomary services with respect to a property other than through a qualifying independent contractor, and the amount received with respect to the services exceeds 1% of the Company's income from the property, none of the Rent received by the Company with respect to the related property would qualify as "rents from real property." In that case, if the Rent received by the Company with respect to the related property, plus any other income received by the Company during the taxable year that is not qualifying income for purposes of the 95% gross income test, exceeds 5% of the Company's gross income for such year, the Company would lose its REIT status.

In addition to the Rent, the Company's tenants will be required to pay additional charges, such as late fees (the "Additional Charges"). To the extent that the Additional Charges represent either (i) reimbursements of amounts that a tenant is obligated to pay to third parties or (ii) penalties for nonpayment or late payment of such amounts, the Additional Charges should qualify as "rents from real property." To the extent that Additional Charges represent interest that is accrued on the late payment of the Rent or Additional Charges, such Additional Charges should be treated as interest that qualifies for the 95% gross income test, but not the 75% gross income test.

The term "interest" generally does not include any amount received or accrued (directly or indirectly) if the determination of such amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely by reason of being based on a fixed percentage or percentages of receipts or sales. Furthermore, to the extent that interest from a loan that is based on the residual cash proceeds from sale of the property securing the loan constitutes a "shared appreciation provision" (as defined in the Code), income attributable to such participation feature will be treated as gain from the sale of the secured property.

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The net income derived from any prohibited transaction is subject to a 100% tax. The term "prohibited transaction" generally includes a sale or other disposition (whether by the Company or the Operating Partnership) of property (other than foreclosure property) that is held primarily for sale to customers in the ordinary course of a trade or business. The Company believes no asset owned by the Company or the Operating Partnership will be held for sale to customers and that a sale of any such asset will not be in the ordinary course of business of the Company or the Operating Partnership. Whether property is held "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular property. Nevertheless, the Company will attempt to comply with the terms of safe-harbor provisions in the Code prescribing when asset sales will not be characterized as prohibited transactions. Complete assurance cannot be given, however, that the Company can comply with the safe-harbor provisions of the Code or avoid owning property that may be characterized as property held "primarily for sale to customers in the ordinary course of a trade or business."

The Company will be subject to tax at the maximum corporate rate on any income from foreclosure property (other than income that would be qualified income under the 75% gross income test), less expenses directly connected with the production of such income. However, gross income from such foreclosure property will be qualifying income under the 75% and 95% gross income tests. "Foreclosure property" is defined as any real property (including interests in real property) and any personal property incident to such real property (i) that is acquired by a REIT as the result of such REIT having bid in such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of such property or on an indebtedness that such property secured and (ii) for which such REIT makes a proper election to treat such property as foreclosure property. However, a REIT will not be considered to have foreclosed on a property where such REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss

except as a creditor of the mortgagor. Under the Code, property generally ceases to be foreclosure property with respect to a REIT on the date that is two years after the date such REIT acquired such property (or longer if an extension is granted by the Secretary of the Treasury). The foregoing grace period is terminated and foreclosure property ceases to be foreclosure property on the first day (i) on which a lease is entered into with respect to such property that, by its terms, will give rise to income that does not qualify under the 75% gross income test or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify under the 75% gross income test, (ii) on which any construction takes place on such property (other than completion of a building, or any other improvement, where more than 10% of the construction of such building or other improvement was completed before default became imminent) or (iii) which is more than 90 days after the day on which such property was acquired by the REIT and the property is used in a trade or business that is conducted by the REIT (other than through an independent contractor from whom the REIT itself does not derive or receive any income).

It is possible that, from time to time, the Company will enter into hedging transactions with respect to one or more of its assets or liabilities. Any such hedging transactions could take a variety of forms, including interest rate swap contracts, interest rate cap or floor contracts, futures or forward contracts, and options. To the extent that the Company enters into an interest rate swap or cap contract, option, futures contract, forward rate agreement or similar financial instrument to reduce its interest rate risk with respect to indebtedness incurred or to be incurred to acquire or carry real estate assets, any periodic income or gain from the disposition of such contract should be qualifying income for purposes of the 95% gross income test, but not the 75% gross income test. To the extent that the Company hedges with other types of financial instruments or in other situations, it may not be entirely clear how the income from those transactions will be treated for purposes of the various income tests that apply to REITs under the Code. The Company intends to structure any hedging transactions in a manner that does not jeopardize its status as a REIT.

If the Company fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it nevertheless may qualify as a REIT for such year if it is entitled to relief under certain provisions of the Code. Those relief provisions generally will be available if the Company's failure to meet such tests is due to reasonable cause and not due to willful neglect, the Company attaches a schedule of the sources of its income to its return, and any incorrect information on the schedule was not due to fraud with intent to evade tax. It is not possible, however, to state whether in all circumstances the Company would be entitled to the benefit of those relief provisions. As discussed above in "Federal Income Tax Considerations -- Taxation of the Company," even if those relief provisions apply, a 100% tax would be imposed on the net income attributable to the greater of the amount by which the Company fails the 75% or 95% gross income test.

Asset Tests

The Company, at the close of each quarter of each taxable year, also must satisfy two tests relating to the nature of its assets. First, at least 75% of the value of the Company's total assets must be represented by cash or cash items (including certain receivables), government securities, "real estate assets," or, in cases where the Company raises new capital through stock or long-term (at least five-year) debt offerings, temporary investments in stock or debt instruments during the one-year period following the Company's receipt of such capital. The term "real estate assets" includes interests in real property, interests in mortgages on real property to the extent the principal balance of a mortgage does not exceed the value of the associated real property, and shares of other REITs. For purposes of the 75% asset test, the term "interest in real property" includes an interest in land and improvements thereon, such as buildings or other inherently permanent structures (including items that are structural components of such buildings or structures), a

leasehold of real property, and an option to acquire real property (or a leasehold of real property). Second, of the investments not included in the 75% asset class, the value of any one issuer's securities owned by the Company may not exceed 5% of the value of the Company's total assets and the Company may not own more than 10% of any one issuer's outstanding voting securities (except for its interests in the Operating Partnership and any qualified REIT subsidiary).

The Company has represented that (i) at least 75% of the value of its total assets will be represented by real estate assets, cash and cash items (including receivables), and government securities and (ii) it will not own (A) securities of any one issuer the value of which exceeds 5% of the value of the Company's total assets or (B) more than 10% of any one issuer's outstanding voting securities (except for its interests in the Operating Partnership and any qualified REIT subsidiary). In addition, the Company has represented that it will not acquire or dispose, or cause the Operating Partnership to acquire or dispose, of assets in the future in a way that would cause it to violate either asset test.

If the Company should fail to satisfy the asset tests at the end of a calendar quarter, such a failure would not cause it to lose its REIT status if (i) it satisfied the asset tests at the close of the preceding calendar quarter and (ii) the discrepancy between the value of the Company's assets and the asset test requirements arose from changes in the market values of its assets and was not wholly or partly caused by an acquisition of one or more nonqualifying assets. If the condition described in clause (ii) of the preceding sentence were not satisfied, the Company still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

Distribution Requirements

The Company, in order to avoid corporate income taxation of the earnings it distributes, is required to distribute with respect to each taxable year dividends (other than capital gain dividends and retained earnings) to its shareholders in an aggregate amount at least equal to (i) the sum of (A) 95% of its "REIT taxable income" (computed without regard to the dividends paid deduction and its net capital gain) and (B) 95% of the net income (after tax), if any, from foreclosure property, minus (ii) the sum of certain items of noncash income. Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if declared before the Company timely files its federal income tax return for such year and if paid on or before the first regular dividend payment date after such declaration. To the extent that the Company does not distribute all of its net capital gain or distributes at least 95%, but less than 100%, of its "REIT taxable income," as adjusted, it will be subject to tax thereon at regular ordinary and capital gains corporate tax rates. Furthermore, if the Company should fail to distribute during each calendar year at least the sum of (i) 85% of its REIT ordinary income for such year, (ii) 95% of its REIT capital gain income for such year, and (iii) any undistributed taxable income from prior periods, the Company would be subject to a 4% nondeductible excise tax on the excess of such required distribution over the amounts actually distributed. The Company may elect to retain and pay income on the net long-term capital gain it receives in a taxable year. Any such retained capital gain will be treated as if it had been distributed to the Company's shareholders for purposes of the 4% excise tax. The Company intends to make timely distributions sufficient to satisfy the annual distribution requirements.

It is possible that, from time to time, the Company may experience timing differences between (i) the actual receipt of income and actual payment of deductible expenses and (ii) the inclusion of that income and deduction of such expenses in arriving at its REIT taxable income. Further, it is possible that, from time to time, the Company may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds its allocable share of cash attributable to that sale. Therefore, the Company may have less cash than is necessary to meet its annual 95%

distribution requirement or to avoid corporate income tax or the excise tax imposed on certain undistributed income. In such a situation, the Company may find it necessary to arrange for short-term (or possibly long-term) borrowings or to raise funds through the issuance of additional Shares.

Under certain circumstances, the Company may be able to rectify a failure to meet the distribution requirements for a year by paying "deficiency dividends" to its shareholders in a later year, which may be included in the Company's deduction for dividends paid for the earlier year. Although the Company may be able to avoid being taxed on amounts distributed as deficiency dividends, it will be required to pay to the Service interest based upon the amount of any deduction taken for deficiency dividends.

Recordkeeping Requirements

Pursuant to applicable Treasury Regulations, in order to be able to elect to be taxed as a REIT, the Company must maintain certain records. In addition, in order to avoid a monetary penalty, the Company must request, on an annual basis, certain information from its shareholders designed to disclose the actual ownership of its outstanding shares. The Company intends to comply with such requirements.

Partnership Anti-Abuse Rule

The U.S. Department of the Treasury has issued a final regulation (the "Anti-Abuse Rule") under the partnership provisions of the Code (the "Partnership Provisions") that authorizes the Service, in certain abusive transactions involving partnerships, to disregard the form of the transaction and recast it for federal tax purposes as the Service deems appropriate. The Anti-Abuse Rule applies where a partnership is formed or utilized in connection with a transaction (or series of related transactions) with a principal purpose of substantially reducing the present value of the partners' aggregate federal tax liability in a manner inconsistent with the intent of the Partnership Provisions. The Anti-Abuse Rule states that the Partnership Provisions are intended to permit taxpayers to conduct joint business (including investment) activities through a flexible arrangement that accurately reflects the partners' economic agreement and clearly reflects the partners' income without incurring any entity-level tax. The purposes for structuring a transaction involving a partnership are determined based on all of the facts and circumstances, including a comparison of the purported business purpose for a transaction and the claimed tax benefits resulting from the transaction. A reduction in the present value of the partners' aggregate federal tax liability through the use of a partnership does not, by itself, establish inconsistency with the intent of the Partnership Provisions.

The Anti-Abuse Rule contains an example in which a corporation that elects to be treated as a REIT contributes substantially all of the proceeds from a public offering to a partnership in exchange for a general partnership interest. The limited partners of the partnership contribute real property assets to the partnership, subject to liabilities that exceed their respective aggregate bases in such property. In addition, some of the limited partners have the right, beginning two years after the formation of the partnership, to require the redemption of their limited partnership interests in exchange for cash or REIT stock (at the REIT's option) equal to the fair market value of their respective interests in the partnership at the time of the redemption. The example concludes that the use of the partnership is not inconsistent with the intent of the Partnership Provisions and, thus, cannot be recast by the Service. However, the redemption rights associated with the OP Units will not conform in all respects to the redemption rights contained in the foregoing example. Moreover, the Anti-Abuse Rule is extraordinarily broad in scope and is applied based on an analysis of all of the facts and circumstances. As a result, there can be no assurance that the Service will not attempt to apply the Anti-Abuse Rule to the Company. If the conditions of the Anti-Abuse Rule are met, the Service is authorized to take appropriate enforcement action, including disregarding the Operating Partnership for federal tax purposes or treating one or more of the partners as nonpartners. Any such action potentially could jeopardize the Company's status as a REIT.

FAILURE TO QUALIFY

If the Company fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, the Company will be subject to tax (including any applicable alternative minimum tax) on its taxable income at regular corporate rates. Distributions to the Company's shareholders in any year in which the Company fails to qualify will not be deductible by the Company nor will they be required to be made. In such event, to the extent of current and

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accumulated earnings and profits, all distributions to shareholders will be taxable as ordinary income and, subject to certain limitations of the Code, corporate distributees may be eligible for the dividends received deduction. Unless entitled to relief under specific statutory provisions, the Company also will be disqualified from taxation as a REIT for the four taxable years following the year during which the Company ceased to qualify as a REIT. It is not possible to state whether in all circumstances the Company would be entitled to such statutory relief.

TAXATION OF TAXABLE U.S. SHAREHOLDERS

As long as the Company qualifies as a REIT, distributions made to the Company's taxable U.S. shareholders out of current or accumulated earnings and profits (and not designated as capital gain dividends or retained capital gains) will be taken into account by such U.S. shareholders as ordinary income and will not be eligible for the dividends received deduction generally available to corporations. As used herein, the term "U.S. shareholder" means a holder of Shares that for U.S. federal income tax purposes is (i) a citizen or resident of the U.S., (ii) a corporation, partnership, or other entity created or organized in or under the laws of the U.S. or of any political subdivision thereof, or (iii) an estate whose income from sources without the United States is includible in gross income for U.S. federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States, or (iv) any trust with respect to which (A) a U.S. court is able to exercise primary supervision over the administration of such trust and (B) one or more U.S. fiduciaries have the authority to control all substantial decisions of the trust.

Distributions that are designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed the Company's actual net capital gain for the taxable year) without regard to the period for which the shareholder has held his Shares. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. The Company may elect to retain and pay income tax on the net long-term capital gain if received in a taxable year. In that case, the Company's shareholders would include in income as long-term capital gain their proportionate share of the Company's retained long-term capital gain. In addition, the shareholders would be deemed to have paid their proportionate share of the tax paid by the Company, which amount would be credited or refunded to the shareholders. Each shareholder's basis in his Shares would be increased by the amount of the undistributed long-term capital gain included in the shareholder's income, less the shareholder's share of the tax paid by the Company.

Distributions in excess of current and accumulated earnings and profits will not be taxable to a shareholder to the extent that they do not exceed the adjusted basis of the shareholder's Shares, but rather will reduce the adjusted basis of such Shares. To the extent that such distributions in excess of current and accumulated earnings and profits exceed the adjusted basis of a shareholder's Shares, such distributions will be included in income as long-term capital gain (or short-term capital gain if the Shares have been held for one year or less), assuming the Shares are capital assets in the hands of the shareholder. In addition, any distribution declared by the Company in October, November, or December of any year and payable to a shareholder of record on a specified date in any such month shall be treated as both paid by the Company

and received by the shareholder on December 31 of such year, provided that the distribution is actually paid by the Company during January of the following calendar year.

Shareholders may not include in their individual income tax returns any net operating losses or capital losses of the Company. Instead, such losses would be carried over by the Company for potential offset against its future income (subject to certain limitations). Taxable distributions from the Company and gain from the disposition of the Shares will not be treated as passive activity income and, therefore, shareholders generally will not be able to apply any "passive activity losses" (such as losses from certain types of limited partnerships in which a shareholder is a limited partner) against such income. In addition, taxable distributions from the Company generally will be treated as investment income for purposes of the investment interest limitations. Capital gains from the disposition of Shares (or distributions treated as such), however, will be treated as investment income only if the shareholder so elects, in which case such capital gains will be taxed at ordinary income rates. The Company will notify shareholders after the close of the Company's taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital, and capital gain.

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TAXATION OF SHAREHOLDERS ON THE DISPOSITION OF THE SHARES

In general, any gain or loss realized upon a taxable disposition of Shares by a shareholder who is not a dealer in securities will be treated as long-term capital gain or loss if such Shares have been held for more than one year and otherwise as short-term capital gain or loss. However, any loss upon a sale or exchange of Shares by a shareholder who has held such shares for six months or less (after applying certain holding period rules), will be treated as a long-term capital loss to the extent of distributions from the Company required to be treated by such shareholder as long-term capital gain. All or a portion of any loss realized upon a taxable disposition of Shares may be disallowed if other Shares are purchased within 30 days before or after the disposition.

CAPITAL GAINS AND LOSSES

A capital asset generally must be held for more than one year in order for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate is 39.6%. The maximum tax rate on net capital gains applicable to noncorporate taxpayers is 28% for sales and exchanges of assets held for more than one year, but not more than 18 months, and 20% for sales and exchanges of assets held for more than 18 months. The maximum tax rate applicable to noncorporate taxpayers on long-term capital gain from the sale of "Section 1250 property" (depreciable real property) is 25% to the extent such gain would have been treated as ordinary income if the property were "Section 1245 property." With respect to distributions designated by the Company as capital gain dividends and deemed distributions of retained capital gains, the Company may designate (subject to certain limits) whether such a distribution is taxable to shareholders at a 20%, 25% or 28% rate. Thus, the tax rate differential between capital gain and ordinary income for individuals may be significant. In addition, the characterization of income as capital or ordinary may affect the deductibility of capital losses. Capital losses not offset by capital gains may be deducted against an individual's ordinary income only up to a maximum annual amount of \$3,000. Unused capital losses may be carried forward. All net capital gain of a corporate taxpayer is subject to tax at ordinary corporate rates. A corporate taxpayer can deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

INFORMATION REPORTING REQUIREMENTS AND BACKUP WITHHOLDING

The Company will report to its U.S. shareholders and to the Service the amount of distributions paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a shareholder may be subject to backup withholding at the rate of 31% with respect to distributions

paid unless such holder (i) is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact or (ii) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules. A shareholder who does not provide the Company with his correct taxpayer identification number also may be subject to penalties imposed by the Service. Any amount paid as backup withholding will be creditable against the shareholder's income tax liability. In addition, the Company may be required to withhold a portion of capital gain distributions to any shareholders who fail to certify their nonforeign status to the Company. The Service has issued final regulations regarding the backup withholding rules as applied to Non-U.S. shareholders. Those regulations would alter the current system of backup withholding compliance and will be effective for distributions made after December 31, 1998. See "--Taxation of Non-U.S. shareholders."

TAXATION OF TAX-EXEMPT SHAREHOLDERS

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts ("Exempt Organizations"), generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). While many investments in real estate generate UBTI, the Service has issued a published ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI, provided that the shares of the REIT are not otherwise used in an unrelated trade or business of the exempt employee pension trust. Based on that ruling, amounts distributed by the Company to Exempt Organizations generally should not constitute UBTI. However, if an Exempt Organization finances its acquisition of Shares with debt, a portion of its income from the Company will constitute UBTI pursuant to the "debt-financed property" rules. Furthermore, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under paragraphs (7), (9), (17), and (20), respectively,

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of Code section 501(c) are subject to different UBTI rules, which generally will require them to characterize distributions from the Company as UBTI. In addition, in certain circumstances, a pension trust that owns more than 10% of the Company's shares is required to treat a percentage of the dividends from the Company as UBTI (the "UBTI Percentage"). The UBTI Percentage is the gross income derived by the Company from an unrelated trade or business (determined as if the Company were a pension trust) divided by the gross income of the Company for the year in which the dividends are paid. The UBTI rule applies to a pension trust holding more than 10% of the Company's stock only if (i) the UBTI Percentage is at least 5%, (ii) the Company qualifies as a REIT by reason of the modification of the 5/50 Rule that allows the beneficiaries of the pension trust to be treated as holding shares of the Company in proportion to their actuarial interests in the pension trust, and (iii) either (A) one pension trust owns more than 25% of the value of the Company's shares or (B) a group of pension trusts individually holding more than 10% of the value of the Company's shares collectively owns more than 50% of the value of the Company's shares. Because the Ownership Limitation prohibits any shareholder from owning more than 9.8% of the number of outstanding Shares or more than 9.8% of the number of outstanding Shares of any class of preferred stock, no pension trust should hold more than 10% of the value of the Company's Shares.

TAXATION OF NON-U.S. SHAREHOLDERS

The rules governing U.S. federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign shareholders (collectively, "Non-U.S. shareholders") are complex and no attempt will be made herein to provide more than a summary of such rules. PROSPECTIVE NON-U.S. SHAREHOLDERS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS TO DETERMINE THE IMPACT OF FEDERAL, STATE, AND LOCAL INCOME TAX LAWS WITH REGARD TO AN INVESTMENT IN THE SHARES, INCLUDING ANY REPORTING REQUIREMENTS.

Distributions to Non-U.S. shareholders that are not attributable to gain from sales or exchanges by the Company of U.S. real property interests and are not designated by the Company as capital gains dividends or retained capital gains will be treated as dividends of ordinary income to the extent that they are made out of current or accumulated earnings and profits of the Company. Such distributions ordinarily will be subject to a withholding tax equal to 30% of the gross amount of the distribution unless an applicable tax treaty reduces or eliminates that tax. However, if income from the investment in the Shares is treated as effectively connected with the Non-U.S. Shareholder's conduct of a U.S. trade or business, the Non-U.S. Shareholder generally will be subject to federal income tax at graduated rates, in the same manner as U.S. shareholders are taxed with respect to such distributions (and also may be subject to the 30% branch profits tax in the case of a Non-U.S. Shareholder that is a non-U.S. corporation). The Company expects to withhold U.S. income tax at the rate of 30% on the gross amount of any such distributions made to a Non-U.S. Shareholder unless (i) a lower treaty rate applies and any required form evidencing eligibility for that reduced rate is filed with the Company or (ii) the Non-U.S. Shareholder files an IRS Form 4224 with the Company claiming that the distribution is effectively connected income. The Service has issued regulations that modify the manner in which the Company complies with the withholding requirements. Those regulations are effective for distributions made after December 31, 1998. Distributions in excess of current and accumulated earnings and profits of the Company will not be taxable to a shareholder to the extent that such distributions do not exceed the adjusted basis of the shareholder's Shares, but rather will reduce the adjusted basis of such shares. To the extent that distributions in excess of current and accumulated earnings and profits exceed the adjusted basis of a Non-U.S. Shareholder's Shares, such distributions will give rise to tax liability if the Non-U.S. Shareholder would otherwise be subject to tax on any gain from the sale or disposition of his Shares, as described below. Because it generally cannot be determined at the time a distribution is made whether or not such distribution will be in excess of current and accumulated earnings and profits, the entire amount of any distribution normally will be subject to withholding at the same rate as a dividend. However, amounts so withheld are refundable to the extent it is determined subsequently that such distribution was, in fact, in excess of current and accumulated earnings and profits of the Company.

The Company is required to withhold 10% of any distribution in excess of its current and accumulated earnings and profits. Consequently, although the Company intends to withhold at a rate of 30% on the entire amount of any distribution, to the extent that the Company does not do so, any portion of a distribution not subject to withholding at a rate of 30% will be subject to withholding at a rate of 10%.

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For any year in which the Company qualifies as a REIT, distributions that are attributable to gain from sales or exchanges by the Company of U.S. real property interests will be taxed to a Non-U.S. Shareholder under the provisions of the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Under FIRPTA, distributions attributable to gain from sales of U.S. real property interests are taxed to a Non-U.S. Shareholder as if such gain were effectively connected with a U.S. business. Non-U.S. shareholders thus would be taxed at the normal capital gain rates applicable to U.S. shareholders (subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). Distributions subject to FIRPTA also may be subject to the 30% branch profits tax in the hands of a non-U.S. corporate shareholder not entitled to treaty relief or exemption. The Company is required to withhold 35% of any distribution that is or could be designated by the Company as a capital gains dividend. The amount withheld is creditable against the Non-U.S. Shareholder's FIRPTA tax liability.

Gain recognized by a Non-U.S. Shareholder upon a sale of his Shares generally will not be taxed under FIRPTA if the Company is a "domestically controlled REIT," defined generally as a REIT in which at all times during a specified testing period less than 50% in value of the stock was held directly or indirectly by non-U.S. persons. However, no assurance can be given that the

Company will be a "domestically controlled REIT." Furthermore, gain not subject to FIRPTA will be taxable to a Non-U.S. Shareholder if (i) investment in Shares is effectively connected with the Non-U.S. Shareholder's U.S. trade or business, in which case the Non-U.S. Shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain, or (ii) the Non-U.S. Shareholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and certain other conditions apply, in which case the nonresident alien individual will be subject to a 30% tax on the individual's capital gains. If the gain on the sale of Shares were to be subject to taxation under FIRPTA, the Non-U.S. Shareholder would be subject to the same treatment as U.S. shareholders with respect to such gain (subject to applicable alternative minimum tax, a special alternative minimum tax in the case of nonresident alien individuals, and the possible application of the 30% branch profits tax in the case of non-U.S. corporations).

OTHER TAX CONSEQUENCES

The Company, the Operating Partnership, or the Company's shareholders may be subject to state or local taxation in various state or local jurisdictions, including those in which it or they own property, transact business, or reside. The state and local tax treatment of the Company and its shareholders may not conform to the federal income tax consequences discussed above. CONSEQUENTLY, PROSPECTIVE SHAREHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE EFFECT OF STATE AND LOCAL TAX LAWS ON AN INVESTMENT IN THE COMPANY.

TAX ASPECTS OF THE OPERATING PARTNERSHIP

The following discussion summarizes certain federal income tax considerations applicable to the Company's direct or indirect investment in the Operating Partnership. The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as a Partnership

The Company will be entitled to include in its income its distributive share of the Operating Partnership's income and to deduct its distributive share of the Operating Partnership's losses only if the Operating Partnership is classified for federal income tax purposes as a partnership rather than as a corporation or an association taxable as a corporation. An entity will be classified as a partnership rather than as a corporation or an association taxable as a corporation for federal income tax purposes if the entity (i) is treated as a partnership under Treasury regulations, effective January 1, 1997, relating to entity classification (the "Check-the-Box Regulations") and (ii) is not a "publicly traded" partnership. In general, under the Check-the-Box Regulations, an unincorporated entity with at least two members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership for federal income tax purposes. The Operating Partnership intends to be classified as a partnership for federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the Check-the-Box Regulations.

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market (or the substantial equivalent thereof). A publicly traded partnership will be treated as a corporation for federal income tax purposes unless at least 90% of such partnership's gross income for a taxable year consists of "qualifying income" under Section 7704(d) of the Code, which generally includes any income that is qualifying income for purposes of the 95% gross income test applicable to REITs (the "90% Passive-Type Income Exception"). See "-- Requirements for Qualification -- Income Tests." The U.S. Treasury Department has issued regulations (the "PTP Regulations") that provide limited safe harbors from the definition of a publicly traded partnership. Pursuant to one of those safe harbors (the "Private Placement Exclusion"), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial

equivalent thereof if (i) all interests in the partnership were issued in a transaction (or transactions) that was not required to be registered under the Securities Act of 1933, as amended, and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a flow-through entity (i.e., a partnership, grantor trust, or S corporation)

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that owns an interest in the partnership is treated as a partner in such partnership only if (a) substantially all of the value of the owner's interest in the flow-through entity is attributable to the flow-through entity's interest (direct or indirect) in the partnership and (b) a principal purpose of the use of the flow-through entity is to permit the partnership to satisfy the 100-partner limitation. The Operating Partnership qualifies for the Private Placement Exclusion. If the Operating Partnership is considered a publicly traded partnership under the PTP Regulations because it is deemed to have more than 100 partners, the Operating Partnership should not be treated as a corporation because it should be eligible for the 90% Passive-Type Income Exception.

The Company has not requested, and does not intend to request, a ruling from the Service that the Operating Partnership will be classified as a partnership for federal income tax purposes. Instead, Hunton & Williams is of the opinion that, based on certain factual assumptions and representations, the Operating Partnership will be treated for federal income tax purposes as a partnership and not as a corporation or an association taxable as a corporation, or as a publicly traded partnership. Unlike a tax ruling, an opinion of counsel is not binding upon the Service, and no assurance can be given that the Service will not challenge the status of the Operating Partnership as a partnership for federal income tax purposes. If such challenge were sustained by a court, the Operating Partnership would be treated as a corporation for federal income tax purposes, as described below. In addition, the opinion of Hunton & Williams is based on existing law, which is to a great extent the result of administrative and judicial interpretation. No assurance can be given that administrative or judicial changes would not modify the conclusions expressed in the opinion.

If for any reason the Operating Partnership were taxable as a corporation, rather than as a partnership, for federal income tax purposes, the Company would not be able to qualify as a REIT. See "Federal Income Tax Considerations -- Requirements for Qualification -- Income Tests" and "-- Requirements for Qualification -- Asset Tests." In addition, any change in the Operating Partnership's status for tax purposes might be treated as a taxable event, in which case the Company might incur a tax liability without any related cash distribution. See "Federal Income Tax Considerations -- Requirements for Qualification -- Distribution Requirements." Further, items of income and deduction of the Operating Partnership would not pass through to its partners, and its partners would be treated as shareholders for tax purposes. Consequently, the Operating Partnership would be required to pay income tax at corporate tax rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing the Operating Partnership's taxable income.

Income Taxation of the Operating Partnerships and its Partners

Partners, Not a Partnership, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. Rather, the Company will be required to take into account its allocable share of the Operating Partnership's income, gains, losses, deductions, and credits for any taxable year of the Operating Partnership ending within or with the taxable year of the Company, without regard to whether the Company has received or will receive any distribution from the Operating Partnership.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes under section 704(b) of the Code if they do not comply with the provisions of section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which

will be determined by taking into account all of the facts

and circumstances relating to the economic arrangement of the partners with respect to such item. The Operating Partnership's allocations of taxable income and loss are intended to comply with the requirements of section 704(b) of the Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties. Pursuant to section 704(c) of the Code, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated for federal income tax purposes in a manner such that the contributor is charged with, or benefits from, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of such unrealized gain or unrealized loss is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution. The Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items affected by section 704(c) of the Code and outlining several reasonable allocation methods. The Operating Partnership plans to elect to use the traditional method for allocating Code section 704(c) items with respect to any properties it acquires in exchange for OP Units.

Under the Operating Partnership Agreement, depreciation or amortization deductions of the Operating Partnership generally will be allocated among the partners in accordance with their respective interests in the Operating Partnership, except to the extent that the Operating Partnership is required under Code section 704(c) to use a method for allocating tax depreciation deductions attributable to its properties that results in the Company receiving a disproportionately large share of such deductions. Depending on the allocation method elected under Code section 704(c), it is possible that the Company (i) may be allocated lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to the Company if such properties were to have a tax basis equal to their fair market value at the time of contribution and (ii) may be allocated taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to the Company as a result of such sale. These allocations may cause the Company to recognize taxable income in excess of cash proceeds, which might adversely affect the Company's ability to comply with the REIT distribution requirements, although the Company does not anticipate that this event will occur. The foregoing principles also will affect the calculation of the Company's earnings and profits for purposes of determining which portion of the Company's distributions is taxable as a dividend. The allocations described in this paragraph may result in a higher portion of the Company's distributions being taxed as a dividend than would have occurred had the Company purchased such properties for cash.

Basis in Operating Partnership Interest. The Company's adjusted tax basis in its partnership interest in the Operating Partnership generally is equal to (i) the amount of cash and the basis of any other property contributed to the Operating Partnership by the Company, (ii) increased by (A) its allocable share of the Operating Partnership's income and (B) its allocable share of indebtedness of the Operating Partnership, and (iii) reduced, but not below zero, by (A) the Company's allocable share of the Operating Partnership's loss and (B) the amount of cash distributed to the Company, including constructive cash distributions resulting from a reduction in the Company's share of indebtedness of the Operating Partnership.

If the allocation of the Company's distributive share of the Operating Partnership's loss would reduce the adjusted tax basis of the Company's partnership interest in the Operating Partnership below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce the Company's adjusted tax basis below zero. To the extent that the Operating Partnership's distributions, or any decrease in the Company's share of the indebtedness of the Operating Partnership (such decrease being considered a

constructive cash distribution to the partners), would reduce the Company's adjusted tax basis below zero, such distributions (including such constructive distributions) will constitute taxable income to the Company. Such distributions and constructive distributions normally will be characterized as capital gain, and, if the Company's partnership interest in the Operating Partnership has been held for longer than the long-term capital gain holding period (currently one year), the distributions and constructive distributions will constitute long-term capital gain.

Depreciation Deductions Available to the Operating Partnership. Assuming that the Minimum Offering is reached, immediately upon accepting a subscription, the Company will make a cash contribution to the Operating Partnership in exchange for a general partnership interest in the Operating Partnership. The Operating Partnership will use a portion of such contributions to acquire interests in properties. To the extent that the Operating Partnership acquires properties for cash, the Operating Partnership's initial basis in such properties for federal income tax purposes

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generally will be equal to the purchase price paid by the Operating Partnership. The Operating Partnership plans to depreciate such depreciable property for federal income tax purposes under the alternative depreciation system of depreciation ("ADS"). Under ADS, the Operating Partnership generally will depreciate such buildings and improvements over a 40-year recovery period using a straight line method and a mid-month convention and will depreciate furnishings and equipment over a 12-year recovery period. To the extent that the Operating Partnership acquires properties in exchange for OP Units, the Operating Partnership's initial basis in each such property for federal income tax purposes should be the same as the transferor's basis in that property on the date of acquisition by the Operating Partnership. Although the law is not entirely clear, the Operating Partnership generally intends to depreciate such depreciable property for federal income tax purposes over the same remaining useful lives and under the same methods used by the transferors.

SALE OF THE OPERATING PARTNERSHIP'S PROPERTY

Generally, any gain realized by the Operating Partnership on the sale of property held for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Any gain recognized by the Operating Partnership upon the disposition of a property acquired by the Operating Partnership for cash will be allocated among the partners in accordance with their respective percentage interests in the Operating Partnership. The Bylaws of the Company provide that any decision to sell any real estate asset in which a director, or officer of the Company, or any Affiliate of the foregoing, has a direct or indirect interest, will be made by a majority of the Directors including a majority of the Independent Directors. See "Policies with Respect to Certain Activities -- Conflict of Interest Policies -- Articles of Incorporation and Bylaw Provisions."

The Company's share of any gain realized by the Operating Partnership on the sale of any property held by the Operating Partnership as inventory or other property held primarily for sale to customers in the ordinary course of the Operating Partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon the Company's ability to satisfy the income tests for REIT status. See "Federal Income Tax Considerations -- Requirements For Qualification -- Income Tests" above. The Company, however, does not presently intend to acquire or hold or allow the Operating Partnership to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of the Company's or the Operating Partnership's trade or business.

ERISA CONSIDERATIONS

The following is a summary of material considerations arising under the

Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the prohibited transaction provisions of section 4975 of the Code that may be relevant to a prospective purchaser of Shares (including, with respect to the discussion contained in "ERISA Considerations--Status of the Company and the Operating Partnership under ERISA," to a prospective purchaser that is not an employee benefit plan, another tax-qualified retirement plan, or an individual retirement account or an individual retirement annuity ("IRA")). The discussion does not purport to deal with all aspects of ERISA or section 4975 of the Code or, to the extent not preempted, state law that may be relevant to particular shareholders (including plans subject to Title I of ERISA, other retirement employee benefit plans and IRAs subject to the prohibited transaction provisions of section 4975 of the Code, and governmental plans or church plans that are exempt from ERISA and section 4975 of the Code but that may be subject to state law requirements) in light of their particular circumstances.

The discussion is based on current provisions of ERISA and the Code, existing and currently proposed regulations under ERISA and the Code, the legislative history of ERISA and the Code, existing administrative rulings of the Department of Labor ("DOL") and reported judicial decisions. No assurance can be given that legislative, judicial, or administrative changes will not affect the accuracy of any statements herein with respect to transactions entered into or contemplated prior to the effective date of such changes.

A FIDUCIARY MAKING THE DECISION TO INVEST IN THE SHARES ON BEHALF OF A PROSPECTIVE PURCHASER THAT IS AN EMPLOYEE BENEFIT PLAN, A TAX-QUALIFIED RETIREMENT PLAN, OR AN IRA SHOULD CONSULT ITS OWN LEGAL ADVISOR REGARDING THE SPECIFIC

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CONSIDERATIONS ARISING UNDER ERISA, SECTION 4975 OF THE CODE, AND STATE LAW WITH RESPECT TO THE PURCHASE, OWNERSHIP, OR SALE OF THE SHARES BY SUCH PLAN OR IRA.

EMPLOYEE BENEFIT PLANS, TAX-QUALIFIED RETIREMENT PLANS, AND IRAS

Each fiduciary of a pension, profit-sharing, or other employee benefit plan (an "ERISA Plan") subject to Title I of ERISA should consider carefully whether an investment in the Shares is consistent with his fiduciary responsibilities under ERISA. In particular, the fiduciary requirements of Part 4 of Title I of ERISA require an ERISA Plan's investments to be (i) prudent and in the best interests of the ERISA Plan, its participants, and its beneficiaries, (ii) diversified in order to minimize the risk of large losses, unless it is clearly prudent not to do so, and (iii) authorized under the terms of the ERISA Plan's governing documents (provided the documents are consistent with ERISA). In determining whether an investment in the Shares is prudent for purposes of ERISA, the appropriate fiduciary of an ERISA Plan should consider all of the facts and circumstances, including whether the investment is reasonably designed, as a part of the ERISA Plan's portfolio for which the fiduciary has investment responsibility, to meet the objectives of the ERISA Plan, taking into consideration the risk of loss and opportunity for gain (or other return) from the investment, the diversification, cash flow, and funding requirements of the ERISA Plan, and the liquidity and current return of the ERISA Plan's portfolio. A fiduciary also should take into account the nature of the Company's business, the management of the Company, the Company's lack of operating history, the fact that investment properties have not been identified yet, the possibility of the recognition of UBTI, and other matters described under "Risk Factors."

The fiduciary of an IRA or of a qualified retirement plan not subject to Title I of ERISA because it is a governmental or church plan or because it does not cover common law employees (a "Non-ERISA Plan") should consider that such an IRA or Non-ERISA Plan may only make investments that are authorized by the appropriate governing documents and under applicable state law.

Fiduciaries of ERISA Plans and persons making the investment decision for an IRA or other Non-ERISA Plan should consider the application of the prohibited transaction provisions of ERISA and the Code in making their investment decision. A "party in interest" or "disqualified person" with respect to an

ERISA Plan or with respect to a Non-ERISA Plan or IRA subject to Code section 4975 is subject to (i) an initial 15% excise tax on the amount involved in any prohibited transaction involving the assets of the plan or IRA and (ii) an excise tax equal to 100% of the amount involved if any prohibited transaction is not corrected. If the disqualified person who engages in the transaction is the individual on behalf of whom an IRA is maintained (or his beneficiary), the IRA will lose its tax-exempt status and its assets will be deemed to have been distributed to such individual in a taxable distribution (and no excise tax will be imposed) on account of the prohibited transaction. In addition, a fiduciary who permits an ERISA Plan to engage in a transaction that the fiduciary knows or should know is a prohibited transaction may be liable to the ERISA Plan for any loss the ERISA Plan incurs as a result of the transaction or for any profits earned by the fiduciary in the transaction.

STATUS OF THE COMPANY AND THE OPERATING PARTNERSHIP UNDER ERISA

The following section discusses certain principles that apply in determining whether the fiduciary requirements of ERISA and the prohibited transaction provisions of ERISA and the Code apply to an entity because one or more investors in the equity interests in the entity is an ERISA Plan or is a Non-ERISA Plan or IRA subject to section 4975 of the Code. An ERISA Plan fiduciary also should consider the relevance of those principles to ERISA's prohibition on improper delegation of control over or responsibility for "plan assets" and ERISA's imposition of co-fiduciary liability on a fiduciary who participates in, permits (by action or inaction) the occurrence of, or fails to remedy a known breach by another fiduciary.

If the assets of the Company are deemed to be "plan assets" under ERISA, (i) the prudence standards and other provisions of Part 4 of Title I of ERISA would be applicable to any transactions involving the Company's assets, (ii) persons who exercise any authority over the Company's assets, or who provide investment advice to the Company, would (for purposes of the fiduciary responsibility provisions of ERISA) be fiduciaries of each ERISA Plan that acquires Shares, and transactions involving the Company's assets undertaken at their direction or pursuant to their advice might violate their fiduciary responsibilities under ERISA, especially with regard to conflicts of interest, (iii) a fiduciary exercising his investment discretion over the assets of an ERISA Plan to cause it to acquire or hold the Shares could be

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liable under Part 4 of Title I of ERISA for transactions entered into by the Company that do not conform to ERISA standards of prudence and fiduciary responsibility, and (iv) certain transactions that the Company might enter into in the ordinary course of its business and operations might constitute "prohibited transactions" under ERISA and the Code.

Regulations of the DOL defining "plan assets" (the "Plan Asset Regulations") generally provide that when an ERISA Plan or Non-ERISA Plan or IRA acquires a security that is an equity interest in an entity and the security is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act of 1940, the ERISA or Non-ERISA Plan's or IRA's assets include both the equity interest and an undivided interest in each of the underlying assets of the issuer of such equity interest, unless one or more exceptions specified in the Plan Asset Regulations are satisfied.

The Plan Asset Regulations define a publicly-offered security as a security that is (i) "widely-held," (ii) "freely transferable," and (iii) either (A) part of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or (B) sold pursuant to an effective registration statement under the Securities Act (provided the securities are registered under the Exchange Act within 120 days after the end of the fiscal year of the issuer during which the offering occurred, or such longer period as may be allowed by the Commission). The Shares are being sold pursuant to an effective registration statement under the Securities Act and will be registered under the Exchange Act. The Plan Asset

Regulations provide that a security is "widely held" only if it is part of a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be widely held because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer's control. The Company anticipates that upon completion of the Offering, the Shares will be "widely held."

The Plan Asset Regulations provide that whether a security is "freely transferable" is a factual question to be determined on the basis of all relevant facts and circumstances. The Plan Asset Regulations further provide that where a security is part of an offering in which the minimum investment is \$10,000 or less (as is the case with this Offering), certain restrictions ordinarily will not, alone or in combination, affect a finding that such securities are freely transferable. The restrictions on transfer enumerated in the Plan Asset Regulations as not affecting that finding include: (i) any restriction on or prohibition against any transfer or assignment that would result in the termination or reclassification of an entity for federal or state tax purposes, or that otherwise would violate any federal or state law or court order, (ii) any requirement that advance notice of a transfer or assignment be given to the issuer, (iii) any administrative procedure that establishes an effective date, or an event (such as completion of an offering), prior to which a transfer or assignment will not be effective, and (iv) any limitation or restriction on transfer or assignment that is not imposed by the issuer or a person acting on behalf of the issuer. The Company believes that the restrictions imposed under the Articles of Incorporation on the transfer of the Shares will not result in the failure of the Shares to be "freely transferable." The Company also is not aware of any other facts or circumstances limiting the transferability of the Shares that are not enumerated in the Plan Asset Regulations as those not affecting free transferability, and the Company does not intend to impose in the future (or to permit any person to impose on its behalf) any limitations or restrictions on transfer that would not be among the enumerated permissible limitations or restrictions. The Plan Asset Regulations only establish a presumption in favor of a finding of free transferability, and no assurance can be given that the DOL or the Treasury Department will not reach a contrary conclusion.

Assuming that the Shares will be "widely held" and that no other facts and circumstances other than those referred to in the preceding paragraph exist that restrict transferability of the Shares, the Shares should be publicly offered securities and the assets of the Company should not be deemed to be "plan assets" of any ERISA Plan, IRA, or Non-ERISA Plan that invests in the Shares.

The Plan Asset Regulations also will apply in determining whether the assets of the Operating Partnership will be deemed to be "plan assets." The partnership interests in the Operating Partnership will not be publicly-offered securities. Nevertheless, if the Shares constitute publicly-offered securities, the indirect investment in the Operating Partnership by ERISA Plans, IRAs, or Non-ERISA Plans subject to section 4975 of the Code through their ownership of Shares will not cause the assets of the Operating Partnership to be treated as "plan assets" of such shareholders.

PARTNERSHIP AGREEMENT

The following summary of the Partnership Agreement, and the descriptions of certain provisions thereof set forth elsewhere in this Prospectus, is qualified in its entirety by reference to the Partnership Agreement, which is filed as an exhibit to the Registration Statement of which this Prospectus is a part.

MANAGEMENT

The Operating Partnership has been organized as a Delaware limited partnership pursuant to the terms of the Partnership Agreement. Pursuant to the Partnership Agreement, the Company, as the sole general partner of the Operating Partnership (in such capacity, the "General Partner"), will have full, exclusive

and complete responsibility and discretion in the management and control of the Operating Partnership, and the limited partners of the Operating Partnership (the "Limited Partners"), in their capacity as such, will have no authority to transact business for, or participate in the management activities or decisions of, the Operating Partnership. However, any amendment to the Partnership Agreement that would (i) affect the Redemption Rights (as defined below), (ii) adversely affect the Limited Partners' rights to receive cash distributions, (iii) alter the Operating Partnership's allocations of income and loss or (iv) impose on the Limited Partners any obligations to make additional contributions to the capital of the Operating Partnership, would require the consent of Limited Partners holding more than two-thirds of the OP Units.

TRANSFERABILITY OF INTERESTS IN THE OPERATING PARTNERSHIP

The Company may not voluntarily withdraw from the Operating Partnership or transfer or assign its interest in the Operating Partnership unless the transaction in which such withdrawal or transfer occurs results in the Limited Partners' receiving property in an amount equal to the amount they would have received had they exercised their Redemption Rights immediately prior to such transaction, or unless the successor to the General Partner contributes substantially all of its assets to the Operating Partnership in return for an interest in the Operating Partnership. A person may not be admitted as a substitute or successor General Partner unless a majority-in-interest of the Limited Partners (other than the Advisor) consent in writing to the admission of such substitute or successor General Partner, which consent may be withheld in the sole discretion of such Limited Partners. With certain limited exceptions, the Limited Partners may not transfer their interests in the Operating Partnership, in whole or in part, without the written consent of the Company, which consent may be withheld in the sole discretion of the Company.

CAPITAL CONTRIBUTION

As the Company accepts subscriptions, it will contribute to the Operating Partnership substantially all of the net proceeds thereof, in consideration of which the Company will receive a general partnership interest in the Operating Partnership. The Advisor has contributed \$200,000 to the Operating Partnership and is the sole initial Limited Partner. Although the Operating Partnership will receive substantially all of the net proceeds of the Offering, the Company will be deemed to have made capital contributions to the Operating Partnership in the amount of the gross proceeds of the Offering and the Operating Partnership will be deemed simultaneously to have paid the selling commissions and other Organization and Offering Expenses. The Partnership Agreement provides that if the Operating Partnership requires additional funds at any time or from time to time in excess of funds available to the Operating Partnership from borrowing or capital contributions, the Company may borrow such funds from a financial institution or other lender and lend such funds to the Operating Partnership on the same terms and conditions as are applicable to the Company's borrowing of such funds. Moreover, the Company is authorized to cause the Operating Partnership to issue partnership interests for less than fair market value if the Company has concluded in good faith that such issuance is in the best interests of the Company and the Operating Partnership.

REDEMPTION RIGHTS

Pursuant to the Partnership Agreement, the Limited Partners, other than the Advisor, will receive rights (the "Redemption Rights"), which will enable them to cause the Operating Partnership to redeem each OP Unit for cash equal to the value of one Share (or, at the Company's election, the Company may purchase each OP Unit offered for redemption for one Share). The Redemption Rights may not be exercised, however, if and to the extent that the delivery

of Shares upon exercise of such rights (regardless of whether the Company would exercise its rights to deliver Shares) would (i) result in any person owning, directly or indirectly, Shares in excess of the Ownership Limitation, (ii) result in shares of capital stock of the Company being owned by fewer than 100

persons (determined without reference to any rules of attribution), (iii) result in the Company being "closely held" within the meaning of section 856(h) of the Code, (iv) cause the Company to own, actually or constructively, 10% or more of the ownership interests in a tenant of the Company's or the Operating Partnership's real property, within the meaning of section 856(d)(2)(B) of the Code, or (v) cause the acquisition of Shares by such redeeming Limited Partner to be "integrated" with any other distribution of Shares for purposes of complying with the Securities Act. The Redemption Rights may be exercised, at any time after one year following the date of issuance of the related OP Units, provided that not more than two redemptions may occur during each calendar year and each Limited Partner may not exercise the Redemption Right for less than 1,000 OP Units or, if such Limited Partner holds less than 1,000 OP Units, all of the OP Units held by such Limited Partner. The number of Shares issuable upon exercise of the Redemption Rights will be adjusted upon the occurrence of share splits, mergers, consolidations or similar pro rata share transactions, which otherwise would have the effect of diluting the ownership interests of the Limited Partners or the shareholders of the Company. As of the date hereof, the Company has not issued any OP Units other than to the Advisor and has no current intentions to issue OP Units.

OPERATIONS

The Partnership Agreement requires that the Operating Partnership be operated in a manner that will enable the Company to satisfy the requirements for being classified as a REIT, to avoid any federal income or excise tax liability imposed under the Code and to ensure that the Operating Partnership will not be classified as a "publicly traded partnership" for purposes of section 7704 of the Code.

In addition to the administrative and operating costs and expenses incurred by the Operating Partnership, the Operating Partnership will pay all administrative costs and expenses of the Company (the "Company Expenses") and the Company Expenses will be treated as expenses of the Operating Partnership. The Company Expenses generally will include (i) all expenses relating to the formation and continuity of existence of the Company, (ii) all expenses relating to the public offering and registration of securities by the Company, (iii) all expenses associated with the preparation and filing of any periodic reports by the Company under federal, state or local laws or regulations, (iv) all expenses associated with compliance by the Company with laws, rules and regulations promulgated by any regulatory body and (v) all other operating or administrative costs of the Company incurred in the ordinary course of its business on behalf of the Operating Partnership. The Company Expenses, however, will not include any administrative and operating costs and expenses incurred by the Company that are attributable to properties or partnership interests that are owned by the Company directly. The Company currently does not anticipate owning any properties directly.

DISTRIBUTIONS AND ALLOCATIONS

The Partnership Agreement will provide that the Operating Partnership will distribute cash from operations (including net sale or refinancing proceeds, but excluding net proceeds from the sale of the Operating Partnership's property in connection with the liquidation of the Operating Partnership) on a quarterly (or, at the election of the Company, more frequent) basis, in amounts determined by the Company in its sole discretion, to the partners in accordance with their respective percentage interests in the Operating Partnership. Upon liquidation of the Operating Partnership, after payment of, or adequate provision for, debts and obligations of the Operating Partnership, including any partner loans, any remaining assets of the Operating Partnership will be distributed to all partners with positive capital accounts in accordance with their respective positive capital account balances. If the Company has a negative balance in its capital account following a liquidation of the Operating Partnership, it will be obligated to contribute cash to the Operating Partnership equal to the negative balance in its capital account.

Profit and loss of the Operating Partnership for each fiscal year of the Operating Partnership generally will be allocated among the partners in accordance with their respective interests in the Operating Partnership.

Taxable income and loss will be allocated in the same manner, subject to compliance with the provisions of Code sections 704(b) and 704(c) and Treasury Regulations promulgated thereunder.

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TERM

The Operating Partnership will continue until December 31, 2050, or until sooner dissolved upon the sale or other disposition of all or substantially all the assets of the Operating Partnership, the redemption of all limited partnership interests in the Operating Partnership (other than those held by the Advisor), or by the election by the Company.

TAX MATTERS

Pursuant to the Partnership Agreement, the Company will be the tax matters partner of the Operating Partnership and, as such, will have authority to handle tax audits and to make tax elections under the Code on behalf of the Operating Partnership.

PLAN OF DISTRIBUTION

Of the total 16,500,000 shares registered in the Offering, 1,500,000 are reserved for issuance pursuant to the Reinvestment Plan and 600,000 are reserved for issuance upon exercise of the Soliciting Dealer Warrants. Consequently, a maximum of 14,400,000 Shares are being offered to the public through the Dealer Manager, a registered broker-dealer affiliated with the Advisor, and certain unaffiliated broker-dealers. See "Conflicts of Interest" and "Management Compensation." The Shares are being offered at a price of \$10.00 per share on a "best efforts" basis (which means generally that the Dealer Manager will be required to use only its best efforts to sell the Shares and has no firm commitment or obligation to purchase any of the Shares). The Company and the Dealer Manager have determined the Offering price of the Shares based on their analysis of other similar offerings and what they believe the investing market is willing to pay for the Shares.

Except as provided below, the Dealer Manager will receive commissions of 7% of the Gross Offering Proceeds. In addition, the Company may reimburse the expenses incurred by the Dealer Manager and nonaffiliated dealers for actual marketing support and due diligence purposes in the maximum amount of 2.5% of the Gross Offering Proceeds. The Company will not pay referral or similar fees to any accountants, attorneys or other persons in connection with the distribution of the Shares. Shareholders who elect to participate in the Reinvestment Plan will be charged Selling Commissions on Shares purchased pursuant to the Reinvestment Plan on the same basis as shareholders purchasing Shares other than pursuant to the Reinvestment Plan. Soliciting Dealers will also receive one Soliciting Dealer Warrant for each 25 Shares sold by such Soliciting Dealer during the Offering, subject to federal and state securities laws. The holder of a Soliciting Dealer Warrant will be entitled to purchase one Share from the Company at a price of \$12 during the period commencing on the first anniversary of the effective date of this Offering and ending five years after the effective date of this Offering. Subject to certain limitations, the Soliciting Dealer Warrants may not be transferred, assigned, pledged or hypothecated for a period of one year following the effective date of this Offering. The Shares issuable upon exercise of the Soliciting Dealer Warrants are being registered as part of this Offering. For the life of the Soliciting Dealer Warrants, the holders are given, at nominal cost, the opportunity to profit from a rise in the market price for the Common Stock without assuming the risk of ownership, with a resulting dilution in the interest of other security holders. Moreover, the holders of the Soliciting Dealer Warrants might be expected to exercise them at a time when the Company would, in all likelihood, be able to obtain needed capital by a new offering of its securities on terms more favorable than those provided by the Soliciting Dealer Warrants. See "Description of Capital Stock -- Soliciting Dealer Warrants."

The Dealer Manager may authorize certain other broker-dealers who are

members of the NASD to sell Shares. In the event of the sale of Shares by such other broker-dealers, the Dealer Manager may reallocate its commissions in the amount of up to 7% of the Gross Offering Proceeds to such participating broker-dealers.

In no event shall the total underwriting compensation, including Selling Commissions and expense reimbursements, exceed 7% of Gross Offering Proceeds, except for the additional Marketing and Due Diligence Fee (2.5% of Gross Offering Proceeds), which may be paid by the Company in connection with marketing support and due diligence activities, which is comprised of .5% for due diligence activities and 2% for marketing support activities.

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The Company has agreed to indemnify the participating broker-dealers, including the Dealer Manager, against certain liabilities arising under the Securities Act of 1933, as amended. Causes of action resulting from violations of federal or state securities laws shall be governed by such law.

The broker-dealers are not obligated to obtain any subscriptions, and there is no assurance that any Shares will be sold.

The Advisor and its Affiliates may at their option purchase Shares offered hereby at the public offering price, in which case it would expect to hold such Shares as shareholders for investment and not for distribution. Shares purchased by the Advisor or its Affiliates shall not be entitled to vote on any matter presented to the shareholders for a vote. No selling commissions will be payable by the Company in connection with any Shares purchased by the Advisor.

Payment for Shares should be made by check payable to "NationsBank, N.A., as Escrow Agent". Subscriptions will be effective only upon acceptance by the Company, and the Company reserves the right to reject any subscription in whole or in part. In no event may a subscription for Shares be accepted until at least five business days after the date the subscriber receives this Prospectus. Each subscriber will receive a confirmation of his purchase. Except for purchase pursuant to the Reinvestment Plan, all accepted subscriptions will be for whole Shares and for not less than 100 Shares (\$1,000). See "Investor Suitability Standards." Except in Maine, Minnesota and Washington, investors who have satisfied the minimum purchase requirement and have purchased units in Prior Wells Public Programs may purchase less than the minimum number of Shares discussed above, provided that such investors purchase a minimum of 2.5 Shares (\$25). After investors have satisfied the minimum purchase requirement, minimum additional purchases must be in increments of at least 2.5 Shares (\$25), except for purchases pursuant to the Reinvestment Plan.

Subscription proceeds will be placed in interest-bearing accounts with the Escrow Agent by noon of the business day after the proceeds are received by the Company until such subscriptions aggregating at least \$1,250,000 (exclusive of any subscriptions for Shares by the Advisor or its Affiliates) have been received and accepted by the Advisor (the "Minimum Offering"). Any Shares purchased by the Advisor or its Affiliates will not be counted in calculating the Minimum Offering. Subscription proceeds held in the escrow accounts will be invested in obligations of, or obligations guaranteed by, the United States government or bank money-market accounts or certificates of deposit of national or state banks that have deposits insured by the Federal Deposit Insurance Corporation (including certificates of deposit of any bank acting as depository or custodian for any such funds), as directed by the Advisor. Subscribers may not withdraw funds from the escrow account.

Investors who desire to establish an IRA for purposes of investing in Shares may do so by having Wells Advisors, Inc., a qualified non-bank IRA custodian affiliated with the Advisor, act as their IRA custodian. In the event that an IRA is established having Wells Advisors, Inc. as the IRA custodian, the authority of Wells Advisors, Inc. will be limited to holding the Shares on behalf of the beneficiary of the IRA and making distributions or reinvestments in Shares solely at the discretion of the beneficiary of the IRA. Wells Advisors, Inc. will not have the authority to vote any of the Shares held in an

IRA except strictly in accordance with the written instructions of the beneficiary of the IRA. See "Management."

If the Minimum Offering has not been received and accepted by January 30, 1999 (one year after the date of this Prospectus), the Escrow Agent will promptly so notify the Company and this Offering will be terminated. In such event, the Escrow Agent is obligated to use its best efforts to obtain an executed IRS Form W-9 from each subscriber whose subscription is rejected. No later than ten business days after rejection of a subscription, the Escrow Agent will refund and return all monies to rejected subscribers and any interest earned thereon without deducting escrow expenses. In the event that a subscriber fails to remit an executed IRS Form W-9 to the Escrow Agent prior to the date the Escrow Agent returns the subscriber's funds, the Escrow Agent will be required to withhold from such funds 31% of the earnings attributable to such subscriber in accordance with IRS Regulations. During any period in which subscription proceeds are held in escrow, interest earned thereon will be allocated among subscribers on the basis of the respective amounts of their subscriptions and the number of days that such amounts were on deposit. Such interest net of escrow expenses will be paid to subscribers upon the termination of the escrow period.

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Initial subscribers may be admitted as shareholders of the Company and the payments transferred from escrow to the Company at any time after the Company has received and accepted the Minimum Offering, except that subscribers residing in New York and Pennsylvania may not be admitted to the Company until subscriptions have been received and accepted for 250,000 Shares (\$2,500,000) from all sources. The funds representing subscriptions for Shares from New York and Pennsylvania residents will not be released from the escrow account until subscriptions for at least \$2,500,000 have been received from all sources. Subscriptions from New York residents may not be included in determining whether subscriptions for the Minimum Offering have been obtained. In addition, certain other states may impose different requirements than those set forth herein. Any such additional requirements will be set forth in a supplement to this Prospectus.

The proceeds of this Offering will be received and held in trust for the benefit of purchasers of Shares and will be retained in trust after closing to be used only for the purposes set forth in the "Estimated Use of Proceeds" section. After the close of the Minimum Offering, subscriptions will be accepted or rejected within 30 days of receipt by the Company, and if rejected, all funds shall be returned to subscribers within 10 business days. Investors whose subscriptions are accepted will be admitted as shareholders of the Company periodically (but not less often than quarterly). Escrowed proceeds will be released to the Company on the date that the applicable Shareholder is admitted to the Company. A Shareholder will not receive a Share certificate or other evidence of his interest in the Company unless the Listing occurs, and then only if requested by the Shareholder.

The Advisor may sell Shares to Retirement Plans of broker-dealers participating in the Offering, to broker-dealers in their individual capacities, to IRAs and Qualified Plans of their registered representatives or to any one of their registered representatives in their individual capacities for 93% of the Share's public offering price in consideration of the services rendered by such broker-dealers and registered representatives in the distribution. The net proceeds to the Company from such sales will be identical to the Company's net proceeds from other sales of Shares.

In connection with sales of 25,000 or more Shares (\$250,000) to a "purchaser" (as defined below), investors may agree with their registered representatives to reduce the amount of selling commissions payable to participating broker-dealers. Such reduction will be credited to the purchaser by reducing the total purchase price payable by such purchaser. The following table illustrates the various discount levels:

DOLLAR VOLUME OF SHARES PURCHASED	SELLING COMMISSIONS		PURCHASE PRICE PER SHARE	NET PROCEEDS TO COMPANY PER SHARE
	PERCENT	PER SHARE		
Under \$250,000	7.0%	\$ 0.70	\$ 10.00	\$9.30
\$250,000-\$649,999	6.0%	\$0.5936	\$9.8936	\$9.30
\$650,000-\$999,999	3.0%	\$0.2876	\$9.5876	\$9.30
\$1,000,000-\$1,999,999	1.0%	\$0.0939	\$9.3939	\$9.30
Over \$2,000,000	0.5%	\$0.0467	\$9.3467	\$9.30

For example, if an investor purchases 100,000 Shares in the Company, he could pay as little as \$939,390 rather than \$1,000,000 for the Shares, in which event the commission on the sale of such Shares would be \$9,390 (\$0.0939 per Share), and the Company would receive net proceeds of \$930,000 (\$9.30 per Share). The net proceeds to the Company will not be affected by volume discounts.

Because all investors will be deemed to have contributed the same amount per Share to the Company for purposes of distributions of Cash Available for Distribution, an investor qualifying for a volume discount will receive a higher return on his investment in the Company than investors who do not qualify for such discount.

Subscriptions may be combined for the purpose of determining the volume discounts in the case of subscriptions made by any "purchaser," as that term is defined below, provided all such Shares are purchased through the same broker-dealer. The volume discount shall be prorated among the separate subscribers considered to be a single "purchaser." Any request to combine more than one subscription must be made in writing, and must set forth the basis

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for such request. Any such request will be subject to verification by the Advisor that all of such subscriptions were made by a single "purchaser."

For the purposes of such volume discounts, the term "purchaser" includes (i) an individual, his or her spouse and their children under the age of 21 who purchase the Shares for his, her or their own accounts; (ii) a corporation, partnership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or not; (iii) an employees' trust, pension, profit sharing or other employee benefit plan qualified under Section 401(a) of the Code; and (iv) all commingled trust funds maintained by a given bank.

Notwithstanding the above, in connection with volume sales made to investors in the Company, the Company may, in its sole discretion, waive the "purchaser" requirements and aggregate subscriptions (including subscriptions to Prior Wells Public Programs) as part of a combined order for purposes of determining the number of Shares purchased, provided that any aggregate group of subscriptions must be received from the same broker-dealer, including the Dealer Manager. Any such reduction in selling commission will be prorated among the separate subscribers except that, in the case of purchases through the Dealer Manager, the Dealer Manager may allocate such reduction among separate subscribers considered to be a single "purchaser" as it deems appropriate. An investor may reduce the amount of his purchase price to the net amount shown in the foregoing table, if applicable. If such investor does not reduce the purchase price, the excess amount submitted over the discounted purchase price shall be returned to the actual separate subscribers for Shares. Except as provided in this paragraph, separate subscriptions will not be cumulated, combined or aggregated.

In addition, in order to encourage purchases in amounts of 500,000 or more Shares, a potential purchaser who proposes to purchase at least 500,000 Shares in the Company may agree with the Advisor and the Dealer Manager to have the Acquisition and Advisory Fees payable to the Advisor with respect to the sale of such Shares reduced to 0.5%, and to have the Selling Commissions payable with

respect to the sale of such Shares reduced to 0.5%, in which event the aggregate fees payable with respect to the sale of such Shares would be reduced by \$0.90 per Share, and the purchaser of such Shares would be required to pay a total of \$9.10 per Share purchased, rather than \$10.00 per Share. The net proceeds to the Company would not be affected by such fee reductions. Of the \$9.10 paid per Share, it is anticipated that approximately \$8.40 per Share (or approximately 92%) will be used to acquire properties and pay required acquisition expenses relating to the acquisition of properties. All such sales must be made through registered broker-dealers.

California residents should be aware that volume discounts will not be available in connection with the sale of Shares made to California residents to the extent such discounts do not comply with the provisions of Rule 260.140.51 adopted pursuant to the California Corporate Securities Law of 1968. Pursuant to this Rule, volume discounts can be made available to California residents only in accordance with the following conditions: (i) there can be no variance in the net proceeds to the Company from the sale of the Shares to different purchasers of the same offering, (ii) all purchasers of the Shares must be informed of the availability of quantity discounts, (iii) the same volume discounts must be allowed to all purchasers of Shares which are part of the offering, (iv) the minimum amount of Shares as to which volume discounts are allowed cannot be less than \$10,000, (v) the variance in the price of the Shares must result solely from a different range of commissions, and all discounts allowed must be based on a uniform scale of commissions, and (vi) no discounts are allowed to any group of purchasers. Accordingly, volume discounts for California residents will be available in accordance with the foregoing table of uniform discount levels based on dollar volume of Shares purchased, but no discounts are allowed to any group of purchasers, and no subscriptions may be aggregated as part of a combined order for purposes of determining the number of Shares purchased.

Investors who, in connection with their purchase of Shares, have engaged the services of a registered investment advisor with whom the investor has agreed to pay a fee for investment advisory services in lieu of normal commissions based on the volume of securities sold may agree with the participating broker-dealer selling such Shares and the Dealer Manager to reduce the amount of selling commissions payable with respect to such sale to zero. The net proceeds to the Company will not be affected by eliminating the commissions payable in connection with sales to investors purchasing through such investment advisors. All such sales must be made through registered broker-dealers.

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Neither the Dealer Manager nor its Affiliates will directly or indirectly compensate any person engaged as an investment advisor by a potential investor as an inducement for such investment advisor to advise favorably for investment in the Company.

In addition, subscribers for Shares may agree with their participating broker-dealers and the Dealer Manager to have selling commissions due with respect to the purchase of their Shares paid over a seven year period pursuant to a deferred commission arrangement (the "Deferred Commission Option"). Shareholders electing the Deferred Commission Option will be required to pay a total of \$9.40 per Share purchased upon subscription, rather than \$10.00 per Share, with respect to which \$0.10 per Share will be payable as commissions due upon subscription. For each of the six years following termination of the Offering, \$0.10 per Share will be paid by the Company as deferred commissions with respect to Shares sold pursuant to the Deferred Commission Option, which amounts will be deducted from and paid out of distributions of Cash Available for Distribution otherwise payable to shareholders holding such Shares. The net proceeds to the Company will not be affected by the election of the Deferred Commission Option. Under this arrangement, a Shareholder electing the Deferred Commission Option will pay a 1% commission upon subscription, rather than a 7% commission, and an amount equal to a 1% commission per year thereafter for the next six years will be deducted from and paid by the Company out of Cash Available for Distribution otherwise distributable to such Shareholder.

Taxable participants electing the Deferred Commission Option will incur tax liability for Company income allocated to them with respect to their Shares even though distributions of Cash Available for Distribution otherwise distributable to such shareholders will instead be paid to third parties to satisfy the deferred commission obligations with respect to such Shares for a period of six years after the termination of the Offering. See "Risk Factors - Federal Tax Risks - Risk of Taxable Income Without Cash Distributions."

As set forth above, in no event shall the total underwriting compensation, including sales commissions, the dealer manager fee and expense reimbursements, exceed 7% of Gross Offering Proceeds, except for the additional .5% of Gross Offering Proceeds which may be paid by the Company in connection with due diligence activities and 2% of Gross Offering Proceeds which may be paid by the Company in connection with marketing support activities.

SUPPLEMENTAL SALES MATERIAL

In addition to this Prospectus, the Company may utilize certain sales material in connection with the Offering of the Shares, although only when accompanied by or preceded by the delivery of this Prospectus. In certain jurisdictions, some or all of such sales material may not be available. This material may include information relating to this Offering, the past performance of the Advisor and its Affiliates, property brochures and articles and publications concerning real estate. In addition, the sales material may contain certain quotes from various publications without obtaining the consent of the author or the publication for use of the quoted material in the sales material.

The Offering of Shares in the Company is made only by means of this Prospectus. Although the information contained in such sales material does not conflict with any of the information contained in this Prospectus, such material does not purport to be complete, and should not be considered a part of this Prospectus or the Registration Statement of which this Prospectus is a part, or as incorporated by reference in this Prospectus or said Registration Statement or as forming the basis of the Offering of the Shares.

LEGAL MATTERS

The legality of the Shares being offered hereby has been passed upon for the Company by Hunton & Williams, Atlanta, Georgia ("Counsel"). The statements under the caption "Federal Income Tax Consequences" as they relate to federal income tax matters have been reviewed by Counsel, and Counsel has opined as to certain income tax matters relating to an investment in the Company. Counsel has represented the Advisor, as well as Affiliates of the Advisor, in other matters and may continue to do so in the future. See "Conflicts of Interest."

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EXPERTS

The balance sheet of the Company as of December 31, 1997, included in this Prospectus and elsewhere in the Registration Statement, has been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and is included herein in reliance upon the authority of said firm as experts in giving said report.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission (the "Commission"), Washington, D.C., a Registration Statement on Form S-11 under the Securities Act of 1933, as amended, with respect to the Shares offered pursuant to this Prospectus. This Prospectus does not contain all the information set forth in the Registration Statement and the exhibits related thereto filed with the Commission, reference to which is hereby made. Copies of the Registration Statement and exhibits related thereto, as well as periodic reports and information filed by the Company, may be obtained upon payment of the fees

prescribed by the Commission, or may be examined at the offices of the Commission without charge, at (i) the public reference facilities in Washington, D.C. at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, (ii) the Northeast Regional Office in New York at 7 World Trade Center, Suite 1300, New York, New York 10048, and (iii) the Midwest Regional Office in Chicago, Illinois at 500 West Madison Street, Suite 1400, Chicago, Illinois 66661-2511. The Commission maintains a Web site that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Commission (the address of such site is <http://www.sec.gov>).

GLOSSARY

The following are definitions of certain terms used in this Prospectus and not otherwise defined herein:

"ACQUISITION EXPENSES" means expenses incurred in connection with the selection and acquisition of properties, whether or not acquired, including, but not limited to, legal fees and expenses, travel and communications expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses and title insurance and other miscellaneous costs and expenses relating to the selection and acquisition of properties.

"ACQUISITION FEES" means the total of all fees and commissions paid by any party to any person in connection with the purchase, development or construction of property by the Company, including Acquisition and Advisory Fees payable to the Advisor or their Affiliates, real estate brokerage commissions, investment advisory fees, finder's fees, selection fees, Development Fees, Construction Fees, nonrecurring management fees, or any other fees of a similar nature, however designated, except Development Fees and Construction Fees paid to a person not affiliated with the Sponsor in connection with the actual development or construction of a Company property.

"AFFILIATE" means (i) any person directly or indirectly controlling, controlled by or under common control with a person, (ii) any person owning or controlling 10% or more of the outstanding voting securities of a person, (iii) any officer, director or partner of a person, and (iv) if such other person is an officer, director or partner, any company for which such person acts in any such capacity.

"AVERAGE INVESTED ASSETS" means, for any period, the average of the aggregate book value of the assets of the Company invested, directly or indirectly, in equity interests and in loans secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves, computed by taking the average of such values at the end of each month during such period.

"CASH AVAILABLE FOR DISTRIBUTION" means Funds from Operations adjusted for certain non-cash items, less reserves for capital expenditures.

"CODE" means the Internal Revenue Code of 1986, as amended.

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"COMMON RETURN" means an 8% per annum cumulative, noncompounded return on investor's Invested Capital.

"COMPANY" means Wells Real Estate Investment Trust, Inc., a Maryland corporation.

"COMPETITIVE REAL ESTATE BROKERAGE COMMISSION" means the real estate or brokerage commission paid for the purchase or sale of a property which is reasonable, customary and competitive in light of the size, type and location of such property.

"CONSTRUCTION FEE" means a fee or other remuneration for acting as general contractor and/or construction manager to construct improvements, supervise and

coordinate projects or to provide major repairs or rehabilitation on properties.

"DEFERRED COMMISSION OPTION" means an agreement among a subscriber for Shares, such subscriber's participating broker-dealer and the Dealer Manager to have sales commissions due with respect to the purchase of the subscriber's Shares paid over a seven year period, in the manner described in the "Plan of Distribution" section of the Prospectus.

"DEVELOPMENT FEE" means a fee for the packaging of a property of the Company, including negotiating and approving plans, and undertaking to assist in obtaining zoning and necessary variances and necessary financing for the specific property, either initially or at a later date.

"FRONT-END FEES" means fees and expenses paid by any party for any services rendered during the Company's organizational or acquisition phase including Organization and Offering Expenses, Acquisition Fees, Acquisition Expenses, interest on deferred fees and expenses, if applicable, and any other similar fees, however designated.

"FUNDS FROM OPERATIONS" means income (loss) before minority interest (computed in accordance with generally accepted accounting principles), excluding gains (losses) from debt restructuring and sales of property, plus real estate related depreciation an amortization (excluding amortization of financing costs), and after adjustments for consolidated partnerships and joint ventures.

"GAIN ON SALE" means the taxable income or gain for federal income tax purposes in the aggregate for each fiscal year from the sale or exchange of all or any portion of a Company asset after netting losses from such sales or exchanges against the gains from such transactions.

"GROSS OFFERING PROCEEDS" means the total gross proceeds from the sale of the Shares.

"INDEPENDENT EXPERT" means a person with no material current or prior business or personal relationship with the Advisor or Board of Directors of the Company who is engaged to a substantial extent in the business of rendering opinions regarding the value of assets of the type held by the Company.

"INDEPENDENT DIRECTOR" shall mean a member of the Board of Directors of the Company who is not associated and has not been associated within the last two years, directly or indirectly, with the Advisor.

"INVESTED CAPITAL" means the original issue price of the Shares reduced by prior distributions from the sale or financing of Company fixed assets.

"INVESTMENT IN PROPERTIES" means the amount of Gross Offering Proceeds actually paid or allocated to the purchase, development, construction or improvement of properties acquired by the Company, including the purchase of properties, working capital reserves allocable thereto (except that working capital reserves in excess of 5% shall not be included) and other cash payments such as interest and taxes, but excluding Front-End Fees.

"IRA" means an Individual Retirement Account established pursuant to Section 408 of the Code.

"LIQUIDATING DISTRIBUTIONS" means the net cash proceeds received by the Company from (a) the sale, exchange, condemnation, eminent domain taking, casualty or other disposition of substantially all of the assets of the Company or the last remaining assets of the Company or (b) a liquidation of the Company's assets in connection with a dissolution of the Company, after (i) payment of all expenses of such sale, exchange, condemnation, eminent domain taking, casualty, other disposition or liquidation, including real estate commissions and fees, if applicable, (ii) the payment of any outstanding indebtedness and other liabilities of the Company, (iii) any amounts used to

restore any such assets of the Company, and (iv) any amounts set aside as reserves which the Company may deem necessary or desirable.

"NASAA GUIDELINES" means the Statement of Policy Regarding Real Estate Investment Trusts of the North American Securities Administrators Association, Inc. as revised and adopted on September 29, 1993.

"NET ASSETS" means the total assets (other than intangibles) at cost before deducting depreciation or other non-cash reserves less total liabilities, calculated at least quarterly on a basis consistently applied.

"NET INCOME" or "NET LOSS" means the net income or loss realized or recognized by the Company for a fiscal year, as determined for federal income tax purposes, including any income exempt from tax, but excluding all deductions for depreciation, amortization and cost recovery and Gain on Sale.

"NET SALE PROCEEDS" means, collectively, Nonliquidating Net Sale Proceeds and Liquidating Distributions.

"NONLIQUIDATING NET SALE PROCEEDS" means the net cash proceeds received by the Company from a sale, exchange, condemnation, eminent domain taking, casualty or other disposition of assets of the Company, which does not constitute substantially all of the remaining assets of the Company, after (i) the payment of all expenses of such sale, exchange, condemnation, eminent domain taking, casualty, sale or other disposition, including real estate commissions and fees, if applicable, (ii) the payment of any outstanding indebtedness and other Company liabilities relating to such assets, (iii) any amounts used to restore any such assets of the Company, and (iv) any amounts set aside as reserves which the Company may deem necessary or desirable.

"OFFERING" means the offering and sale of the Shares pursuant to the terms and conditions of this Prospectus.

"OPERATING PARTNERSHIP" means Wells Operating Partnership, L.P., a Delaware limited partnership.

"OP UNITS" means units of limited partnership interest in the Operating Partnership.

"ORGANIZATION AND OFFERING EXPENSES" means those expenses incurred in connection with organizing the Company, preparing the Company for registration and subsequently offering and distributing the Shares to the public, including without limitation, legal and accounting fees, sales commissions paid to broker-dealers in connection with the distribution of the Shares and all advertising expenses.

"OWNERSHIP LIMITATION" means the ownership of more than 9.8% of any class of the Company's outstanding capital stock.

"PARTNERS" means, collectively, the Company and any person who contributes property to the Company in exchange for OP Units.

"PARTNERSHIP AGREEMENT" means the Amended and Restated Agreement of Limited Partnership of the Operating Partnership.

"PRIOR WELLS PUBLIC PROGRAMS" means the prior public real estate limited partnership programs sponsored by the Advisor or its Affiliates having substantially identical investment objectives as the Company, specifically, Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., Wells Real Estate Fund VIII, L.P., Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P.

"QUALIFIED PLAN" means a qualified sole proprietorship, partnership or

corporate pension or profit sharing plan established under Section 401(a) of the Code.

"REGISTRATION STATEMENT" means the Registration Statement on Form S-11 filed by the Company with the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended, in order to register the Shares for sale to the public.

"REINVESTMENT PLAN" means the Company's Dividend Reinvestment Plan.

"RESIDUAL PROCEEDS" means any Sale Proceeds available for distribution to the shareholders after the shareholders have first received distributions of Sale Proceeds in an amount equal to 100% of their Invested Capital plus their Common Return (reduced by all prior distributions of Cash Available for Distribution) and after the Advisor has received distributions of Sale Proceeds in an amount equal to 100% of its capital contribution to the Operating Partnership.

"RETIREMENT PLANS" means Individual Retirement Accounts ("IRAs") established under Section 408 of the Code and Qualified Plans.

"SERVICE" means the U.S. Internal Revenue Service.

"SHARES-IN-TRUST" means the excess shares exchanged for Shares transferred or proposed to be transferred in excess of the Ownership Limitation or which would otherwise jeopardize the Company's status as a REIT under the Code.

"SPONSOR" means any person directly or indirectly instrumental in organizing, wholly or in part, a REIT or any person who will control, manage or participate in the management of a REIT, and any affiliate of such person

"UNIMPROVED REAL PROPERTY" means the properties of the Company which: (a) represent an equity interest in real property which was not acquired for the purpose of producing rental or other operating income, (b) has no development or construction in process on such land, and (c) no development or construction on such land is planned in good faith to commence on such land within one year.

"WELLS CAPITAL" means Wells Capital, Inc., a Georgia corporation which serves as the Company's Advisor.

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APPENDIX I

WELLS REAL ESTATE INVESTMENT TRUST, INC.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1997
TOGETHER WITH
AUDITORS' REPORT

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors and Shareholder of
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheet of WELLS REAL ESTATE INVESTMENT TRUST, INC. as of December 31, 1997. This consolidated balance sheet is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the consolidated balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting

the amounts and disclosures in the consolidated balance sheet. 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of Wells Real Estate Investment Trust, Inc. as of December 31, 1997 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 13, 1998

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1997

ASSETS

CASH	\$201,000
DEFERRED OFFERING COSTS	289,073

Total assets	\$490,073
	=====

LIABILITIES AND SHAREHOLDER'S EQUITY

LIABILITIES:	
Due to affiliate	\$289,073

MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000

SHAREHOLDER'S EQUITY:	
Common shares, \$.01 par value; 5,000 shares authorized, 100 shares issued and outstanding	1
Additional paid-in capital	999

Total shareholder's equity	1,000

Total liabilities and shareholder's equity	\$490,073
	=====

The accompanying notes are an integral part of this consolidated balance sheet.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

NOTES TO CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1997

(1) ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Real Estate Investment Trust, Inc. (the "Company"), is a newly formed Maryland corporation that intends to qualify as a real estate investment trust ("REIT"). The Company intends to offer for sale a maximum of

15,000,000 (exclusive of 1,500,000 shares available pursuant to the Company's dividend reinvestment plan) shares of common stock, \$.01 par value per share, at a price of \$10 per share. As of December 31, 1997, the Company had sold 100 shares to Wells Capital, Inc. (the "Advisor"), at the proposed initial public offering price of \$10 per share. The Company will seek to acquire and operate commercial properties, including, but not limited to, office buildings, shopping centers, business and industrial parks, and other commercial and industrial properties, including properties which are under construction or development, are newly constructed, or have been constructed and have operating histories. All such properties may be acquired, developed and operated by the Company alone or jointly with another party. The Company is likely to enter into one or more joint ventures with affiliated entities for the acquisition of properties. In connection with this, the Company may enter into joint ventures for the acquisition of properties with prior or future real estate limited partnership programs sponsored by the Advisor or its affiliates.

Substantially all of the Company's business will be conducted through Wells Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership. At December 31, 1997, the Operating Partnership had issued 20,000 limited partner units to the Advisor in exchange for \$200,000. The Company is the sole general partner in the Operating Partnership and possesses full legal control and authority over the operations of the Operating Partnership; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of the Company and the Operating Partnership.

As of December 31, 1997, the Company has neither purchased nor contracted to purchase any properties, nor has the Advisor identified any properties in which there is a reasonable probability that the Company will invest.

USE OF ESTIMATES

The preparation of the consolidated balance sheet in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated balance sheet. Actual results could differ from those estimates.

(2) INCOME TAXES

The Company expects to qualify as a REIT under the Internal Revenue Code of 1986, as amended. As a REIT, the Company generally will not be subject to federal income tax on net income that it distributes to its shareholders. The Company intends to make timely distributions sufficient to satisfy the annual distribution requirements.

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EXHIBIT A

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (the "Tables") provide information relating to real estate investment programs sponsored by the Advisor and its Affiliates ("Prior Programs") which have investment objectives similar to the Company.

Prospective investors should read these Tables carefully together with the summary information concerning the Prior Programs as set forth in "PRIOR PERFORMANCE SUMMARY" elsewhere in this Prospectus.

INVESTORS IN THE COMPANY WILL NOT OWN ANY INTEREST IN THE PRIOR PROGRAMS AND SHOULD NOT ASSUME THAT THEY WILL EXPERIENCE RETURNS, IF ANY, COMPARABLE TO THOSE EXPERIENCED BY INVESTORS IN THE PRIOR PROGRAMS.

These Tables present actual results of Wells Prior Public Programs that have investment objectives similar to those of the Company. The Company's investment objectives are to maximize Net Cash From Operations; to preserve original Capital Contributions; and to realize capital appreciation over a period of time. All of the Wells Prior Public Programs have used a substantial amount of capital and not acquisition indebtedness to acquire their properties.

The Advisor is responsible for the acquisition, operation, maintenance and resale of the Partnership Properties. The financial results of the Prior Programs thus provide an indication of the Advisor's performance of its obligations during the periods covered. However, general economic conditions affecting the real estate industry and other factors contribute significantly to financial results.

The following tables are included herein:

TABLE I - Experience in Raising and Investing Funds (As a Percentage of Investment)

TABLE II - Compensation to Sponsor (in Dollars)

TABLE III - Annual Operating Results of Prior Programs

TABLE IV (Results of completed programs) and TABLE V (sales or disposals of property) have been omitted since none of the Prior Programs have sold any of their properties to date.

Additional information relating to the acquisition of properties by the Prior Programs is contained in TABLE VI, which is included in the Registration Statement which the Company has filed with the Securities and Exchange Commission. As described above, no Wells Prior Public Program has sold or disposed of any property held by it. Copies of any or all information will be provided to prospective investors at no charge upon request, including copies of the Form 10-K Annual Report for any or all of the Prior Programs for any available year.

The following are definitions of certain terms used in the Tables:

"ACQUISITION FEES" shall mean fees and commissions paid by a partnership in connection with its purchase or development of a property, except Development fees paid to a person not affiliated with the partnership or with a general partner of the partnership in connection with the actual development of a project after acquisition of the land by the partnership.

"ORGANIZATION EXPENSES" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the general partners or their affiliates in connection with the planning and formation of the partnership.

"UNDERWRITING FEES" shall include selling commissions and wholesaling fees paid to broker-dealers for services provided by the broker-dealers during the offering.

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TABLE I

(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the General Partners and their Affiliates in Prior Programs for which offerings have been completed since December 31, 1993. Information is provided with regard to the manner in which the proceeds of the offerings have been applied. Also set forth is information pertaining to the timing and length of these offerings, the time period over

which the proceeds have been invested in the properties, as well as the percentage of offerings sold and the expenses related to the offerings.

	Wells Real Estate Fund VI, L.P.	Wells Real Estate Fund VII, L.P.	Wells Real Estate Fund VIII, L.P.	Wells Real Estate Fund IX, L.P.
Dollar Amount Offered	\$ 25,000,000 (3)	\$ 25,000,000 (4)	\$ 35,000,000 (5)	\$ 35,000,000 (6)
Dollar Amount Raised	\$ 25,000,000 (3)	\$24,180,174 (4)	\$32,042,689 (5)	\$35,000,000 (6)
Percentage Amount Raised	100.0% (3)	96.7% (4)	91.6% (5)	100.0% (6)
Less Offering Expenses				
Underwriting Fees	10.0%	10.0%	10.0%	10.0%
Organizational Expenses	5.0%	5.0%	5.0%	5.0%
Reserves (1)	1.0%	1.0%	0.0%	0.0%
Percent Available for Investment	84.0%	84.0%	85.0%	85.0%
Acquisition and Development Costs				
Prepaid Items and Fees related to Purchase of Property	0.3%	0.0%	0.0%	0.0%
Cash Down Payment	40.4%	16.3%	6.3%	7.0%
Acquisition Fees (2)	3.7%	3.5%	4.0%	4.0%
Development and Construction Costs	39.6%	64.2%	50.3%	30.0%
Reserve for Payment of Indebtedness	0.0%	0.0%	0.0%	0.0%
Total Acquisition and Development Cost	84.0%	84.0%	60.6% (7)	41.0% (8)
Percent Leveraged	0.0%	0.0%	0.0%	0.0%
Date Offering Began	04/05/93	04/24/94	01/06/95	1/5/96
Length of Offering	12 mo.	12 mo.	12 mo.	12 mo.
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	15 mo.	12 mo.	(7)	(8)
Number of Investors	1,791	1,865	2,086	2,098

- (1) Does not include General Partner contributions held as part of reserves.
- (2) Includes development fees, real estate commissions, general contractor fees and/or architectural fees paid to Affiliates of the General Partners.
- (3) Total dollar amount registered and available to be offered was \$25,000,000. Wells Real Estate Fund VI, L.P. closed its offering on April 4, 1994 and the total dollar amount raised was \$25,000,000.
- (4) Total dollar amount registered and available to be offered was \$25,000,000. Wells Real Estate Fund VII, L.P. closed its offering on January 5, 1995 and the total dollar amount raised was \$24,180,174.
- (5) Total dollar amount registered and available to be offered was \$35,000,000. Wells Real Estate Fund VIII, L.P. closed its offering on January 4, 1996 and the total dollar amount raised was \$32,042,689.
- (6) Total dollar amount registered and available to be offered was \$35,000,000. Wells Real Estate Fund IX, L.P. closed its offering on December 30, 1996 and the total dollar amount raised was \$35,000,000.
- (7) As of December 31, 1996, Wells Real Estate Fund VIII, L.P. had not yet invested 90% of the amount available for investment. The amount invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1996 was 44% of the total dollar amount raised. The amount invested and/or committed to be invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1996 was 60.6% of the total dollar amount raised.
- (8) As of December 31, 1996, Wells Real Estate Fund IX, L.P. had not yet invested 90% of the amount available for investment. The amount invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1996 was 17% of the total dollar amount raised. The amount invested and/or committed to be invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1996 was 41.0% of the total dollar amount raised.

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TABLE II
(UNAUDITED)

COMPENSATION TO SPONSOR

The following sets forth the compensation received by General Partners or Affiliates of the General Partners, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Prior Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1993. These partnerships have not sold or refinanced any of their properties to date. All figures are as of December 31, 1996.

	Wells Real Estate Fund VI, L.P.	Wells Real Estate Fund VII, L.P.	Wells Real Estate Fund VIII, L.P.	Wells Real Estate Fund IX, L.P.	Other Public Programs(1)
Date Offering Commenced	04/05/93	04/06/94	01/06/95	01/05/96	--
Dollar Amount Raised to Sponsor from Proceeds of Offering:	\$25,000,000	\$24,180,174	\$32,042,689	\$35,000,000	\$125,018,232
Underwriting Fees(2)	\$ 119,936	\$ 178,122	\$ 174,295	\$ 309,556	\$ 451,803
Acquisition Fees	--	--	--	--	--
Real Estate Commissions(5)	--	--	--	--	--
Acquisition and Advisory Fees(3)	\$ 932,216	\$ 846,306	\$ 1,281,708	\$ 1,400,000	\$ 7,099,169
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor(4)	\$ 2,780,262	\$ 1,943,504	\$ 1,228,747	\$ 161,427	\$ 21,533,226
Amount Paid to Sponsor from Operations:					
Property Management Fee(1)	\$ 78,975	\$ 58,433	\$ 26,780	\$ 486	\$ 791,998
Partnership Management Fee	--	--	--	--	--
Reimbursements(6)	\$ 92,825	\$ 90,160	\$ 48,429	\$ 8,332	\$ 1,138,583
Leasing Commissions(1)	\$ 41,428	\$ 39,494	\$ 25,209	\$ 1,459	\$ 817,520
General Partner Distributions	--	--	--	--	15,205
Other	--	--	--	--	--
Dollar Amount of Property Sales and Refinancing Payments to Sponsors:					
Cash	--	--	--	--	--
Notes	--	--	--	--	--
Amount Paid to Sponsor from Property Sales and Refinancing:					
Real Estate Commissions	--	--	--	--	--
Incentive Fees	--	--	--	--	--
Other	--	--	--	--	--

- (1) Includes compensation paid to General Partners from Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P. and Wells Real Estate Fund V, L.P. during the past three years. General Partners of Wells Real Estate Fund I are entitled to certain property management and leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Fund I and properties owned jointly by Fund I and Fund II. At December 31, 1996, the amount of such fees due the General Partners totaled \$1,897,184 and are not included in Table II.
- (2) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offerings of Wells Real Estate Funds VI, VII, VIII and IX, which were not reallocated to participating broker-dealers.
- (3) Fees paid to the General Partners or their Affiliates for acquisition advisory services in connection with the review and evaluation of potential real property acquisitions.
- (4) Includes \$125,314 in net cash used by operating activities, \$2,692,348 in distributions paid to limited partners and \$213,228 in payments to sponsors for Wells Real Estate Fund VI, L.P.; \$32,869 in net cash used by operating activities, \$1,732,250 in distributions paid to limited partners and \$188,087 in payments to sponsor for Wells Real Estate Fund VII, L.P.; \$2,443 in net cash used by operating activities, \$1,130,772 in distributions paid to limited partners and \$100,418 in payments to sponsor for Wells Real Estate Fund VIII, L.P.; \$1,725 in net cash provided by operating activities, \$149,425 in distributions paid to limited partners and \$10,277 in payments to sponsor for Wells Real Estate Fund IX, L.P.; and \$855,331 in net cash provided by operating activities, \$19,618,669 in distributions paid to limited partners and \$2,763,306 in payments to sponsor for other public programs.
- (5) The sponsor does not receive any real estate commission for the acquisition of any property.
- (6) Certain salaries and other employee-related expenses, travel and other out-of-pocket expenses of personnel (other than controlling persons of the General Partner or their Affiliates) may be reimbursed to the extent such expenses are directly related to a specific Partnership Property.

TABLE III
(UNAUDITED)

The tables on the following five (5) pages set forth operating results of prior programs sponsored by the General Partners the offerings of which have been completed since December 31, 1991. The information relates only to public programs with investment objectives similar to those of the Partnership. All figures are as of December 31 of the year indicated.

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TABLE III
(UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND V, L.P.

	1996	1995	1994	1993	1992
Gross Revenues(1)	\$ 590,839	764,624	\$ 656,958	\$ 458,213	\$ 58,640
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses(2)	78,939	68,735	88,987	96,964	71,521
Depreciation and Amortization(3)	6,250	6,250	6,250	6,250	5,208
Net Income (Loss) GAAP Basis(4)	\$ 505,650	\$ 689,639	\$ 561,721	\$ 354,999	\$ (18,089)
Taxable Income (Loss): Operations	\$ 666,780	\$ 676,367	\$ 528,025	\$ 280,000	\$ (18,089)
Cash Generated (Used By):	(65,728)	(46,235)	(10,395)	112,594	(33,006)
Operations	1,072,835	1,020,905	653,729	54,154	--
Joint Ventures	\$1,007,107	\$ 974,670	\$ 643,334	\$ 166,748	\$ (33,006)
Less Cash Distributions to Investors:	1,007,107	\$ 969,011	643,334	151,336	--
Operating Cash Flow	--	--	44,257	--	--
Return of Capital	--	--	5,412	--	--
Undistributed Cash Flow from Prior Year Operations	3,672	--	5,412	--	--
Cash Generated (Deficiency) after Cash Distributions	\$ (3,672)	\$ 5,659	\$ (59,669)	\$ 15,412	\$ (33,006)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Limited Partner Contributions	--	--	--	5,589,786	11,416,234
Use of Funds:		\$ 5,659	\$ (59,699)	\$ 5,605,198	\$11,383,228
Sales Commissions and Offering Expenses	--	--	--	764,599	1,377,645
Return of Original Limited Partner's Investment	--	--	--	--	100
Property Acquisitions and Deferred Project Costs	(225)	(233,501)	2,366,507	7,755,116	4,181,338
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (3,897)	\$ (227,842)	\$ (2,426,206)	\$ (2,914,517)	\$ 5,824,145
Net Income and Distributions Data per \$1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	71	73	58	29	0
- Operations Class B Units	(378)	(272)	(180)	(54)	(65)
Capital Gain (Loss)	0	0	0	0	0
Tax and Distributions Data per \$1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	69	69	55	36	--
- Operations Class B Units	(260)	(246)	(181)	(58)	(21)
Capital Gain (Loss)	--	--	--	--	--
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	65	63	46	10	--
- Return of Capital Class A Units	--	--	--	--	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	65	63	43	10	--
- Return of Capital Class A Units	--	--	3	--	--
- Operations Class B Units	--	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program	100%				
Properties at the end of the Last Year Reported in the Table					

(See notes on following page)

- (1) Includes \$19,125 in equity in loss of joint ventures and \$77,765 from investment of reserve funds in 1992; \$207,234 in equity in earnings of joint ventures and \$250,979 from investment of reserve funds in 1993; \$592,902 in equity in earnings of joint ventures and \$64,056 from investment of reserve funds in 1994; \$745,173 in equity in earnings of joint ventures and \$19,451 from investment of reserve funds in 1995; and \$577,128 in equity in earnings of joint ventures and \$13,711 from investment of reserve funds in 1996. At December 31, 1996, the leasing status of all developed property was 92%.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in earnings of joint ventures in gross revenue is depreciation and amortization of \$100,796 for 1993, \$324,578 for 1994, \$440,333 for 1995 and \$591,390 for 1996.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated as follows: \$(17,908) to Class B Limited Partners and \$(181) to General Partners for 1992; \$442,135 to Class A Limited Partners, \$(87,868) to Class B Limited Partners and \$732 to General Partners for 1993; \$879,232 to Class A Limited Partners, \$(316,460) to Class B Limited Partners and \$(1,051) to General Partners for 1994; \$1,124,203 to Class A Limited Partners and \$(434,564) to Class B Limited Partners and \$0 for 1995; and \$1,095,296 to Class A Limited Partners and \$(589,646) to Class B Limited Partners for 1996.

TABLE III
(UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND VI, L.P.

	1996	1995	1994	1993	1992
Gross Revenues(1)	\$ 675,782	\$ 1,002,567	\$ 819,535	\$ 82,723	N/A
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses(2)	80,479	94,489	112,389	46,608	
Depreciation and Amortization(3)	6,250	6,250	6,250	4,687	
Net Income (Loss) GAAP Basis(4)	\$ 589,053	\$ 901,828	\$ 700,896	\$ 31,428	
Taxable Income (Loss): Operations	\$ 809,389	\$ 916,531	\$ 667,682	\$ 31,428	
Cash Generated (Used By):					
Operations	(2,716)	(278,728)	(276,376)	(2,478)	
Joint Ventures	1,044,891	766,212	203,543	--	
	\$1,042,175	\$ 1,044,940	\$ 479,919	\$ (2,478)	
Less Cash Distributions to Investors:					
Operating Cash Flow	1,042,175	\$ 1,044,940	245,800	--	
Return of Capital	125,314	--	--	--	
Undistributed Cash Flow from Prior Year Operations	18,027	216,092	--	--	
Cash Generated (Deficiency) after Cash Distributions	\$ (143,341)	\$ (216,092)	\$ 234,119	\$ (2,478)	
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	
Limited Partner Contributions	--	--	12,163,461	12,836,539	
	\$ --	\$ --	\$12,397,580	\$12,834,061	
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	1,776,909	1,781,724	
Return of Original Limited Partner's Investment	--	--	--	100	
Property Acquisitions and Deferred Project Costs	234,924	10,721,376	5,912,454	3,856,239	
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (378,265)	\$ (10,937,468)	\$ (4,708,217)	\$ (7,195,998)	
Net Income and Distributions Data per \$1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	59	57	43	9	
- Operations Class B Units	(160)	(60)	(12)	(5)	
Capital Gain (Loss)	--	--	--	0	
Tax and Distributions Data per \$1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	56	56	41	1	
- Operations Class B Units	(99)	(51)	(22)	--	
Capital Gain (Loss)	--	--	--	--	
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	56	57	14	--	
- Return of Capital Class A Units	--	4	--	--	
- Return of Capital Class B Units	--	--	--	--	
Source (on Cash Basis)					
- Operations Class A Units	50	61	14	--	
- Return of Capital Class A Units	6	--	--	--	
- Operations Class B Units	--	--	--	--	

(See notes on following page)

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- (1) Includes \$3,436 in equity in loss of joint ventures and \$86,159 from investment of reserve funds in 1993, \$285,711 in equity in earnings of joint ventures and \$533,824 from investment of reserve funds in 1994, \$681,033 in equity in earnings of joint ventures and \$321,534 from investment of reserve funds in 1995 and \$607,214 in equity in earnings of joint ventures and \$68,568 from investment of reserve funds in 1996. At December 31, 1996, the leasing status was 93%.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in loss of joint ventures in gross revenues is depreciation of \$3,436 for 1993, \$107,807 for 1994, and \$264,866 for 1995 and \$648,478 for 1996.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$39,551 to Class A Limited Partners, \$(8,042) to Class B Limited Partners and \$(81) to the General Partner for 1993; \$762,218 to Class A Limited Partners, \$(62,731) to Class B Limited Partners and \$1,409 to the General Partners for 1994; \$1,172,944 to Class A Limited Partners, \$(269,288) to Class B Limited Partners and \$(1,828) to the General Partners for 1995; and \$1,234,717 to Class A Limited Partners, \$(645,664) to Class B Limited Partners and \$0 to the General Partners for 1996.

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TABLE III (UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND VII, L.P.

	1996	1995	1994	1993	1992
Gross Revenues(1)	\$ 543,291	925,246	\$ 286,371	N/A	N/A
Profit on Sale of Properties	--	--	--		
Less: Operating Expenses(2)	84,265	114,953	78,420		
Depreciation and Amortization(3)	6,250	6,250	4,688		
Net Income (Loss) GAAP Basis(4)	\$ 452,776	\$ 804,043	\$ 203,263		
Taxable Income (Loss): Operations	\$ 657,443	\$ 812,402	\$ 195,067		
Cash Generated (Used By):					
Operations	20,883	431,728	47,595		
Joint Ventures	760,628	424,304	14,243		
	\$ 781,511	\$ 856,032	\$ 61,838		
Less Cash Distributions to Investors:	781,511	\$ 856,032	52,195		
Operating Cash Flow					
Return of Capital	10,805	22,064	--		
Undistributed Cash Flow from Prior Year Operations	--	9,643	--		
Cash Generated (Deficiency) after Cash Distributions	\$ (10,805)	\$ (31,707)	\$ (9,643)		
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--		
Limited Partner Contributions	\$ --	805,212	23,374,961		
	\$ --	\$ 773,505	\$ 23,384,604		
Use of Funds:					
Sales Commissions and Offering Expenses	--	244,207	3,351,569		
Return of Original Limited Partner's Investment	--	100	--		
Property Acquisitions and Deferred Project Costs	736,960	14,971,002	4,477,765		
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (747,765)	\$ (14,441,804)	\$ (15,555,270)		
Net Income and Distributions Data per \$1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	62	57	29		
- Operations Class B Units	(98)	(20)	(9)		
Capital Gain (Loss)	--	--	--		
Tax and Distributions Data per \$1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	55	55	28		
- Operations Class B Units	(58)	(16)	(17)		
Capital Gain (Loss)	--	--	--		

Cash Distributions to Investors:			
Source (on GAAP Basis)			
- - Investment Income Class A Units	43	52	7
- - Return of Capital Class A Units	--	--	--
- - Return of Capital Class B Units	--	--	--
Source (on Cash Basis)			
- - Operations Class A Units	42	51	7
- - Return of Capital Class A Units	1	1	--
- - Operations Class B Units	--	--	--
Source (on a Priority Distribution Basis) (5)			
- - Investment Income Class A Units	29	30	4
- - Return of Capital Class A Units	14	22	3
- - Return of Capital Class B Units	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program	100%		
Properties at the end of the Last Year Reported in the Table			

(See notes on following page)

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- (1) Includes \$78,799 in equity in earnings of joint ventures and \$207,572 from investment of reserve funds in 1994, and \$403,325 in equity in earnings of joint ventures and \$521,921 from investment of reserve funds in 1995 and \$457,144 in equity in earnings of joint ventures and \$86,147 from investment of reserve funds in 1996. At December 31, 1996, the leasing status was 90% including developed property in initial lease up.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in earnings of joint ventures in gross revenues is depreciation of \$25,468 for 1994, \$140,533 for 1995 and \$605,247 for 1996.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$233,337 to Class A Limited Partners, \$(29,854) to Class B Limited Partners and \$(220) to the General Partner for 1994; \$950,826 to Class A Limited Partners, \$(146,503) to Class B Limited Partners and \$(280) to the General Partners for 1995; and \$1,062,605 to Class A Limited Partners, \$(609,829) to Class B Limited Partners and \$0 to the General Partners for 1996.
- (5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per Unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1996, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled \$659,487.

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TABLE III
(UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND VIII, L.P.

	1996	1995	1994	1993	1992
Gross Revenues(1)	\$ 1,057,694	\$ 402,428	N/A	N/A	N/A
Profit on Sale of Properties	--				
Less: Operating Expenses(2)	114,854	122,264			
Depreciation and Amortization(3)	6,250	6,250			
Net Income (Loss) GAAP Basis(4)	\$ 936,590	\$ 273,914			
Taxable Income (Loss): Operations	\$ 1,001,974	\$ 404,348			
Cash Generated (Used By):					
Operations	623,268	204,790			
Joint Ventures	279,984	20,287			
Less Cash Distributions to Investors:	\$ 903,252	\$ 225,077			
Operating Cash Flow	903,252	--			
Return of Capital	2,443	--			
Undistributed Cash Flow from Prior Year Operations	\$ 222,077	\$			
Cash Generated (Deficiency) after Cash Distributions	\$ (227,520)	\$ 225,077			
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--			

Limited Partner Contributions	1,898,147	30,144,542
	-----	-----
	\$ 1,670,627	\$ 30,369,619
Use of Funds:		
Sales Commissions and Offering Expenses	464,760	4,310,028
Return of Original Limited Partner's Investment	--	--
Property Acquisitions and Deferred Project Costs	7,931,566	6,618,273
	-----	-----
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (6,725,699)	\$ (19,441,318)
	=====	=====

Net Income and Distributions Data per \$1,000 Invested:

Net Income on GAAP Basis:		
Ordinary Income (Loss)		
- Operations Class A Units	46	28
- Operations Class B Units	(47)	(3)
Capital Gain (Loss)		

Tax and Distributions Data per \$1,000 Invested:

Federal Income Tax Results:		
Ordinary Income (Loss)		
- Operations Class A Units	46	17
- Operations Class B Units	(33)	(3)
Capital Gain (Loss)	--	--

Cash Distributions to Investors:

Source (on GAAP Basis)		
- Investment Income Class A Units	43	--
- Return of Capital Class A Units	--	--
- Return of Capital Class B Units	--	--
Source (on Cash Basis)		
- Operations Class A Units	32	--
- Return of Capital Class A Units	11	--
- Operations Class B Units	--	--
Source (on a Priority Distribution Basis) (5)		
- Investment Income Class A Units	33	--
- Return of Capital Class A Units	10	--
- Return of Capital Class B Units	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%	

(See notes on following page)

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- (1) Includes \$28,377 in equity in earnings of joint ventures and \$374,051 from investment of reserve funds in 1995 and \$241,819 in equity in earnings of joint ventures and \$815,875 from investment of reserve funds in 1996. At December 31, 1996, the leasing status was 93% including developed property in initial lease up.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in earnings of joint ventures in gross revenues is depreciation of \$14,058 for 1995 and \$265,259 for 1996.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$294,221 to Class A Limited Partners, \$(20,104) to Class B Limited Partners and \$(203) to the General Partners for 1995; and \$1,207,540 to Class A Limited Partners, \$(270,653) to Class B Limited Partners and \$(297) to the General Partners for 1996.
- (5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per Unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1996, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled \$250,776.

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TABLE III
(UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND IX, L.P.

	1996	1995	1994	1993	1992
	-----	----	----	----	----
Gross Revenues(1)	\$ 406,891	N/A	N/A	N/A	N/A
Profit on Sale of Properties	--				
Less: Operating Expenses(2)	101,885				

Depreciation and Amortization(3)	6,250

Net Income (Loss) GAAP Basis(4)	\$ 298,756
	=====
Taxable Income (Loss): Operations	\$ 304,552
	=====
Cash Generated (Used By):	
Operations	151,150
Joint Ventures	--

	\$ 151,150
Less Cash Distributions to Investors:	
Operating Cash Flow	149,425

Cash Generated (Deficiency) after Cash Distributions	\$ 1,725
Special Items (not including sales and financing):	
Source of Funds:	
General Partner Contributions	--
Limited Partner Contributions	35,000,000

	\$35,001,725
Use of Funds:	
Sales Commissions and Offering Expenses	4,900,321
Return of Original Limited Partner's Investment	--
Property Acquisitions and Deferred Project Costs	6,544,019

Cash Generated (Deficiency) after Cash Distributions and	\$23,557,385
Special Items	=====
Net Income and Distributions Data per \$1,000 Invested:	
Net Income on GAAP Basis:	
Ordinary Income (Loss)	
- Operations Class A Units	28
- Operations Class B Units	(11)
Capital Gain (Loss)	--
Tax and Distributions Data per \$1,000 Invested:	
Federal Income Tax Results:	
Ordinary Income (Loss)	
- Operations Class A Units	26
- Operations Class B Units	(48)
Capital Gain (Loss)	--
Cash Distributions to Investors:	
Source (on GAAP Basis)	
- - Investment Income Class A Units	13
- - Return of Capital Class A Units	--
- - Return of Capital Class B Units	--
Source (on Cash Basis)	
- - Operations Class A Units	13
- - Return of Capital Class A Units	--
- - Operations Class B Units	--
Source (on a Priority Distribution Basis) (5)	
- Investment Income Class A Units	10
- Return of Capital Class A Units	3
- Return of Capital Class B Units	--
Amount (in Percentage Terms) Remaining Invested in Program	100%
Properties at the end of the Last Year Reported in the Table	

- - - - -
- (1) Includes \$23,077 in equity in earnings of joint ventures and \$383,884 from investment of reserve funds in 1996. At December 31, 1996, the leasing status was 100% including developed property in initial lease up.
 - (2) Includes partnership administrative expenses.
 - (3) Included in equity in earnings of joint ventures in gross revenues is depreciation of \$25,286 for 1996.
 - (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$330,270 to Class A Limited Partners, \$(31,220) to Class B Limited Partners and \$(294) to the General Partners for 1996.
 - (5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per Unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1996, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled \$36,355.

EXHIBIT B

SUBSCRIPTION AGREEMENT

To: Wells Real Estate Investment Trust, Inc.
3885 Holcomb Bridge Road
Norcross, Georgia 30092

Ladies and Gentlemen:

The undersigned, by signing and delivering a copy of the attached Subscription Agreement Signature Page, hereby tenders this subscription and applies for the purchase of the number of shares of common stock of ("Shares") in Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), set forth on such Subscription Agreement Signature Page. Payment for the Shares is hereby made by check payable to "NationsBank, N.A., as Escrow Agent."

Payments for Shares will be held in escrow until the Company has received and accepted subscriptions for 125,000 Shares (\$1,250,000), except with respect to residents of the States of New York and Pennsylvania, whose payments for Shares will be held in escrow until the Company has received and accepted subscriptions for 250,000 Shares (\$2,500,000) from all investors.

I hereby acknowledge receipt of the Prospectus for the Company dated January 30, 1998 (the "Prospectus").

I agree that if this subscription is accepted, it will be held, together with the accompanying payment, on the terms described in the Prospectus. Subscriptions may be rejected in whole or in part by the Company in its sole and absolute discretion.

Prospective investors are hereby advised of the following:

(a) The assignability and transferability of the Shares is restricted and will be governed by the Company's Articles of Incorporation and Bylaws and all applicable laws as described in the Prospectus.

(b) Prospective investors should not invest in Shares unless they have an adequate means of providing for their current needs and personal contingencies and have no need for liquidity in this investment.

(c) There will be no public market for the Shares, and accordingly, it may not be possible to readily liquidate an investment in the Company.

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SPECIAL NOTICE FOR CALIFORNIA RESIDENTS ONLY
CONDITIONS RESTRICTING TRANSFER OF SHARES

260.141.11 Restrictions on Transfer.

(a) The issuer of any security upon which a restriction on transfer has been imposed pursuant to Sections 260.102.6, 260.141.10 or 260.534 of the Rules (the "Rules") adopted under the California Corporate Securities Law (the "Code") shall cause a copy of this section to be delivered to each issuee or transferee of such security at the time the certificate evidencing the security is delivered to the issuee or transferee.

(b) It is unlawful for the holder of any such security to consummate a sale or transfer of such security, or any interest therein, without the prior written consent of the Commissioner (until this condition is removed pursuant to Section 260,141.12 of the Rules), except:

- (1) to the issuer;

(2) pursuant to the order or process of any court;

(3) to any person described in subdivision (i) of Section 25102 of the Code or Section 260.105.14 of the Rules;

(4) to the transferor's ancestors, descendants or spouse, or any custodian or trustee for the account of the transferor or the transferor's ancestors, descendants or spouse; or to a transferee by a trustee or custodian for the account of the transferee or the transferee's ancestors, descendants or spouse;

(5) to holders of securities of the same class of the same issuer;

(6) by way of gift or donation inter vivos or on death;

(7) by or through a broker-dealer licensed under the Code (either acting as such or as a finder) to a resident of a foreign state, territory or country who is neither domiciled in this state to the knowledge of the broker-dealer, nor actually present in this state if the sale of such securities is not in violation of any securities laws of the foreign state, territory or country concerned;

(8) to a broker-dealer licensed under the Code in a principal transaction, or as an underwriter syndicate or selling group;

(9) if the interest sold or transferred is a pledge or other lien given by the purchaser to the seller upon a sale of the security for which the Commissioner's written consent is obtained or under this rule not required;

(10) by way of a sale qualified under Sections 25111, 25112, 25113 or 25121 of the Code, of the securities to be transferred, provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(11) by a corporation to a wholly owned subsidiary of such corporation, or by a wholly owned subsidiary of a corporation to such corporation;

(12) by way of an exchange qualified under Section 25111, 25112 or 25113 of the Code provided that no order under Section 25140 or subdivision (a) of Section 25143 is in effect with respect to such qualification;

(13) between residents of foreign states, territories or countries who are neither domiciled or actually present in this state;

(14) to the State Controller pursuant to the Unclaimed Property Law or to the administrator of the unclaimed property law of another state;

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(15) by the State Controller pursuant to the Unclaimed Property Law or by the administrator of the unclaimed property law of another state if, in either such case, such person (i) discloses to potential purchasers at the sale that transfer of the securities is restricted under this rule, (ii) delivers to each purchaser a copy of this rule, and (iii) advises the Commissioner of the name of each purchaser;

(16) by a trustee to a successor trustee when such transfer does not involve a change in the beneficial ownership of the securities;

(17) by way of an offer and sale of outstanding securities in an issuer transaction that is subject to the qualification requirement of Section 25110 of the Code but exempt from that qualification requirement by subdivision (f) of Section 25102; provided that any such transfer is on the condition that any certificate evidencing the security issued to such transferee shall contain the legend required by this section.

(c) The certificates representing all such securities subject to such a

restriction on transfer, whether upon initial issuance or upon any transfer thereof, shall bear on their face a legend, prominently stamped or printed thereon in capital letters of not less than 10-point size, reading as follows:

"IT IS UNLAWFUL TO CONSUMMATE A SALE OR TRANSFER OF THIS SECURITY, OR ANY INTEREST THEREIN, OR TO RECEIVE ANY CONSIDERATION THEREFOR, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMMISSIONER OF CORPORATIONS OF THE STATE OF CALIFORNIA, EXCEPT AS PERMITTED IN THE COMMISSIONER'S RULES."

[Last amended effective January 21, 1988.]

SPECIAL NOTICE FOR MASSACHUSETTS AND MINNESOTA RESIDENTS ONLY

In no event may a subscription for Shares be accepted until at least five business days after the date the subscriber received the Prospectus. Residents of the State of Massachusetts who first received the Prospectus only at the time of subscription may receive a refund of the subscription amount upon request to the Company within five days of the date of subscription.

SPECIAL NOTICE FOR NEBRASKA RESIDENTS ONLY

No person or entity selling Shares on behalf of the Company may complete a sale of the share until at least five business days after the date the prospective investor receives a Prospectus.

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STANDARD REGISTRATION REQUIREMENTS

The following requirements have been established for the various forms of registration. Accordingly, complete Subscription Agreements and such supporting material as may be necessary must be provided.

TYPE OF OWNERSHIP AND SIGNATURE(S) REQUIRED

- (1) INDIVIDUAL: One signature required.
- (2) JOINT TENANTS WITH RIGHT OF SURVIVORSHIP: All parties must sign.
- (3) TENANTS IN COMMON: All parties must sign.
- (4) COMMUNITY PROPERTY: Only one investor signature required.
- (5) PENSION OR PROFIT SHARING PLANS: The trustee signs the Signature Page.
- (6) TRUST: The trustee signs the Signature Page. Provide the name of the trust, the name of the trustee and the name of the beneficiary.
- (7) COMPANY: Identify whether the entity is a general or limited partnership. The general partners must be identified and their signatures obtained on the Signature Page. In the case of an investment by a general partnership, all partners must sign (unless a "managing partner" has been designated for the partnership, in which case he may sign on behalf of the partnership if a certified copy of the document granting him authority to invest on behalf of the partnership is submitted).
- (8) CORPORATION: The Subscription Agreement must be accompanied by (1) a certified copy of the resolution of the Board of Directors designating the officer(s) of the corporation authorized to sign on behalf of the corporation and (2) a certified copy of the Board's resolution authorizing the investment.
- (9) IRA AND IRA ROLLOVERS: Requires signature of authorized signer (e.g., an officer) of the bank, trust company, or other fiduciary. The address of the trustee must be provided in order for the trustee to receive checks and other pertinent information regarding the investment.

- (10) KEOGH (HR 10): Same rules as those applicable to IRAs.
- (11) UNIFORM GIFT TO MINORS ACT (UGMA) or UNIFORM TRANSFERS TO MINORS ACT (UTMA): The required signature is that of the custodian, not of the parent (unless the parent has been designated as the custodian). Only one child is permitted in each investment under UGMA or UTMA. In addition, designate the state under which the gift is being made.

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INSTRUCTIONS TO SUBSCRIPTION AGREEMENT SIGNATURE PAGE
TO WELLS REAL ESTATE INVESTMENT TRUST, INC. SUBSCRIPTION AGREEMENT

INVESTMENT INSTRUCTIONS	Please follow these instructions carefully. Failure to do so may result in the rejection of your subscription. All information on the Subscription Agreement Signature Page should be completed as follows:
1. INVESTMENT	A minimum investment of \$1,000 (100 Shares) is required, except for certain states which require a higher minimum investment. A CHECK FOR THE FULL PURCHASE PRICE OF THE SHARES SUBSCRIBED FOR SHOULD BE MADE PAYABLE TO THE ORDER OF "NATIONSBANK, N.A., AS ESCROW AGENT" Shares may be purchased only by persons meeting the standards set forth under the Section of the Prospectus entitled "INVESTOR SUITABILITY STANDARDS." Please indicate the state in which the sale was made.
2. TYPE OF OWNERSHIP	Please check the appropriate box to indicate the type of entity or type of individuals subscribing.
3. REGISTRATION NAME AND ADDRESS	Please enter the exact name in which the Shares are to be held. For joint tenants with right of survivorship or tenants in common, include the names of both investors. In the case of partnerships or corporations, include the name of an individual to whom correspondence will be addressed. Trusts should include the name of the trustee. All investors must complete the space provided for taxpayer identification number or social security number. By signing in Section 6, the investor is certifying that this number is correct. Enter the mailing address and telephone numbers of the registered owner of this investment. In the case of a Qualified Plan or trust, this will be the address of the trustee. Indicate the birthday and occupation of the registered owner unless the registered owner is a partnership, corporation or trust.
4. INVESTOR NAME AND ADDRESS	Complete this Section only if the investor's name and address is different from the registration name and address provided in Section 4. If the Shares are registered in the name of a trust, enter the name, address, telephone number, social security number, birthdate and occupation of the beneficial owner of the trust.
5. SUBSCRIBER SIGNATURE	Please separately initial each representation made by the investor where indicated. Except in the case of fiduciary accounts, the investor may not grant any person a power of attorney to make such representations on his or her behalf. Each investor must sign and date this Section. If title is to be held jointly, all parties must sign. If the registered owner is a partnership, corporation or trust, a general partner, officer or trustee of the entity must sign. PLEASE NOTE THAT THESE SIGNATURES DO NOT HAVE TO BE NOTARIZED.
6. ADDITIONAL INVESTMENTS	Please check if you plan to make one or more additional investments in the Company. All additional investments must be increments of at least \$25. Additional investments by residents of Maine must be for the minimum amounts stated under "INVESTOR SUITABILITY STANDARDS" in the Prospectus, and residents of Maine must execute a new Subscription Agreement Signature Page to make additional investments in the Company. If additional investments in the Company are made, the investor agrees to notify the Company and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations or warranties set forth in the Prospectus or the Subscription Agreement. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive a commission not to exceed 7% of any such additional investments in the Company.
7. DISTRIBUTIONS	<p>a. DISTRIBUTION REINVESTMENT PLAN: By electing the Distribution Reinvestment Plan, the investor elects to reinvest all distributions of Cash Available for Distribution in the Company. The investor agrees to notify the Company and the Broker-Dealer named on the Subscription Agreement Signature Page in writing if at any time he fails to meet the applicable suitability standards or he is unable to make any other representations and warranties as set forth in the Prospectus or Subscription</p>

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	<p>Agreement. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive a commission not to exceed 8% of any reinvested distributions.</p> <p>b. DISTRIBUTION ADDRESS: If cash distributions are to be sent to an address other than that provided in Section 5 (i.e., a bank, brokerage firm or savings and loan, etc.), please provide the name, account number and address.</p>
8. BROKER-DEALER	This Section is to be completed by the Registered Representative. Please complete all BROKER-DEALER information contained in Section 9 including suitability certification. SIGNATURE PAGE MUST BE SIGNED BY AN AUTHORIZED REPRESENTATIVE.

The Subscription Agreement Signature Page, which has been delivered with this

6. _____ SUBSCRIBER SIGNATURE _____

Please separately initial each of the representations below. Except in the case of fiduciary accounts, you may not grant any person a power of attorney to make such representations on your behalf. In order to indicate the Company to accept this subscription, I hereby represent and warrant to you as follows:

(a) I have received the Prospectus
Initials Initials

(b) I accept and agree to be bound by the terms and conditions of the Articles of Incorporation.
Initials Initials

(c) I have (i) a net worth (exclusive of home, home furnishings and automobiles) of \$150,000 or more, or (ii) a net worth (as described above) of at least \$45,000 and had during the last tax year or estimate that I will have during the current tax year a minimum of \$45,000 annual gross income, or that I meet the higher suitability requirements imposed by my state of primary resident as set forth in the Prospectus under "INVESTOR-SUITABILITY STANDARDS".
Initials Initials

(d) If I am a California resident or if the Person to whom I subsequently propose to assign or transfer any Shares is a California resident, I may not consummate a sale or transfer to my Shares, or any interest therein, or receive any consideration therefor, without the prior written consent of the Commissioner of the Department of Corporations of the State of California, except as permitted in the Commissioner's Rules, and I understand that my Shares, or any document evidencing my Shares, will bear a legend reflecting the substance of the foregoing understanding.
Initials Initials

(e) ARKANSAS AND TEXAS RESIDENTS ONLY: I am purchasing the Shares for my own account and acknowledge that the investment is not liquid.
Initials Initials

I declare that the information supplied above is true and correct and may be relied upon the Company in connection with my investment in the Company. Under penalties, perjury, by signing this Signature Page, I hereby certify that (a) I have provided herein my correct Taxpayer Identification Number, and (b) I am not subject to back-up withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to back-up withholding.

Signature of Investor or Trustee Signature of Joint Owner, if applicable

Date _____

(MUST BE SIGNED BY TRUSTEE(S) IF IRA, KEOGH OR QUALIFIED PLAN).

7. _____ DISTRIBUTIONS _____

7(a). Check the following box to participate in the Distribution Reinvestment Plan.

7(b). Complete following section only to direct distributions to a party other than registered owner:

DIVIDEND REINVESTMENT PLAN

Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), pursuant to its Articles of Incorporation, as amended and restated to date (the "Articles"), has adopted a Dividend Reinvestment Plan (the "DRP"), the terms and conditions of which are set forth below. Capitalized terms shall have the same meaning as set forth in the Articles unless otherwise defined herein.

1. As agent for stockholders ("Stockholders") of the Company who purchase shares of the Company's common stock (the "Shares") pursuant to the Company's public offering which commenced January 30, 1998, which offering is expected to be completed within one year from the date of such effectiveness (the "Offering") and who elect to participate in the DRP (the "Participants"), the Company will apply all dividends and other distributions declared and paid in respect of the Shares held by each Participant (the "Distributions"), including Distributions paid with respect to any full or fractional Shares acquired under the DRP, to the purchase of the Shares for such Participants directly, if permitted under state securities laws and, if not, through the Dealer-Manager for Participating Dealers registered in the Participant's state of residence. Neither the Company nor its Affiliates will receive a fee for selling Shares under the DRP.

2. Procedure for Participation. Any Stockholder who purchased Shares

pursuant to the Company's Offering may elect to become a Participant by completing and executing the Subscription Agreement, enrollment form or other appropriate authorization form as may be available from the Company, the Dealer-Manager or Soliciting Dealer. Participation in the DRP will begin with the next Distribution payable after receipt of a Participant's subscription or authorization. Shares will be purchased under the DRP on the record date for the Distribution used to purchase the Shares. Distributions for Shares acquired under the DRP are currently paid monthly and are calculated with a daily record and Distribution declaration date. Each Participant agrees that if, at any time prior to listing of the Shares on a national stock exchange or inclusion of the Shares for quotation on the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq"), he or she fails to meet the suitability requirements for making an investment in the Company or cannot make the other representations or warranties set forth in the Subscription Agreement, he will promptly so notify the Company in writing.

3. Purchase of Shares. Participants will acquire Shares from the Company

at a fixed price of \$10 per Share until all 1,500,000 Initial DRP Shares (as defined) are issued. Participants in the DRP may also purchase fractional Shares so that 100% of the Distributions will be used to acquire Shares. However, a Participant will not be able to acquire Shares under the DRP to the extent such purchase would cause it to exceed the Ownership Limit.

Shares to be distributed by the Company in connection with the DRP may (but are not required to) be supplied from: (a) 1,500,000 Shares which were registered for the DRP in the Offering (the "Initial DRP Shares"), (b) shares of the Company's stock purchased by the Company for the DRP in a secondary market (if available) or on a stock exchange or Nasdaq (if listed) (collectively, the "Secondary Market"), or (c) shares registered by the Company with the SEC for use in the DRP (a "Secondary Registration").

Shares purchased on the Secondary Market as set forth in (b) above will be purchased at the then-prevailing market price, which price will be utilized for purposes of purchases of Shares in the DRP. Shares acquired by the Company on the Secondary Market or registered in a Secondary Registration for use in the DRP may be at prices lower or higher than the \$10 per Share price which will be paid for the Initial DRP Shares.

If the Company acquires shares in the Secondary Market for use in the DRP, the Company shall use reasonable efforts to acquire Shares for use in the DRP at the lowest price then reasonably available. However, the Company does not in

any respect guarantee or warrant that the Shares so acquired and purchased by the Participant in the DRP will be at the lowest possible price. Further, irrespective of the Company's ability to acquire Shares in the Secondary Market or to complete a Secondary Registration for shares to be used in the DRP, the Company is in no way obligated to do either, in its sole discretion.

It is understood that reinvestment of Distributions does not relieve a Participant of any income tax liability which may be payable on the Distributions.

4. Share Certificates. The ownership of the Shares purchased through the -----
DRP will be in book-entry form only until the Company begins to issue certificates for all its outstanding Common Stock.

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5. Reports. Within 90 days after the end of the Company's fiscal year, -----
the Company will provide each Participant with an individualized report on his or her investment, including the purchase date(s), purchase price and number of Shares owned, as well as the dates of distribution and amounts of Distributions received during the prior fiscal year. The individualized statement to Stockholders will include receipts and purchases relating to each Participant's participation in the DRP including the tax consequences relative thereto.

6. Termination by Participant. A Participant may terminate participation -----
in the DRP at any time, without penalty, by delivering to the Company a written notice. Prior to listing of the Shares on a stock exchange or Nasdaq, any transfer of Shares by a Participant to a non-Participant will terminate participation in the DRP with respect to the transferred Shares. If a Participant terminates DRP participation, the Company will provide the terminating Participant with a certificate evidencing the whole shares in his or her account and a check for the cash value of any fractional share in such account. Upon termination of DRP participation, Distributions will be distributed to the Stockholder in cash.

7. Amendment or Termination of DRP by the Company. The Directors of the -----
Company may by majority vote (including a majority of the Independent Directors) amend or terminate the DRP for any reason upon 30 days' written notice to the Participants.

8. Liability of the Company. The Company shall not be liable for any act -----
done in good faith, or for any good faith omission to act, including, without limitation, any claims or liability: (a) arising out of failure to terminate a Participant's account upon such Participant's death prior to receipt of notice in writing of such death; and (b) with respect to the time and the prices at which Shares are purchased or sold for a Participant's account. To the extent that indemnification may apply to liabilities arising under the Securities Act of 1933, as amended or the securities act of a state, the Company has been advised that, in the opinion of the Securities and Exchange Commission and certain state securities commissioners, such indemnification is contrary to public policy and, therefore, unenforceable.

9. Governing Law. This DRP shall be governed by the laws of the State of -----
Maryland.

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P R O S P E C T U S

for

DIVIDEND REINVESTMENT PLAN

Pursuant to its revised Dividend Reinvestment Plan (the "Plan"), Wells Real Estate Investment Trust, Inc., a Delaware corporation (the "Company"), hereby offers to holders of its Common Stock, \$.01 par value per share (the "Common Stock") the opportunity to purchase, through reinvestment of dividends or by additional cash payments, additional shares of Common Stock, on the terms, subject to the conditions and at the prices herein stated.

The Plan was implemented initially in connection with the Company's registered public offering of 16,500,000 shares of its Common Stock (the "Initial Offering"), of which amount 1,500,000 shares were registered and reserved for distribution pursuant to the Plan.

Dividends reinvested pursuant to the Plan will be applied to the purchase of shares of Common Stock at a price of \$10.00 per share until all 1,500,000 shares reserved initially for the Plan (the "Initial Plan Shares") have been purchased. Thereafter, the Company may in its sole discretion acquire additional shares for purchase under the Plan may either through purchases on the open market, through the Company's share repurchase program and/or additional registrations of common stock for use in the Plan. In any case, the per share purchase price under the Plan for such additionally acquired shares will equal the then-prevailing market price of the stock as determined by the Company's Board of Directors, which if the Company's stock is listed shall equal the price on the applicable stock exchange, Nasdaq or over-the-counter market.

This Prospectus relates to 1,500,000 shares of Common Stock that have been registered for sale under the Plan. Please retain this Prospectus for future reference.

The executive offices of the Company are located at 3885 Holcomb Bridge Rd., Norcross, Georgia 30092, and its telephone number is (770) 449-7800.

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

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

The date of this Prospectus is _____

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AUTHORIZATION

No person has been authorized to give any information or to make representations not contained in this Prospectus regarding the Company or the offering made hereby and, if given or made, such information or representations must not be relied upon as having been authorized by the Company. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the securities to which it relates, nor does it constitute an offer to or solicitation of any person in any jurisdiction in which such offer or solicitation would be unlawful. Neither delivery of this Prospectus nor any sale made hereunder shall create an implication that information contained herein is correct as of any time subsequent to the date hereof.

AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 (the "1934 Act") and files reports, proxy statements and

other information with the Securities and Exchange Commission (the "Commission"). Reports, proxy statements, and other information concerning the Company can be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at its Regional Offices in New York (Suite 1300, 7 World Trade Center, New York, New York 10048) and Chicago (Suite 1400, 500 West Madison Street, Chicago, Illinois 60661). Copies of such material can be obtained by mail from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates.

INCORPORATION OF DOCUMENTS BY REFERENCE

The following documents (or applicable portions thereof), filed with the Commission pursuant to the 1934 Act or the Securities Act of 1933, as amended (the "1933 Act"), are incorporated by reference in this Prospectus:

1. The description of the Common Stock contained in the Company's Registration Statement on Form S-11, as amended.
2. The Company's Annual Report on Form 10-K for the year ended _____.
3. The Company's Quarterly Reports on Form 10-Q for the quarters ended _____.

All documents filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the 1934 Act after the date of this Prospectus and before termination of this offering are incorporated by reference into this Prospectus from the date of filing of those documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document which is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of the Prospectus. Anyone receiving a copy of this Prospectus may obtain, without charge, a copy of any of the documents incorporated by reference, except for the exhibits, if any, to those documents. Telephone or mail your request to:

WELLS REAL ESTATE INVESTMENT TRUST, INC.
3885 HOLCOMB BRIDGE RD.
NORCROSS, GEORGIA 30092
ATTENTION: SECRETARY
(770) 449-7800

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THE COMPANY

The Company, founded in 1997, is a Maryland corporation that owns and operates income producing real estate, primarily commercial office buildings. The Company is structured and operated in a manner intended to enable it to qualify as a real estate investment trust under the Internal Revenue Code of 1986, as amended (the "Code").

THE PLAN

The Plan provides you with a simple and convenient way to invest your cash dividends in additional shares of Common Stock. As a participant in the Plan, you may purchase shares at a price of \$10.00 per share until all 1,500,000 Initial Plan Shares have been purchased. Thereafter, additional shares for purchase within the Plan may (but do not have to), be acquired by the Company in its sole discretion either through purchases on the open market, purchases pursuant to the Company's share repurchase program and/or additional registrations of common stock relating to the Plan. In any case other than purchase of the Initial Plan Shares, the per share purchase price under the Plan will equal the then-prevailing market price of the stock, which if the Company's stock is listed shall equal the price on the applicable stock exchange, Nasdaq

or over-the-counter market.

You receive free custodial service for the shares you hold through the Plan.

Shares for the Plan will be purchased directly from the Company. Such shares will be authorized and may be either previously issued or unissued shares. Proceeds from the sale of the Plan Shares provide the Company with funds for general corporate purposes.

ELIGIBILITY

Holders of record of Common are eligible to participate in the Plan with respect to any whole number of their shares. If your shares are held of record by a broker or nominee and you want to participate in the Plan, you must make appropriate arrangements with your broker or nominee.

The Company may refuse participation in the Plan to shareholders residing in states where shares offered pursuant to the Plan are neither registered under applicable securities laws nor exempt from registration.

ADMINISTRATION

As of the date of this Prospectus, the Plan is administered by the Company or an affiliate of the Company (the "Plan Administrator"), but a different entity may act as Plan Administrator in the future. The Plan Administrator will keep all records of your Plan account and sends statements of your account to you. Shares of Common Stock purchased under the Plan are registered in the name of each participating shareholder.

ENROLLMENT

You may join the Plan by signing the enrollment form enclosed with this Prospectus and returning it to the Company.

Your participation in the Plan will begin with the first dividend payment after your signed card is received, provided your card is received on or before ten days prior to the record date established for that dividend. Record dates for dividends are ordinarily on or about the 15th day of March, June, September and December, but may be changed from time to time in the discretion of the Company's management. If your enrollment form is received after the record date for any dividend and before payment of that dividend, that dividend will be paid to you in cash and reinvestment of your dividends will not begin until the next dividend payment date.

COSTS

Participants in the Plan pay no service charges or other fees for purchases made under the Plan. All costs of administration of the Plan are paid by the Company. However, any interest earned on dividends on shares within the Plan will be paid to the Company to defray certain costs relating to the Plan. If you terminate participation in the Plan or ask that your Plan shares be sold, you will pay certain charges as explained in "Termination of Participation" below. Except as described below, the Company will pay the following commissions and fees to certain affiliates of the Company in connection with shares of Common Stock sold to participants under the Plan (expressed as a percentage of the purchase price proceeds): (a) a selling commission of 7% (the "Selling Commission"), all of which may be reallocated to the brokers and dealers of such shares; (b) a marketing and due diligence fee (the "Due Diligence Fee") of 2.5%; and (c) an acquisition and advisory fee ("Acquisition and Advisory Fee") of 3%, which after sale of the Initial Plan Shares will be paid only in the

event that proceeds of the sale of such shares are used to acquire properties. In Ohio, only the Acquisition and Advisory Fee may be paid in connection with

sales of stock under the Plan.

PURCHASES AND PRICE OF SHARES

Common Stock dividends will be invested within 30 days after the date on which Common Stock dividends are paid each quarter (the "Investment Date"). Payment dates for Common Stock dividends are ordinarily on or about the last calendar day of March, June, September and December, but may be changed from time to time in the discretion of the Company.

You become an owner of shares purchased under the Plan as of the Investment Date. No shares will be purchased under the Plan at less than their par value (\$.01 per share). Dividends paid on shares held in the Plan (less any required withholding tax) will be credited to your Plan account. Dividends are paid on both full and fractional shares held in your account and are automatically reinvested.

Reinvested Distributions. You may elect dividend reinvestment with respect

to any whole number of shares registered in your name on the records of the Company. Specify on the enrollment form the number of shares for which you want dividends reinvested. Dividends on all shares purchased pursuant to the Plan will be automatically reinvested. The number of shares purchased for you as a participant in the Plan depends on the amount of your dividends on these shares (less any required withholding tax) and the purchase price of the Common Stock. Your account will be credited with the number of shares, including fractions computed to four decimal places, equal to the total amount invested divided by the purchase price per share.

Shares of Common Stock for participants will be purchased from the Company at a price per share of \$10 for all of the Initial Plan Shares, and thereafter (if available) at prices equal to the then-prevailing market price of the stock as determined by the Company's Board of Directors, which if the Company's stock is listed shall equal the closing price on the applicable stock exchange, Nasdaq or over-the-counter market on the trading day immediately prior to the Investment Date.

Optional Cash Purchases. Until determined otherwise by the Company, Plan

participants may not make additional cash payments for the purchase of Common Stock under the Plan.

DIVIDENDS ON SHARES HELD IN PLAN

Dividends paid on shares held in the Plan (less any required withholding tax) will be credited to your Plan account. Dividends are paid on both full and fractional shares held in your account and are automatically reinvested.

ACCOUNT STATEMENTS

You will receive a statement of your account within 60 days after each Investment Date. The statements will contain a report of all transactions since the last statement, including information with respect to the number of shares allocated to your account, the amount of dividends received which are allocable to you, the amount of Common Stock purchased therewith and the price paid. These statements are your continuing record of the cost of your purchase and should be retained for income tax purposes.

CERTIFICATES FOR SHARES

As of the date of this Prospectus, the Company is not issuing certificates for shares purchased under the Plan, and your ownership of such shares will be evidenced on the books of the Company in your account. The number of shares purchased will be shown on your statement of account. This feature permits ownership of fractional shares, protects against loss, theft or destruction of stock certificates, and reduces the costs of the Plan.

After the date the Company begins issuing certificates for the outstanding

shares of its Common Stock, certificates for any number of whole shares credited to your account will be issued in your name upon your written request to the Plan Administrator. Certificates for fractional shares will not be issued. Should you want your certificates issued in a different name, you must notify the Plan Administrator in writing and comply with applicable transfer requirements. If you wish to sell any whole shares credited to your account under the Plan, you will have the option of either (i) receiving a certificate for such whole number of shares, or (ii) requesting that such shares held in your account be sold, in which case the shares will be sold on the open market as soon as practicable. Brokerage commissions on such sales will not be paid by the Company, and will be deducted from the sales proceeds. See "Termination of Participation." If you wish to pledge shares credited to your account, you must first have the certificate for those shares issued in your name.

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TERMINATION OF PARTICIPATION

You may discontinue reinvestment of dividends under the Plan with respect to all, but not less than all, of your shares (including shares held for your account in the Plan) at any time by notifying the Plan Administrator in writing no less than ten days prior to the next record date. A notice of termination received by the Plan Administrator after such cutoff date will not be effective until the next following Investment Date. Participants who terminate their participation in the Plan may thereafter rejoin the Plan by notifying the Company and completing all necessary forms and otherwise as required by the Company.

If you notify the Plan Administrator of your termination of participation in the Plan or if your participation in the Plan is terminated by the Company, the Company's stock ownership records will be updated to include the number of whole shares in your Plan account. For any fractional shares of stock in your Plan account, the Plan Administrator may either (i) send you a check in payment for any fractional shares in your account, or (ii) credit your stock ownership account with any such fractional shares.

A participant who changes his or her address must promptly notify the Plan Administrator. If a participant moves his residence to a state where shares offered pursuant to the Plan are neither registered nor exempt from registration under applicable securities laws, the Company may deem the participant to have terminated participation in the Plan.

AMENDMENT AND TERMINATION OF PLAN

The Company may, in its sole discretion, amend any aspect of the Plan without the consent of participants or other stockholders, provided that notice of any material amendment is sent to participants at least 30 days prior to the effective date thereof. The Company may also, in its sole discretion, terminate the Plan for any reason at any time with ten days prior written notice of such termination to all participants. You will be notified if the Plan is terminated or materially amended. The Company may also terminate any participant's participation in the Plan at any time by notice to such participant if continued participation will, in the opinion of the Board of Directors, jeopardize the status of the Company as a real estate investment trust under the Code.

VOTING OF SHARES HELD UNDER THE PLAN

You will be able to vote all shares of Common Stock (including fractional shares) credited to your account under the Plan at the same time that you vote the shares registered in your name on the records of the Company.

STOCK DIVIDENDS, STOCK SPLITS AND RIGHTS OFFERINGS

Your Plan account will be amended to reflect the effect of any stock dividends, splits, reverse splits or other combinations or recapitalizations by the Company on shares held in the Plan for you. If the Company issues to its shareholders rights to subscribe to additional shares, such rights will be

issued to you based on your total share holdings, including shares held in your Plan account.

RESPONSIBILITY OF THE PLAN ADMINISTRATOR AND THE COMPANY UNDER THE PLAN

The Plan Administrator will not be liable for any claim based on an act done in good faith or a good faith omission to act. This includes, without limitation, any claim of liability arising out of failure to terminate a participant's account upon a participant's death, the prices at which shares are purchased, the times when purchases are made, or fluctuations in the market price of Common Stock.

All notices from the Plan Administrator to a participant will be mailed to the participant at his last address of record with the Plan Administrator, which will satisfy the Plan Administrator's duty to give notice. Participants must promptly notify the Plan Administrator of any change in address.

YOU SHOULD RECOGNIZE THAT NEITHER THE COMPANY NOR THE PLAN ADMINISTRATOR CAN PROVIDE ANY ASSURANCE OF A PROFIT OR PROTECTION AGAINST LOSS ON ANY SHARES PURCHASED UNDER THE PLAN.

INTERPRETATION AND REGULATION OF THE PLAN

The Company reserves the right, without notice to participants, to interpret and regulate the Plan as it deems necessary or desirable in connection with its operation. Any such interpretation and regulation shall be conclusive.

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FEDERAL INCOME TAX CONSEQUENCES OF PARTICIPATION IN THE PLAN

The following discussion summarizes the principal federal income tax consequences, under current law, of participation in the Plan. It does not address all potentially relevant federal income tax matters, including consequences peculiar to persons subject to special provisions of federal income tax law (such as tax-exempt organizations, insurance companies, financial institutions, broker-dealers and foreign persons). The discussion is based on various rulings of the Internal Revenue Service regarding several types of dividend reinvestment plans. No ruling, however, has been issued or requested regarding the Plan. THE FOLLOWING DISCUSSION IS FOR YOUR GENERAL INFORMATION ONLY, AND YOU MUST CONSULT YOUR OWN TAX ADVISOR TO DETERMINE THE PARTICULAR TAX CONSEQUENCES (INCLUDING THE EFFECTS OF ANY CHANGES IN LAW) THAT MAY RESULT FROM YOUR PARTICIPATION IN THE PLAN AND THE DISPOSITION OF ANY SHARES PURCHASED PURSUANT TO THE PLAN.

REINVESTED DIVIDENDS. Stockholders subject to federal income taxation who elect to participate in the Plan will incur a tax liability for distributions allocated to them even though they have elected not to receive their dividends in cash but rather to have their dividends held pursuant to the Plan. Specifically, participants will be treated as if they received the distribution from the Company and then applied such distribution to purchase the shares in the Plan. A Stockholder designating a distribution for reinvestment will be taxed on the amount of such distribution as ordinary income to the extent such distribution is from current or accumulated earnings and profits, unless the Company has designated all or a portion of the distribution as capital gain dividend. In such case, such designated portion of the distribution will be taxed as a capital gain. The amount treated as a distribution to you will constitute a dividend for federal income tax purposes to the same extent as a cash distribution.

RECEIPT OF SHARE CERTIFICATES AND CASH. You will not realize any income if you receive certificates for whole shares credited to your account under the Plan. Any cash received for a fractional share held in your account will be treated as an amount realized on the sale of the fractional share. You therefore will recognize gain or loss equal to any difference between the amount of cash received for a fractional share and your tax basis in the fractional share.

INDEMNIFICATION OF DIRECTORS AND OFFICERS OF THE COMPANY

Directors and officers of the Company shall be indemnified against liabilities, fines, penalties, and claims imposed upon or asserted against them for actions in their capacities as directors and/or officers of the Corporation to the fullest extent permitted under the Delaware General Corporation Law ("DGCL"). This indemnification covers all costs and expenses reasonably incurred by a director or officer. In addition, the DGCL and the Company's Amended and Restated Articles of Incorporation may, under certain circumstances, eliminate the liability of directors and officers in a shareholder or derivative proceeding.

Insofar as indemnification for liabilities arising under the 1933 Act may be permitted to directors, officers, or controlling persons of the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the 1933 Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities is asserted by such director or officer, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the 1933 Act and will be governed by the final adjudication of such issue.

EXPERTS

The financial statements of the Company incorporated by reference from its Registration Statement on Form S-11 have been audited by Arthur Andersen LLP, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

PLAN ADMINISTRATOR; INQUIRIES REGARDING THE PLAN

Changes in name or address, notices of termination, requests to participate in the Plan, questions about the Plan and your participation therein, and all other matters regarding the Plan should be directed to:

Wells Real Estate Investment Trust, Inc.
Dividend Reinvestment Plan
3885 Holcomb Bridge Rd.
Norcross, GA 30092

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E N R O L L M E N T F O R M

WELLS REAL ESTATE INVESTMENT TRUST, INC.

DIVIDEND REINVESTMENT PLAN

TO JOIN THE PLAN:

- (1) Complete this card. Be sure to include your social security or tax identification number and signature.
- (2) Staple or tape the card closed so that your signature is enclosed.

I hereby appoint Wells Real Estate Investment Trust, Inc. (the "Company") (or any successor), acting as plan administrator, as my agent to receive cash dividends that may hereafter become payable to me on shares of Common Stock of the Company registered in my name as set forth below, and authorize the Company to apply such dividends to the purchase of full shares and fractional interests in shares of the Company's Common Stock.

I understand that the purchases will be made under the terms and conditions of the Dividend Reinvestment Plan as described in the Prospectus and that I may revoke this authorization at any time by notifying the Plan Administrator, in writing, of my desire to terminate my participation.

Please indicate your participation below. Return this card only if you wish to participate in the Plan

_____ Yes, I would like to participate in the Dividend Reinvestment Plan for all my shares of Common Stock.

Please Print Full Legal Name(s):

Social Security or Tax Identification Number:

Date: _____

IF YOUR SHARES ARE HELD OF RECORD BY A BROKER OR NOMINEE, YOU MUST MAKE APPROPRIATE ARRANGEMENTS WITH THE BROKER OR NOMINEE TO PARTICIPATE IN THE PLAN.

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No dealer, salesperson or other individual has been authorized to give any information or to make any representations not contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by the Company or the Dealer Manager. This Prospectus does not constitute an offer of any securities other than those to which it relates or an offer to sell, or a solicitation of an offer to buy, to any person in any jurisdiction where such an offer or solicitation would be unlawful. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create an implication that the information contained herein is correct as of any time subsequent to the date hereof. In the event of material changes, this Prospectus will be amended to reflect such changes.

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Until April 30, 1998 (90 days after the date of this Prospectus), all dealers effecting transactions in the registered securities, whether or not participating in this distribution, may be required to deliver a Prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as Soliciting Dealers.

15,000,000 Shares of Common Stock

WELLS REAL ESTATE
INVESTMENT TRUST, INC.

PROSPECTUS

WELLS INVESTMENT SECURITIES, INC.

January 30, 1998

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 1 DATED APRIL 20, 1998 TO THE PROSPECTUS
DATED JANUARY 30, 1998

This document supplements, and should be read in conjunction with, the Prospectus of Wells Real Estate Investment Trust, Inc. dated January 30, 1998 (the "Prospectus"). Unless otherwise defined herein, capitalized terms used in this Supplement shall have the same meanings as set forth in the Prospectus.

The purpose of this Supplement is to describe the following:

- (i) The status of the offering of shares of common stock (the "Shares") in Wells Real Estate Investment Trust, Inc. (the "Company");
- (ii) Updated Prior Performance Tables included as Exhibit A to the Prospectus; and
- (iii) Revisions to the "INVESTOR SUITABILITY STANDARDS" and "PLAN OF DISTRIBUTION" sections of the Prospectus.

STATUS OF THE OFFERING

Pursuant to the Prospectus, the offering of Shares in the Company commenced on January 30, 1998. As of April 17, 1998, the Company had raised a total of \$451,700 in offering proceeds (45,170 Shares), which offering proceeds are being

held in escrow until the Company closes the Minimum Offering in accordance with the terms of the Prospectus.

PRIOR PERFORMANCE TABLES

Prior Performance Tables dated as of December 31, 1997 are included as Exhibit A to this Supplement.

INVESTOR SUITABILITY STANDARDS

The information contained on page 15 in the "INVESTOR SUITABILITY STANDARDS" section of the Prospectus is revised as of the date of this Supplement by the deletion of the fourth full paragraph of that section and the insertion of the following paragraph in lieu thereof:

The minimum purchase is 100 Shares (\$1,000) (except in certain states and as otherwise described below). No transfers will be permitted of less than the minimum required purchase, nor (except in very limited circumstances) may an investor transfer, fractionalize or subdivide such Shares so as to retain less than such minimum number thereof. For purposes of satisfying the minimum investment requirement for Retirement Plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate Individual Retirement Accounts ("IRAs"), provided that each such contribution is made in increments of at least \$100. It should be noted, however, that an investment in the Company will not, in itself, create a Retirement Plan for any investor and that in order to create a Retirement Plan, an investor must comply with all applicable provisions of the Code. Except in Maine, Minnesota and Washington, investors who have satisfied the minimum purchase requirements and have purchased units in Prior Wells Public Programs may purchase less than the minimum number of Shares set forth above, but in no event less than 2.5 Shares (\$25). The minimum purchase for New York investors is 250 Shares (\$2,500); however, the minimum investment for New York IRAs is 100 Shares (\$1,000). After an investor has purchased the minimum investment, any additional investments must be made in increments of at least 2.5 Shares (\$25), except for (i) those made by investors in Maine, who must still meet the minimum investment requirement for Maine residents of \$1,000 for IRAs and \$2,500 for non-IRAs, (ii) purchases of Shares pursuant to the Reinvestment Plan, which may be in lesser amounts, and (iii) the minimum purchase requirement for Minnesota investors other than IRAs and Qualified Plans of 250 Shares (\$2,500), and the minimum purchase for Minnesota IRAs and Qualified Plans of 200 Shares (\$2,000).

PLAN OF DISTRIBUTION

The information contained on page 77 in the "PLAN OF DISTRIBUTION" section of the Prospectus is revised as of the date of this Supplement by the deletion of the second full paragraph on that page and the insertion of the following paragraph in lieu thereof:

In addition, subscribers for Shares may agree with their participating broker-dealers and the Dealer Manager to have selling commissions due with respect to the purchase of their Shares paid over a seven year period pursuant to a deferred commission arrangement (the "Deferred Commission Option"). Shareholders electing the Deferred Commission Option will be required to pay a total of \$9.40 per Share purchased upon subscription, rather than \$10.00 per Share, with respect to which \$0.10 per Share will be payable as commissions due upon subscription. For each of the six years following the year of subscription, \$0.10 per Share will be paid by the Company as deferred commissions with respect to Shares sold pursuant to the Deferred Commission Option, which amounts will be deducted from and paid out of distributions of Cash Available for Distribution otherwise payable to Shareholders holding such Shares. The net proceeds to the Company will not be affected by the election of the Deferred Commission Option. Under this arrangement, a Shareholder electing the Deferred Commission Option will pay a 1% commission upon subscription, rather than a 7% commission, and an amount equal to a 1% commission per year thereafter for the next six

years will be deducted from and paid by the Company out of Cash Available for Distribution otherwise distributable to such Shareholder. In the event that Listing of the Shares occurs at any time prior to the end of the sixth year following termination of the Offering, however, the obligation of the Company and its Shareholders to make any further payments of commissions under the Deferred Commission Option shall terminate, and participating broker-dealers will not be entitled to receive any further portion of their commissions following Listing of the Company's Shares.

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EXHIBIT A

PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (the "Tables") provide information relating to real estate investment programs sponsored by the Advisor and its Affiliates ("Wells Prior Public Programs") which have investment objectives similar to the Company.

Prospective investors should read these Tables carefully together with the summary information concerning the Prior Programs as set forth in "PRIOR PERFORMANCE SUMMARY" elsewhere in this Prospectus.

INVESTORS IN THE COMPANY WILL NOT OWN ANY INTEREST IN THE PRIOR PROGRAMS AND SHOULD NOT ASSUME THAT THEY WILL EXPERIENCE RETURNS, IF ANY, COMPARABLE TO THOSE EXPERIENCED BY INVESTORS IN THE PRIOR PROGRAMS.

These Tables present actual results of Wells Prior Public Programs that have investment objectives similar to those of the Company. The Company's investment objectives are to maximize Net Cash From Operations; to preserve original Capital Contributions; and to realize capital appreciation over a period of time. All of the Wells Prior Public Programs have used a substantial amount of capital and not acquisition indebtedness to acquire their properties.

The Advisor is responsible for the acquisition, operation, maintenance and resale of the Wells Prior Public Programs' Properties. The financial results of the Wells Prior Public Programs thus provide an indication of the Advisor's performance of its obligations during the periods covered. However, general economic conditions affecting the real estate industry and other factors contribute significantly to financial results.

The following tables are included herein:

TABLE I - Experience in Raising and Investing Funds (As a Percentage of Investment)

TABLE II - Compensation to Sponsor (in Dollars)

TABLE III - Annual Operating Results of Prior Programs

TABLE IV (Results of completed programs) and TABLE V (sales or disposals of property) have been omitted since none of the Prior Programs have sold any of their properties to date.

Additional information relating to the acquisition of properties by the Wells Prior Public Programs is contained in TABLE VI, which is included in the Registration Statement which the Company has filed with the Securities and Exchange Commission. As described above, no Wells Prior Public Program has sold or disposed of any property held by it. Copies of any or all information will be provided to prospective investors at no charge upon request.

The following are definitions of certain terms used in the Tables:

"ACQUISITION FEES" shall mean fees and commissions paid by a partnership in connection with its purchase or development of a property, except development

fees paid to a person not affiliated with the partnership or with a general partner of the partnership in connection with the actual development of a project after acquisition of the land by the partnership.

"ORGANIZATION EXPENSES" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the general partners or their affiliates in connection with the planning and formation of the partnership.

"UNDERWRITING FEES" shall include selling commissions and wholesaling fees paid to broker-dealers for services provided by the broker-dealers during the offering.

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TABLE I
(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the General Partners and their Affiliates in Prior Programs for which offerings have been completed since December 31, 1994. Information is provided with regard to the manner in which the proceeds of the offerings have been applied. Also set forth is information pertaining to the timing and length of these offerings and the time period over which the proceeds have been invested in the properties.

	Wells Real Estate Fund VII, L.P.	Wells Real Estate Fund VIII, L.P.	Wells Real Estate Fund IX, L.P.	Wells Real Estate Fund X, L.P.
Dollar Amount Raised	\$24,180,174/ (3) /	\$32,042,689/ (4) /	\$35,000,000/ (5) /	\$27,128,912/ (6) /
Percentage Amount Raised	100.0%/ (3) /	100.0%/ (4) /	100.0%/ (5) /	100.0%/ (6) /
Less Offering Expenses				
Underwriting Fees	10.0%	10.0%	10.0%	10.0%
Organizational Expenses	5.0%	5.0%	5.0%	5.0%
Reserves/ (1) /	1.0%	0.0%	0.0%	0.0%
Percent Available for Investment	84.0%	85.0%	85.0%	85.0%
Acquisition and Development Costs				
Prepaid Items and Fees related to Purchase of Property	0.0%	0.2%	0.0%	0.0%
Cash Down Payment	16.3%	29.2%	0.0%	0.0%
Acquisition Fees/ (2) /	3.5%	4.5%	4.5%	4.5%
Development and Construction Costs	64.2%	48.0%	50.4%	14.4%
Reserve for Payment of Indebtedness	0.0%	0.0%	0.0%	0.0%
Total Acquisition and Development Cost	84.0%	81.9%	54.9%	18.9%
Percent Leveraged	0.0%	0.0%	0.0%	0.0%
Date Offering Began	04/05/94	01/06/95	01/05/96	12/31/96
Length of Offering	12 mo.	12 mo.	12 mo.	12 mo.
Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering)	12 mo.	17 mo.	/(7) /	/(8) /
Number of Investors	1,917	2,242	2,115	1,806

-
- (1) Does not include General Partner contributions held as part of reserves.
 - (2) Includes acquisition fees, real estate commissions, general contractor fees and/or architectural fees paid to Affiliates of the General Partners.
 - (3) Total dollar amount registered and available to be offered was \$25,000,000. Wells Real Estate Fund VII, L.P. closed its offering on January 5, 1995, and the total dollar amount raised was \$24,180,174.
 - (4) Total dollar amount registered and available to be offered was \$35,000,000. Wells Real Estate Fund VIII, L.P. closed its offering on January 4, 1996, and the total dollar amount raised was \$32,042,689.
 - (5) Total dollar amount registered and available to be offered was \$35,000,000. Wells Real Estate Fund IX, L.P. closed its offering on December 30, 1996, and the total dollar amount raised was \$35,000,000.
 - (6) Total dollar amount registered and available to be offered was \$35,000,000. Wells Real Estate Fund X, L.P. closed its offering on December 30, 1997,

and the total dollar amount raised was \$27,128,912.

- (7) As of December 31, 1997, Wells Real Estate Fund IX, L.P. had not yet invested 90% of the amount available for investment. The amount invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1997 was 70.3% of the total dollar amount raised. The amount invested and/or committed to be invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1997 was 83.5% of the total dollar amount raised.
- (8) As of December 31, 1997, Wells Real Estate Fund X, L.P. had not yet invested 90% of the amount available for investment. The amount invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1997 was 17.7% of the total dollar amount raised. The amount invested and/or committed to be invested in properties (including Acquisition Fees paid but not yet associated with a specific property) at December 31, 1997 was 32.8% of the total dollar amount raised.

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TABLE II
(UNAUDITED)

COMPENSATION TO SPONSOR

The following sets forth the compensation received by General Partners or Affiliates of the General Partners, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Prior Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1994. These partnerships have not sold or refinanced any of their properties to date. All figures are as of December 31, 1997.

	Wells Real Estate Fund VII, L.P.	Wells Real Estate Fund VIII, L.P.	Wells Real Estate Fund IX, L.P.	Wells Real Estate Fund X, L.P.	Other Public Programs/(1)/
Date Offering Commenced	04/05/94	01/06/95	01/05/96	12/31/96	--
Dollar Amount Raised to Sponsor from Proceeds of Offering:	\$24,180,174	\$32,042,689	\$35,000,000	\$27,128,912	\$150,018,232
Underwriting Fees/(2)/ Acquisition Fees	\$ 178,122	\$ 174,295	\$ 309,556	\$ 260,748	\$ 571,739
Real Estate Commissions Acquisition and Advisory Fees/(3)/	\$ 846,306	\$ 1,281,708	\$ 1,400,000	\$ 1,085,157	\$ 8,031,385
Dollar Amount of Cash Generated from Operations Before Deducting Payments to Sponsor/(4)/	\$ 3,850,827	\$ 1,630,740	\$ 1,305,840	\$ 438,195	\$ 29,081,439
Amount Paid to Sponsor from Operations:					
Property Management Fee/(1)/	\$ 124,934	\$ 85,523	\$ 19,539	\$ 0	\$ 857,695
Partnership Management Fee	--	--	--	--	--
Reimbursements	\$ 159,036	\$ 112,773	\$ 32,349	\$ 11,137	\$ 1,187,273
Leasing Commissions	\$ 97,856	\$ 91,566	\$ 29,162	\$ 0	\$ 800,710
General Partner Distributions	--	--	--	--	15,205
Other	--	--	--	--	--
Dollar Amount of Property Sales and Refinancing Payments to Sponsors:					
Cash	--	--	--	--	--
Notes	--	--	--	--	--
Amount Paid to Sponsor from Property Sales and Refinancing:					
Real Estate Commissions	--	--	--	--	--
Incentive Fees	--	--	--	--	--
Other	--	--	--	--	--

(1) Includes compensation paid to General Partners from Wells Real Estate Fund I, Wells Real Estate Fund II, Wells Real Estate Fund II-OW, Wells Real Estate Fund III, L.P., Wells Real Estate Fund IV, L.P., Wells Real Estate Fund V, L.P. and Wells Real Estate Fund VI, L.P. during the past three years. In addition to the amounts shown, Affiliates of the General Partners of Wells Real Estate Fund I are entitled to certain property management and

- leasing fees but have elected to defer the payment of such fees until a later year on properties owned by Wells Real Estate Fund I. At December 31, 1997, the amount of such fees due the General Partners totaled \$2,088,727.
- (2) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offerings of Wells Real Estate Funds VII, VIII, IX and X, which were not reallocated to participating broker-dealers.
 - (3) Fees paid to the General Partners or their Affiliates for acquisition and advisory services in connection with the review and evaluation of potential real property acquisitions.
 - (4) Includes \$409,361 in net cash provided by operating activities, \$3,059,640 in distributions to limited partners and \$381,826 in payments to sponsor for Wells Real Estate Fund VII, L.P.; \$464,964 in net cash provided by operating activities, \$875,914 in distributions to limited partners and \$289,862 in payments to sponsor for Wells Real Estate Fund VIII, L.P.; \$2,540 in net cash provided by operating activities, \$1,221,764 in distributions to limited partners and \$81,536 in payments to sponsor for Wells Real Estate Fund IX, L.P.; \$449,332 in net cash used by operating activities, \$0 in distributions to limited partners and \$11,137 in payments to sponsor for Wells Real Estate Fund X, L.P.; and \$855,331 in net cash provided by operating activities, \$19,618,669 in distributions to limited partners and \$2,748,101 in payments to sponsor for other public programs.

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TABLE III
(UNAUDITED)

The following six (6) tables set forth operating results of prior programs sponsored by the General Partners the offerings of which have been completed since December 31, 1992. The information relates only to public programs with investment objectives similar to those of the Partnership. All figures are as of December 31 of the year indicated.

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TABLE III (UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND V, L.P.

	1997	1996	1995	1994	1993
Gross Revenues/(1)/	\$ 633,247	\$ 590,839	\$ 764,624	\$ 656,958	\$ 458,213
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	72,404	78,939	68,735	88,987	96,964
Depreciation and Amortization/(3)/	1,042	6,250	6,250	6,250	6,250
Net Income (Loss) GAAP Basis/(4)/	\$ 559,801	\$ 505,650	\$ 689,639	\$ 561,721	\$ 354,999
Taxable Income (Loss): Operations	\$ 763,486	\$ 666,780	\$ 676,367	\$ 528,025	\$ 280,000
Cash Generated (Used By):					
Operations					
Joint Ventures	(66,556)	(65,728)	(46,235)	(10,395)	112,594
	1,121,000	1,072,835	1,020,905	653,729	54,154
	\$1,054,444	\$1,007,107	\$ 974,670	\$ 643,334	\$ 166,748
Less Cash Distributions to Investors:					
Operating Cash Flow	1,054,444	1,007,107	969,011	643,334	151,336
Return of Capital	4,487	--	--	44,257	--
Undistributed Cash Flow from Prior Year Operations	1,987	3,672	--	15,412	--
Cash Generated (Deficiency) after Cash Distributions	\$ (6,474)	\$ (3,672)	\$ 5,659	\$ (59,669)	\$ 15,412
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions	--	--	--	--	5,589,786
	\$ --	\$ (3,672)	\$ 5,659	\$ (59,669)	\$ 5,605,198
Use of Funds:					
Sales Commissions and Offering Expenses	--	--	--	--	764,599
Return of Original Limited Partner's Investment	--	--	--	--	--
Property Acquisitions and Deferred Project Costs	(154,131)	(225)	(233,501)	2,366,507	7,755,116
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (160,605)	\$ (3,897)	\$ (227,842)	\$ (2,426,176)	\$ (2,914,517)
Net Income and Distributions Data per \$1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					

- Operations Class A Units	36	71	73	58	29
- Operations Class B Units	0	(378)	(272)	(180)	(54)
Capital Gain (Loss)	--	--	--	--	--
Tax and Distributions Data per \$1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	74	69	69	55	36
- Operations Class B Units	(256)	(260)	(246)	(181)	(58)
Capital Gain (Loss)	--	--	--	--	--
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	36	65	63	46	10
- Return of Capital Class A Units	32	--	--	--	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	68	65	63	43	10
- Return of Capital Class A Units	--	--	--	3	--
- Operations Class B Units	--	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program					
Properties at the end of the Last Year Reported in the Table	100%				

- (1) Includes \$207,234 in equity in earnings of joint ventures and \$250,979 from investment of reserve funds in 1993; \$592,902 in equity in earnings of joint ventures and \$64,056 from investment of reserve funds in 1994; \$745,173 in equity in earnings of joint ventures and \$19,451 from investment of reserve funds in 1995; \$577,128 in equity in earnings of joint ventures and \$13,711 from investment of reserve funds in 1996; and \$623,249 in equity in earnings of joint ventures and \$9,998 from investment of reserve funds in 1997. At December 31, 1997, the leasing status of all developed property was 95%.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in earnings of joint ventures in gross revenue is depreciation and amortization of \$100,796 for 1993, \$324,578 for 1994, \$440,333 for 1995, \$592,281 for 1996, and \$735,315 for 1997.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated as follows: \$442,135 to Class A Limited Partners, \$(87,868) to Class B Limited Partners and \$732 to General Partners for 1993; \$879,232 to Class A Limited Partners, \$(316,460) to Class B Limited Partners and \$(1,051) to General Partners for 1994; \$1,124,203 to Class A Limited Partners, \$(434,564) to Class B Limited Partners and \$0 to General Partners for 1995; \$1,095,296 to Class A Limited Partners, \$(589,646) to Class B Limited Partners and \$0 to General Partners for 1996; and \$559,801 to Class A Limited Partners, \$0 to Class B Limited Partners and \$0 to General Partners in 1997.

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TABLE III (UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND VI, L.P.

	1997	1996	1995	1994	1993
Gross Revenues/(1)/	\$ 884,802	\$ 675,782	\$ 1,002,567	\$ 819,535	\$ 82,723
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	82,898	80,479	94,489	112,389	46,608
Depreciation and Amortization/(3)/	6,250	6,250	6,250	6,250	4,687
Net Income GAAP Basis/(4)/	\$ 795,654	\$ 589,053	\$ 901,828	\$ 700,896	\$ 31,428
Taxable Loss: Operations	-----	-----	-----	-----	-----
Cash Generated (Used By):	\$1,091,770	\$ 809,389	\$ 916, 531	\$ 667,682	\$ 31,428
Operations	-----	-----	-----	-----	-----
Joint Ventures	(57,206)	(2,716)	278,728	276,376	(2,478)
	1,500,023	1,044,891	766,212	203,543	--
Less Cash Distributions to Investors:	-----	-----	-----	-----	-----
Operating Cash Flow	\$1,442,817	\$1,042,175	\$ 1,044,940	\$ 479,919	\$ (2,478)
Return of Capital	1,442,817	1,042,175	1,044,940	245,800	--
Undistributed Cash Flow from Prior Year Operations	9,986	125,314	--	--	--
	--	18,027	\$ 216,092	--	--
Cash Generated (Deficiency) after Cash Distributions	\$ (9,986)	\$ (143,341)	(216,092)	\$ 234,119	\$ (2,478)
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--	--	--
Increase in Limited Partner Contributions	--	--	--	12,836,461	12,836,539

	-----	-----	-----	-----	-----
Use of Funds:	\$ (9,986)	\$ (143,341)	\$ (216,092)	\$12,397,580	\$12,834,061
Sales Commissions and Offering Expenses		--	--	1,776,909	1,781,724
Return of Original Limited Partner's Investment		--	--	--	100
Property Acquisitions and Deferred Project Costs	310,759	234,924	10,721,376	5,912,454	3,856,239
Cash Generated (Deficiency) after Cash Distributions and	-----	-----	-----	-----	-----
Special Items					
	\$ (320,745)	\$ (378,265)	\$ (10,937,468)	\$ 4,708,217	\$ 7,195,998
	=====	=====	=====	=====	=====
Net Income and Distributions Data per \$1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	78	59	57	43	9
- Operations Class B Units	(247)	(160)	(60)	(12)	(5)
Capital Gain (Loss)	--	--	--	--	0
Tax and Distributions Data per \$1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	75	56	56	41	1
- Operations Class B Units	(150)	(99)	(51)	(22)	--
Capital Gain (Loss)	--	--	--	--	--
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	67	56	57	14	--
- Return of Capital Class A Units	--	--	4	--	--
- Return of Capital Class B Units	--	--	--	--	--
Source (on Cash Basis)					
- Operations Class A Units	67	50	61	14	--
- Return of Capital Class A Units	0	6	--	--	--
- Operations Class B Units	--	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in					
Program Properties at the end of the Last Year Reported in					
the Table	100%				

- (1) Includes \$3,436 in equity in loss of joint ventures and \$86,159 from investment of reserve funds in 1993, \$285,711 in equity in earnings of joint ventures and \$533,824 from investment of reserve funds in 1994, \$681,033 in equity in earnings of joint ventures and \$321,534 from investment of reserve funds in 1995, \$607,214 in equity in earnings of joint ventures and \$68,568 from investment of reserve funds in 1996, and \$856,710 in equity in earnings of joint ventures and \$28,092 from investment of reserve funds in 1997. At December 31, 1997, the leasing status was 94%.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in loss of joint ventures in gross revenues is depreciation of \$3,436 for 1993, \$107,807 for 1994, \$264,866 for 1995, \$648,478 for 1996, and \$896,753 for 1997.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$39,551 to Class A Limited Partners, \$(8,042) to Class B Limited Partners and \$(81) to the General Partner for 1993; \$762,218 to Class A Limited Partners, \$(62,731) to Class B Limited Partners and \$1,409 to the General Partners for 1994; \$1,172,944 to Class A Limited Partners, \$(269,288) to Class B Limited Partners and \$(1,828) to the General Partners for 1995; \$1,234,717 to Class A Limited Partners, \$(645,664) to Class B Limited Partners and \$0 to the General Partners for 1996; and \$1,677,826 to Class A Limited Partners, \$(882,172) to Class B Limited Partners and \$0 to the General Partners for 1997.

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TABLE III (UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND VII, L.P.

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
Gross Revenues/(1)/	\$ 816,237	\$ 543,291	\$ 925,246	\$ 286,371	N/A
Profit on Sale of Properties	--	--	--	--	--
Less: Operating Expenses/(2)/	76,838	84,265	114,953	78,420	
Depreciation and Amortization/(3)/	6,250	6,250	6,250	4,688	
Net Income GAAP Basis/(4)/	\$ 733,149	\$ 452,776	\$ 804,043	\$ 203,263	
	=====	=====	=====	=====	
Taxable Income: Operations	\$1,008,368	\$ 657,443	\$ 812,402	\$ 195,067	
	=====	=====	=====	=====	
Cash Generated (Used By):					
Operations	(43,250)	20,883	431,728	47,595	
Joint Ventures	1,420,126	760,628	424,304	14,243	
	-----	-----	-----	-----	
	\$1,376,876	\$ 781,511	\$ 856,032	\$ 61,838	
Less Cash Distributions to Investors:					
Operating Cash Flow	1,376,876	781,511	856,032	52,195	
Return of Capital	2,709	10,805	22,064	--	

Undistributed Cash Flow from Prior Year Operations	--	--	9,643	--
Cash Generated (Deficiency) after Cash Distributions	\$ (2,709)	\$ (10,805)	\$ (31,707)	\$ 9,643
Special Items (not including sales and financing):				
Source of Funds:				
General Partner Contributions	--	--	--	--
Increase in Limited Partner Contributions	\$ --	\$ --	\$ 805,212	\$23,374,961
	-----	-----	-----	-----
	\$ (2,709)	\$ (10,805)	\$ 773,505	\$23,384,604
Use of Funds:				
Sales Commissions and Offering Expenses	--	--	244,207	\$ 3,351,569
Return of Original Limited Partner's Investment	--	--	100	--
Property Acquisitions and Deferred Project Costs	169,172	736,960	14,971,002	4,477,765
	-----	-----	-----	-----
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (171,881)	\$ (747,765)	\$ (14,441,804)	\$15,555,270
	=====	=====	=====	=====
Net Income and Distributions Data per \$1,000 Invested:				
Net Income on GAAP Basis:				
Ordinary Income (Loss)				
- Operations Class A Units	86	62	57	29
- Operations Class B Units	(168)	(98)	(20)	(9)
Capital Gain (Loss)	--	--	--	--
Tax and Distributions Data per \$1,000 Invested:				
Federal Income Tax Results:				
Ordinary Income (Loss)				
- Operations Class A Units	78	55	55	28
- Operations Class B Units	(111)	(58)	(16)	17
Capital Gain (Loss)	--	--	--	--
Cash Distributions to Investors:				
Source (on GAAP Basis)				
- Investment Income Class A Units	70	43	52	7
- Return of Capital Class A Units	--	--	--	--
- Return of Capital Class B Units	--	--	--	--
Source (on Cash Basis)				
- Operations Class A Units	70	42	51	7
- Return of Capital Class A Units	--	1	1	--
- Operations Class B Units	--	--	--	--
Source (on a Priority Distribution Basis)/(5)/				
- Investment income Class A Units	54	29	30	4
- Return of Capital Class A Units	16	14	22	3
- Return of Capital Class B Units	--	--	--	--
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table			100%	

- (1) Includes \$78,799 in equity in earnings of joint ventures and \$207,572 from investment of reserve funds in 1994, \$403,325 in equity in earnings of joint ventures and \$521,921 from investment of reserve funds in 1995, \$457,144 in equity in earnings of joint ventures and \$86,147 from investment of reserve funds in 1996, and \$785,398 in equity in earnings of joint ventures and \$30,839 from investment of reserve funds in 1997. At December 31, 1997, the leasing status was 92% including developed property in initial lease up.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in earnings of joint ventures in gross revenues is depreciation of \$25,468 for 1994, \$140,533 for 1995, \$605,247 for 1996, and \$877,869 for 1997.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$233,337 to Class A Limited Partners, \$(29,854) to Class B Limited Partners and \$(220) to the General Partner for 1994; \$950,826 to Class A Limited Partners, \$(146,503) to Class B Limited Partners and \$(280) to the General Partners for 1995; \$1,062,605 to Class A Limited Partners, \$(609,829) to Class B Limited Partners and \$0 to the General Partners for 1996; and \$1,615,965 to class A Limited Partners, \$(882,816) to Class B Limited Partners and \$0 to the General Partners for 1997.

(footnotes continued on following page)

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- (5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per Unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1997, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled \$972,030.

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TABLE III (UNAUDITED)
 OPERATING RESULTS OF PRIOR PROGRAMS
 WELLS REAL ESTATE FUND VIII, L.P.

	1997	1996	1995	1994	1993
Gross Revenues/(1)/	\$ 1,204,018	\$ 1,057,694	\$ 402,428	N/A	N/A
Profit on Sale of Properties	--				
Less: Operating Expenses/(2)/	95,201	114,854	122,264		
Depreciation and Amortization/(3)/	6,250	6,250	6,250		
Net Income GAAP Basis/(4)/	\$ 1,102,567	\$ 936,590	273,914		
Taxable Income: Operations	\$ 1,213,524	\$ 1,001,974	404,348		
Cash Generated (Used By):					
Operations	7,909	623,268	204,790		
Joint Ventures	1,229,282	279,984	20,287		
Less Cash Distributions to Investors:					
Operating Cash Flow	1,237,191	903,252	225,077		
Return of Capital	1,237,191	903,252	--		
Undistributed Cash Flow from Prior Year Operations	183,315	2,443	--		
Cash Generated (Deficiency) after Cash Distributions	\$ (183,315)	\$ (227,520)	225,077		
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--	--		
Increase in Limited Partner Contributions/(5)/	--	1,898,147	30,144,542		
Use of Funds:					
Sales Commissions and Offering Expenses	--	464,760	4,310,028		
Return of Limited Partner's Investment	8,600	--	--		
Property Acquisitions and Deferred Project Costs	10,675,811	7,931,566	6,618,273		
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (10,867,726)	\$ (6,725,699)	19,441,318		
Net Income and Distributions Data per \$1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units		46	28		
- Operations Class B Units	(150)	(47)	(3)		
Capital Gain (Loss)	--	--	--		
Tax and Distributions Data per \$1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	65	46	17		
- Operations Class B Units	(95)	(33)	(3)		
Capital Gain (Loss)	--	--	--		
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	54	43	--		
- Return of Capital Class A Units	--	--	--		
- Return of Capital Class B Units	--	--	--		
Source (on Cash Basis)					
- Operations Class A Units	47	43	--		
- Return of Capital Class A Units	7	0	--		
- Operations Class B Units	--	--	--		
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	42	33	--		
- Return of Capital Class A Units	12	10	--		
- Return of Capital Class B Units	--	--	--		
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%				

(1) Includes \$28,377 in equity in earnings of joint ventures and \$374,051 from investment of reserve funds in 1995, \$241,819 in equity in earnings of joint ventures and \$815,875 from investment of reserve funds in 1996, and \$1,034,907 in equity in earnings of joint ventures and \$169,111 from investment of reserve funds in 1997. At December 31, 1997, the leasing status was 96% including developed property in initial lease up.

(2) Includes partnership administrative expenses.

(3) Included in equity in earnings of joint ventures in gross revenues is depreciation of \$14,058 for 1995, \$265,259 for 1996, and \$841,666 for 1997.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$294,221 to Class A Limited Partners, \$(20,104) to Class B Limited Partners and \$(203) to the General Partners for 1995; \$1,207,540 to Class A Limited Partners, \$(270,653) to Class B Limited Partners and \$(297) to the General Partners for 1996; and \$1,947,536 to Class A Limited Partners, \$(844,969) to Class B Limited Partners and \$0 to the General Partners for 1997.

(footnotes continued on following page)

(5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per Unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1997, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled \$551,455.

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TABLE III (UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND IX, L.P.

	1997	1996	1995	1994	1993
	-----	-----	---	---	---
Gross Revenues/(1)/	\$ 1,199,300	\$ 406,891	N/A	N/A	N/A
Profit on Sale of Properties	--	--			
Less: Operating Expenses/(2)/	101,284	101,885			
Depreciation and Amortization/(3)/	6,250	6,250			
Net Income GAAP Basis/(4)/	\$ 1,091,766	\$ 298,756			
Taxable Income: Operations	\$ 1,083,824	\$ 304,552			
Cash Generated (Used By):					
Operations	\$ 501,390	\$ 151,150			
Joint Ventures	527,390	--			
	\$ 1,028,780	\$ 151,150			
Less Cash Distributions to Investors:					
Operating Cash Flow	1,028,780	149,425			
Return of Capital	\$ 41,834	\$ --			
Undistributed Cash Flow From Prior Year Operations	1,725	--			
Cash Generated (Deficiency) after Cash Distributions	\$ (43,559)	\$ 1,725			
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--	--			
Increase in Limited Partner Contributions	--	35,000,000			
	\$ (43,559)	\$35,001,725			
Use of Funds:					
Sales Commissions and Offering Expenses	323,039	4,900,321			
Return of Original Limited Partner's Investment	100	--			
Property Acquisitions and Deferred Project Costs	13,427,158	6,544,019			
Cash Generated (Deficiency) after Cash Distributions and Special Items	\$ (13,793,856)	\$23,557,385			
Net Income and Distributions Data per \$1,000 Invested:					
Net Income on GAAP Basis:					
Ordinary Income (Loss)					
- Operations Class A Units	53	28			
- Operations Class B Units	(77)	(11)			
Capital Gain (Loss)	--	--			
Tax and Distributions Data per \$1,000 Invested:					
Federal Income Tax Results:					
Ordinary Income (Loss)					
- Operations Class A Units	46	26			
- Operations Class B Units	(47)	(48)			
Capital Gain (Loss)	--	--			
Cash Distributions to Investors:					
Source (on GAAP Basis)					
- Investment Income Class A Units	36	13			
- Return of Capital Class A Units	--	--			
- Return of Capital Class B Units	--	--			
Source (on Cash Basis)					
- Operations Class A Units	35	13			
- Return of Capital Class A Units	1	--			
- Operations Class B Units	--	--			
Source (on a Priority Distribution Basis)/(5)/					
- Investment Income Class A Units	29	10			
- Return of Capital Class A Units	7	3			
- Return of Capital Class B Units	--	--			
Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table		100%			

- (1) Includes \$23,077 in equity in earnings of joint ventures and \$383,884 from investment of reserve funds in 1996, and \$593,914 in equity in earnings of joint ventures and \$605,386 from investment of reserve funds in 1997. At December 31, 1997, the leasing status was 93% including developed property in initial lease up.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in earnings of joint ventures in gross revenues is depreciation of \$25,286 for 1996, and \$469,126 for 1997.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$330,270 to Class A Limited Partners, \$(31,220) to Class B Limited Partners and \$(294) to the General Partners for 1996; and \$1,564,778 to Class A Limited Partners, \$(472,806) to Class B Limited Partners and \$(206) to the General Partners for 1997.

(footnotes continued on following page)

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- (5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per Unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1997, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled \$236,379.

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TABLE III (UNAUDITED)
OPERATING RESULTS OF PRIOR PROGRAMS
WELLS REAL ESTATE FUND X, L.P.

	1997	1996	1995	1994	1993
	-----	-----	-----	-----	-----
Gross Revenues/(1)/	\$ 372,507	N/A	N/A	N/A	N/A
Profit on Sale of Properties	--				
Less: Operating Expenses/(2)/	88,232				
Depreciation and Amortization/(3)/	6,250				

Net Income GAAP Basis/(4)/	\$ 278,025				
	=====				
Taxable Income: Operations	\$ 382,543				
	=====				
Cash Generated (Used By):					
Operations	\$ 200,668				
	=====				
Joint Ventures	\$ 200,668				
	=====				
Less Cash Distributions to Investors:					
Operating Cash Flow	--				
Return of Capital	--				
Undistributed Cash Flow From Prior Year Operations	--				

Cash Generated (Deficiency) after Cash Distributions	\$ 200,668				
	=====				
Special Items (not including sales and financing):					
Source of Funds:					
General Partner Contributions	--				
Increase in Limited Partner Contributions	\$27,128,912				

	\$27,329,580				
Use of Funds:					
Sales Commissions and Offering Expenses	3,737,363				
Return of Original Limited Partner's Investment	100				
Property Acquisitions and Deferred Project Costs	5,188,485				

Cash Generated (Deficiency) after Cash Distributions and Special Items	\$18,403,632 =====
--	-----------------------

Net Income and Distributions Data per \$1,000 Invested:

Net Income on GAAP Basis:	
Ordinary Income (Loss)	
- Operations Class A Units	28
- Operations Class B Units	(9)
Capital Gain (Loss)	--

Tax and Distributions Data per \$1,000 Invested:

Federal Income Tax Results:	
Ordinary Income (Loss)	
- Operations Class A Units	35
- Operations Class B Units	0
Capital Gain (Loss)	--

Cash Distributions to Investors:

Source (on GAAP Basis)	
- Investment Income Class A Units	--
- Return of Capital Class A Units	--
- Return of Capital Class B Units	--
Source (on Cash Basis)	
- Operations Class A Units	--
- Return of Capital Class A Units	--
- Operations Class B Units	--
Source (on a Priority Distribution Basis)/(5)/	
- Investment Income Class A Units	--
- Return of Capital Class A Units	--
- Return of Capital Class B Units	--

Amount (in Percentage Terms) Remaining Invested in Program Properties at the end of the Last Year Reported in the Table	100%
---	------

- (1) Includes \$(10,035) in equity in earnings of joint ventures and \$382,542 from investment of reserve funds in 1997. At December 31, 1997, the leasing status was 67% including developed property in initial lease up.
- (2) Includes partnership administrative expenses.
- (3) Included in equity in earnings of joint ventures in gross revenues is depreciation of \$18,675 for 1997.
- (4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated \$302,862 to Class A Limited Partners, \$(24,675) to Class B Limited Partners and \$(162) to the General Partners for 1997.
- (5) Pursuant to the terms of the partnership agreement, an amount equal to the cash distributions paid to Class A Limited Partners is payable as priority distributions out of the first available net proceeds from the sale of partnership properties to Class B Limited Partners. The amount of cash distributions paid per Unit to Class A Limited Partners is shown as a return of capital to the extent of such priority distributions payable to Class B Limited Partners. As of December 31, 1997, the aggregate amount of such priority distributions payable to Class B Limited Partners totalled \$0.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 2 DATED JUNE 30, 1998 TO THE PROSPECTUS
DATED JANUARY 30, 1998

This document supplements, and should be read in conjunction with, the Prospectus of Wells Real Estate Investment Trust, Inc. dated January 30, 1998, as supplemented and amended by Supplement No. 1 dated April 20, 1998 (collectively, the "Prospectus"). Unless otherwise defined herein, capitalized terms used in this Supplement shall have the same meanings as set forth in the Prospectus.

The purpose of this Supplement is to describe the following:

- (i) The status of the offering of shares of common stock (the "Shares") in Wells Real Estate Investment Trust, Inc. (the "Company");
- (ii) Revisions to the "MANAGEMENT" section of the Prospectus;

(iii) Revisions to the "REAL PROPERTY INVESTMENTS" section of the Prospectus;

(iv) Revisions to the "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" section of the Prospectus; and

(v) Inclusion of Audited and Pro Forma Financial Statements as described in the "Financial Statements" section of this Supplement.

STATUS OF THE OFFERING

Pursuant to the Prospectus, the offering of Shares in the Company commenced on January 30, 1998. The Company commenced operations on June 5, 1998, upon the acceptance of subscriptions for the minimum offering of \$1,250,000 (125,000 Shares). As of June 30, 1998, the Company had raised a total of \$2,683,595 in offering proceeds (268,359 Shares).

MANAGEMENT

The information contained on page 32 in the "General" subsection of the "MANAGEMENT" section of the Prospectus is revised as of the date of this Supplement by the deletion of the second full paragraph in that subsection and the insertion of the following paragraph in lieu thereof:

The Company currently has nine Directors; it may have no fewer than three Directors and no more than fifteen. Directors will be elected annually, and each Director will hold office until the next annual meeting of stockholders or until his successor has been duly elected and qualified. There is no limit on the number of times that a Director may be elected to office. Although the number of Directors may be increased or decreased as discussed above, a decrease shall not have the effect of shortening the term of any incumbent Director.

The information beginning on page 33 in the "MANAGEMENT" section of the Prospectus is revised as of the date of this Supplement by the deletion of the entire text of the "Directors and Executive Officers" subsection and the insertion of the following in lieu thereof:

DIRECTORS AND EXECUTIVE OFFICERS

The Directors and executive officers of the Company are listed below:

Name	Age	Positions
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Leo F. Wells, III	53	President and Director
Brian M. Conlon	40	Executive Vice President, Treasurer, Secretary and Director

John L. Bell	58	Independent Director
Richard W. Carpenter	61	Independent Director
Walter W. Sessoms	64	Independent Director
Bud Carter	60	Independent Director
William H. Keogler, Jr.	52	Independent Director
Donald S. Moss	62	Independent Director
Neil H. Strickland	62	Independent Director

LEO F. WELLS, III is the President and a Director of the Company and the President and sole Director of the Advisor. He is also the sole shareholder and Director of Wells Real Estate Funds, Inc., the parent corporation of the Advisor. Mr. Wells is President of Wells & Associates, Inc., a real estate

brokerage and investment company formed in 1976 and incorporated in 1978, for which he serves as principal broker. He is also the sole Director and President of: Wells Management Company, Inc. ("Wells Management"), a property management company he founded in 1983; Wells Investment Securities, Inc. (the Dealer Manager), a registered securities broker-dealer he formed in 1984; Wells Advisors, Inc., a company he organized in 1991 to act as a non-bank custodian for IRAs; and Wells Development Corporation ("Wells Development"), a company he organized in 1997 to temporarily own, operate, manage, and/or develop real properties.

Mr. Wells was a real estate salesman and property manager from 1970 to 1973 for Roy D. Warren & Company, an Atlanta real estate company, and he was associated from 1973 to 1976 with Sax Gaskin Real Estate Company, during which time he became a Life Member of the Atlanta Board of Realtors Million Dollar Club. From 1980 to February 1985 he served as Vice President of Hill-Johnson, Inc., a Georgia corporation engaged in the construction business. Mr. Wells holds a Bachelor of Business Administration degree in economics from the University of Georgia. Mr. Wells is a member of the International Association for Financial Planning and a registered NASD principal.

Mr. Wells has over 25 years of experience in real estate sales, management and brokerage services. He is currently a co-general partner in a total of 25 real estate limited partnerships formed for the purpose of acquiring, developing and operating office buildings and other commercial properties. As of June 16, 1998, these 25 real estate limited partnerships represented investments totalling \$282,525,732 from 25,800 investors. See "Prior Performance Tables" contained in Supplement No. 1 to the Prospectus.

BRIAN M. CONLON is the Executive Vice President, Secretary, Treasurer and a Director of the Company. He also serves as Executive Vice President of both the Advisor and Wells Development. Mr. Conlon joined the Advisor in 1985 as a Regional Vice President, and served as Vice President and National Marketing Director from 1991 until April 1996 when he assumed his current position. Previously, Mr. Conlon was Director of Business Development for Tishman Midwest Management & Leasing Services Corp. where he was responsible for marketing the firm's property management and leasing services to institutions. Mr. Conlon also spent two years as an Investment Property Specialist with Carter & Associates where he specialized in acquisitions and dispositions of office and retail properties for institutional clients. Mr. Conlon received a Bachelor of Business Administration degree from Georgia State University and a Master of Business Administration degree from the University of Dallas. Mr. Conlon is a member of the International Association for Financial Planning (IAFP). He is also a general securities principal and holds a Georgia real estate brokerage license. Mr. Conlon also holds the certified commercial investment member (CCIM) designation of the Commercial Investment Real Estate Institute and the certified financial planner (CFP) designation of the Certified Financial Planner Board of Standards, Inc.

JOHN L. BELL was the owner and Chairman of Bell-Mann, Inc., the largest commercial flooring contractor in the Southeast ("Bell-Mann") from February 1971 to February 1996.

Mr. Bell also served on the Board of Directors of Realty South Investors, a REIT traded on the American Stock Exchange, and was the founder and served as a Director of both the Chattahoochee Bank and the Buckhead Bank. In 1997, Mr. Bell initiated and implemented a "Dealer Acquisition Plan" for Shaw Industries, Inc., a floor covering manufacturer and distributor, which plan included the acquisition of Bell-Mann.

Mr. Bell currently serves on the advisory boards of Windsor Capital, Mountain Top Boys Home and the Eagle Ranch Boys Home. Mr. Bell is also extensively involved in buying and selling real estate both individually and in partnership with others. Mr. Bell graduated from Florida State University majoring in accounting and marketing.

RICHARD W. CARPENTER served as General Vice President of Real Estate

Finance of the Citizens and Southern National Bank from 1975 to 1979, during which time his duties included the supervision and establishment of the co-mingled United Kingdom Pension Fund, U.K.-American Properties, Inc. established primarily for investment in commercial real estate within the United States.

Mr. Carpenter is currently President and Director of Realmark Holdings Corp., a residential and commercial real estate developer, and has served in that position since October 1983. He is also President and Director of Leisure Technology, Inc., a retirement community developer, a position which he has held since March 1993, Managing Partner of Carpenter Properties, L.P., a real estate limited partnership, and President and Director of the oil refining companies of Wyatt Energy, Inc. and Commonwealth Oil Refining Company, Inc., positions which he has held since 1995 and 1984, respectively.

Mr. Carpenter is a Director of both Tara Corp., a steel manufacturing company, and Environmental Compliance Corp., an environmental consulting firm. Mr. Carpenter also serves as Vice Chairman and Director of both First Liberty Financial Corp. and Liberty Savings Bank, F.S.B. He has been a member of The National Association of Real Estate Investment Trusts and served as President and Chairman of the Board of Southmark Properties, an Atlanta based REIT investing in commercial properties. Mr. Carpenter is a past Chairman of the American Bankers Association Housing and Real Estate Finance Division Executive Committee. Mr. Carpenter holds a Bachelor of Science degree from Florida State University, where he was named the outstanding alumni of the School of Business in 1973.

WALTER W. SESSOMS was employed by BellSouth Telecommunications, Inc. ("BellSouth") from 1971 until his retirement in June 1997. While at BellSouth, Mr. Sessoms served in a number of key positions, including Vice President-Residence for the State of Georgia from June 1979 to July 1981, Vice President-Transitional Planning Officer from July 1981 to February 1982, Vice President-Georgia from February 1982 to June 1989, Senior Vice President-Regulatory and External Affairs from June 1989 to November 1991, and Group President-Services from December 1991 until his retirement on June 30, 1997.

Mr. Sessoms currently serves as a Director of the Georgia Chamber of Commerce for which he is a past Chairman of the Board, the Atlanta Civic Enterprises and the Salvation Army's Board of Visitors of the Southeast Region. Mr. Sessoms is also a past executive advisory council member for the University of Georgia College of Business Administration and past member of the executive committee of the Atlanta Chamber of Commerce. Mr. Sessoms is a graduate of Wofford College where he earned a degree in economics and business administration and is currently a practitioner/lecturer at the University of Georgia.

BUD CARTER was an award-winning broadcast news director and anchorman for several radio and television stations in the Midwest for over 20 years. From 1975 to 1980, Mr. Carter served as General Manager of WTAZ-FM, a radio station in Peoria, Illinois and served as editor

and publisher of The Peoria Press, a weekly business and political journal in Peoria, Illinois. From 1981 until 1989, Mr. Carter was also an owner and General Manager of Transitions, Inc., a corporate outplacement company in Atlanta, Georgia.

Mr. Carter currently serves as Senior Vice President for The Executive Committee, a 42-year old international organization established to aid presidents and CEOs share ideas on ways to improve the management and profitability of their respective companies. The Executive Committee operates in numerous large cities throughout the United States, Canada, Australia, France, Italy, Malaysia, Brazil, the United Kingdom and Japan. The Executive Committee has more than 6,000 presidents and CEOs who are members. In addition, Mr. Carter was the first Chairman of the organization recruited in Atlanta and still serves as Chairman of the first two groups formed in Atlanta, each comprised of 14 noncompeting CEOs and presidents. Mr. Carter is a graduate of the University of

Missouri where he earned degrees in journalism and social psychology.

WILLIAM H. KEOGLER, JR. was employed by Brooke Bond Foods, Inc. as a Sales Manager from June 1965 to September 1968. From July 1968 to December 1974, Mr. Keogler was employed by Kidder Peabody & Company, Inc. and Dupont, Glore, Forgan as a corporate bond salesman responsible for managing the industrial corporate bond desk and the utility bond area. From December 1974 to July 1982, Mr. Keogler was employed by Robinson-Humphrey, Inc. as the Director of Fixed Income Trading Departments responsible for all municipal bond trading and municipal research, corporate and government bond trading, unit trusts and SBA/FHA loans, as well as the oversight of the publishing of the Robinson-Humphrey Southeast Unit Trust, a quarterly newsletter. Mr. Keogler was elected to the Board of Directors of Robinson-Humphrey, Inc. in 1982. From July 1982 to October 1984, Mr. Keogler was Executive Vice President, Chief Operating Officer, Chairman of the Executive Investment Committee and member of the Board of Directors and Chairman of the MFA Advisory Board for the Financial Service Corporation. He was responsible for the creation of a full service trading department specializing in general securities with emphasis on municipal bonds and municipal trusts. Under his leadership, Financial Service Corporation grew to over 1,000 registered representatives and over 650 branch offices. In March 1985, Mr. Keogler founded Keogler, Morgan & Company, Inc., a full service brokerage firm, and Keogler Investment Advisory, Inc., in which he served as Chairman of the Board of Directors, President and Chief Executive Officer. In January 1997, both companies were sold to Sun America, Inc., a publicly traded New York Stock Exchange Company. Mr. Keogler continued to serve as President and Chief Executive Officer of those companies until his retirement in January 1998.

Mr. Keogler serves on the Board of Trustees of Senior Citizens Services of Atlanta. He graduated from Adelphi University in New York where he earned a degree in psychology.

DONALD S. MOSS was employed by Avon Products, Inc. ("Avon") from 1957 until his retirement in 1986. While at Avon, Mr. Moss served in a number of key positions, including Vice President and Controller from 1973 to 1976, Group Vice President of Operations-Worldwide from 1976 to 1979, Group Vice President of Sales-Worldwide from 1979 to 1980, Senior Vice President-International from 1980 to 1983 and Group Vice President-Human Resources and Administration from 1983 until his retirement in 1986. Mr. Moss was also a member of the board of directors of Avon Canada, Avon Japan, Avon Thailand, and Avon Malaysia from 1980-1983.

Mr. Moss is currently a Director of the Atlanta Athletic Club. He formerly was the National Treasurer and a Director of the Girls Clubs of America from 1973 to 1976. Mr. Moss graduated from the University of Illinois where he received a degree in business.

NEIL H. STRICKLAND was employed by Loyalty Group Insurance (which subsequently merged with America ForeLoyalty Group and is now known as The Continental Group) as an automobile insurance underwriter. From 1957 to 1961, Mr. Strickland served as Assistant Supervisor of the Casualty Large Lines Retrospective Rating Department. From 1961 to 1964,

Mr. Strickland served as Branch Manager of Wolverine Insurance Company, a full service property and casualty service company, where he had full responsibility for underwriting of insurance and office administration in the State of Georgia. In 1964, Mr. Strickland and a non-active partner started Superior Insurance Service, Inc., a property and casualty wholesale general insurance agency. Mr. Strickland served as President and was responsible for the underwriting and all other operations of the agency. In 1967, Mr. Strickland sold his interest in Superior Insurance Service, Inc. and started Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers. Mr. Strickland is currently the Senior Operation Executive of Strickland General Agency, Inc. and devotes most of his time to long-term planning, policy development and senior administration.

Mr. Strickland is a past President of the Norcross Kiwanis Club and served as both Vice President and President of the Georgia Surplus Lines Association. He also served as President and a Director of the National Association of Professional Surplus Lines Offices. Mr. Strickland currently serves as a Director of First Capital Bank, a community bank located in the State of Georgia. Mr. Strickland graduated from Georgia State University where he received a degree in business administration. He also received an L.L.B. degree from Atlanta Law School.

REAL PROPERTY INVESTMENTS

The information contained on page 45 in the "REAL PROPERTY INVESTMENTS" section of the Prospectus is revised as of the date of this Supplement by the deletion of the first paragraph of that section and the insertion of the following paragraphs in lieu thereof:

JOINT VENTURE AGREEMENT

The Company, as sole general partner of Wells Operating Partnership, L.P. ("Wells OP"), a Georgia limited partnership organized to own and operate properties on behalf of the Company, entered into an Amended and Restated Joint Venture Agreement (the "Joint Venture Agreement") with Wells Real Estate Fund IX, L.P. ("Wells Fund IX"), Wells Real Estate Fund X, L.P. ("Wells Fund X") and Wells Real Estate Fund XI, L.P. ("Wells Fund XI") known as The Fund IX, Fund X, Fund XI and REIT Joint Venture (the "Joint Venture") for the purpose of the acquisition, ownership, development, leasing, operation, sale and management of real properties. Wells Fund IX, Wells Fund X and Wells Fund XI are all Affiliates of the Company and the Advisor. The Joint Venture (formerly known as "Fund IX and X Associates") was originally formed on March 20, 1997 between Wells Fund IX and Wells Fund X, and on June 11, 1998, Wells Fund XI and Wells OP were admitted as joint venturers to the Joint Venture. The investment objectives of Wells Fund IX, Wells Fund X and Wells Fund XI are substantially identical to those of the Company.

The Joint Venture Agreement provides that all income, profit, loss, cash flow, resale gain, resale loss and sale proceeds of the Joint Venture will be allocated and distributed between Wells Fund IX, Wells Fund X, Wells Fund XI and Wells OP based on their respective capital contributions to the Joint Venture. As of June 30, 1998, Wells OP had made total capital contributions to the Joint Venture of \$1,421,466 and held an equity percentage interest in the Joint Venture of 4.4%; Wells Fund IX had made total capital contributions to the Joint Venture of \$14,571,686 and held an equity percentage interest in the Joint Venture of 45.8%; Wells Fund X had made total capital contributions to the Joint Venture of \$13,360,540 and held an equity percentage interest in the Joint Venture of 42.0%; and Wells Fund XI had made total capital contributions to the Joint Venture of \$2,482,810 and held an equity percentage interest in the Joint Venture of 7.8%.

The Joint Venture Agreement allows each joint venturer to make a buy/sell election upon receipt by any joint venturer of a bonafide third-party offer to purchase all or substantially all of the properties or the last remaining property of the Joint Venture. Upon receipt of notice of such

third-party offer, each joint venturer must elect within thirty (30) days after receipt of the notice to either (i) purchase the entire interest of each venturer that wishes to accept the offer on the same terms and conditions as the third-party offer to purchase, or (ii) consent to the sale of the properties or last remaining property pursuant to such third-party offer.

On June 24, 1998, Wells OP contributed \$1,421,466 in cash to the Joint Venture. Said \$1,421,466 capital contribution by Wells OP was

aggregated with cash contributions made by Wells Fund IX in the amount of \$650,000, Wells Fund X in the amount of \$950,000 and Wells Fund XI in the amount of \$2,482,810 to purchase a one-story office building located in Oklahoma City, Oklahoma (the "Lucent Building") from Wells Development, an Affiliate of the Company and the Advisor.

THE LUCENT BUILDING

Purchase of the Oklahoma City Property. On June 24, 1998, the Joint

Venture acquired a one-story office building containing approximately 57,186 rentable square feet which was developed and constructed on certain real property located in Oklahoma City, Oklahoma (the "Oklahoma City Property") by Wells Development pursuant to that certain Agreement for the Purchase and Sale of Real Property (the "Contract") dated May 30, 1997 between Wells Development and the Joint Venture, as amended.

Wells Development had acquired the Oklahoma City Property on May 30, 1997, for a purchase price of \$695,636, plus \$20,869 in real estate brokerage commissions and \$58,000 in legal fees, title insurance premiums and other closing costs. Simultaneously with the acquisition of the Oklahoma City Property, Wells Development entered into the Contract with the Joint Venture for the sale of the Oklahoma City Property following the construction and development thereon of the Lucent Building, as described below.

Pursuant to the terms of the Contract, the Joint Venture made an earnest money deposit to Wells Development in the amount of \$1,600,000 consisting of a \$650,000 contribution funded by Wells Fund IX and a \$950,000 contribution funded by Wells Fund X. The earnest money deposit paid by the Joint Venture under the Contract was used by Wells Development to fund the purchase of the Oklahoma City Property, as described below, and to fund the initial costs of the construction and development of the Lucent Building. Wells Development also used part of the earnest money deposit to acquire an additional strip of land along the northern boundary of the Oklahoma City Property to expand the parking area for the property.

In addition to the earnest money deposit, Wells Development obtained a loan in the amount of \$3,900,000 from NationsBank, N.A. to fund the construction and development of the Lucent Building (the "Construction Loan"). As set forth below, the Construction Loan was paid off upon the sale of the Lucent Building to the Joint Venture, and Wells Development delivered title to the Joint Venture debt-free at closing.

The purchase price of the Lucent Building was \$5,504,276, which was equal to the aggregate cost to Wells Development of the acquisition, construction and development of the Lucent Building, including interest and other carrying costs, and accordingly, Wells Development made no profit from the sale of the Lucent Building to the Joint Venture.

Description of the Building and the Site. The Oklahoma City Property

contains a one-story office building with 57,186 net rentable square feet and 55,017 net useable square feet with a high tilt-up concrete panel exterior and steel framing. Construction of the Lucent Building was completed in January 1998. The parking area contains approximately 385 paved parking spaces.

The Lucent Building is located at 14400 Hertz Quail Springs Parkway, Oklahoma City, Oklahoma. The site consists of approximately 5.3 acres located in the Quail Springs Office Park

in the northwest sector of Oklahoma City. Oklahoma City is located near the center of the state and is the State Capitol of Oklahoma. Oklahoma City is currently the 42nd largest metropolitan area in the United States. The

population of the Oklahoma City metropolitan area, which has been increasing steadily over the past two decades, is currently in excess of 1,000,000.

The site is located approximately ten miles northwest of the central business district of Oklahoma City. Access is available from Memorial Road on the south and May Avenue on the east with all access streets being four lane concrete boulevards with curbs and gutters.

The Lucent Lease. On May 30, 1997, Wells Development entered into a -----
Lease Agreement (the "Lucent Lease") with Lucent Technologies Inc. ("Lucent Technologies"), pursuant to which Lucent Technologies agreed to lease all of the Lucent Building upon completion of the improvement thereof. At the closing of the sale of the Lucent Building to the Joint Venture, Wells Development transferred and assigned its interest in the Lucent Lease to the Joint Venture.

Lucent Technologies is a telecommunications company which was spun off by AT&T in April of 1996. The company is in the business of designing, developing and marketing communications systems and technologies ranging from microchips to whole networks and is one of the world's leading designers, developers and manufacturers of telecommunications system software and products. For the fiscal year ended September 30, 1997, Lucent Technologies, a public company traded on the New York Stock Exchange, reported net income of approximately \$541 million dollars on revenues in excess of \$26 billion dollars. As of March 31, 1998, Lucent Technologies had total assets of in excess of \$24 billion dollars and a net worth of in excess of \$5 billion dollars.

The initial term of the Lucent Lease is ten years which commenced on January 5, 1998 (the "Rental Commencement Date"). Lucent Technologies has the option to extend the initial term of the Lucent Lease for two additional five year periods. Each extension option must be exercised by giving written notice to the landlord at least twelve months prior to the expiration date of the then current lease term.

The annual base rent payable under the Lucent Lease will be \$508,383 payable in equal monthly installments of \$42,365 during the first five years of the initial lease term, and \$594,152 payable in equal monthly installments of \$49,513 during the second five years of the initial lease term. The annual base rent for each extended term under the lease will be based upon the fair market rent then being charged by landlords under new leases of office space in the metropolitan Oklahoma City market for similar space in a building of comparable quality with comparable amenities. The Lucent Lease provides that if the parties cannot agree upon the appropriate fair market value rate, the rate will be established by real estate appraisers.

Under the Lucent Lease, the Joint Venture, as landlord, is responsible for (a) all maintenance, repairs and replacements to the structural components of the Lucent Building, including without limitation, the roof, exterior walls, bearing walls, support beams, foundations, columns, exterior doors, windows, skylights and lateral support, and (b) for the portion of the Lucent Lease term ending on the first anniversary of the Rental Commencement Date, all maintenance, repairs and replacements to the parking area surrounding the Lucent Building including lighting systems for the parking area. Under the Lucent Lease, Lucent Technologies is responsible for the payment of all property taxes, operating expenses and other repair and maintenance work relating to the Lucent Building. Lucent Technologies is also required to reimburse the landlord the cost of casualty insurance for the property.

The landlord is responsible for a construction allowance of \$857,790 (calculated at the rate of \$15 per rentable square foot), which was funded by Wells Development prior to the sale of the Lucent Building to the Joint Venture and is included as a portion of the purchase price paid for the Lucent Building.

Under the Lucent Lease, Lucent Technologies also has a one-time option to terminate the Lucent Lease on the seventh (7th) anniversary of the Rental Commencement Date, which is exercisable by written notice to the landlord at least twelve (12) months in advance of such 7th anniversary. If Lucent Technologies elects to exercise its option to terminate the Lucent Lease, Lucent Technologies would be required to pay a termination payment intended to compensate the landlord for the present value of funds expended as construction allowance and leasing commissions relating to the Lucent Lease, amortized over and attributable to the remaining lease term, and a rental payment equal to approximately eighteen (18) months of monthly rental payments. It is currently anticipated that the termination payment required to be paid by Lucent Technologies, in the event it exercises its option to terminate the Lucent Lease on the 7th anniversary would be approximately \$1,338,903 based upon certain assumptions.

In addition, Lucent Technologies has a one-time option under the Lucent Lease to reduce the size of its leased premises by 15,000 square feet of useable area effective the last day of the month which is the second (2nd) anniversary of the Rental Commencement Date. Such option to reduce the leased premises is exercisable by providing at least 180 days prior written notice to the landlord and paying the landlord a reduction payment equal to \$750,000 on the effective date of such reduction.

There are no assurances that the Joint Venture will be able to attract or obtain suitable replacement tenants for the Lucent Building upon the expiration of the Lucent Lease or upon the 7th anniversary of the Lucent Lease if Lucent Technologies elects to exercise its option to terminate the Lucent Lease or for the unleased portion of the Lucent Building in the event that Lucent Technologies exercises its option to reduce the size of its leased premises.

In connection with the execution of the Lucent Lease, Wells Development entered into agreements with each of two real estate brokers, one of which is a firm affiliated with ADEVCO Corporation, the developer of the Oklahoma City Property, for the payment of commissions in connection with services rendered in procuring the Lucent Lease. The commission agreements require Wells Development to pay a total of \$330,764 in leasing commissions, \$110,255 of which is payable to said affiliate of the developer. One-half of the leasing commissions were paid by Wells Development simultaneously with the closing of its acquisition of the Oklahoma City Property, with the remainder of the leasing commissions funded by Wells Development prior to the sale of the Lucent Building to the Joint Venture. The leasing commissions relating to the Lucent Lease were included as a portion of the purchase price paid for the Lucent Building by the Joint Venture. Neither broker is affiliated with Wells Development, Wells Fund IX, Wells Fund X, Wells Fund XI, the Company or any affiliates thereof.

As of June 30, 1998, the Company held a 4.4% ownership interest in each of the properties described below as a result of its ownership interest in the Joint Venture:

THE ABB BUILDING

Description of the Building and the Site. The Joint Venture owns -----
 certain real property located in Knoxville, Tennessee (the "Knoxville Property"). The Knoxville Property contains a three-story steel framed office building with a reflective insulated glass and brick exterior containing approximately 87,000 gross square feet and 83,885 rentable square feet (the "ABB Building"). The Knoxville Property was originally purchased by Wells Fund IX on December 13, 1996, and was later contributed by Wells Fund IX to the Joint Venture on March 26, 1997. Construction of the ABB Building was completed in December 1997. The project site is

approximately 5.622 acres and contains approximately 297 paved parking spaces.

The ABB Building is located in an office park known as Center Point Business Park on Pellissippi Parkway just north of the intersection of Interstates 40 and 75, in Knox County, Tennessee approximately 10 miles west of the Knoxville central business district. The Pellissippi

Parkway and the commercial area along the Interstate 40 and 75 corridor have evolved recently from a residential suburb into one of the area's fastest growing commercial and retail districts.

The western portion of Knox County in which the Knoxville Property is located has experienced the most growth and development in the Knoxville metropolitan area during the past 10 years due primarily to available land and services. It is anticipated that the Knoxville metropolitan area will continue to grow into a major regional center of trade and tourism due to its location at the intersection of Interstates 40 and 75 and the recent extension of the Pellissippi Parkway to the Knoxville airport.

The ABB Lease. On December 10, 1996, Wells Fund IX entered into a ----- Lease Agreement (the "ABB Lease") with ABB Flakt, Inc. ("ABB") pursuant to which ABB agreed to lease 55,000 rentable square feet of the ABB Building, comprising approximately 66% of the rentable square feet of the ABB Building. Wells Fund IX assigned its interest in the ABB Lease to the Joint Venture on March 26, 1997, simultaneously with the contribution of the Knoxville Property to the Joint Venture. The Joint Venture is currently negotiating lease terms with a major tenant for lease of the remainder of the ABB Building.

ABB is a Delaware corporation which is principally engaged in the business of pollution control engineering and consulting. ABB will use the leased area as office space for approximately 220 employees. ABB Asea Brown Boveri, Ltd., a Swiss corporation based in Zurich, is the holding company of the ABB Asea Brown Boveri Group (the "ABB Group") which is comprised of approximately 1,000 companies around the world, including ABB. The ABB Group revenue is predominately provided by contracts with utilities and independent power producers for the design and engineering, construction, manufacture and marketing of products, services and systems in connection with the generation, transmission and distribution of electricity. In addition, the ABB Group generates a significant portion of its revenues from the sale of industrial automation products, systems and services to pulp and paper, automotive and other manufacturers. For the fiscal year ended December 31, 1997, the ABB Group reported net income of approximately \$572 million dollars and net worth of approximately \$5.2 billion dollars. ABB, Inc., the United States parent company of ABB, reported gross revenues in 1997 in excess of \$4 billion dollars. The ABB Group's total number of employees for 1997 was approximately 213,000 worldwide and approximately 21,000 in the United States.

As security for ABB's obligations under the Lease, ABB has provided to Wells Fund IX (and Wells Fund IX has in turn assigned to the Joint Venture), and agreed to maintain in full force and effect at all times during the 10 year period from the Rental Commencement Date, an irrevocable standby letter of credit in accordance with the terms and conditions set forth in the ABB Lease. Each letter of credit issued pursuant to the provisions of the ABB Lease is required to be in a form of an irrevocable credit, to be issued by an "approved issuer," to name the Joint Venture as the beneficiary and to specify that the Joint Venture, as beneficiary, may draw against the letter of credit upon the occurrence of a "drawing event." "Approved issuer" is defined to require that the letter of credit issuer shall have and maintain a Moody's Bank Credit Report Service rating of P-1 or its equivalent. "Drawing event" is defined to include any failure of ABB to pay any installment of rent or other charge or assessment pursuant to the terms of the ABB Lease within five days of notice thereof, or any other event of default with respect to which the Joint Venture has exercised or

is exercising its remedies. The letter of credit maintained by ABB is required to be in the amount of \$4,000,000 until the seventh anniversary of the Rental Commencement Date; \$3,000,000 from the seventh anniversary of the Rental Commencement Date to the eighth anniversary of the Rental Commencement Date; \$2,000,000 from the eighth anniversary of the Rental Commencement Date to the ninth anniversary of the Rental Commencement Date; and \$1,000,000 from the ninth anniversary of the Rental Commencement Date to the tenth anniversary of the Rental Commencement Date. The original letter of credit which was delivered by ABB to Wells Fund IX simultaneously with the execution of the ABB Lease was issued by Svenska Handelsbanken, a Parkway Swedish bank which is the largest bank in the

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Nordic region with over \$90 billion of assets and a credit rating issued by Moody's Bank Credit Report Service of P-1/Aa3, and was issued in the amount of \$4,000,000 for a one year term. If the Joint Venture draws on the letter of credit, the Joint Venture shall apply the proceeds first toward the performance of the obligations which ABB has failed to perform under the ABB Lease, and the remainder, if any, shall be held by the Joint Venture in certain permitted investments as additional security for the performance by ABB of the ABB Lease.

The initial term of the lease is nine years and eleven months which commenced on January 1, 1998 (the "Rental Commencement Date").

The annual base rent payable under the ABB Lease is \$646,250 payable in equal monthly installments of \$53,854 during the first five years of the initial lease term, and \$728,750 payable in equal monthly installments of \$60,729 during the last four years and eleven months of the initial lease term.

Under the ABB Lease, ABB is responsible for all expenses, costs and disbursements (excluding specific costs billed to specific tenants of the building) of every kind and nature relating to or incurred or paid in connection with the ownership, management, operation, repair and maintenance of the ABB Building, including compensation of employees engaged in the operation and management or maintenance of the ABB Building, supplies, equipment and materials, utilities, repairs and general maintenance, insurance, a management fee in the amount of 4% of the gross rental income from the ABB Building, and all taxes and governmental charges attributable to the ABB Building or its operations (excluding taxes imposed or measured on or by the income of the Joint Venture from operation of the ABB Building).

Under the terms of the ABB Lease, the Joint Venture is responsible for a construction allowance of \$976,600 (calculated at the rate of \$19 per useable square foot of the premises). In addition, the Joint Venture has agreed to provide ABB on the fifth (5th) anniversary of the Rental Commencement Date a redecoration allowance of an amount equal to (i) \$5.00 per square foot of useable area of the premises leased as of the 5th anniversary of the Rental Commencement Date which has been leased and occupied by ABB for at least three consecutive years ending with such 5th anniversary reduced by (ii) \$177,000.

The terms of the ABB Lease provide that ABB has the right of first refusal for the lease of any space in the ABB Building not initially leased by ABB. In the event that the Joint Venture has secured a potential tenant for any of such space, the Joint Venture has agreed to give ABB ten (10) business days to exercise its right to add such space to the leased premises. The base rent payable and other charges and any allowances shall be solely as set forth in the notice to ABB of the proposed terms of the lease for the potential tenant of such space. If ABB does not so exercise its right of first refusal within such 10 business day period, the Joint Venture will have the right to lease the space to the potential tenant, except that, after the expiration of any such lease to another party, such space will again become subject to ABB's right of first refusal. The ABB

Lease further provides that the Joint Venture agrees that during the term of the ABB Lease, no leases of space with other tenants for any space not initially leased by ABB pursuant to the ABB Lease shall have a term in excess of three years from the last day of the month in which such third-party tenant takes possession of such space.

ABB has a one-time option to terminate the ABB Lease as of the seventh (7th) anniversary of the Rental Commencement Date which is exercisable by written notice to the Joint Venture at least twelve (12) months in advance of such 7th anniversary. If ABB elects to exercise this termination option, ABB is required to pay to the Joint Venture, on or before ninety (90) days prior to the 7th anniversary of the Rental Commencement Date, a termination payment intended to compensate the Joint Venture for the present value of certain sums which the Joint Venture has expended in connection with the ABB Lease amortized over and attributable to the remaining lease term and a rent payment equal to approximately fifteen (15) months of monthly base rental

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payments. It is currently anticipated that the termination payment required to be paid by ABB in the event it exercises its option to terminate the ABB Lease on the 7th anniversary would be approximately \$1,818,000 based upon certain assumptions.

THE OHMEDA BUILDING

Description of the Building and the Site. The Joint Venture owns

certain real property located in Louisville, Boulder County, Colorado (the "Louisville Property"). The Louisville Property contains a two-story office building with approximately 106,750 rentable square feet (the "Ohmeda Building"). Construction of the Ohmeda Building was completed in January 1988.

The Joint Venture purchased the Ohmeda Building on February 13, 1998, for a purchase price of \$10,325,000, plus closing costs of approximately \$6,644.

The Ohmeda Building was designed to accommodate the needs of a high-technology tenant, and to provide the tenant substantial interior flexibility in order to accommodate new product developments, changes in electronics manufacturing techniques and the introduction of automated material handling systems. The Ohmeda Building is modular re-tan brick with flush mortar joints and energy efficient insulated solarban glass set in a clear aluminum mullion system. The office area represents approximately 47% of the building area, and the non-office area represents approximately 53%. The lower level has 17 foot high ceilings and is divided into three areas: the production area, the materials and finished goods handling area, and the support administration, exercise room and cafeteria area. The cafeteria and the exercise room contain a glass curtain wall offering panoramic views of the mountains to the west. The upper level on the west side contains managerial and financial offices, as well as research and employee amenity space.

The site is approximately five miles southeast of Boulder and approximately 17 miles northwest of Denver, situated near Highway 36 (Centennial Parkway), which is the main thoroughfare between Boulder and Denver. The site is a 15 acre tract of land in the Centennial Valley Business Park in Louisville, Colorado with scenic views both to and from the site. The Louisville Property is situated approximately 100 feet above Centennial Parkway with access by a "Z" curve roadway east of the site. All of the Ohmeda Building access points, including a glass vestibule entry court, are turned away from the strong winds from the west. The parking area, which contains approximately 500 parking spaces, is concealed from the view of Centennial Parkway and is open to the scenic views of the mountains.

The Ohmeda Lease. The entire 106,750 rentable square feet of the

Ohmeda Building is currently under a net Lease Agreement dated February 26, 1987, as amended by First Amendment to Lease dated December 3, 1987, and as amended by Second Amendment to Lease dated October 20, 1997 (the "Ohmeda Lease") with Ohmeda, Inc., a Delaware corporation ("Ohmeda"). The Ohmeda Lease currently expires in January 2005, subject to (i) Ohmeda's right to effectuate an early termination of the Ohmeda Lease under the terms and conditions described below, and (ii) Ohmeda's right to extend the Ohmeda Lease for two additional five year periods of time.

Ohmeda is a medical supply firm based in Boulder, Colorado and is a worldwide leader in vascular access and hemodynamic monitoring for hospital patients. Ohmeda also has a special products division, which produces neonatal and other oxygen care products. Ohmeda recently extended an agreement with Hewlett-Packard to include co-marketing and promotion of combined Ohmeda/H-P neonatal products.

Ohmeda was a wholly owned subsidiary of the BOC Group, Inc., a Nevada corporation ("BOC"), which is a wholly-owned subsidiary of BOC Holdings, whose ultimate parent is The BOC Group PLC, an English corporation. On April 3, 1998, BOC sold the division of Ohmeda that occupies the Ohmeda Building to Instrumentarium Corporation, a Finnish company

("Instrumentarium"). The obligations of Ohmeda under the Ohmeda Lease are currently guaranteed by both BOC and Instrumentarium. BOC, which is in the businesses of gases and related products, vacuum technology and health care, reported total consolidated sales of in excess of \$2 billion for its fiscal year ended September 30, 1997, and a net worth of in excess of \$462 million. Instrumentarium is an international healthcare company concentrating on selected fields of medical technology manufacturing, marketing and distribution.

The monthly base rental payable under the Ohmeda Lease is \$83,710 through January 31, 2003; \$87,891 from February 1, 2003 through January 31, 2004; and \$92,250 from February 1, 2004 through January 31, 2005. Under the Ohmeda Lease, Ohmeda is responsible for all utilities, taxes, insurance and other operating costs with respect to the Ohmeda Building during the term of the Ohmeda Lease. In addition, Ohmeda shall pay a \$21,000 per year management fee for maintenance and administrative services of the Ohmeda Building. The Joint Venture, as landlord, is responsible for maintenance of the roof, exterior and structural walls, foundations, other structural members and floor slab, provided that the landlord's obligation to make repairs specifically excludes items of cosmetic and routine maintenance such as the painting of walls.

The Ohmeda Lease contains an early termination clause that allows Ohmeda the right to terminate the Ohmeda Lease, subject to certain conditions, on either January 31, 2001 or January 31, 2002. In order to exercise this early termination clause, Ohmeda must give the Joint Venture notice on or before 5:00 p.m. MST, January 31, 2000, and said notice must identify which early termination date Ohmeda is exercising. If Ohmeda exercises its right to terminate on January 31, 2001, then Ohmeda must tender \$753,388 plus an amount equal to the amount of real property taxes estimated to be payable to the landlord in 2002 for the tax year 2001 based on the most recent assessment information available on the early termination date. If Ohmeda exercises its right to terminate on January 31, 2002, then Ohmeda must tender \$502,259 plus an amount equal to the amount of real property taxes estimated to be payable to the landlord in 2003 for the tax year 2002 based on the most recent assessment information available on the early termination date. At the present time, real property taxes relating to this property are approximately \$135,500 per year. The payment of these amounts by Ohmeda for early termination must be made on or before the 180th day prior to the appropriate early termination date. If the amount of the real property taxes actually assessed is greater or lesser

than the amount paid by Ohmeda on the early termination date, then the difference shall be adjusted accordingly within thirty (30) days of notice of such difference.

The Ohmeda Lease contains a provision whereby the tenant has the option to extend the primary lease term for up to two consecutive five year terms at the then current market rental rates.

In addition, the Ohmeda Lease contains an option to expand the premises by an amount of square feet up to a total of 200,000 square feet which, if exercised by Ohmeda, will require the Joint Venture to expend funds necessary to acquire additional land, if such land is necessary to such expansion and available for purchase for said expansion purposes, and to construct the expansion space. Ohmeda's option to expand the premises is subject to deliverance of at least four (4) months' prior written notice to the Joint Venture. During the 4 months subsequent to the notice of Ohmeda's intention to expand the premises, Ohmeda and the Joint Venture shall negotiate in good faith and enter into an amendment to the Ohmeda Lease for the construction and rental of the expansion space. If Ohmeda exercises its option to expand the premises, the right to terminate clause described above will automatically be canceled, and the primary lease term shall be extended for a period of ten (10) years from the date on which a certificate of occupancy is issued by the City of Louisville with respect to the expansion space. The base rental for the expansion space payable under the Ohmeda Lease shall be calculated to generate a rate of return to the Joint Venture on its project costs and any retrofit expenses with respect to the existing premises incurred by landlord over the new, 10 year extended primary lease term, equal to the prime lending rate published by Norwest Bank, N.A. on the first day of such extended primary

lease term, plus 3.0%, plus full amortization of the tenant finish costs with respect to the expansion space and the existing premises. This base rental shall be payable through January 31, 2005. The base rental payable under the Ohmeda Lease from February 1, 2005 through the remaining balance of the new, extended 10 year primary lease term, shall be based on a combined rental rate equal to the sum of (i) the base rental payable by Ohmeda during lease year number seven for the existing premises, plus (ii) the base rent payable by Ohmeda during lease year number seven for the expansion space, plus an amount equal to 2% of the combined rental rate. Thereafter, the base rent payable for the entire premises shall be the base rent payable during the previous lease year plus an amount equal to 2% of the base rent payable during such previous lease year.

THE INTERLOCKEN BUILDING

Description of the Building and the Site. The Joint Venture owns

certain real property located in Broomfield, Boulder County, Colorado (the "Broomfield Property"). The Broomfield Property contains a three-story multi-tenant office building with 51,974 rentable square feet (the "Interlocken Building"). Construction of the Interlocken Building was completed in December 1996.

The Joint Venture purchased the Interlocken Building on March 20, 1998, for a purchase price of \$8,275,000, plus closing costs of approximately \$18,000.

The first floor of the Interlocken Building has multiple tenants and contains 15,599 rentable square feet; the second floor is leased to ODS Technologies, L.P. ("ODS") and contains 17,146 rentable square feet; and the third floor is leased to Transecon, Inc. ("Transecon") and contains 19,229 rentable square feet.

The Broomfield Property fronts on Highway 36 (the Boulder-Denver Turnpike), which is the main thoroughfare between Boulder and Denver, and is located approximately eight miles southeast of Boulder and approximately 15 miles northwest of Denver. The site is a 5.1 acre tract of land in the

Interlocken Business Park in Broomfield, Colorado. The Broomfield Property contains a parking lot surrounding the entire building with ample parking spaces available for tenants and visitors. The Interlocken Business Park is a 963-acre business park containing primarily advanced technology and research/development oriented companies. The Interlocken Conference Resort, which will contain a 430-room hotel, 57,000 square feet of conference space and a 27-hole championship golf course, is nearly complete and will border the Park's western boundary.

Description of Leases. As stated above, the entire third floor of

the Interlocken Building containing 19,229 rentable square feet (37% of the total rentable square feet) is currently under lease to Transecon dated June 27, 1996 (the "Transecon Lease"). The Transecon Lease currently expires in October 2001, subject to Transecon's right to extend for one additional term of five years upon 180 days' notice.

Transecon is a consumer distributor of environmental friendly products, including on-site video and audio production of environmental and alternative health videos using state-of-the-art electronics and sound stage. Transecon was founded in 1989 and currently employs approximately 60 people.

The monthly base rental payable under the Transecon Lease is approximately \$24,000 for the initial term of the lease, and is calculated under the Transecon Lease based upon 18,011 rentable square feet. Under the Transecon Lease, Transecon is responsible for its share of utilities, taxes, insurance and other operating costs with respect to the Interlocken Building during the term of the Transecon Lease. In addition, Transecon has a right of first refusal under the lease for any second floor space proposed to be leased by the landlord. If Transecon elects to

extend the lease, the monthly base rental shall be a market rate, but no less than \$24,000 and no more than \$27,700. In accordance with the Transecon Lease, Golden Rule, Inc., an affiliate of Transecon, occupies 6,621 rentable square feet of the third floor. Transecon guarantees the entire payment due under the Transecon Lease.

Transecon also leases 1,510 rentable square feet on the first floor. The monthly base rent payable for this space is approximately \$2,000 through January 1999; approximately \$2,100 through January 2000; approximately \$2,150 through January 2001; and approximately \$2,200 through October 2001.

The entire second floor of the Interlocken Building containing 17,146 rentable square feet (33% of total rentable square feet) is currently under lease to ODS dated January 14, 1997 (the "ODS Lease"). The ODS Lease currently expires in September 2003, subject to ODS's right to extend for one additional term of three years upon 180 days' notice.

ODS provides in-home financial transaction services via telephone and television, and it has developed interactive computer-based applications for such in-home purchasing. Originally based in Tulsa, Oklahoma, ODS has relocated its business to the Interlocken Building.

The monthly base rental payable under the ODS Lease is approximately \$22,150 through January 1999; approximately \$22,600 through January 2000; approximately \$23,100 through January 2001; approximately \$23,550 through January 2002; approximately \$24,050 through January 2003; and approximately \$24,550 through September 2003. The rental payments to be made by the tenant under the ODS Lease are also secured by the assignment of a \$275,000 letter of credit which may be drawn upon by the landlord in the event of a tenant default under the lease. Under the ODS Lease, ODS is responsible for its share of utilities, taxes, insurance and other operating costs with respect to the Interlocken Building during the term of the ODS Lease. If

ODS elects to extend the lease, the monthly base rental shall be a market rate as described in the ODS Lease.

The first floor of the Interlocken Building containing 15,599 rentable square feet is occupied by several tenants whose leases expire in late 2001 or 2002. The aggregate monthly base rental payable under these leases for 1998 is approximately \$21,250. Each lessee is responsible for its share of utilities, taxes, insurance and other operating costs with respect to the Interlocken Building during the term of its lease. Most of these leases contain a right to extend for one additional five year period upon 180 days' notice.

In the event that Transecon, ODS or any of the first floor tenants fail to extend their respective leases, the Joint Venture will be required to find one or more new suitable tenants for the Interlocken Building at the then prevailing market rental rates.

PROPERTY MANAGEMENT FEES

Wells Management Company, Inc. ("Wells Management"), an Affiliate of the Company and the Advisor, has been retained to manage and lease all of the properties currently owned by the Joint Venture. While the Company and Wells Fund XI are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 4.5% of gross revenues, Wells Fund IX and Wells Fund X are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 6% of gross revenues. Since, as of June 30, 1998, Wells Fund IX and Wells Fund X held an aggregate 87.8% ownership percentage interest in the Joint Venture, while the Company and Wells Fund XI held an aggregate 12.2% ownership percentage interest in the Joint Venture, 87.8% of the gross revenues of the Joint Venture are subject to a 6% property management and leasing fee, while 12.2% of the gross revenues of the Joint Venture are subject to a 4.5% property management and leasing fee. Wells Management has also received an initial lease fee equal to the first month's rent for the ABB Lease and the Lucent Lease. In

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addition, Wells Management is entitled to one-time initial lease-up fees equal to five percent (5%) of the gross revenues over the initial terms of the ABB Lease and the Lucent Lease (not to exceed five years).

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The information contained on page 46 in the "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" section of the Prospectus is revised as of the date of this Supplement by the deletion of the first paragraph of that section and the insertion of the following paragraph in lieu thereof:

The Company commenced operations on June 5, 1998, upon the acceptance of subscriptions for the minimum offering of \$1,250,000 (125,000 Shares). As of June 30, 1998, the Company had raised a total of \$2,683,595 in offering proceeds (268,359 Shares). After the payment of \$93,926 in acquisition and advisory fees and expenses, the payment of \$335,449 in selling commissions and organizational and offering expenses and the payment of \$1,421,466 in capital contributions to the Joint Venture, as of June 30, 1998, the Company was holding net offering proceeds of \$832,754 available for investment in additional properties.

FINANCIAL STATEMENTS

The financial statements of Fund IX and X Associates (the Joint Venture) as of December 31, 1997 and for the period from March 20, 1997 to December 31, 1997 and of the Lucent Building for the three months ended March 31, 1998, included herein as Appendix I to this Supplement No. 2, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their

reports thereto, and are included herein upon the authority of said firm as experts in giving said reports. The interim financial information of Fund IX and X Associates (the Joint Venture) as of March 31, 1998 and for the three month period ended March 31, 1998, and the pro forma financial information for Wells Real Estate Investment Trust, Inc. as of December 31, 1997 and for the three month period ended March 31, 1998, which are included in Appendix I to this Supplement No. 2, have not been audited.

APPENDIX I

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Fund IX and X Associates:

We have audited the accompanying balance sheet of FUND IX AND X ASSOCIATES (a Georgia Joint Venture) as of December 31, 1997 and the related statements of

loss, partners' capital, and cash flows for the period from inception (March 20, 1997) to December 31, 1997. These financial statements are the responsibility of the Joint Venture's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fund IX and X Associates as of December 31, 1997 and the results of its operations and its cash flows for the period from inception (March 20, 1997) to December 31, 1997 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
January 9, 1998

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FUND IX AND X ASSOCIATES

(A GEORGIA JOINT VENTURE)

BALANCE SHEETS

MARCH 31, 1998 AND DECEMBER 31, 1997

ASSETS

	1998 ----- (UNAUDITED)	1997 -----
REAL ESTATE ASSETS, AT COST:		
Land	\$ 5,004,893	\$ 607,930
Building and improvements, less accumulated depreciation of \$205,915 in 1998 and \$36,863 in 1997	22,005,710	6,445,300
Construction in progress	6,498	35,622
	-----	-----
Total real estate assets	27,017,101	7,088,852
CASH AND CASH EQUIVALENTS	390,276	289,171
ACCOUNTS RECEIVABLE	150,402	40,512
PREPAID EXPENSES AND OTHER ASSETS	383,399	329,310
	-----	-----
Total assets	\$ 27,941,178	\$ 7,747,845
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

LIABILITIES:		
Accounts payable	\$ 385,072	\$ 379,770
Due to affiliates	2,281	2,479
	-----	-----

Total liabilities	387,353	382,249
	-----	-----
PARTNERS' CAPITAL:		
Wells Real Estate Fund IX	14,569,085	3,702,793
Wells Real Estate Fund X	12,984,740	3,662,803
	-----	-----
Total partners' capital	27,553,825	7,365,596
	-----	-----
Total liabilities and partners' capital	\$ 27,941,178	\$ 7,747,845
	=====	=====

The accompanying notes are an integral part of these balance sheets.

I-2

FUND IX AND X ASSOCIATES

(A GEORGIA JOINT VENTURE)

STATEMENTS OF INCOME (LOSS)

FOR THE THREE MONTHS ENDED MARCH 31, 1998

AND THE PERIOD FROM INCEPTION (MARCH 20, 1997)

TO DECEMBER 31, 1997

	1998	1997
	-----	-----
	(UNAUDITED)	
REVENUES:		
Rental income	\$ 351,203	\$ 28,512
	-----	-----
EXPENSES:		
Depreciation and amortization	178,881	36,863
Management and leasing fees	22,838	1,711
Operating costs, net of reimbursements	24,052	10,118
Property administration	5,632	0
	-----	-----
	231,403	48,692
	-----	-----
NET INCOME (LOSS)	\$ 119,800	\$ (20,180)
	=====	=====
NET INCOME (LOSS) ALLOCATED TO WELLS REAL ESTATE FUND IX	\$ 57,858	\$ (10,145)
	=====	=====
NET INCOME (LOSS) ALLOCATED TO WELLS REAL ESTATE FUND X	\$ 61,942	\$ (10,035)
	=====	=====

The accompanying notes are an integral part of these statements.

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FUND IX AND X ASSOCIATES

(A GEORGIA JOINT VENTURE)

STATEMENTS OF PARTNERS' CAPITAL

FOR THE THREE MONTHS ENDED MARCH 31, 1998

AND THE PERIOD FROM INCEPTION (MARCH 20, 1997)

TO DECEMBER 31, 1997

WELLS REAL

WELLS REAL

TOTAL

	ESTATE FUND IX	ESTATE FUND X	PARTNERS' CAPITAL
BALANCE, DECEMBER 31, 1996	\$ 0	\$ 0	\$ 0
Net loss	(10,145)	(10,035)	(20,180)
Partnership contributions	3,712,938	3,672,838	7,385,776
BALANCE, DECEMBER 31, 1997	3,702,793	3,662,803	7,365,596
Partnership distributions	(100,863)	(101,419)	(202,282)
Net income	57,858	61,942	119,800
Partnership contributions	10,909,297	9,361,414	20,270,711
BALANCE, MARCH 31, 1998 (UNAUDITED)	\$ 14,569,085	\$ 12,984,740	\$ 27,553,825

The accompanying notes are an integral part of these statements.

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FUND IX AND X ASSOCIATES

(A GEORGIA JOINT VENTURE)

STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 1998

AND THE PERIOD FROM INCEPTION (MARCH 20, 1997)

TO DECEMBER 31, 1997

	1998 ----- (UNAUDITED)	1997 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 119,800	\$ (20,180)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	178,881	36,863
Changes in assets and liabilities:		
Accounts receivable	(109,890)	(40,512)
Prepaid expenses and other assets	(54,089)	(329,310)
Accounts payable	5,302	379,770
Due to affiliates	(198)	2,479
Total adjustments	20,006	49,290
Net cash provided by operating activities	139,806	29,110
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in real estate from partners	(19,123,419)	(5,715,847)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Distributions to joint venture partners	(202,282)	0
Contributions received from partners	19,287,000	5,975,908
Net cash provided by financing activities	19,084,718	
NET INCREASE IN CASH AND CASH EQUIVALENTS	101,105	289,171
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	289,171	0
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 390,276	\$ 289,171
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Deferred project costs applied by partners, net of deferred project costs transferred	\$ 983,711	\$ 318,981
Contribution of real estate assets	\$ 0	\$ 1,090,887

The accompanying notes are an integral part of these statements.

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FUND IX AND X ASSOCIATES

(A GEORGIA JOINT VENTURE)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998 AND DECEMBER 31, 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

On March 20, 1997, Fund IX and X Associates (a joint venture between Wells Real Estate Fund IX, L.P. ("Fund IX") and Wells Real Estate Fund X, L.P. ("Fund X") was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the ABB Property, to Fund IX and X Associates (the "Joint Venture"). A 83,885-square-foot, three-story office building was constructed and commenced operations at the end of 1997.

CASH AND CASH EQUIVALENTS

For the purposes of the statements of cash flows, the Joint Venture considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments. Short-term investments are stated at cost, which approximates fair value, and consist of investments in money market accounts.

USE OF ESTIMATES AND FACTORS AFFECTING THE PARTNERSHIP

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The carrying values of the real estate assets are based on management's current intent to hold the real estate assets as long-term investments. The success of the Joint Venture's future operations and the ability to realize the investment in its assets will be dependent on the Joint Venture's ability to maintain an appropriate level of rental rates, occupancy, and operating expenses in future years. Management believes that the steps it is taking will enable the Joint Venture to realize its investment in its assets.

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INCOME TAXES

The Joint Venture is not subject to federal or state income taxes, and therefore, none have been provided for in the accompanying financial statements. The partners of Fund IX and Fund X are required to include their respective shares of profits and losses in their individual income tax returns.

REAL ESTATE ASSETS

Real estate assets held by the Joint Venture are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All ordinary repairs and maintenance are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that the carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances are present that indicate the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets under Statement

of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," by determining whether the carrying value of such real estate assets will be recovered through the future cash flows expected from the use of the asset and its eventual disposition. Management believes that there has been no impairment in the carrying value of real estate assets held by the Joint Venture.

Depreciation of buildings and land improvements is calculated using the straight-line method over 25 years. Tenant improvements are amortized over the life of the related lease or the life of the asset, whichever is shorter.

REVENUE RECOGNITION

All leases on real estate assets held by the Joint Venture are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases.

PARTNERS' DISTRIBUTIONS AND ALLOCATIONS OF PROFIT AND LOSS

Cash available for distribution and allocations of profit and loss to Fund IX and Fund X by the Joint Venture are made in accordance with the terms of the joint venture agreement. Generally, these items are allocated in proportion to the partners' respective ownership interests. Cash distributions are generally paid by the Joint Venture to Fund IX and Fund X quarterly.

DEFERRED LEASE ACQUISITION COSTS

Costs incurred to procure operating leases are capitalized and amortized on a straight-line basis over the terms of the related leases.

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2. DEFERRED PROJECT COSTS

The Wells Real Estate Funds pay a percentage of limited partner contributions to Wells Capital, Inc., an affiliate of the Joint Venture, for acquisition and advisory services. These payments, as stipulated by the partnership agreement, can be up to 5% of the limited partner contributions, subject to certain overall limitations contained in the partnership agreement. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the Joint Venture.

3. FUTURE MINIMUM RENTAL INCOME

The future minimum rental income due Fund IX and X Associates under noncancelable operating leases at December 31, 1997 is as follows:

Year ending December 31:

1998	\$ 646,250
1999	646,250
2000	646,250
2001	646,250
2002	646,250
Thereafter	3,583,021

	\$6,814,271
	=====

4. COMMITMENTS AND CONTINGENCIES

Management, after consultation with legal counsel, is not aware of any significant litigation or claims against the Joint Venture or its partners. In the normal course of business, the Joint Venture or its partners may become subject to such litigation or claims.

5. SUBSEQUENT EVENTS (UNAUDITED)

On February 13, 1998, the Joint Venture acquired a two-story office building, the Ohmeda Building, a 106,750-square-foot office building located in Louisville, Colorado, for a cash purchase price of \$10,325,000 plus acquisition expenses of \$6,644. The building is 100% occupied by one tenant with an original lease term of ten years that commenced February 1, 1988. The lease term was extended for an additional seven years commencing February 1, 1998.

On March 20, 1998, the Joint Venture acquired the Interlocken Building, a 51,974-square-foot three-story multitenant office building located in Broomfield, Colorado, for a cash purchase price of \$8,275,000 plus acquisition expenses of \$18,000.

On June 11, 1998, Wells Operating Partnership, L.P. (of which Wells Real Estate Investment Trust, Inc. is the sole general partner) and Wells Real Estate Fund XI, L.P. were admitted to the Joint Venture. The Joint Venture agreement was restated and amended as such and was renamed the Fund IX, Fund X, Fund XI, and REIT Joint Venture.

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On June 24, 1998, Fund IX, Fund X, Fund XI, and REIT Joint Venture acquired the Lucent Building, a one-story office building, from Wells Development Corporation, an affiliate of the Joint Venture, for a cash purchase price of \$5,504,276 which equaled the book value of the building. The building is 100% occupied by one tenant with an original lease term of ten years that commenced January 1, 1998.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund IX, L.P.,
Wells Real Estate Fund X, L.P.,
Wells Real Estate Fund XI, L.P., and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over operating expenses for the LUCENT BUILDING for the three months ended March 31, 1998. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over operating expenses. 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 audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Lucent Building after acquisition by Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P., and Wells Real Estate Investment Trust, Inc. The accompanying statement of revenues over operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Lucent Building's revenues and expenses.

In our opinion, the statement of revenues over operating expenses presents

fairly, in all material respects, the revenues over operating expenses (exclusive of expenses described in Note 2) of the Lucent Building for the three months ended March 31, 1998 in conformity with generally accepted accounting principles.

/s/ Arthur Andersen LLP

Atlanta, Georgia
June 30, 1998

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LUCENT BUILDING

STATEMENT OF REVENUES OVER

OPERATING EXPENSES

FOR THE THREE MONTHS ENDED MARCH 31, 1998

REVENUES:	
Rental revenue	\$137,817
OPERATING EXPENSES	675

REVENUES OVER OPERATING EXPENSES	\$137,142

The accompanying notes are an integral part of this statement.

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LUCENT BUILDING

NOTES TO STATEMENT OF REVENUES OVER

OPERATING EXPENSES

FOR THE THREE MONTHS ENDED MARCH 31, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF REAL ESTATE PROPERTY ACQUIRED

On June 24, 1998, Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P., and Wells Real Estate Investment Trust, Inc., through Fund IX, Fund X, Fund XI, and REIT Joint Venture (a Georgia joint venture), acquired the Lucent Building, a 57,186-square-foot one-story office building located in Oklahoma City, Oklahoma, for a cash purchase price of \$5,504,276. The building is 100% occupied by one tenant with an original lease term of 10 years that commenced January 1, 1998. The lease is a triple net lease, whereby the terms require the tenant to pay all operating expenses relating to the building.

RENTAL REVENUES

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over operating expenses are presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation, interest, and management fees, not comparable to the operations of the Lucent Building after acquisition by Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P., and Wells Real Estate Investment Trust, Inc.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

(UNAUDITED PRO FORMA FINANCIAL STATEMENTS)

The following unaudited pro forma balance sheet as of March 31, 1998 and the pro forma statements of (loss) income for the year ended December 31, 1997 and three months ended March 31, 1998 have been prepared to give effect to the following transactions as if each occurred as of March 31, 1998 with respect to the balance sheet and on January 1, 1997 with respect to the statements of (loss) income : (i) Wells Real Estate Investment Trust, Inc.'s acquisition of an interest in Fund IX, Fund X, Fund XI, and REIT Joint Venture (formerly Fund IX-Fund X Associates) and (ii) the Fund IX, Fund X, Fund XI, and REIT Joint Venture's acquisition of the Lucent Building which commenced operations in January 1998.

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual results that would have been achieved had the acquisition been consummated at the beginning of the period presented.

The pro forma financial statements are based on available information and certain assumptions that management believes are reasonable. Final adjustments may differ from the pro forma adjustments herein.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

MARCH 31, 1998

(UNAUDITED)

	WELLS REAL ESTATE INVESTMENT TRUST, INC. -----	PRO FORMA ADJUSTMENTS -----	PRO FORMA TOTAL -----
ASSETS:			
Investment in joint venture	\$ 0	\$1,480,741 (a)	\$1,480,741
Cash	317,378	(317,378) (b)	0
Deferred project costs	4,072	(4,072) (c)	0
Deferred offering costs	461,108	0	461,108
Accounts receivable	18	0	18
	-----	-----	-----
Total assets	\$ 782,576	\$1,159,291	\$1,941,867
	=====	=====	=====
LIABILITIES:			
Sales commission payable	\$ 11,053	\$ 0	\$ 11,053
Due to affiliate	468,718	1,159,291 (b) (c)	1,628,009
	-----	-----	-----
Total liabilities	479,771	1,159,291	1,639,062
	-----	-----	-----
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP	200,000	0	200,000
	-----	-----	-----
SHAREHOLDERS' EQUITY:			

Common shares, \$.01 par value; 40,000,000 shares authorized, 11,735 shares issued and outstanding	117	0	117
Additional paid-in capital	102,688	0	102,688
Total shareholder's equity	102,805	0	102,805
Total liabilities and shareholder's equity	\$ 782,576	\$1,159,291	\$1,941,867

- (a) Reflects Wells Real Estate Investment Trust, Inc.'s contribution to Fund IX, Fund X, Fund XI, and REIT Joint Venture.
- (b) Reflects Wells Real Estate Investment Trust, Inc.'s portion of the \$5,504,276 purchase price related to the Lucent Building.
- (c) Reflects the deferred project costs allocated to the Fund IX, Fund X, Fund XI, and REIT Joint Venture.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF LOSS

FOR THE YEAR ENDED DECEMBER 31, 1997

(UNAUDITED)

	WELLS REAL ESTATE INVESTMENT TRUST, INC.	PRO FORMA ADJUSTMENT	PRO FORMA TOTAL
REVENUES:			
Equity in loss of joint venture	\$ 0	\$ (888) (a)	\$ (888)
NET LOSS	\$ 0	\$ (888)	\$ (888)
EARNINGS PER SHARE (BASIC AND DILUTED)	\$0.00	\$ (8.88)	\$ (8.88)

- (a) Reflects Wells Real Estate Investment Trust, Inc.'s 4.4% equity in earnings of the Fund IX, Fund X, Fund XI, and REIT Joint Venture.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE THREE MONTHS ENDED MARCH 31, 1998

(UNAUDITED)

	WELLS REAL ESTATE INVESTMENT TRUST, INC.	PRO FORMA ADJUSTMENT	PRO FORMA TOTAL
REVENUES:			
Equity in income of joint ventures	\$ 0	\$9,282 (a)	\$9,282
NET INCOME	\$ 0	\$9,282	\$9,282
EARNINGS PER SHARE (BASIC AND DILUTED)	\$0.00	\$ 0.79	\$ 0.79

- (a) Reflects Wells Real Estate Investment Trust, Inc.'s 4.4% equity in earnings of the Fund IX, Fund X, Fund XI, and REIT Joint Venture, including the Lucent Building on a pro forma basis.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

SUPPLEMENT NO. 3 DATED AUGUST 12, 1998 TO THE PROSPECTUS
DATED JANUARY 30, 1998

This document supplements, and should be read in conjunction with, the Prospectus of Wells Real Estate Investment Trust, Inc. dated January 30, 1998, as supplemented and amended by Supplement No. 1 dated April 20, 1998 and Supplement No. 2 dated June 30, 1998 (collectively, the "Prospectus"). Unless otherwise defined herein, capitalized terms used in this Supplement shall have the same meanings as set forth in the Prospectus.

The purpose of this Supplement is to describe the following:

(i) The status of the offering of shares of common stock (the "Shares") in Wells Real Estate Investment Trust, Inc. (the "Company");

(ii) The contribution of the Iomega Building located in Ogden, Weber County, Utah by Wells Real Estate Fund X, L.P. ("Wells Fund X") to the Fund IX, Fund X, Fund XI and REIT Joint Venture (the "IX-X-XI-REIT Joint Venture");

(iii) The Joint Venture Agreements entered into between Wells Operating Partnership, L.P. ("Wells OP") and Wells Development Corporation ("Wells Development");

(iv) The Joint Venture between Wells Real Estate Fund XI, L.P. ("Wells Fund XI") and Wells Fund X (the "Fund X-XI Joint Venture") and the contracts between the Fund X-XI Joint Venture and Wells Development;

(v) The acquisition of the Fairchild Building located in Fremont, Alameda County, California;

(vi) The acquisition of the Cort Furniture Building located in Fountain Valley, Orange County, California;

(vii) Revisions to the "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" section of the Prospectus; and

(viii) Inclusion of Audited and Pro Forma Financial Statements as described in the "Financial Statements" section of this Supplement.

Status of the Offering

Pursuant to the Prospectus, the offering of Shares in the Company commenced on January 30, 1998. The Company commenced operations on June 5, 1998, upon the acceptance of subscriptions for the minimum offering of \$1,250,000 (125,000 Shares). As of August 10, 1998, the Company had raised a total of \$5,739,061 in offering proceeds (573,906 Shares).

The Iomega Building

Contribution of the Iomega Building. On July 1, 1998, Wells Fund X contributed a single-story warehouse and office building with 108,000 rentable square feet (the "Iomega Building") to the IX-X-XI-REIT Joint Venture as a capital contribution. Wells Fund X was credited with making a capital contribution to the IX-X-XI-REIT Joint Venture in the amount of \$5,050,425, which represents the purchase price of \$5,025,000 plus \$25,425 in closing costs originally paid by Wells Fund X for the Iomega Building on April 1, 1998.

As of August 1, 1998, Wells Fund X had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$18,410,965 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 49.9%; Wells Real Estate Fund IX, L.P. had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$14,571,686 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 39.5%; Wells Fund XI had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$2,482,810 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 6.7%; and Wells OP had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$1,421,466 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 3.9%.

Description of the Building and Site. The exterior of the Iomega Building is constructed of concrete tilt-up wall panels approximately 23 feet in height in the warehouse area with windows along the west and north sides of the building. The office portion of the Iomega Building on the north side is constructed of masonry block. Construction of the Iomega Building was completed in 1989. In 1997, the current tenant, Iomega Corporation, completed construction of a 16,000 square foot two-level office space addition inside the warehouse area on the west side of the Iomega Building. The Iomega Building contains an asphaltic concrete paved parking lot with 286 parking spaces. A railroad spur provides access to two rail docks on the east side of the Iomega Building. Access to the Iomega Building is controlled by on-site security guards. The IX-X-XI-REIT Joint Venture has no current plans to further develop, improve or renovate the Iomega Building.

The Iomega Building is located at 2976 South Commerce Way in the Ogden Commercial and Industrial Park (the "Ogden Commercial Park") in Ogden City, Utah. The site is an 8.03 acre tract of land located in an area containing primarily light manufacturing and warehousing buildings. The Iomega Building is one of the largest and most modern warehouse and office buildings in the Ogden Commercial Park. Although the Ogden Commercial Park is a well established industrial park, there are vacant land parcels immediately adjacent to the Iomega Building on the north, west and south sides.

The Ogden Commercial Park is located one mile north of Roy City, one mile northwest of Riverdale City and three miles southwest of the Ogden central business district. Interstate 15, a major north-south freeway through the state, and Interstate 84, a major east-west freeway through Weber County, are within one mile of the site.

Description of Iomega Lease. The entire Iomega Building is currently under a net Lease Agreement dated April 9, 1996 (the "Iomega Lease") with Iomega Corporation ("Iomega"). Wells Fund X assigned its rights under the Iomega Lease to the IX-X-XI REIT Joint Venture in connection with the contribution of the Iomega Building on July 1, 1998. The Iomega Lease has a ten year lease term which commenced on August 1, 1996 and expires on July 31, 2006. The Iomega Lease contains no extension provisions. Iomega's world headquarters are located within one mile of the Iomega Building. In the event that Iomega vacates the Iomega Building at the expiration of its current lease term, the IX-X-XI-REIT Joint Venture would be required to find one or more new suitable tenants for the Iomega Building at the then prevailing market rental rates.

Iomega, a New York Stock Exchange company, is a manufacturer of computer storage devices used by individuals, businesses, government and educational institutions, including "Zip" drives and disks, "Jaz" one gigabyte drives and disks, and tape backup drives and cartridges. Iomega reported total sales of in excess of \$1.7 billion, net income of in excess of \$115 million and a net worth of in excess of \$400 million for its fiscal year ended December 31, 1997.

The monthly base rent payable under the Iomega Lease is \$40,000 through November 12, 1999. Beginning on the 40th and 80th months of the lease term, the monthly base rent payable under the Iomega Lease will be increased to reflect an amount equal to 100% of the increase in the Consumer Price Index (as defined in the Iomega Lease) during the preceding 40 months; provided however, that in no event shall the base rent be increased with respect to any one year by more than 6% or by less than 3% per annum, compounded annually, on a cumulative basis from the beginning of the lease term. Under the Iomega Lease, Iomega is responsible for all utilities, taxes, insurance and other operating costs with respect to

the Iomega Building during the term of the lease. The estimated annual real estate taxes on the Iomega Building are \$63,390. The Joint Venture, as landlord, is responsible for

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maintenance of the structural soundness of the roof, foundation and exterior walls of the Iomega Building, reasonable wear and tear and uninsured losses and damages caused by Iomega excluded.

Iomega has used all of its \$500,000 tenant improvement allowance provided under the Iomega Lease for the construction of the 16,000 square foot two-level office space addition described above and the addition of an additional parking lot outside the south entrance of the Iomega Building.

Under the terms of the Iomega Lease, the IX-X-XI-REIT Joint Venture is responsible for carrying and maintaining all risk liability insurance covering the full replacement cost of the Iomega Building. Iomega is responsible for carrying and maintaining all risk property insurance covering the full replacement cost of all property and improvements installed or placed on the premises by Iomega; worker's compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial liability insurance, with a minimum limit of \$1,000,000 per occurrence and a minimum umbrella limit of \$1,000,000, for a total minimum combined general liability and umbrella limit of \$2,000,000 for property damage, personal injuries or deaths occurring in or about the premises. The cost of the insurance paid by the landlord is billed on a monthly basis to the tenant at a rate of \$334. Management believes that the Iomega Building is adequately insured against loss for property damage, personal injury and deaths of persons in or about the premises.

The Joint Ventures

The Fremont Joint Venture. In July 1998, Wells OP entered into a Joint Venture Agreement known as Wells/Fremont Associates (the "Fremont Joint Venture") with Wells Development. The purpose of the Fremont Joint Venture is the acquisition, ownership, leasing, operation, sale and management of real properties, including, but not limited to, that certain office building containing 58,424 rentable square feet located in Fremont, Alameda County, California (the "Fairchild Building").

Wells Development had previously entered into that certain Agreement for the Purchase and Sale of Property dated June 8, 1998 with Rose Ventures V, Inc., a California corporation, and Thomas G. Haury and Carleen S. Haury to acquire the Fairchild Building (the "Fairchild Contract"). Prior to the closing of the Fairchild Building, Wells Development assigned its rights to the Fairchild Contract to the Fremont Joint Venture, and on July 21, 1998, the Fremont Joint Venture acquired the Fairchild Building pursuant to the Fairchild Contract.

The Cort Joint Venture. In July 1998, Wells OP entered into another Joint Venture Agreement with Wells Development known as Wells/Orange County Associates (the "Cort Joint Venture") for the purpose of the acquisition, ownership, leasing, operation, sale and management of real properties, including, but not limited to, that certain office building containing 52,000 rentable square feet located in Fountain Valley, Orange County, California (the "Cort Furniture Building").

Wells Development had previously entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions dated June 12, 1998 with Spencer Fountain Valley Holdings, Inc., a California corporation ("Spencer"), to acquire the Cort Furniture Building (the "Cort Contract"). Prior to the closing of the Cort Furniture Building, Wells Development assigned its rights to the Cort Contract to the Cort Joint Venture, and on July 31, 1998, the Cort Joint Venture acquired the Cort Furniture Building pursuant to the Cort Contract.

The Fund X-XI Joint Venture. In July 1998, Wells Fund XI entered into a

Joint Venture Agreement with Wells Fund X known as Fund X and Fund XI Associates (the "Fund X-XI Joint Venture") for the purpose of the acquisition, ownership, leasing, operation, sale and management of real properties, and interests in real properties, including, but not limited to, the acquisition of equity interests in the Fremont Joint Venture and the Cort Joint Venture (as described below).

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Wells OP is acting as the initial Administrative Venturer of both the Fremont Joint Venture and the Cort Joint Venture and, as such, is responsible for establishing policies and operating procedures with respect to the business and affairs of each of these joint ventures. However, approval of each of Wells OP and ultimately the Fund X-XI Joint Venture will be required for any major decision or any action which materially affects the Fremont Joint Venture or the Cort Joint Venture or its real property investments.

Contracts to Acquire Joint Venture Interests

Acquisition of the Fremont Joint Venture Interest. On July 17, 1998, the Fund X-XI Joint Venture entered into an Agreement for the Purchase and Sale of Joint Venture Interest (the "Fremont JV Contract") with Wells Development. Pursuant to the Fremont JV Contract, the Fund X-XI Joint Venture contracted to acquire Wells Development's interest in the Fremont Joint Venture (the "Fremont JV Interest") which, at closing, will result in the Fund X-XI Joint Venture becoming a joint venture partner with Wells OP in the ownership of the Fairchild Building. Wells Fund X, Wells XI and Wells Development are all Affiliates of Wells Capital, Inc. (the "Advisor") and the Company.

At the time of entering into the Fremont JV Contract, the Fund X-XI Joint Venture delivered \$2,000,000 to Wells Development as an earnest money deposit. Wells Development contributed the earnest money it received from the Fund X-XI Joint Venture to the Fremont Joint Venture as its initial capital contribution of \$2,000,000, and Wells OP simultaneously contributed \$995,480 to the Fremont Joint Venture as its initial capital contribution.

Acquisition of the Cort JV Interest. On July 30, 1998, the Fund X-XI Joint Venture entered into another Agreement for the Purchase and Sale of Joint Venture Interest (the "Cort JV Contract") with Wells Development. Pursuant to the Cort JV Contract, the Fund X-XI Joint Venture contracted to acquire Wells Development's interest in the Cort Joint Venture (the "Cort JV Interest") which, at closing, will result in the Fund X-XI Joint Venture becoming a joint venture partner with Wells OP in the ownership of the Cort Furniture Building.

At the time of entering into the Cort JV Contract, the Fund X-XI Joint Venture delivered \$1,500,000 to Wells Development as an earnest money deposit. Wells Development contributed the earnest money it received from the Fund X-XI Joint Venture to the Cort Joint Venture as its initial capital contribution of \$1,500,000, and Wells OP simultaneously contributed \$168,000 to the Cort Joint Venture as its initial capital contribution.

The Fairchild Building

Purchase of the Fairchild Building. On July 21, 1998, the Fremont Joint Venture acquired the Fairchild Building pursuant to the Fairchild Contract for a purchase price of \$8,900,000. The Fremont Joint Venture incurred acquisition expenses including legal fees, title insurance fees, loan origination fees, appraisal fees and other closing costs of approximately \$60,000. The Fremont Joint Venture used the \$2,995,480 aggregate capital contributions described above to partially fund the purchase of the Fairchild Building. The Fremont Joint Venture also obtained a loan in the amount of \$5,960,000 from NationsBank, N.A., the proceeds of which were used to fund the remainder of the cost of the Fairchild Building (the "Fairchild Loan").

The Fairchild Loan. The Fairchild Loan matures on July 21, 1999 (the "Fairchild Maturity Date"), unless the Fremont Joint Venture exercises its

option to extend the Fairchild Maturity Date to January 21, 2000. The interest rate on the Fairchild Loan is a variable rate per annum equal to the rate appearing on Telerate Page 3750 as the London InterBank Offered Rate (the "LIBOR Rate") for a thirty day period plus 220 basis points. Commencing on September 1, 1998, and on the first day of each calendar month thereafter continuing through and including the first day of the calendar month in which the Fairchild Maturity Date occurs, the Fremont Joint Venture is required to pay to NationsBank monthly installments of principal in the amount of \$10,498 plus accrued interest. The Fairchild Loan is secured by a first mortgage against the Fairchild Building. In addition Leo F. Wells, III and Wells Development, Affiliates of the Advisor and the Company, are co-guarantors of the Fairchild Loan.

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Closing of the Fremont JV Interest. Under the Joint Venture Agreement of the Fremont Joint Venture, cash flow distributions will be paid to Wells OP and Wells Development in accordance with each such entity's equity interest in the Fremont Joint Venture based upon each entity's relative capital contribution to the Fremont Joint Venture. As of July 31, 1998, Wells OP held an approximately 33% equity interest and Wells Development held an approximately 67% equity interest in the Fremont Joint Venture. As additional offering proceeds are raised by the Wells REIT, it is anticipated that Wells OP will make additional capital contributions to the Fremont Joint Venture, which will be utilized to pay down the Fairchild Loan and will increase Wells OP's relative equity interest (and decrease Wells Development's relative equity interest) in the Fremont Joint Venture. Cash flow distributions payable by the Fremont Joint Venture to Wells Development shall be credited as a purchase price adjustment or paid to the Fund X-XI Joint Venture at the closing of the acquisition of the Fremont JV Interest from Wells Development, since Wells Development is prohibited from making any profit on the transaction during the holding period.

At such time as sufficient funds have been raised, either in the Fund X-XI Joint Venture or the Wells REIT, or a combination thereof, to pay off the Fairchild Loan, the Fund X-XI Joint Venture shall close the acquisition of the Fremont JV Interest. This closing shall take place on or before July 21, 1999; however, the Fund X-XI Joint Venture has the right to extend the closing date for two successive periods of six months if sufficient cash has not been raised to pay off the Fairchild Loan. At the conclusion of such transaction, the Fund X-XI Joint Venture will be admitted to the Fremont Joint Venture as a joint venturer partner in the place of Wells Development. The ultimate equity percentage interests in the Fremont Joint Venture to be owned by Wells OP and the Fund X-XI Joint Venture are dependent upon the amount of offering proceeds which are raised in the future by the Company and by Wells Fund XI and, accordingly, are indeterminable at this time.

Description of the Fairchild Building. The Fairchild Building is a two-story office and manufacturing building with 58,424 rentable square feet. The Fairchild Building is composed of painted concrete tilt-up wall panels, plaster walls with a clay tile covered mansard roof on the building's west and north sides and aluminum framed windows. Construction of the Fairchild Building was completed in 1985.

The Fairchild Building is located at 47320 Kato Road on the corner of Kato Road and Auburn Road in the City of Fremont, California. The site is approximately 3.05 acres and is located in a commercial area composed of similar use buildings. The parking area surrounds the Fairchild Building and contains approximately 184 paved parking spaces.

An independent appraisal of the Fairchild Building was prepared by CB Richard Ellis Appraisal Services, a division of CB Commercial, as of June 29, 1998, pursuant to which the market value of the land and the leased fee interest in the Fairchild Building subject to the Fairchild Lease (described below) was estimated to be \$8,900,000. The value estimate contained in this appraisal was based upon a number of assumptions, including that the Fairchild Building will continue operating at a stabilized level with Fairchild occupying 100% of the

rentable areas, and is not necessarily an accurate reflection of the fair market value of the property. The Fremont Joint Venture also obtained an environmental report prior to closing evidencing that the environmental condition of the land encompassing the Fairchild Building was satisfactory.

Fremont is considered Alameda County's extension of Silicon Valley as it is home to a large number of high-technology manufacturing and new product development companies. Fremont, which is the second largest city in Alameda County and the fourth largest city in the Bay Area with a population of approximately 190,000, is 25 miles south of Oakland and 15 miles north of San Jose along Interstate 880. Fremont encompasses approximately 94 square miles and is the largest source of current and future growth and development in Alameda County due to its abundance of land relative to other areas and its location on the fringe of Silicon Valley.

The Fremont Joint Venture will experience competition for its current tenant from owners and managers of various other office and manufacturing buildings located in the immediate area of the Fairchild Building, which

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could adversely affect the Fremont Joint Venture's ability to retain Fairchild as a tenant, and if necessary in the future, to attract and retain other tenants.

The Fairchild Lease. The entire 58,424 rentable square feet of the Fairchild Building is currently under a net lease agreement dated September 19, 1997 (the "Fairchild Lease") with Fairchild Technologies U.S.A., Inc. ("Fairchild"). Fairchild took early possession of the second floor of the Fairchild Building on October 1, 1997 at a monthly base rental of \$22,456. The Fairchild Lease commenced on December 1, 1997 (the "Rental Commencement Date") and expires on November 30, 2004, subject to Fairchild's right to extend the Fairchild Lease for an additional five-year period. Fairchild must give written notice of its intention to exercise said option not more than 180 days and not less than 90 days before the last day of the initial term of the Fairchild Lease. In the event that Fairchild vacates the Fairchild Building at the expiration of its current lease term, the Fremont Joint Venture would be required to find one or more new suitable tenants for the Fairchild Building at the then prevailing market rental rates.

Fairchild is a global leader in the design and manufacture of production equipment for semiconductor and compact disk manufacturing. The semiconductor equipment group recently unveiled a new line of semiconductor wafer processing equipment which will provide alternatives to the traditional semiconductor chip production methods.

Fairchild is a wholly-owned subsidiary of the Fairchild Corporation, a Delaware corporation ("Fairchild Corp"). Fairchild Corp is the largest aerospace fastener and fastening system manufacturer and is one of the largest independent aerospace parts distributors in the world. Fairchild Corp is a leading supplier to aircraft manufacturers such as Boeing, Airbus, Lockheed Martin, British Aerospace and Bombardier and to airlines such as Delta Airlines and U.S. Airways. The aerospace fastener segment accounted for approximately 51.4% of the company's net sales and the aerospace parts distribution segment accounted for approximately 35.9% of the company's net sales in fiscal year 1997. The obligations of Fairchild under the Fairchild Lease are guaranteed by Fairchild Corp, which reported total consolidated sales of in excess of \$680 Million and a net worth of in excess of \$232 Million for its fiscal year ended June 30, 1997.

The monthly base rent payable under the Fairchild Lease is \$68,128 through November 30, 1998. On each one-year anniversary of the Rental Commencement Date, the monthly base rent in effect for the preceding year shall be adjusted upward by a 3% increase. The monthly base rent during the first year of the extended term of the Fairchild Lease, if exercised by Fairchild, shall be 95% of the then fair market rental value of the Fairchild Building subject to the annual 3% increase adjustments. If Fairchild and the Fremont Joint Venture are unable to

agree upon the fair rental value for the extended lease term, each party shall select an appraiser and the two appraisers shall establish the rent by agreement. Under the Fairchild Lease, Fairchild is responsible for all utilities, taxes, insurance and other operating costs with respect to the Fairchild Building during the term of the Fairchild Lease. Currently, the annual real estate taxes for the Fairchild Building are approximately \$37,000. The Fremont Joint Venture, as landlord, is responsible for the maintenance and repair of the structural elements of the roof, bearing walls and foundation of the Fairchild Building.

Under the terms of the Fairchild Lease, Fairchild is required to carry and maintain, at its own cost and expense, certain types of insurance in form acceptable to the Fremont Joint Venture, naming the Fremont Joint Venture as an additional insured. With respect to insurance against loss or damage to the Fairchild Building, Fairchild is required to name the Fremont Joint Venture as loss payee under its policy. Among other types of insurance, the Fairchild Lease requires that Fairchild maintain liability insurance coverage covering the leased premises and Fairchild's use thereof against claims for personal injury, death, property damage and product liability, in single limit amounts of not less than \$2,000,000 per occurrence, and an equivalent form of insurance against loss or damage of the Fairchild Building, including earthquake insurance, in an amount not less than 100% of the actual replacement value of the building and improvements thereto. Management believes that the Fairchild Building is adequately insured against loss for property damage, personal injury and deaths of persons in or about the premises.

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The Cort Furniture Building

Purchase of the Cort Furniture Building. On July 31, 1998, the Cort Joint Venture acquired the Cort Furniture Building pursuant to the Cort Contract for a purchase price of \$6,400,000. The Cort Joint Venture incurred acquisition expenses including legal fees, title insurance fees, loan origination fees, appraisal fees and other closing costs of approximately \$63,000. In addition, at closing, the Cort Joint Venture paid \$85,000 in real estate brokerage commissions to Collins Commercial and Daum Commercial Real Estate, neither of which are affiliated in any way with the Company or the Advisor. The Cort Joint Venture used the \$1,668,000 aggregate capital contributions to partially fund the purchase of the Cort Furniture Building. The Cort Joint Venture also obtained a loan in the amount of \$4,875,000 from NationsBank, N.A., the proceeds of which were used to fund the remainder of the cost of the Cort Furniture Building (the "Cort Loan").

The Cort Loan. The Cort Loan matures on July 31, 1999 (the "Cort Maturity Date"), unless the Cort Joint Venture exercises its option to extend the Cort Maturity Date to January 31, 2000. The interest rate on the Cort Loan is a variable rate per annum equal to the rate appearing on Telerate Page 3750 as the LIBOR Rate for a thirty day period plus 220 basis points. Commencing on September 1, 1998, and on the first day of each calendar month thereafter continuing through and including the first day of the calendar month in which the Cort Maturity Date occurs, the Cort Joint Venture is required to pay to Nationsbank monthly installments of principal in the amount of \$8,587 plus accrued interest. The Cort Loan is secured by a first mortgage against the Cort Furniture Building. Leo F. Wells, III and Wells Development are also co-guarantors of the Cort Loan.

Closing of the Cort JV Interest. Under the Joint Venture Agreement of the Cort Joint Venture, cash flow distributions will be paid to Wells OP and Wells Development in accordance with each such entity's equity interest in the Cort Joint Venture based upon each entity's relative capital contribution to the Cort Joint Venture. As of July 31, 1998, Wells Development held an approximately 90% equity interest and Wells OP held an approximately 10% equity interest in the Cort Joint Venture. As additional offering proceeds are raised by the Wells REIT, it is anticipated that Wells OP will make additional capital contributions to the Cort Joint Venture, which will be utilized to pay down the Cort Loan and

will increase Wells OP's relative equity interest (and decrease Wells Development's relative equity interest) in the Cort Joint Venture. Cash flow distributions payable by the Cort Joint Venture to Wells Development shall be credited as a purchase price adjustment or paid to the Fund X-XI Joint Venture at the closing of the acquisition of the Cort JV Interest from Wells Development, since Wells Development is prohibited from making any profit on the transaction during the holding period.

At such time as sufficient funds have been raised, either in the Fund X-XI Joint Venture or the Company, or a combination thereof, to pay off the Cort Loan on the Cort Furniture Building, the Fund X-XI Joint Venture shall close the acquisition of the Cort JV Interest. This closing shall take place on or before July 31, 1999; however, the Fund X-XI Joint Venture has the right to extend the closing date for two successive periods of six months if sufficient cash has not been raised to pay off the Cort Loan. At the conclusion of such transaction, the Fund X-XI Joint Venture will be admitted to the Cort Joint Venture as a joint venture partner in the place of Wells Development. The ultimate equity percentage interests in the Cort Joint Venture to be owned by Wells OP and the Fund X-XI Joint Venture are dependent upon the amount of offering proceeds which are raised in the future by the Company and by Wells Fund XI and, accordingly, are indeterminable at this time.

Description of the Cort Furniture Building. The Cort Furniture Building is a single-story office and warehouse building with 52,000 rentable square feet comprised of an 18,000 square foot office and open showroom area and a 34,000 square foot warehouse area. The Cort Furniture Building's foundation is shallow reinforced concrete spread footings under load bearing columns with floor slabs consisting of four inch thick reinforced concrete slab. The exterior walls of the Cort Furniture Building are load bearing concrete tilt-wall panels. The roof framing is composed of one-half inch thick plywood decking supported by glu-lam beams and wood joists. The main entrance of the Cort Furniture Building consists of covered walkways. The site contains approximately 150 paved parking spaces. Construction of the Cort Furniture Building was completed in 1975.

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An independent appraisal of the Cort Furniture Building was prepared by Cushman Wakefield, real estate appraisers and consultants, as of July 1, 1998, pursuant to which the market value of the land and the leased fee interest in the Cort Furniture Building subject to the Cort Furniture Lease (described below) was estimated to be \$6,400,000. The value estimate contained in this appraisal was based upon a number of assumptions, including that the Cort Furniture Building will continue operating at a stabilized level with Cort occupying 100% of the rentable areas, and is not necessarily an accurate reflection of the fair market value of the property. The Cort Joint Venture also obtained an environmental report prior to closing evidencing that the environmental condition of the land encompassing the Cort Furniture Building was satisfactory.

The Cort Furniture Building is located at 10700 Spencer Street on the southeast corner of Spencer Avenue and Mt. Langley Street adjacent on the south side to Interstate 405 (with good freeway exposure) located in the City of Fountain Valley, Orange County, California. The site consists of two parcels of land totalling approximately 3.65 acres and is located in an established, built-out industrial pocket within the southeastern region of the city. The site is located approximately four miles West of the John Wayne Airport.

Fountain Valley is considered an established bedroom community which is characterized by a family-oriented, affluent resident population. The city is located on the fringe of one of the county's major regional employment centers. Most development within the immediate area consists of mid-sized warehouse distribution facilities, garden office buildings, corporate headquarter facilities, small incubator industrial parks and various retail showroom buildings. Fountain Valley encompasses approximately 9.75 square miles and is considered to be in the stable stage of its life cycle with relatively little vacant land parcels available for development. While the population of Fountain

Valley as of 1997 was approximately 55,000 residents, Orange County had a population in excess of 2.6 million. Orange County employs about 10% of the state's workers despite having only about 8% of the state's population.

The Cort Joint Venture will experience competition for its current tenant from owners and managers from various other office and warehouse buildings located in the immediate area of the Cort Furniture Building which could adversely affect the Cort Joint Venture's ability to retain Cort as a tenant, and if necessary in the future, to attract and retain other tenants.

The Cort Furniture Lease. The entire 52,000 rentable square feet of the Cort Furniture Building is currently under a net lease agreement dated October 25, 1988 (The "Cort Furniture Lease") with Cort Furniture Rental Corporation, a New York corporation ("Cort"). Cort uses the Cort Furniture Building as its regional corporate headquarters with an attached clearance showroom and warehouse storage areas. The Cort Furniture Building was originally developed for and occupied by Mary Kay Cosmetics as their regional corporate headquarters. In March 1988, the Cort Furniture Building was leased to Cort. Subsequently, Cort exercised an option to purchase the property in mid-1988. In October 1988, Cort sold the property to Spencer and leased back the property for a 15 year term at an initial lease rate of \$0.914 per square foot per month (on a triple net basis).

The Cort Furniture Lease commenced on November 1, 1988 (the "Rental Commencement Date") and contains a lease term of 15 years expiring on October 31, 2003. Cort has an option to extend the Cort Furniture Lease for an additional five-year period of time. Such option must be exercised by Cort in a written notice delivered to the Cort Joint Venture at least one year prior to the expiration of the then current lease term. In the event that Cort vacates the Cort Furniture Building at the expiration of its current lease term, the Cort Joint Venture would be required to find one or more suitable tenants for the Cort Furniture Building at the then prevailing market rental rates.

Cort is a wholly owned subsidiary of Cort Business Services Corporation, a New York Stock Exchange Company trading under the symbol CBZ ("Cort Business Services"). Cort Business Services is the largest and only national provider of high-quality office and residential rental furniture and related accessories. Cort Business Services has operations that cover 32 states and the District of Columbia, including 109 rental showrooms, 72 clearance centers and 72 distribution centers. The obligations of Cort under the Cort Furniture Lease are guaranteed

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by Cort Business Services, which reported net income of in excess of \$22 million on total consolidated revenue of in excess of \$287 million, and reported a net worth of in excess of \$149 million for its fiscal year ended December 31, 1997.

The monthly base rent payable under the Cort Furniture Lease is \$63,247 through April 30, 2001 at which time the monthly base rent will be increased 10% to \$69,574 for the remainder of the lease term. The monthly base rent during the first year of the extended term shall be 90% of the then fair market rental value of the Cort Furniture Building, but will be no less than the rent in the 15th year of the Cort Furniture Lease. If Cort and the Cort Joint Venture are unable to agree upon a fair rental value for the extended lease term, each party shall select an appraiser and the two appraisers shall provide appraisals on the Cort Furniture Building. If the appraisal values established are within 10% of each other, the average of such appraised value shall be the fair market rental value. If said appraisals are varied by more than 10%, the two appraisers shall appoint a third appraiser and the middle appraisal of the three shall be the fair rental value. Under the Cort Furniture lease, Cort is responsible for all utilities, taxes, insurance and other operating costs with respect to the Cort Furniture Building during the term of the Cort Furniture Lease. The estimated annual real estate taxes on the Cort Furniture Building are \$38,040. The Cort Joint Venture, as landlord, is responsible for the maintenance and repair of the structural portions of the exterior walls and the foundation of the Cort

Furniture Building, but shall not include painting or installing, maintaining or repairing wall or floor coverings.

Under the terms of the Cort Furniture Lease, the Cort Joint Venture is responsible for carrying and maintaining liability insurance covering the leased premises including claims for personal injury, death, property damage and product liability, in single limit amounts of not less than \$1,000,000. The insurance against property damage to the Cort Furniture Building shall be in an amount not less than 100% of the actual replacement value of the building and improvements thereto. The cost of said insurance is billed on a monthly basis to the tenant. Cort is required to maintain property insurance for its personal property on the premises, including all inventory, equipment, fixtures and tenant improvements that have not become a part of the premises, in an amount equal to the full replacement value of such personal property. Pursuant to the terms of the Cort Loan, the Cort Joint Venture is required to carry and maintain earthquake insurance on the Cort Furniture Building for the full replacement value of the building. Management believes that the Cort Furniture Building is adequately insured against loss for property damage, personal injury and deaths of persons in or about the premises.

Property Management Fees

Iomega Building. Wells Management Company, Inc. ("Wells Management"), an Affiliate of the Advisor and the Company, has been retained to manage and lease all of the properties currently owned by the IX-X-XI-REIT Joint Venture, including the Iomega Building. While Wells Fund XI and the Company are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 4.5% of gross revenues, Wells Fund IX and Wells Fund X are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 6% of gross revenues. Since, as of August 1, 1998, Wells Fund IX and Wells Fund X held an aggregate 89.4% ownership percentage interest in the IX-X-XI-REIT Joint Venture, while Wells Fund XI and the Company held an aggregate 10.6% ownership percentage interest in the IX-X-XI-REIT Joint Venture, 89.4% of the gross revenues of the IX-X-XI-REIT Joint Venture are subject to a 6% property management and leasing fee, while 10.6% of the gross revenues of the IX-X-XI-REIT Joint Venture are subject to a 4.5% property management and leasing fee.

Fairchild and Cort Furniture Buildings. Wells Management has also been retained to manage and lease the Fairchild Building and the Cort Furniture Building. The Fremont Joint Venture and the Cort Joint Venture shall each pay 4.5% of gross revenues of these buildings to Wells Management for property management and leasing services.

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Management's Discussion and Analysis of Financial Condition and Results of Operation

The information contained on page 46 in the "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" section of the Prospectus is revised as of the date of this Supplement by the deletion of the first paragraph of that section and the insertion of the following paragraph in lieu thereof:

The Company commenced operations on June 5, 1998, upon the acceptance of subscriptions for the minimum offering of \$1,250,000 (125,000 Shares). As of August 10, 1998, the Company had raised a total of \$5,739,061 in offering proceeds (573,906 Shares). After the payment of \$200,867 in acquisition and advisory fees and acquisition expenses, the payment of \$717,382 in selling commissions and organizational and offering expenses, capital contributions of \$1,421,466 to the IX-X-XI-REIT Joint Venture, capital contributions of \$995,480 to the Fremont Joint Venture and capital contributions of \$168,000 to the Cort Joint Venture, as of August 10, 1998, the Company was holding net offering proceeds of \$2,235,866 available for investment in additional properties.

Financial Statements

The financial statements of the Iomega Building, the Fairchild Building and the Cort Furniture Building for the year ended December 31, 1997, included herein as Appendix I to this Supplement No. 3, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein upon the authority of said firm as experts in giving said reports. The pro forma financial information for Wells Real Estate Investment Trust, Inc. for the year ended December 31, 1997 and for the six month period ended June 30, 1998, and the financial statements of the Iomega Building, the Fairchild Building and the Cort Furniture Building for the six month period ended June 30, 1998, which are included in Appendix I to this Supplement No. 3, have not been audited.

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APPENDIX F

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To Wells Real Estate Fund XI, L.P. and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the IOMEGA BUILDING for the year ended December 31, 1997. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. 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 audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Iomega Building after acquisition by Fund IX, X, XI, and REIT Joint Venture (a joint venture between Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P. and Wells Operating Partnership, L.P.). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Iomega Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Iomega Building for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
August 6, 1998

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	1997	1998
	=====	=====
		(Unaudited)
RENTAL REVENUES	\$552,828	\$276,414
OPERATING EXPENSES, net of reimbursements	(1,426)	9,750
REVENUES OVER CERTAIN OPERATING EXPENSES	----- \$554,254 =====	----- \$266,664 =====

The accompanying notes are an integral part of these statements.

IOMEGA BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On July 1, 1998, Wells Real Estate Fund X, L.P. ("Fund X") contributed a single-story warehouse and office building with 108,000 rentable square feet (the "Iomega Building") to the Fund IX, Fund X, Fund XI, and REIT Joint Venture ("IX-X-XI-REIT Joint Venture") (a Georgia joint venture) as a capital contribution. Fund X was credited with making a capital contribution to the IX-X-XI-REIT Joint Venture in the amount of \$5,050,425, which represents the purchase price of \$5,025,000 plus acquisition expenses of \$25,425 originally paid by Fund X for the Iomega Building on April 1, 1998. As of August 1, 1998, Fund X had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$18,410,965 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 49.9%; Wells Real Estate Fund IX, L.P. had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$14,571,686 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 39.5%; Wells Operating Partnership, L.P. had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$1,421,466 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 3.9%; and Wells Real Estate Fund XI, L.P. had made total capital contributions to the IX-X-XI-REIT Joint Venture of \$2,482,810 and held an equity percentage interest in the IX-X-XI-REIT Joint Venture of 6.7%.

The building is 100% occupied by one tenant with a ten year lease term that expires on July 31, 2006. The monthly base rent payable under the lease is \$40,000 through November 12, 1999. Beginning on the 40th and 80th months of the lease term, the monthly base rent payable under the lease will be increased to reflect an amount equal to 100% of the increase in the Consumer Price Index (as defined in the lease) during the preceding 40 months; provided however, that in no event shall the base rent be increased with respect to any one year by more than 6% or by less than 3% per annum, compounded annually, on a cumulative basis from the beginning of the lease term. The lease is a triple net lease, whereby the terms require the tenant to reimburse the IX-X-XI-REIT Joint Venture for certain operating expenses, as defined in the lease, related to the building.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as depreciation and management fees, not comparable to the operations of the Iomega Building after acquisition by the IX-X-XI REIT Joint Venture.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund XI, L.P. and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the CORT FURNITURE BUILDING for the year ended December 31, 1997. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. 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 audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Cort Furniture Building after acquisition by the Cort Joint Venture (a joint venture between Wells Operating Partnership, L.P. and Wells Development Corporation). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Cort Furniture Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Cort Furniture Building for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
August 6, 1998

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CORT FURNITURE BUILDING
STATEMENTS OF REVENUES OVER CERTAIN
OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

	1997	1998
	=====	=====
		(Unaudited)
RENTAL REVENUES	\$771,618	\$385,809
OPERATING EXPENSES	16,408	4,104
	-----	-----
REVENUES OVER CERTAIN OPERATING EXPENSES	\$755,210	\$381,705
	=====	=====

The accompanying notes are an integral part of these statements.

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CORT FURNITURE BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

The Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc, entered into a Joint Venture Agreement known as Wells/Orange County Associates ("Cort Joint Venture") with Wells Development Corporation. On July 31, 1998, the Cort Joint Venture acquired the Cort Furniture Building, a 52,000-square-foot warehouse and office building located in Fountain Valley, California, for a purchase price of \$6,400,000 plus acquisition expenses of approximately \$150,000. The Cort Joint Venture used the \$1,668,000 aggregate capital contributions described below to partially fund the purchase of the Cort Furniture Building. The Cort Joint Venture obtained a loan in the amount of \$4,875,000 from NationsBank, N.A., the proceeds of which were used to fund the remainder of the cost of the Cort Furniture Building (the "Cort Loan"). The Cort Loan matures on July 31, 1999 (the "Cort Maturity Date"), unless the Cort Joint Venture exercises its option to extend the Cort Maturity Date to January 31, 2000. The interest rate on the Cort Loan is a variable rate per annum equal to the rate appearing on Telerate Page 3750 as the LIBOR Rate for 30-day period plus 220 basis points.

The building is 100% occupied by one tenant with a 15-year lease term that commenced on November 1, 1988 and expires on October 31, 2003. The monthly base rent payable under the lease is \$63,247 through April 30, 2001 at which time the monthly base rent will be increased 10% to \$69,574 for the remainder of the lease term. The lease is a triple net lease, whereby the terms require the tenant to reimburse the Cort Joint Venture for certain operating expenses, as defined in the lease, related to the building.

Acquisition of the Cort Joint Venture Interest

Wells Real Estate Fund XI, L.P. ("Wells Fund XI") entered into a Joint Venture Agreement with Wells Real Estate Fund X, L.P. ("Wells Fund X") known as Fund X and Fund XI Associates ("Fund X-XI Joint Venture") for the

purpose of the acquisition, ownership, leasing, operation, sale and management of real properties, and interests in real properties, including but not limited to, the acquisition of equity interests in the Cort Joint Venture.

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On July 30, 1998, the Fund X-XI Joint Venture entered into an Agreement for the Purchase and Sale of Joint Venture Interest (the "Cort JV Contract") with Wells Development. Pursuant to the Cort JV Contract, the Fund X-XI Joint Venture contracted to acquire Wells Development's interest in the Cort Joint Venture (the "Cort JV Interest") which, at closing, will result in the Fund X-XI Joint Venture becoming a joint venture partner with Wells OP in the ownership of the Cort Furniture Building. Wells Fund X, Wells OP and Wells Development are all affiliates of Wells Fund XI.

At the time of entering into the Cort JV Contract, the Fund X-XI Joint Venture delivered \$1,500,000 to Wells Development as an earnest money deposit (the "Cort Earnest Money"). Wells Fund XI contributed \$750,000 of the Cort Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 31, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%; and Wells Fund X contributed \$750,000 of the Cort Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 31, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%. Wells Development contributed the Cort Earnest Money it received from the Fund X-XI Joint Venture to the Cort Joint Venture as its initial capital contribution, and Wells OP simultaneously contributed \$168,000 to the Cort Joint Venture as its initial capital contribution.

Cash flow distributions allocable by the Cort Joint Venture to Wells Development will be credited as a purchase price adjustment or paid to the Fund X-XI Joint Venture at the closing of the acquisition of the Cort JV Interest from Wells Development since Wells Development is prohibited from making any profit on the transaction during the holding period. The Fund X-XI Joint Venture will have no property rights in the Cort Building prior to closing nor any potential liability on the Cort Loan, which will be paid off prior to closing.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as interest, depreciation, and management fees, not comparable to the operations of the Cort Furniture Building after acquisition by the Cort Joint Venture.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Fund XI, L.P. and
Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating

expenses for the FAIRCHILD BUILDING for the year ended December 31, 1997. This financial statement is the responsibility of management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues over certain operating expenses is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of revenues over certain operating expenses. 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 audit provides a reasonable basis for our opinion.

As described in Note 2, this financial statement excludes certain expenses that would not be comparable with those resulting from the operations of the Fairchild Building after acquisition by the Fremont Joint Venture (a joint venture between Wells Operating Partnership, L.P. and Wells Development Corporation). The accompanying statement of revenues over certain operating expenses was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Fairchild Building's revenues and expenses.

In our opinion, the statement of revenues over certain operating expenses presents fairly, in all material respects, the revenues over certain operating expenses of the Fairchild Building for the year ended December 31, 1997 in conformity with generally accepted accounting principles.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
August 6, 1998

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	1997	1998
	=====	=====
		(Unaudited)
RENTAL REVENUES	\$220,090	\$440,178
OPERATING EXPENSES	67,573	10,420
	-----	-----
REVENUES OVER CERTAIN OPERATING EXPENSES	\$152,517	\$429,758
	=====	=====

The accompanying notes are an integral part of these statements.

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FAIRCHILD BUILDING

NOTES TO STATEMENTS OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1997

AND FOR THE SIX MONTHS ENDED JUNE 30, 1998

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

The Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., entered into a Joint Venture Agreement known as Wells/Fremont Associates ("Fremont Joint Venture") with Wells Development Corporation. On July 21, 1998, the Fremont Joint Venture acquired the Fairchild Building, a 58,424-square-foot warehouse and office building located in Fremont, California, for a purchase price of \$8,900,000 plus acquisition expenses of approximately \$60,000. The Fremont Joint Venture used the \$2,995,480 aggregate capital contributions described below to partially fund the purchase of the Fairchild Building. The Fremont Joint Venture obtained a loan in the amount of \$5,960,000 from NationsBank, N.A., the proceeds of which were used to fund the remainder of the cost of the Fairchild Building (the "Fairchild Loan"). The Fairchild Loan matures on July 21, 1999 (the "Fairchild Maturity Date"), unless the Fremont Joint Venture exercises its option to extend the Fairchild Maturity Date to January 21, 2000. The interest rate on the Fairchild Loan is a variable rate per annum equal to the rate appearing on Telerate Page 3750 as the LIBOR Rate for a 30-day period plus 220 basis points.

The building is 100% occupied by one tenant with a seven-year lease term that commenced on December 1, 1997 (with an early possession date of October 1, 1997) and expires on November 30, 2004. The monthly base rent payable under the lease is \$68,128 with a 3% increase on each anniversary of the commencement date. The lease is a triple net lease, whereby the terms require the tenant to reimburse Wells/Fremont for certain operating expenses, as defined in the lease, related to the building. Prior to October 1, 1997, the building was unoccupied and all operating expenses were paid by the former owner of the Fairchild Building.

Acquisition of the Fremont Joint Venture Interest

Wells Real Estate Fund XI, L.P. ("Wells Fund XI") entered into a Joint Venture Agreement with Wells Real Estate Fund X, L.P. ("Wells Fund X") known as Fund X and Fund XI Associates ("Fund X-XI Joint Venture") for the purpose of the acquisition, ownership, leasing, operation, sale and management of real properties, and interests in real properties,

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including but not limited to, the acquisition of equity interests in the Fremont Joint Venture.

On July 17, 1998, the Fund X-XI Joint Venture entered into an Agreement for the Purchase and Sale of Joint Venture Interest (the "Fremont JV Contract") with Wells Development. Pursuant to the Fremont JV Contract, the Fund X-XI Joint Venture contracted to acquire Wells Development's interest in the Fremont Joint Venture (the "Fremont JV Interest") which, at closing, will result in the Fund X-XI Joint Venture becoming a joint venture partner with Wells OP in the ownership of the Fairchild Building. Wells Fund X, Wells OP and Wells Development are all affiliates of Wells Fund XI.

At the time of the entering into the Fremont JV Contract, the Fund X-XI Joint Venture delivered \$2,000,000 to Wells Development as an earnest money deposit (the "Fremont Earnest Money"). Wells Fund XI contributed \$1,000,000 of the Fremont Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 21, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%; and Wells Fund X contributed \$1,000,000 of the Fremont Earnest Money as a capital contribution to the Fund X-XI Joint Venture and, as of July 21, 1998, held an equity percentage interest in the Fund X-XI Joint Venture of 50%. Wells Development contributed the Fremont Earnest Money it received from the Fund X-XI Joint Venture to the Fremont Joint Venture as its initial capital contribution, and Wells OP simultaneously contributed \$995,480 to the Fremont Joint Venture as its initial capital contribution.

Cash flow distributions allocable by the Fremont Joint Venture to Wells Development will be credited as a purchase price adjustment or paid to the Fund X-XI Joint Venture at the closing of the acquisition of the Fremont JV Interest from Wells Development since Wells Development is prohibited from making any profit on the transaction during the holding period. The Fund X-XI Joint Venture will have no property rights in the Fairchild Building prior to closing nor any potential liability on the Fairchild Loan, which will be paid off prior to closing.

Rental Revenues

Rental income from the lease is recognized on a straight-line basis over the life of the lease.

2. BASIS OF ACCOUNTING

The accompanying statement of revenues over certain operating expenses is presented on the accrual basis. This statement has been prepared in accordance with the applicable rules and regulations of the Securities and Exchange Commission for real estate properties acquired. Accordingly, the statement excludes certain historical expenses, such as interest, depreciation, and management fees, not comparable to the operations of the Fairchild Building after acquisition by Wells/Fremont.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

(Unaudited Pro Forma Financial Statements)

The following unaudited pro forma balance sheet as of June 30, 1998 and the pro forma statements of (loss) income for the year ended December 31, 1997 and six months ended June 30, 1998 have been prepared to give effect to the following transaction as if each occurred as of June 30, 1998 with respect to the balance sheet and on January 1, 1997 with respect to the statements of (loss) income : (i) Wells Real Estate Investment Trust, Inc.'s adjusted equity interest in the Fund IX, Fund X, Fund XI, and REIT Joint Venture ("Joint Venture") (a joint venture between Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P., and Wells Operating Partnership, L.P. and formerly Fund IX--Fund X Associates) after giving effect to the Joint Venture's acquisition of the Lucent Building and the contribution by Wells Real Estate Fund X, L.P. of the Iomega Building to the Joint Venture; (ii) the acquisition of the Cort Furniture Building by Wells/Orange County Associates (a joint venture between Wells Operating Partnership, L.P. and Wells Development Corporation), and (iii) the acquisition of the Fairchild Building by Wells/Fremont Associates (a joint venture between Wells Operating Partnership, L.P. and Wells Development Corporation).

These unaudited pro forma financial statements are prepared for informational purposes only and are not necessarily indicative of future results or of actual

results that would have been achieved had the acquisition been consummated at the beginning of the period presented.

The pro forma financial statements are based on available information and certain assumptions that management believes are reasonable. Final adjustments may differ from the pro forma adjustments herein.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA BALANCE SHEET

JUNE 30, 1998

(Unaudited)

	Wells Real Estate Investment Trust, Inc. -----	Pro Forma Adjustments		Pro Forma Total -----
		Fairchild Building -----	Cort Furniture Building -----	
ASSETS:				
Investment in joint venture	\$ 1,472,065	\$ 1,039,082 (a)	\$ 175,001 (d)	\$ 2,686,148
Cash and cash equivalents	1,112,656	(995,480) (b)	(117,176) (e)	0
Deferred project costs	34,651	(34,651) (c)	0	0
Deferred offering costs	604,201	0	0	604,201
Due from affiliates	15,307	0	0	15,307
Prepared expenses and other assets	10,000	0	0	10,000
Total assets	3,248,880	8,951	57,825	3,315,656
LIABILITIES:				
Sales commission payable	33,675	0	0	33,675
Due to affiliate	655,160	8,951 (c)	57,825 (e, f)	721,936
Total liabilities	688,835	8,951	57,825	755,611
MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP				
	200,000	0	0	200,000
SHAREHOLDERS' EQUITY:				
Common shares, \$.01 par value; 40,000,000 shares authorized, 268,459 shares issued and outstanding	2,685	0	0	2,685
Additional paid-in capital	2,346,461	0	0	2,346,461
Retained earnings	10,899	0	0	10,899
Total shareholder's equity	2,360,045	0	0	2,360,045
Total liabilities and shareholder's equity	\$ 3,248,880	\$ 8,951	\$ 57,825	\$ 3,315,656

- (a) Reflects Wells Operating Partnership, L.P.'s contribution to Wells/Fremont Associates.
- (b) Reflects Wells Operating Partnership, L.P.'s portion of the \$8,900,000 purchase price related to the Fairchild Building.
- (c) Reflects deferred project costs allocated to Wells Operating Partnership, L.P.'s investment in Wells/Fremont Associates
- (d) Reflects Wells Operating Partnership, L.P.'s contribution to Wells/Orange County Associates.
- (e) Reflects Wells Operating Partnership, L.P.'s portion of the \$6,400,000 purchase price related to the Cort Furniture Building.
- (f) Reflects deferred project costs allocated to Wells Operating Partnership, L.P.'s investment in Wells/Orange County Associates.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 1997

(Unaudited)

	Wells Real Estate Investment Trust, Inc. =====	Pro Forma Adjustments			Pro Forma Total =====
		Fund IX, Fund X, Fund XI and REIT Joint Venture =====	Fairchild Building =====	Cort Furniture Building =====	
REVENUES:					
Equity in income (loss) of joint venture	\$0	\$ 12,341 (a)	\$(203,458) (b)	\$ 18,252 (c)	\$(172,865)
EXPENSES	0	0	0	0	0
NET INCOME (LOSS)	=====	=====	=====	=====	=====
	\$0	\$ 12,341	\$(203,458)	\$ 18,252	\$(172,865)
INCOME (LOSS) PER SHARE (basic and diluted)	=====	=====	=====	=====	=====
	\$0	\$ 123.41	\$(2,034.58)	\$ 182.52	\$(1,728.65)

- (a) Reflects Wells Operating Partnership, L.P.'s 3.9% equity in earnings of Fund IX, Fund X, Fund XI, and REIT Joint Venture which totaled \$316,445 after giving effect to the contribution by Wells Real Estate Fund X of the Iomega Building to the Joint Venture. The pro forma adjustments result from rental revenues less operating expenses, management fees, and depreciation expense.
- (b) Reflects Wells Operating Partnership, L.P.'s 33.3% equity in net loss of Wells/Fremont Associates which totaled \$610,374. The pro forma adjustments result from rental revenues less operating expenses, management fees, depreciation, and interest expense.
- (c) Reflects Wells Operating Partnership, L.P.'s 10% equity in earnings of Wells/Orange County Associates which totaled \$182,520. The pro forma adjustments result from rental revenues less operating expenses, management fees, depreciation, and interest expense.

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WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 1998

(Unaudited)

	Wells Real Estate Investment Trust, Inc. =====	Pro Forma Adjustments			Pro Forma Total =====
		Fund IX, Fund X, Fund XI, and REIT Joint Venture =====	Fairchild Building =====	Cort Furniture Building =====	
REVENUES:					
Equity in income of joint ventures	\$ 6,631	\$33,348 (a)	\$12,201 (b)	\$9,848 (c)	\$62,028

Interest income	4,286	0	0	0	4,286
	-----	-----	-----	-----	-----
	10,917	33,348	12,201	9,848	66,314
EXPENSES:					
Office expense	18	0	0	0	18
	-----	-----	-----	-----	-----
NET INCOME	\$10,899	\$33,348	\$12,201	\$9,848	\$66,296
	=====	=====	=====	=====	=====
EARNINGS PER SHARE (basic and diluted)	\$0.04	\$0.12	\$0.05	\$0.04	\$0.25
	=====	=====	=====	=====	=====

- (a) Reflects Wells Operating Partnership, L.P.'s 3.9% equity in earnings of Fund IX, Fund X, Fund XI, and REIT Joint Venture which totaled \$855,066 after giving effect to the Joint Venture's acquisition of the Lucent Building and the contribution by Wells Real Estate Fund X of the Iomega Building to the Joint Venture.. The pro forma adjustments result from rental revenues less operating expenses, management fees, depreciation, and amortization.
- (b) Reflects Wells Operating Partnership, L.P.'s 33.3% equity in earnings of Wells/Fremont Associates which totaled \$36,606. The pro forma adjustments result from rental revenues less operating expenses, management fees, depreciation, and interest expense.
- (c) Reflects Wells Operating Partnership, L.P.'s 10% equity in earnings of Wells/Orange County Associates which totaled \$98,480. The pro forma adjustments result from rental revenues less operating expenses, management fees, depreciation, and interest expense.

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PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Items 31 through 35 and Item 37 of Part II are incorporated by reference to the Registrant's Registration Statement, as amended to date, Commission File No. 333-32099.

Item 36 Financial Statements and Exhibits.

- (a) Financial Statements:

The following financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and are included in the Prospectus:

Audited Balance Sheet

- (1) Report of Independent Public Accountants,
- (2) Consolidated Balance Sheet as of December 31, 1997, and
- (3) Notes to Consolidated Balance Sheet.

The following financial statements of Fund IX and X Associates are filed as part of this Registration Statement and are included in Supplement No. 2 to the Prospectus:

Financial Statements

- (1) Report of Independent Public Accountants,
- (2) Balance Sheets as of March 31, 1998 (Unaudited) and December 31, 1997 (Audited),

- (3) Statements of Income (Loss) for the three months ended March 31, 1998 (Unaudited) and the Period from Inception (March 20, 1997) to December 31, 1997 (Audited),
- (4) Statements of Partners' Capital for the three months ended March 31, 1998 (Unaudited) and the Period from Inception (March 20, 1997) to December 31, 1997 (Audited),
- (5) Statements of Cash Flows for the three months ended March 31, 1998 (Unaudited) and the Period from Inception (March 20, 1997) to December 31, 1997 (Audited), and
- (6) Notes to Financial Statements.

The following financial statements relating to the acquisition of the Lucent Building by the Joint Venture are filed as part of this Registration Statement and included in Supplement No. 2 to the Prospectus:

Audited Statement of Revenues Over Operating Expenses

- (1) Report of Independent Public Accountants,
- (2) Statement of Revenues Over Operating Expenses for the three months ended March 31, 1998, and
- (3) Notes to Statement of Revenues Over Operating Expenses for the three months ended March 31, 1998.

The following unaudited pro forma financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and are included in Supplement No. 2 to the Prospectus:

Unaudited Pro Forma Financial Statements

- (1) Summary of Unaudited Pro Forma Financial Statements,
- (2) Pro Forma Balance Sheet as of March 31, 1998,

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- (3) Pro Forma Statement of Loss for the year ended December 31, 1997, and
- (4) Pro Forma Statement of Income for the three months ended March 31, 1998.

The following financial statements relating to the acquisition of the Iomega Building by the IX-X-XI-REIT Joint Venture are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

Statement of Revenues Over Operating Expenses

- (1) Report of Independent Public Accountants,
- (2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited), and
- (3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited).

The following financial statements relating to the acquisition of the Cort Furniture Building by the Cort Joint Venture are filed as part of this Registration Statement and included in

Supplement No. 3 to the Prospectus:

Statement of Revenues Over Operating Expenses

- (1) Report of Independent Public Accountants,
- (2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited), and
- (3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited).

The following financial statements relating to the acquisition of the Fairchild Building by the Fremont Joint Venture are filed as part of this Registration Statement and included in Supplement No. 3 to the Prospectus:

Statement of Revenues Over Operating Expenses

- (1) Report of Independent Public Accountants,
- (2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited), and
- (3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1997 (Audited) and for the six months ended June 30, 1998 (Unaudited).

The following unaudited pro forma financial statements of Wells Real Estate Investment Trust, Inc. are filed as part of this Registration Statement and are included in Supplement No. 3 to the Prospectus:

Unaudited Pro Forma Financial Statements

- (1) Summary of Unaudited Pro Forma Financial Statements,
- (2) Pro Forma Balance Sheet as of June 30, 1998,
- (3) Pro Forma Statement of Income (Loss) for the year ended December 31, 1997, and
- (4) Pro Forma Statement of Income for the six months ended June 30, 1998.

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(b) Exhibits (See Exhibit Index):

Exhibit No.	Description
- - - - -	- - - - -
1.1	Form of Dealer Manager Agreement between the Registrant and Wells Investment Securities, Inc. (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
3.1	Form of Amended and Restated Articles of Incorporation of the Registrant (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
3.2	Bylaws of the Registrant (previously filed and incorporated by reference to the Registrant's Registration Statement on Form

S-11, as amended to date, Commission File No. 333-32099)

- 4.1 Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit B to Prospectus)
- 4.2 Form of Dividend Reinvestment Plan (included as Exhibit C to Prospectus)
- 5.1 Form of Opinion of Hunton & Williams (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 8.1 Form of Opinion of Hunton & Williams as to Tax Matters (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.1 Form of Agreement of Limited Partnership of Wells Operating Partnership, L.P. (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.2 Form of Escrow Agreement (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.3 Form of Advisory Agreement (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.3(a) First Amendment to Advisory Agreement dated June 1, 1998 (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.4 Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (the "IX-X-XI-REIT Joint Venture") dated June 11, 1998 (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.5 Lease Agreement for the ABB Building dated December 10, 1996 between the IX-X-XI-REIT Joint Venture (as successor in interest by assignment) and ABB Flakt, Inc. (previously filed as Exhibit 10(kk) and incorporated by reference to the Registration Statement on Form S-11 of Wells Real Estate Fund VIII, L.P. and Wells Real Estate Fund IX, L.P., as amended, Commission File No. 33-83852)
- 10.6 Agreement for the Purchase and Sale of Real Property relating to the Ohmeda Building dated November 14, 1997 between Lincor Centennial, Ltd. and Wells Real Estate Fund X, L.P. (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.7 Agreement for the Purchase and Sale of Property relating to the Interlocken Building dated February 11, 1998 between Orix Prime West Broomfield Venture and Wells Development Corporation (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)

- 10.8 Agreement for the Purchase and Sale of Real Property relating to the Lucent Building dated May 30, 1997 between Wells Development Corporation and the IX-X-XI-REIT Joint Venture (previously filed as Exhibit 10(k) and incorporated by reference to the Registration Statement on Form S-11 of Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P., as amended to date, Commission File No. 333-7979)
- 10.8(a) First Amendment to the Agreement for the Purchase and Sale of Real Property relating to the Lucent Building dated April 21, 1998 between Wells Development Corporation and the IX-X-XI-REIT Joint Venture (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
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- 10.10 Net Lease Agreement for the Lucent Building dated May 30, 1997 between the IX-X-XI-REIT Joint Venture (as successor in interest by assignment) and Lucent Technologies, Inc. (previously filed as Exhibit 10(l) and incorporated by reference to the Registration Statement on Form S-11 of Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P., as amended to date, Commission File No. 333-7979)
- 10.10(a) First Amendment to Net Lease Agreement for the Lucent Building dated March 30, 1998 between the IX-X-XI-REIT Joint Venture (as successor in interest by assignment) and Lucent Technologies, Inc. (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
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- 10.12 Lease Agreement for the Iomega Building dated April 9, 1996 between the IX-X-XI-REIT Joint Venture (as successor in interest by assignment) and Iomega Corporation, filed herewith
- 10.13 Agreement for the Purchase and Sale of Property relating to the Fairchild Building dated June 8, 1998 between the Fremont Joint Venture (as successor in interest by assignment) and Rose Ventures V, Inc., Thomas G. Haury and Carleen S. Haury, filed herewith
- 10.14 Restatement of and First Amendment to Agreement for the Purchase and Sale of Property relating to the Fairchild Building dated July 1, 1998 between the Fremont Joint Venture (as successor in interest by assignment) and Rose Ventures V, Inc., Thomas G. Haury and Carleen S. Haury, filed herewith
- 10.15 Promissory Note for \$5,960,000 from the Fremont Joint Venture to NationsBank, N.A. relating to the Fairchild Building dated July 16, 1998, filed herewith

- 10.16 Deed of Trust securing the Fairchild Building dated July 16, 1998 between the Fremont Joint Venture and NationsBank, N.A., filed herewith
- 10.17 Joint Venture Agreement of Wells/Fremont Associates (the "Fremont Joint Venture") dated July 15, 1998 between Wells Development Corporation and Wells Operating Partnership, L.P., filed herewith
- 10.18 Joint Venture Agreement of Fund X and Fund XI Associates (the "Fund X-XI Joint Venture") dated July 15, 1998 between the Registrant and Wells Real Estate Fund X, L.P., filed herewith
- 10.19 Agreement for the Purchase and Sale of Joint Venture Interest relating to the Fremont Joint Venture dated July 17, 1998 between Wells Development Corporation and the Fund X-XI Joint Venture, filed herewith
- 10.20 Lease Agreement for the Fairchild Building dated September 19, 1997 between the Fremont Joint Venture (as successor in interest by assignment) and Fairchild Technologies USA, Inc., filed herewith
- 10.21 Purchase and Sale Agreement and Joint Escrow Instructions relating to the Cort Furniture Building dated June 12, 1998 between the Cort Joint Venture (as successor in interest by assignment) and Spencer Fountain Valley Holdings, Inc., filed herewith
- 10.22 First Amendment to Purchase and Sale Agreement and Joint Escrow Instructions relating to the Cort Furniture Building dated July 16, 1998 between the Cort Joint Venture (as successor in interest by assignment) and Spencer Fountain Valley Holdings, Inc., filed herewith
- 10.23 Promissory Note for \$4,875,000 from the Cort Joint Venture to NationsBank, N.A. relating to the Cort Furniture Building dated July 30, 1998, filed herewith
- 10.24 Deed of Trust securing the Cort Furniture Building dated July 30, 1998 between the Fremont Joint Venture and NationsBank, N.A., filed herewith
- 10.25 Joint Venture Agreement of Wells/Orange County Associates (the "Cort Joint Venture") dated July 27, 1998 between Wells Development Corporation and Wells Operating Partnership, L.P., filed herewith
- 10.26 Agreement for the Purchase and Sale of Joint Venture Interest relating to the Cort Joint Venture dated July 30, 1998 between Wells Development Corporation and the Fund X-XI Joint Venture, filed herewith
- 23.1 Consent of Hunton & Williams (included in Exhibits 5.1 and 8.1)
- 23.2 Consent of Arthur Andersen LLP, filed herewith
- 24.1 Power of Attorney , filed herewith

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies that it has reasonable grounds to believe that it meets all the

EXHIBIT INDEX

Sequential Exhibit No. -----	Description -----
1.1	Form of Dealer Manager Agreement between the Registrant and Wells Investment Securities, Inc. (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
3.1	Form of Amended and Restated Articles of Incorporation of the Registrant (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
3.2	Bylaws of the Registrant (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
4.1	Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit B to Prospectus)
4.2	Form of Dividend Reinvestment Plan (included as Exhibit C to Prospectus)
5.1	Form of Opinion of Hunton & Williams (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333- 32099)
8.1	Form of Opinion of Hunton & Williams as to Tax Matters (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
10.1	Form of Agreement of Limited Partnership of Wells Operating Partnership, L.P. (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
10.2	Form of Escrow Agreement (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
10.3	Form of Advisory Agreement (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
10.3(a)	First Amendment to Advisory Agreement dated June 1, 1998 (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
10.4	Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (the "IX-X-XI-REIT Joint Venture") dated June 11, 1998 (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
10.5	Lease Agreement for the ABB Building dated December 10, 1996 between the IX-X-XI-REIT Joint Venture (as successor in interest by assignment) and ABB Flakt, Inc. (previously filed as Exhibit 10(kk) and incorporated by reference to the Registration Statement on Form S-11 of Wells Real Estate Fund VIII, L.P. and Wells Real Estate Fund IX, L.P., as amended,

- 10.6 Agreement for the Purchase and Sale of Real Property relating to the Ohmeda Building dated November 14, 1997 between Lincor Centennial, Ltd. and Wells Real Estate Fund X, L.P. (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.7 Agreement for the Purchase and Sale of Property relating to the Interlocken Building dated February 11, 1998 between Orix Prime West Broomfield Venture and Wells Development Corporation (previously filed and incorporated by reference to the Registrant's Registration Statement on Form S-11, as amended to date, Commission File No. 333-32099)
- 10.8 Agreement for the Purchase and Sale of Real Property relating to the Lucent Building dated May 30, 1997 between Wells Development Corporation and the IX-X-XI-REIT Joint Venture (previously filed as Exhibit 10(k) and incorporated by reference to the Registration Statement on Form S-11 of Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P., as amended to date, Commission File No. 333-7979)
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8.1)

23.2 Consent of Arthur Andersen LLP, filed herewith

24.1 Power of Attorney, filed herewith

EXHIBIT 10.11

PURCHASE AND SALE AGREEMENT
BETWEEN THE IX-X-XI-REIT JOINT VENTURE

AND

SCI DEVELOPMENT SERVICES INCORPORATED

PURCHASE AND SALE AGREEMENT
Ogden Distribution Center (Iomega Building)

ARTICLE 1: PROPERTY/PURCHASE PRICE

1.1 Certain Basic Terms.

(a) Purchaser and Notice Address:

WELLS DEVELOPMENT CORPORATION, a Georgia
corporation
Attn: Michael C. Berndt
3885 Holcomb Bridge Road
Norcross, Georgia 30092
Telephone: 800-448-1010
Facsimile: 770-840-7224

With a copy to: O'Callaghan & Stumm, LLP
Attn: William L. O'Callaghan, Jr.
127 Peachtree Street, N.E., Suite 1330
Atlanta, Georgia 30303
Telephone: 404/522-2002
Facsimile: 404/522-3080

(b) Seller and Notice Address:

SCI Development Services Incorporated, a
Delaware corporation
Attn: Mark Degner
14100 East 35th Place
Aurora, Colorado 80011
Telephone: 303/576-2621
Facsimile: 303/576-2602

With a copy to: Mayer, Brown & Platt
Attn: George Ruhlen
141 East Palace Avenue
Santa Fe, New Mexico 87501
Telephone: 505/820-8185
Facsimile: 505/820-7334

- (c) Date of this Agreement: The date of execution by Seller or Purchaser, as indicated on the signature page.
- (d) Purchase Price: \$5,025,000
- (e) Earnest Money: \$50,000, including interest thereon.
- (f) Due Diligence Period: The period ending 45 days after the date of this Agreement.
- (g) Closing Date: The later of April 1, 1998 and the date which is 3 days after the end of the Due Diligence Period.

- (h) Title Company: Chicago Title Insurance Company Attn: Frank Jansen
700 South Flower Street, Suite 920 Los Angeles,
California 90017 Telephone: 213/488-4346
Facsimile: 213/891-0834
- (i) Escrow Agent: Founders Title
1133 North Main Street
Layton, Utah 84041
Attn: Jim Morris
Telephone: 801/546-0606
Facsimile: 801/546-0635
- (j) Broker: The Royston Group

1.2 Property. Subject to the terms of this Purchase and Sale Agreement (the "Agreement"), Seller agrees to sell to Purchaser, and Purchaser agrees to purchase from Seller, the following property (the "Property"):

(a) The real property described in Exhibit A, together with the buildings and improvements thereon (the "Improvements"), and all appurtenances of the above-described real property, including easements or rights-of-way relating thereto, and, without warranty, all right, title, and interest, if any, of Seller in and to the land lying within any street or roadway adjoining the real property described above or any vacated or hereafter vacated street or alley adjoining said real property.

(b) All of Seller's right, title and interest, in and to all fixtures, furniture, equipment, and other tangible personal property, if any, owned by Seller (the "Personal Property") presently located on such property, but specifically excluding any items of personal property owned by tenants.

(c) All of Seller's interest, as landlord, in the "Lease," being all leases of the Improvements, and all leases which may be made by Seller after the date hereof and before Closing as permitted by this Agreement, including all amendments thereto.

(d) All of Seller's right, title and interest, if any, in and to all of the following items, to the extent assignable and without warranty (the "Intangible Personal Property"): (A) licenses, and permits relating to the operation of the Property, (B) the right to use the name of the property (if any) in connection with the Property, but specifically excluding any trademarks, service marks and trade names of Seller and with reservation by Seller to use such name in connection with other property owned by Seller in the vicinity of the Property, and (C) if still in effect, guaranties and warranties received by Seller from any contractor, manufacturer or other person in connection with the construction or operation of the Property.

1.3 Earnest Money. The Earnest Money, in immediately available federal funds, evidencing Purchaser's good faith to perform Purchaser's obligations under this Agreement, shall be deposited by Purchaser with the Escrow Agent not later than the second business day after the execution of this Agreement. In the event that Purchaser fails to timely deposit the Earnest Money with the Escrow Agent, this Agreement shall be of no force and effect. The Escrow Agent shall pay the Earnest Money to Seller at and upon the Closing, or otherwise, to the party entitled to receive the Earnest Money in accordance Article 9.

ARTICLE 2: INSPECTIONS

2.1 Property Information. Seller shall provide copies to Purchaser, within 5 days after the date of this Agreement, to the extent in Seller's possession, the following ("Property Information"):

- (a) the Lease including all amendments;

(b) 1996, 1997 and year to date operating statements (the "Operating Statements");

(c) a list and copies of any management, service or maintenance agreements, if any, relating to the Property ("Service Contracts");

(d) any existing title reports, tax bills and land title survey of the Property; and

(e) any environmental, architectural and engineering reports prepared for Seller and, to Seller's knowledge, in its possession in connection with Seller's purchase, ownership or management of the Property.

Except as otherwise expressly provided herein, Seller makes no representations or warranties as to the accuracy or completeness of the Property Information.

2.2 Tenant Estoppel. Seller shall endeavor to secure and deliver to Purchaser by the Closing Date an estoppel certificate for the Lease substantially in the form attached hereto as Exhibit B. Purchaser may terminate this Agreement if by the Closing Date Seller has not delivered such estoppel; provided, however, Purchaser may not terminate this Agreement on the basis that paragraphs (j), (k) and/or (l) as set forth in Exhibit B are deleted from the estoppel certificate delivered to Seller.

2.3 Confidentiality. The Property Information and all other information, other than matters of public record, furnished to, or obtained through inspection of the Property by, Purchaser, its affiliates, lenders, employees or agents relating to the Property, will be treated by Purchaser, its affiliates, lenders, employees and agents as confidential, and will not be disclosed other than on a need-to-know basis to Purchaser's consultants who agree to maintain the confidentiality of such information, and will be returned to Seller by Purchaser if the Closing does not occur.

2.4 Inspections in General. During the Due Diligence Period, Purchaser, its agents, and employees shall have the right to enter upon the Property for the purpose of making non-invasive inspections at Purchaser's sole risk, cost and expense. Before any such entry, Purchaser shall provide Seller with a certificate of insurance reasonably satisfactory to Seller. All of such entries upon the Property shall be at reasonable times during normal business hours and after at least 24 hours prior notice to Seller or Seller's agent, and Seller or Seller's agent shall have the right to accompany Purchaser during any activities performed by Purchaser on the Property. Purchaser shall not disturb the tenants on the Property, and Purchaser's inspection shall be subject to the rights of tenants under their Lease. At Seller's request, Purchaser shall provide Seller with a copy of the results of any tests and inspections made by Purchaser, excluding only market and economic feasibility studies. If any inspection or test disturbs the Property, Purchaser will restore the Property to the same condition as existed before the inspection or test. Purchaser shall defend, indemnify Seller and hold Seller, Seller's trustees, officers, tenants, agents, contractors and employees and the Property harmless from and against any and all losses, costs, damages, claims, or liabilities, including but not limited to, mechanic's and materialmen's liens and Seller's attorneys' fees, arising out of or in connection with Purchaser's inspection of the Property as allowed herein.

2.5 Environmental Inspections. The inspections under Paragraph 2.4 may include a non-invasive Phase I environmental inspection of the Property, but no Phase II environmental inspection or other invasive inspection or sampling of soil or materials, including without limitation construction materials, either as part of the Phase I inspection or any other inspection, shall be performed without the prior written consent of Seller, which may be withheld in its sole and absolute discretion, and if consented to by Seller, the proposed scope of work and the party who will perform the work shall be subject to Seller's review and approval. Purchaser shall deliver to Seller copies of any Phase II or other environmental report to which Seller consents as provided above.

2.6 Termination During Due Diligence Period. If Purchaser determines, in

its sole discretion, before the expiration of the Due Diligence Period that the Property is unacceptable for Purchaser's purposes, Purchaser

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shall have the right to terminate this Agreement by giving to Seller notice of termination before the expiration of the Due Diligence Period, returning the Property Information to Seller, and delivering to Seller a certified statement that all work which could give rise to a claim against the Property has been paid in full. Upon such deliveries, and provided Purchaser is not in default hereunder, Seller shall authorize the Escrow Agent to refund the Earnest Money to Purchaser, and neither party shall have any further rights or liabilities hereunder except for those provisions which survive the termination of this Agreement. Return of the Property Information and repair of any damage to the Property caused by Seller, its agents, contractors or employees shall be a condition precedent to the return of the Earnest Money pursuant to any provision of this Agreement providing for a return of the Earnest Money.

2.7 Purchaser's Reliance on its Investigations. To the maximum extent permitted by applicable law and except for Seller's representations and warranties in Paragraph 6.5 and 7.1 and the warranties of title in the Deed and Assignment of Lease and Contracts and Bill of Sale delivered at the Closing ("Seller's Warranties"), this sale is made and will be made without representation, covenant, or warranty of any kind (whether express, implied, or, to the maximum extent permitted by applicable law, statutory) by Seller. As a material part of the consideration for this Agreement, PURCHASER AGREES TO ACCEPT THE PROPERTY ON AN "AS IS" AND "WHERE IS" BASIS, WITH ALL FAULTS, AND WITHOUT ANY REPRESENTATION OR WARRANTY, ALL OF WHICH SELLER HEREBY DISCLAIMS, EXCEPT FOR THE SELLER'S WARRANTIES. EXCEPT FOR SELLER'S WARRANTIES, NO WARRANTY OR REPRESENTATION IS MADE BY SELLER AS TO (A) FITNESS FOR ANY PARTICULAR PURPOSE, (B) MERCHANTABILITY, (C) DESIGN, (D) QUALITY, (E) CONDITION, (F) OPERATION OR INCOME, (G) COMPLIANCE WITH DRAWINGS OR SPECIFICATIONS, (H) ABSENCE OF DEFECTS, (I) ABSENCE OF HAZARDOUS OR TOXIC SUBSTANCES, (J) ABSENCE OF FAULTS, (K) FLOODING, OR (L) COMPLIANCE WITH LAWS AND REGULATIONS INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO HEALTH, SAFETY, AND THE ENVIRONMENT. Purchaser acknowledges that Purchaser has entered into this Agreement with the intention of making and relying upon its own investigation of the physical, environmental, economic use, compliance, and legal condition of the Property and that except for Seller's warranties Purchaser is not now relying, and will not later rely, upon any representations and warranties made by Seller or anyone acting or claiming to act, by, through or under or on Seller's behalf concerning the Property. The provisions of this Paragraph 2.7 shall survive indefinitely any Closing or termination of this Agreement and shall not be merged into the Closing documents.

ARTICLE 3: TITLE AND SURVEY REVIEW

3.1 Delivery of Title Report. Within 15 days of the date hereof, Seller shall cause to be delivered to Purchaser a preliminary report or title commitment issued by the Title Company (the "Title Report"), covering the Property, together with copies of all documents referenced in the Title Report. Purchaser, at its option and expense, may obtain a survey (the "Survey") of the Property.

3.2 Title Review and Cure. Purchaser shall notify Seller in writing of any title objections no later than 30 days after the date of this Agreement. Failure timely to provide such a notice of objections shall constitute an approval by Purchaser of all matters disclosed in the Title Report and any matters that would have been disclosed by an accurate survey of the Property. Seller shall have no obligation to cure any title objections except financings created by Seller and/or mechanics' liens created under contracts with Seller, which liens Seller shall cause to be released at the Closing. Seller may, but shall not be obligated to, attempt to cure by the Closing Date any title objections noted by Purchaser. If Seller elects not to cure any title objection, or fails to cure any title objection by the Closing Date, then Purchaser shall either (i) terminate this Agreement by written notice to Seller given on or before 10 days

after receipt of any notice by Seller that it elects not to cure or cannot cure any title objections, or, if earlier, the Closing Date, and the Earnest Money shall be refunded to Purchaser, or (ii) waive such title objections, in which event the Closing shall occur and Purchaser shall accept title to the Property subject to such title condition, subject to Seller's foregoing obligation to cause its financing and mechanics' liens to be released. Failure to so terminate shall constitute waiver of title objections other than the aforesaid financing and mechanics liens.

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3.3 Title Policy. At Closing, as a condition to Purchaser's obligation to close, the Title Company shall deliver to Purchaser an Owner's Policy of Title Insurance (the "Title Policy"), issued by the Title Company, dated the date and time of recording of the Deed in the amount of the Purchase Price, insuring Purchaser as owner of fee simple title to the Property, in such form as permitted by, and subject to such exceptions as set forth in, the most current Title Report as of the expiration of the Due Diligence Period and without exception for any Seller financings or mechanics' liens. The Title Policy may be delivered after Closing if that is customary in the locality and the Title Company has provided a pro-forma policy or marked its commitment in accordance with the above requirements.

ARTICLE 4: OPERATIONS AND RISK OF LOSS

4.1 Ongoing Operations. During the pendency of this Agreement, Seller shall carry on its business and activities relating to the Property substantially in the same manner as it did before the date of this Agreement.

4.2 Performance under Lease and Service Contracts. During the pendency of this Agreement, Seller will perform its material obligations under the Lease and Service Contracts and other agreements that may affect the Property.

4.3 New Contracts. During the pendency of this Agreement, Seller will not enter into any contract that will be an obligation affecting the Property subsequent to the Closing, except contracts entered into in the ordinary course of business that are terminable without cause on 30-days' notice, without the prior consent of the Purchaser, which shall not be unreasonably withheld or delayed.

4.4 Damage or Condemnation. Risk of loss resulting from any condemnation or eminent domain proceeding which is commenced or has been threatened before the Closing, and risk of loss to the Property due to fire, flood or any other cause before the Closing, shall remain with Seller. If before the Closing the Property or any portion thereof shall be materially damaged, or if the Property or any portion thereof shall be subjected to a bona fide threat of condemnation or shall become the subject of any proceedings, judicial, administrative or otherwise, with respect to the taking by eminent domain or condemnation, then Purchaser may terminate this Agreement by written notice to Seller given within 5 days after Purchaser learns of the damage or taking, in which event the Earnest Money shall be returned to Purchaser. If the Closing Date is within the aforesaid 5-day period, then Closing shall be extended to the next business day following the end of said 5-day period. If no such election is made, and in any event if the damage is not material, this Agreement shall remain in full force and effect and the purchase contemplated herein, less any interest taken by eminent domain or condemnation, shall be effected with no further adjustment, and upon the Closing of this purchase, Seller shall assign, transfer and set over to Purchaser all of the right, title and interest of Seller in and to any awards that have been or that may thereafter be made for such taking, and Seller shall assign, transfer and set over to Purchaser any insurance proceeds that may thereafter be made for such damage or destruction giving Purchaser a credit at Closing for any deductible under such policies. For the purposes of this paragraph, the phrases "Material damage" and "Materially damaged" means damage reasonably exceeding 10 percent of the Purchase Price to repair.

ARTICLE 5: CLOSING

5.1 Closing. The consummation of the transaction contemplated herein ("Closing") shall occur on the Closing Date at the offices of the Escrow Agent.

5.2 Conditions to the Parties' Obligations to Close. The obligation of Seller, on the one hand, and Purchaser, on the other hand, to consummate the transaction contemplated hereunder is contingent upon the following:

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(a) The other party's representations and warranties contained herein shall be true and correct in all material respects as of the date of this Agreement and the Closing Date, subject to any Seller modifications hereafter made to a Property Representation (as defined and provided for in Paragraph 7.1);

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

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

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

So long as a party is not in default hereunder, if any condition to such party's obligation to proceed with the Closing hereunder has not been satisfied as of the Closing Date, such party may, in its sole discretion, terminate this Agreement by delivering written notice to the other party on or before the Closing Date, or elect to close, notwithstanding the non-satisfaction of such condition, in which event such party shall be deemed to have waived any such condition. If such party elects to close, notwithstanding the nonsatisfaction of such condition, there shall be no liability on the part of the other party for breaches of representations and warranties of which the party electing to close had knowledge as of the Closing.

5.3 Seller's Deliveries in Escrow. On or before the Closing Date, Seller shall deliver in escrow to the Escrow Agent the following:

(a) Deed. A special or limited warranty deed (warranting title for acts by, through or under Seller) (the "Deed") in the form provided for under the law of the state where the Property is located, or otherwise in conformity with the custom in such jurisdiction and satisfactory to Seller, executed and acknowledged by Seller, conveying, to Purchaser Seller's title to the Property, subject only to: all zoning and building laws, ordinances, maps, resolutions, and regulations of all governmental authorities having jurisdiction which affect the Property and the use and improvement thereof; the Lease(s); all matters of record; and, any state of facts which an accurate survey made of the Property at the time of Closing would show. Any discrepancy between the description of the Property in the deed from Seller's immediate grantor and in the Deed shall be quitclaimed by Seller;

(b) Assignment of Lease and Contracts and Bill of Sale. An Assignment of Lease and Service Contracts and Bill of Sale in the form of Exhibit C attached hereto, executed by Seller;

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

(d) FIRPTA. A Foreign Investment in Real Property Tax Act affidavit executed by Seller;

(e) Additional Documents. Any additional documents that Escrow Agent or the Title Company may reasonably require for the proper consummation of the transaction contemplated by this Agreement.

5.4 Purchaser's Deliveries in Escrow. On or before the Closing Date, Purchaser shall deliver in escrow to the Escrow Agent the following:

(a) Purchase Price. The Purchase Price, less the Earnest Money that is applied to the Purchase Price, plus or minus applicable prorations, deposited by Purchaser with the Escrow Agent in immediate, same-day federal funds wired for credit into the Escrow Agent's escrow account.

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(b) Assignment of Lease and Contracts and Bill of Sale. An Assignment of Lease and Contracts and Bill of Sale in form of Exhibit C attached hereto, executed by Purchaser;

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

(d) Additional Documents. Any additional documents that Escrow Agent or the Title Company may reasonably require for the proper consummation of the transaction contemplated by this Agreement.

5.5 Closing Statements/Escrow Fees. At the Closing, Seller and Purchaser shall deposit with the Escrow Agent executed closing statements consistent with this Agreement in the form required by the Escrow Agent.

5.6 Title Policy. The Title Policy shall be delivered at Closing as provided in Paragraph 3.3.

5.7 Possession. Seller shall deliver possession of the Property to Purchaser at the Closing.

5.8 Post-Closing Deliveries. Immediately after the Closing, Seller shall deliver to the offices of Purchaser's property manager: the original Lease(s); copies or originals of all contracts, receipts for deposits, and unpaid bills; all keys, if any, used in the operation of the Property; and, if in Seller's possession or control, any certificates of occupancy or "as-built" plans and specifications of the Improvements.

5.9 Notice to Tenants. Seller and Purchaser shall execute at Closing, and deliver to each tenant immediately after the Closing, notices regarding the sale in substantially in the form of Exhibit D attached hereto, or such other form as may be required by applicable state law.

5.10 Closing Costs. Each party shall pay the following closing costs:

- (a) Title Policy:
 - (i) Basic premium - Seller
 - (ii) Extended coverage - Purchaser
 - (iii) Endorsements - Purchaser
- (b) Survey - Purchaser
- (c) Recording charges:
 - (i) Instruments to remove encumbrances that Seller is obligated or agrees to remove - Seller
 - (ii) All other instruments, including the Deed - Purchaser
- (e) Other - Each party shall pay one-half of the Escrow Agent's escrow fee and its own attorneys' fees. Purchaser shall pay any escrow cancellation fee in the event Purchaser disapproves

the Property and elects to cancel the Escrow. If the Escrow is cancelled in connection with a default by any party, the defaulting party shall pay the Escrow cancellation fee. All other costs shall be borne according to local custom.

5.11 Close of Escrow. Upon satisfaction or completion of the foregoing conditions and deliveries, the parties shall direct the Escrow Agent to immediately record and deliver the documents described above to the appropriate parties and make disbursements according to the closing statements executed by Seller and Purchaser.

ARTICLE 6: PRORATIONS

6.1 Prorations. If the Purchase Price is received by Escrow Agent by noon on the Closing Date, the day of Closing shall belong to Purchaser and all prorations hereinafter provided to be made as of the Closing shall each be made as of the end of the day before the Closing Date. If the cash portion of the Purchase Price is not so received by Escrow Agent on the Closing Date, then the day of Closing shall belong to Seller and such proration

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shall be made as of the end of the day that is the Closing Date. In each such proration set forth below, the portion thereof applicable to periods beginning as of Closing shall be credited to Purchaser or charged to Purchaser as applicable and the portion thereof applicable to periods ending as of Closing shall be credited to Seller or charged to Seller as applicable.

(a) Collected Rent. All collected rent (excluding tenant reimbursements for Operating Costs, which are prorated pursuant to (b) below) and other collected income (and any applicable state or local tax on rent) under the Lease(s) in effect on the Closing Date shall be prorated as of the Closing. Seller shall be charged with any rent and other income collected by Seller before Closing but applicable to any period of time after Closing. Uncollected rent and other income shall not be prorated. Purchaser shall apply rent and other income from tenants that are collected after the Closing first to the obligations then owing to Purchaser for its period of ownership and to costs of collection, remitting the balance, if any, to Seller. Any prepaid rents for the period following the Closing Date shall be paid over by Seller to Purchaser. Purchaser will make reasonable efforts, without suit, to collect any rents applicable to the period before Closing. Seller may pursue collection as to any rent not collected by Purchaser within 6 months following the Closing Date, provided that Seller shall have no right to terminate any Lease or any tenant's occupancy under any Lease in connection therewith.

(b) Operating Costs. Seller, as landlord under the Lease, is currently collecting from the tenant under the Lease additional rent to cover taxes, insurance, utilities (to the extent not paid directly by tenants), common area maintenance and other operating costs and expenses (collectively, "Operating Costs") in connection with the ownership, operation, maintenance and management of the Property. Seller and Purchaser shall each receive a debit or credit, as the case may be, for the difference between the tenant's current account balances for Operating Costs and amount of Operating Costs reimbursable to Seller. Operating Costs for Seller's period of ownership shall be reasonably estimated by the parties if final bills are not available. Operating Costs that are not payable by the tenant either directly or reimbursable under the Lease shall be prorated between Seller and Purchaser.

(c) Taxes and Assessments. Real estate taxes and assessments imposed by governmental authority that are not yet due and payable and that are not reimbursable by tenants under the Lease as Operating Costs shall be prorated as of the Closing based upon the most recent ascertainable assessed values and tax rates. Seller shall receive a credit for any taxes and assessments paid by Seller and applicable to any period after the Closing.

(d) Final Adjustment After Closing. If final prorations cannot be made at

Closing for any item being prorated under this Paragraph 6.1, then Purchaser and Seller agree to allocate such items on a fair and equitable basis as soon as invoices or bills are available and applicable reconciliation with tenants have been completed, with final adjustment to be made as soon as reasonably possible after the Closing, to the effect that income and expenses are received and paid by the parties on an accrual basis with respect to their period of ownership. Payments in connection with the final adjustment shall be due within 30 days of written notice. Seller shall have reasonable access to, and the right to inspect and audit, Purchaser's books to confirm the final prorations. Seller shall not, however, be charged for any increase in Operating Costs due to increased costs incurred by Purchaser in respect of such subsequent to the Closing.

6.2 Service Contracts. Purchaser will assume the obligations arising from and after the Closing Date under those Service Contracts that are not terminable as of the Closing Date without notice, expense, or liability to Seller.

6.3 Tenant Deposit. The tenant security deposits actually received by Seller (and interest thereon if required by law or contract to be earned thereon) and not theretofore applied to tenant obligations under the Lease(s) shall be transferred or credited to Purchaser at Closing or placed in escrow if required by law. As of the Closing, Purchaser shall assume Seller's obligations related to tenant security deposits. Purchaser will indemnify, defend, and hold Seller harmless from and against all demands and claims made by tenants arising out of the transfer or disposition of any security deposits and will reimburse Seller for all attorneys' fees incurred or that may be incurred as a result of any such claims or demands as well as for all loss, expenses, verdicts, judgments, settlements,

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interest, costs and other expenses incurred or that may be incurred by Seller as a result of any such claims or demands by tenants.

6.4 Utility Deposits. Purchaser shall be responsible for making any deposits required with utility companies.

6.5 Sale Commissions. Seller and Purchaser represent and warrant each to the other that they have not dealt with any real estate broker, sales person or finder in connection with this transaction other than Broker. If this transaction is closed, Seller shall pay Broker in accordance with their separate agreement. Broker is an independent contractor and is not authorized to make any agreement or representation on behalf of either party. Except as expressly set forth above, if any claim is made for broker's or finder's fees or commissions in connection with the negotiation, execution or consummation of this Agreement or the transactions contemplated hereby, each party shall defend, indemnify and hold harmless the other party from and against any such claim based upon any statement, representation or agreement of such party.

ARTICLE 7: REPRESENTATIONS AND WARRANTIES

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

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

(b) Conflicts and Pending Action. There is no agreement to which Seller is

a party or to Seller's knowledge binding on Seller which is in conflict with this Agreement. There is no action or proceeding pending or, to Seller's knowledge, threatened against Seller of the Property, including condemnation proceedings, which challenges or impairs Seller's ability to execute or perform its obligations under this Agreement.

(c) Lease. With respect to the Lease, the copy of such Lease provided to Purchaser pursuant to Paragraph 2.1 is true, correct and complete. Seller's representation in this Paragraph 7.1(c) shall be void and no claim shall be actionable or enforceable with respect to any Lease for which a tenant estoppel complying with the requirements of Paragraph 2.2 is obtained in connection with this transaction.

(d) Service Contracts. The list of Service Contracts delivered to Purchaser pursuant to this Agreement is true, correct, and complete as of the date of its delivery. Neither Seller nor, to Seller's knowledge, any other party is in material default under any Service Contract.

(e) Leasing Commissions. To Seller's knowledge, no leasing commissions are due with respect to the Lease or any expansion or renewal of the Lease.

(f) Compliance with Law. To Seller's knowledge, Seller is not in actual receipt of and has not received any written notice, addressed specifically to Seller and sent by any governmental authority or agency having jurisdiction over the Property, that the Property or its use is in material violation of any law, ordinance, or regulation.

(g) Violation of Environmental Laws. To Seller's knowledge, Seller has not received any notice that the Property is in violation of any Environmental Laws. The term "Environmental Laws" means the Resource

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Conservation and Recovery Act, the Comprehensive Environmental Response Compensation and Liability Act and equivalent state laws.

"Seller's knowledge," as used in this Agreement means the current actual knowledge of Mark H. Degner and any Asset Manager for the Property of Seller, without any duty of inquiry or investigation.

Seller's representations and warranties in subparagraphs (c), (d), (e), (f) and (g) ("Property Representations") are qualified by any knowledge obtained by Purchaser by the expiration of the Due Diligence Period. Seller may further qualify the Property Representations by notice, specifying with reasonable particularity the facts and circumstances known to Seller that make the applicable Property Representation false, misleading or inaccurate, delivered to Purchaser before the Closing Date. If Seller delivers a Property Representation notice within less than 3 business days before the Closing, then the Purchaser may by notice to Seller extend the Closing Date to that day which is 3 business days after the date of receipt of the Property Representation notice. If any Property Representation notice delivered after the Due Diligence Period effects a material adverse change in the matter covered by the applicable Property Representation, then Purchaser, as its sole remedy, may terminate this Agreement within 3 business days after receipt of such notice and receive a refund of the Earnest Money.

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

(a) Organization and Authority. Purchaser has been duly organized and is validly existing as a corporation, in good standing in the State of Georgia and is qualified to do business in the state in which the Property is located. Purchaser has the full right and authority and has obtained any and all consents required to enter into this Agreement and to consummate or cause to be consummated the transactions contemplated hereby. This Agreement has been, and

all of the documents to be delivered by Purchaser at the Closing will be, authorized and properly executed and constitutes, or will constitute, as appropriate, the valid and binding obligation of Purchaser, enforceable in accordance with their terms.

(b) Conflicts and Pending Action. There is no agreement to which Purchaser is a party or to Purchaser's knowledge binding on Purchaser which is in conflict with this Agreement. There is no action or proceeding pending or, to Purchaser's knowledge, threatened against Purchaser which challenges or impairs Purchaser's ability to execute or perform its obligations under this Agreement.

ARTICLE 8: DEFAULT AND DAMAGES

8.1 Default by Purchaser. If Purchaser shall default in its obligation to purchase the Property pursuant to this Agreement, Purchaser agrees that Seller shall have the right to have the Escrow Agent deliver the Earnest Money to Seller as liquidated damages to recompense Seller for time spent, labor and services performed, and the loss of its bargain. Purchaser and Seller agree that it would be impracticable or extremely difficult to affix damages if Purchaser so defaults and that the Earnest Money, together with the interest thereon, represents a reasonable estimate of Seller's damages. Seller agrees to accept the Earnest Money as Seller's total damages and relief hereunder if Purchaser defaults in its obligation to close hereunder. If Purchaser does so default, this Agreement shall be terminated and Purchaser shall have no further right, title, or interest in or to the Property.

8.2 Default by Seller. If Seller defaults in its obligation to sell and convey the Property to Purchaser pursuant to this Agreement, Purchaser's sole remedy shall be to elect one of the following: (a) to terminate this Agreement, in which event Purchaser shall be entitled to the return by the Title Company to Purchaser of the Earnest Money, or (b) to bring a suit for specific performance provided that any suit for specific performance must be brought within 90 days of Seller's default, to the extent permitted by law, Purchaser waiving the right to bring suit at any later date. This Agreement confers no present right, title or interest in the Property to Purchaser and Purchaser agrees not to file a lis pendens or other similar notice against the Property except in connection with, and after, the proper filing of a suit for specific performance.

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ARTICLE 9: EARNEST MONEY PROVISIONS

9.1 Investment and Use of Funds. The Escrow Agent shall invest the Earnest Money in government insured interest-bearing accounts satisfactory to both Purchaser and Seller, shall not commingle the Earnest Money with any funds of the Escrow Agent or others, and shall promptly provide Purchaser and Seller with confirmation of the investments made. If the Closing under this Agreement occurs, the Escrow Agent shall deliver the Earnest Money to, or upon the instructions of, Purchaser on the Closing Date.

9.2 Termination by Seller or Purchaser.

(a) Upon not less than 7 business days prior written notice executed by Seller and delivered to both Purchaser and Escrow Agent in accordance with Section 7, asserting that (i) Purchaser has breached or otherwise defaulted and failed to perform its obligations under the Purchase Agreement, and (ii) Seller is entitled to retain the Earnest Money on account thereof, as provided in the Purchase Agreement, Escrow Agent shall deliver the Earnest Money to Seller; provided, however, that if Purchaser shall, within said 7 day period, deliver to Seller and Escrow Agent a written notice that it disputes Seller's claim to the Earnest Money, Escrow Agent shall retain the Earnest Money until it receives written instructions executed by both Seller and Purchaser as to the disposition and disbursement of the Earnest Money, or until ordered by final court order, decree or judgment, which has not been appealed, to deliver the Earnest Money to a particular party, in which event the Earnest Money shall be delivered in accordance with such notice, instruction, order, decree or judgment.

(b) Upon not less than 7 business days' prior written notice executed by Purchaser and delivered to Seller and Escrow Agent in accordance with Section 7, asserting that Purchaser is entitled to the return of the Earnest Money under the Purchase Agreement, Escrow Agent shall deliver the Earnest Money to Purchaser; provided, however, that if Seller shall, within said 7 day period, deliver to Purchaser and Escrow Agent a written notice that it disputes Purchaser's claim or right to receive back the Earnest Money, Escrow Agent shall retain the Earnest Money until it receives written instructions executed by both Seller and Purchaser as to the disposition and disbursement of the Earnest Money, or until ordered by final court order, decree or judgment, which has not been appealed, to deliver the Earnest Money to a particular party, in which event the Earnest Money shall be delivered in accordance with such notice instruction, order, decree, or judgment.

In the event either (a) or (b) of this Section shall occur, Purchaser's or Seller's notice to Escrow Agent shall include a statement on which Escrow Agent may rely, that Purchaser or Seller has notified the other party that the requesting party is entitled to the Earnest Money. However, upon receipt by Escrow Agent of a notice from Seller or Purchaser, as the case may be, claiming the Earnest Money, Escrow Agent shall immediately forward a copy of such notice to the other party.

9.3 Interpleader. Seller and Purchaser mutually agree that in the event of any controversy regarding the Earnest Money, unless mutual written instructions are received by the Escrow Agent directing the Earnest Money's disposition, the Escrow Agent shall not take any action, but instead shall await the disposition of any proceeding relating to the Earnest Money or, at the Escrow Agent's option, the Escrow Agent may interplead all parties and deposit the Earnest Money with a court of competent jurisdiction in which event the Escrow Agent may recover all of its court costs and reasonable attorneys' fees. Seller or Purchaser, whichever loses in any such interpleader action, shall be solely obligated to pay such costs and fees of the Escrow Agent, as well as the reasonable attorneys' fees of the prevailing party in accordance with the other provisions of this Agreement.

9.4 Liability of Escrow Agent. The parties acknowledge that the Escrow Agent is acting solely as a stakeholder at their request and for their convenience, that the Escrow Agent shall not be deemed to be the agent of either of the parties, and that the Escrow Agent shall not be liable to either of the parties for any action or omission on its part taken or made in good faith, and not in disregard of this Agreement, but shall be liable for its negligent acts and for any loss, cost or expense incurred by Seller or Purchaser resulting from the Escrow Agent's

mistake of law respecting the Escrow Agent's scope or nature of its duties. Seller and Purchaser shall jointly and severally indemnify and hold the Escrow Agent harmless from and against all costs, claims and expenses, including reasonable attorneys' fees, incurred in connection with the performance of the Escrow Agent's duties hereunder, except with respect to actions or omissions taken or made by the Escrow Agent in bad faith, in disregard of this Agreement or involving negligence on the part of the Escrow Agent.

ARTICLE 10: MISCELLANEOUS

10.1 Parties Bound. Neither party may assign this Agreement without the prior written consent of the other, and any such prohibited assignment shall be void; provided that Purchaser may assign this Agreement without Seller's consent to an Affiliate. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the respective legal representatives, successors, assigns, heirs, and devisees of the parties. For the purposes of this paragraph, the term "Affiliate" means (a) an entity that directly or indirectly controls, is controlled by or is under common control with the Purchaser or (b) an entity at least a majority of whose economic interest is owned by Purchaser; and the

term "control" means the power to direct the management of such entity through voting rights, ownership or contractual obligations. No such assignment will, however, relieve Purchaser from any liabilities or obligations under this Agreement.

10.2 Confidentiality. Purchaser shall make no public announcement or disclosure of this Agreement or any information related to this Agreement, before or for a period of one year after the Closing, without the prior written consent of Seller. Purchaser shall not record this Agreement or any memorandum of this Agreement. The confidentiality provisions of this Paragraph 10.2 shall not apply to (i) public disclosure made by Purchaser as required by law or (ii) disclosures made to persons involved in the sale or purchase of an interest in Purchaser or its Affiliates as long as Seller's identity remains confidential.

10.3 Headings. The article and paragraph headings of this Agreement are for convenience only and in no way limit or enlarge the scope or meaning of the language hereof.

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

10.5 Governing Law. This Agreement shall, in all respects, be governed, construed, applied, and enforced in accordance with the law of the state in which the Property is located.

10.6 Survival. Unless otherwise expressly stated in this Agreement, each of the covenants, obligations, representations, and agreements contained in this Agreement, including Paragraphs 7.1 (c) through (g), shall survive the Closing and the execution and delivery of the Deed required hereunder only for a period of 12 months immediately following the Closing Date; provided, however the indemnification provisions of Paragraph 2.4, 6.3 and 6.5, and the provisions of Paragraph 6.1(d) shall survive the termination of this Agreement or the Closing, whichever occurs, and shall not be merged, until the applicable statute of limitations with respect to any claim, cause of action, suit or other action relating thereto shall have fully and finally expired. Any claim based upon a misrepresentation or a breach of a warranty contained in Article 7 of this Agreement shall be actionable or enforceable if and only if: (i) notice of such claim is given to the party which allegedly made such misrepresentation or breached such covenant, obligation, warranty or agreement within 12 months after the Closing Date; and (ii) the amount of damages or losses as a result of such claim suffered or sustained by the party making such claim exceeds \$25,000.

10.7 No Third Party Beneficiary. This Agreement is not intended to give or confer any benefits, rights, privileges, claims, actions, or remedies to any person or entity as a third party beneficiary, decree, or otherwise.

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10.8 Entirety and Amendments. This Agreement embodies the entire agreement between the parties and supersedes all prior agreements and understandings relating to the Property except for any confidentiality agreement binding on Purchaser, which shall not be superseded by this Agreement. This Agreement may be amended or supplemented only by an instrument in writing executed by the party against whom enforcement is sought.

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

10.10 Attorneys' Fees. Should either party employ attorneys to enforce any of the provisions hereof, the party against whom any final judgment is entered agrees to pay the prevailing party all reasonable costs, charges, and expenses,

including attorneys' fees, expended or incurred in connection therewith.

10.11 Notices. All notices required or permitted hereunder shall be in writing and shall be served on the parties at the addresses set forth in Paragraph 1.1. Any such notices shall be either (a) sent by overnight delivery using a nationally recognized overnight courier, in which case notice shall be deemed delivered one business day after deposit with such courier, (b) sent by facsimile, with written confirmation by overnight or first class mail, in which case notice shall be deemed delivered upon receipt of confirmation of transmission of such facsimile notice, or (c) sent by personal delivery, in which case notice shall be deemed delivered upon receipt. Any notice sent by facsimile or personal delivery and delivered after 5:00 Denver, Colorado time shall be deemed received on the next business day. A party's address may be changed by written notice to the other party; provided, however, that no notice of a change of address shall be effective until actual receipt of such notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

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

10.13 Calculation of Time Periods. Unless otherwise specified, in computing any period of time described herein, the day of the act or event after which the designated period of time begins to run is not to be included and the last day of the period so computed is to be included at, unless such last day is a Saturday, Sunday or legal holiday for national banks in Colorado, Georgia or Utah, in which event the period shall run until the end of the next day which is neither a Saturday, Sunday, or legal holiday. The last day of any period of time described herein shall be deemed to end at 5:00 p.m. Denver, Colorado time.

10.14 Procedure for Indemnity. The following provisions govern actions for indemnity under this Agreement. Promptly after receipt by an indemnitee of notice of any claim, such indemnitee will, if a claim in respect thereof is to be made against the indemnitor, deliver to the indemnitor written notice thereof and the indemnitor shall have the right to participate in and, if the indemnitor agrees in writing that it will be responsible for any costs, expenses, judgments, damages, and losses incurred by the indemnitee with respect to such claim, to assume the defense thereof, with counsel mutually satisfactory to the parties; provided, however, that an indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the indemnitor, if the indemnitee reasonably believes that representation of such indemnitee by the counsel retained by the indemnitor would be inappropriate due to actual or potential differing interests between such indemnitee and any other party represented by such counsel in such proceeding. The failure of indemnitee to deliver written notice to the indemnitor within a reasonable time after indemnitee receives notice of any such claim shall relieve such indemnitor of any liability to the indemnitee under this indemnity only if and to the extent that such failure is prejudicial to its ability to defend such action, and the omission so to deliver written notice to the indemnitor will not relieve it of any liability that it may have to any indemnitee other than under this indemnity. If an indemnitee settles a claim without the prior written consent of the indemnitor, then the indemnitor shall be released from liability with respect to such claim unless the indemnitor has unreasonably withheld such consent.

10.15 Execution in Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of such counterparts shall constitute one Agreement. To facilitate execution of this Agreement, the parties may execute and exchange by telephone facsimile counterparts of the signature pages.

10.16 Waiver of Jury Trial. To the extent permitted by applicable law, the parties hereby waive any right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

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SIGNATURE PAGE TO
PURCHASE AND SALE AGREEMENT
BY AND BETWEEN
SCI DEVELOPMENT SERVICES INCORPORATED
AND
WELLS DEVELOPMENT CORPORATION

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

SCI DEVELOPMENT SERVICES INCORPORATED

By: /s/ Mark H. Degner

Name: Mark H. Degner
Title: Vice President

Date: 2/4/98

"Seller"

WELLS DEVELOPMENT CORPORATION

By: /s/ Leo F. Wells

Name: Leo F. Wells, III
Title: President

Date: 2/3/98

"Purchaser"

Escrow Agent has executed this Agreement in order to confirm that the Escrow Agent has received and shall hold the Earnest Money in escrow, and shall disburse the Earnest Money pursuant to the provisions of Article 9.

FOUNDER'S TITLE

By: /s/ Jim C. Morris

Name: Jim C. Morris
Title: V.P.

Date: 2/6/98

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EXHIBIT 10.12

LEASE AGREEMENT

BETWEEN THE IX-X-XI-REIT JOINT VENTURE

AND

IOMEGA CORPORATION

[Net Lease]

LEASE AGREEMENT

THIS LEASE AGREEMENT is made this 9th day of April, 1996, between Security Capital Industrial Trust ("Landlord"), and the Tenant named below.

Tenant: IOMEGA Corporation

Tenant's representative,
address, and phone no.:

Attn: Mr. Dave Correll
821 W. Iomega Way
Roy, Utah 84067
Telephone: 801/778-1000
Facsimile: 801/778-4100

Premises:

That portion of the Building, containing approximately 100,000 rentable square feet, as determined by Landlord, as shown on Exhibit A.

Project:

NCR Facility

Building:

2976 S. Commerce Street, Ogden, Utah

Tenant's Proportionate Share
of Project:

100%

Lease Term:

Beginning on the Commencement Date and ending on the last day of the 120th full calendar month thereafter.

Commencement Date:

The later of (a) June 1, 1996, (b) one day after Landlord purchases the Building, or (c) the date Landlord delivers to Tenant occupancy of the Premises. Tenant shall not be charged Base Rent for the first 14 days following the Commencement Date, provided that Tenant shall fulfill on the Commencement Date all requirements under this Lease relating to Tenant's occupancy (including without limitation all insurance requirements).

Initial Monthly Base Rent:

\$40,000

Initial Estimated Monthly
Operating Expense Payments:
(estimates only and subject
to adjustment to actual costs
and expenses according to the
provisions of this Lease)

1. Utilities:

To be paid directly by Tenant.

- 2. Common Area Charges: To be paid directly by Tenant.
- 3. Taxes: \$4,690 (To be paid by Tenant to Landlord)
- 4. Insurance: \$334 (To be paid by Tenant to Landlord)
- 5. Others: To be paid directly by Tenant.

Initial Estimated Monthly Operating
Expense Payments Payable by Tenant Directly to Landlord: \$5,024

Initial Monthly Base Rent and
Operating Expense Payments (Payable by Tenant Directly to Landlord): \$45,024

Security Deposit: \$43,134

Broker: Lee & Associates

Addenda: Exhibit A (Premises); Addendum A (CPI Adjustment); Addendum B (Storage and Use of Permitted Hazardous Materials); Addendum C (Construction Allowance)

1. Granting Clause. In consideration of the obligation of Tenant to pay rent as herein provided and in consideration of the other terms, covenants, and conditions hereof, Landlord leases to Tenant, and Tenant takes from Landlord, the Premises, to have and to hold for the Lease Term, subject to the terms, covenants and conditions of this Lease. Tenant acknowledges that, as of the date of this Lease Agreement, Landlord does not own the Building. Landlord and Tenant agree that if Landlord is unable to consummate its purchase of the Building by July 15, 1996, then this Lease shall become null and void and of no further effect.

Tenant: [Illegible] Landlord: [Illegible]

2. Acceptance of Premises. Tenant shall accept the Premises in its condition as of the Commencement Date, subject to all applicable laws, ordinances, regulations, covenants and restrictions. Landlord has made no representation or warranty as to the suitability of the Premises for the conduct of Tenant's business, and Tenant waives any implied warranty that the Premises are suitable for Tenant's intended purposes. Except as provided in Paragraph 10, in no event shall Landlord have any obligation for any defects in the Premises (other than material defects for which Tenant provides Landlord with written notice within the first 30 days of the Commencement Date) or any limitation on its use. The taking of possession of the Premises shall be conclusive evidence that Tenant accepts the Premises and that the Premises were in good condition at the time possession was taken except for items that are Landlord's responsibility under Paragraph 10, any punchlist items agreed to in writing by Landlord and Tenant, and any material defects for which Tenant has notified Landlord within the first 30 days of the Commencement Date.

3. Use. The Premises shall be used only for the purpose of receiving, manufacturing, storing, shipping and selling products, materials and merchandise made and/or distributed by Tenant and for such other lawful purposes as may be incidental thereto. In connection with Tenant's manufacturing operations, Tenant shall construct a clean room in the Premises to local, state and federal requirements, as applicable. Tenant shall not conduct or give notice of any auction, liquidation, or going out of business sale on the Premises. Tenant will use the Premises in a careful, safe and proper manner and will not commit waste, overload the floor or structure of the Premises or subject the Premises to use that would damage the Premises. Tenant shall not permit any objectionable or unpleasant odors, smoke, dust, gas, noise, or vibrations to emanate from the Premises, or take any other action that would constitute a nuisance or would disturb, unreasonably interfere with, or endanger Landlord. Tenant, at its sole expense, shall use and occupy the Premises in compliance with all laws,

including, without limitation, the Americans With Disabilities Act, orders, judgments, ordinances, regulations, codes, directives, permits, licenses, covenants and restrictions now or hereafter applicable to the Premises (collectively, "Legal Requirements"). The Premises shall not be used as a place of public accommodation under the Americans With Disabilities Act or similar state statutes or local ordinances or any regulations promulgated thereunder, all as may be amended from time to time. Tenant shall, at its expense, make any alterations or modifications, within or without the Premises, that are required by Legal Requirements related to Tenant's use or occupation of the Premises. Tenant will not use or permit the Premises to be used for any purpose or in any manner that would void Tenant's or Landlord's insurance, increase the insurance risk, or cause the disallowance of any sprinkler credits. If any increase in the cost of any insurance on the Premises or the Project is caused by Tenant's use or occupation of the Premises, or because Tenant vacates the Premises, then Tenant shall pay the amount of such increase to Landlord. Any occupation of the Premises by Tenant prior to the Commencement Date shall be subject to all obligations of Tenant under this Lease.

4. Base Rent. Tenant shall pay Base Rent in the amount set forth above. The first month's Base Rent, the Security Deposit, and the first monthly installment of estimated Operating Expenses (as hereafter defined) shall be due and payable on the date hereof, and Tenant promises to pay to Landlord in advance, without demand, deduction or set-off, monthly installments of Base Rent on or before the first day of each calendar month succeeding the Commencement Date. Payments of Base Rent for any fractional calendar month shall be prorated. All payments required to be made by Tenant to Landlord hereunder shall be payable at such address as Landlord may specify from time to time by written notice delivered in accordance herewith. The obligation of Tenant to pay Base Rent and other sums to Landlord and the obligations of Landlord under this Lease are independent obligations. Tenant shall have no right at any time to abate, reduce, or set-off any rent due hereunder except as may be expressly provided in this Lease. If Tenant is delinquent in any monthly installment of Base Rent or of estimated Operating Expenses for more than 5 days, Tenant shall pay to Landlord on demand a late charge equal to 5 percent of such delinquent sum. The provision for such late charge shall be in addition to all of Landlord's other rights and remedies hereunder or at law and shall not be construed as a penalty.

5. Security Deposit. The Security Deposit shall be held by Landlord as security for the performance of Tenant's obligations under this Lease. The Security Deposit is not an advance rental deposit or a measure of Landlord's damages in case of Tenant's default. Upon each occurrence of an Event of Default (hereinafter defined), Landlord may use all or part of the Security Deposit to pay delinquent payments due under this Lease, and the cost of any damage, injury, expense or liability caused by such Event of Default, without prejudice to any other remedy provided herein or provided by law. Tenant shall pay Landlord on demand the amount that will restore the Security Deposit to its original amount. Landlord's obligation respecting the Security Deposit is that of a debtor, not a trustee; no interest shall accrue thereon. The Security Deposit shall be the property of Landlord, but shall be paid to Tenant when Tenant's obligations under this Lease have been completely fulfilled. Landlord shall be released from any obligation with respect to the Security Deposit upon transfer of this Lease and the Premises to a person or entity assuming Landlord's obligations under this Paragraph 5.

6. Operating Expense Payments. During each month of the Lease Term, on the same date that Base Rent is due, Tenant shall pay Landlord an amount equal to 1/12 of the annual cost, as estimated by Landlord from time to time, of Taxes (as set forth in Paragraph 8) and Insurance (as set forth in Paragraph 9) for the Project. Payments thereof for any fractional calendar month shall be prorated. Tenant shall replace, repair and maintain all aspects of the Project contemplated in the Operating Expenses (as defined below) and timely pay for all such aspects of Operating Expenses directly to the applicable entity, and send evidence of all such payments made to Landlord when such payments are made. If Tenant fails to timely perform any such replacements, repairs or maintenance, or to timely make payments for such replacements, repairs or maintenance, or to provide timely evidence of such payments, Landlord shall have

the right to perform such replacements, repairs or maintenance and/or make such payments, as the case may be, and charge such costs to Tenant as additional rent, to be paid by Tenant with the next due installment of Base Rent. The term "Operating Expenses" means all costs and expenses incurred by Landlord with respect to the ownership, maintenance, and operation of the Project including, but not limited to costs of: Taxes (hereinafter defined) and reasonable fees payable to tax consultants and attorneys for consultation and contesting taxes; insurance; utilities; maintenance, repair and replacement of all portions of the Project, including without limitation, paving and parking areas, roads, roofs, alleys, and driveways, mowing, landscaping, exterior painting, utility lines, heating, ventilation and air conditioning systems, lighting, electrical systems and other mechanical and building systems; amounts paid to contractors and subcontractors for work or services performed in connection with any of the foregoing; charges or assessments of any association to which the Project is subject; security services, if any; trash collection, sweeping and removal; and additions or alterations made by Landlord to the Project or the Building in order to comply with Legal Requirements (other than those expressly required herein to be made by Tenant). Operating Expenses do not include costs, expenses, depreciation or amortization for capital repairs and capital replacements required to be made by Landlord under Paragraph 10 of this Lease, debt service under mortgages or ground rent under ground leases, costs of restoration to the extent of net insurance proceeds received by Landlord with respect thereto, leasing commissions, or the costs of renovating space for tenants.

If Tenant's total payments of Operating Expenses for any year are less than Tenant's Proportionate Share of actual Operating Expenses for such year, then Tenant shall pay the difference to Landlord within 30 days after demand, and if more, then Landlord shall retain such excess and credit it against Tenant's next payments. For purposes of calculating Tenant's Proportionate Share of Operating Expenses, a year shall mean a calendar year except the first year, which shall begin on the Commencement Date, and the last year, which shall end on the expiration of this Lease. With respect to Operating Expenses which Landlord allocates to the entire Project, Tenant's "Proportionate Share" shall be the percentage set forth on the first page of this Lease. The estimated Operating Expenses for the Premises set forth on the first page of this Lease are only estimates, and Landlord makes no guaranty or warranty that such estimates will be accurate.

7. Utilities. Tenant shall pay for all water, gas, electricity, heat, light, power, telephone, sewer, sprinkler services, refuse and trash collection, and other utilities and services used on the Premises, all maintenance charges for utilities, and any storm sewer charges or other similar charges for utilities imposed by any governmental entity or utility provider, together with any taxes, penalties, surcharges or the like pertaining to Tenant's use of the Premises. Landlord may cause at Tenant's expense any utilities to be separately metered or charged directly to Tenant by the provider. No interruption or failure of utilities shall result in the termination of this Lease or the abatement of rent. Tenant agrees to limit use of water and sewer for normal restroom use, production processes and outside landscape watering.

8. Taxes. Landlord shall pay all taxes, assessments and governmental charges (collectively referred to as "Taxes") that accrue against the Project during the Lease Term, which shall be included as part of the Operating Expenses charged to Tenant. Landlord may contest by appropriate legal proceedings the amount, validity, or application of any Taxes or liens thereof. All capital levies or other taxes assessed or imposed on Landlord upon the rents payable to Landlord under this Lease and any franchise tax, any excise, transaction, sales or privilege tax, assessment, levy or charge measured by or based, in whole or in part, upon such rents from the Premises and/or the Project or any portion thereof shall be paid by Tenant to Landlord monthly in estimated installments or upon demand, at the option of Landlord, as additional rent; provided, however, in no event shall Tenant be liable for any net income taxes imposed on Landlord unless such net income taxes are in substitution for any Taxes payable hereunder. If any such tax or excise is levied or assessed directly against Tenant, then Tenant shall be responsible for and shall pay the same at such times and in such manner as the taxing authority shall require. Tenant shall be

liable for all taxes levied or assessed against any personal property or fixtures placed in the Premises, whether levied or assessed against Landlord or Tenant.

9. Insurance. Landlord shall maintain all risk property insurance covering the full replacement cost of the Building. Landlord may, but is not obligated to, maintain such other insurance and additional coverages as it may deem necessary, including, but not limited to, commercial liability insurance and rent loss insurance. All such insurance shall be included as part of the Operating Expenses charged to Tenant. The Project or Building may be included in a blanket policy (in which case the cost of such insurance allocable to the Project or Building will be determined by Landlord based upon the insurer's cost calculations). Tenant shall also reimburse Landlord for any increased premiums or additional insurance which Landlord reasonably deems necessary as a result of Tenant's use of the Premises.

Tenant, at its expense, shall maintain during the Lease Term: all risk property insurance covering the full replacement cost of all property and improvements installed or placed in the Premises by Tenant at Tenant's expense; worker's compensation insurance with no less than the minimum limits required by law; employer's liability insurance with such limits as required by law; and commercial liability insurance, with a minimum limit of \$1,000,000 per occurrence and a minimum umbrella limit of \$1,000,000, for a total minimum combined general liability and umbrella limit of \$2,000,000 (together with such additional umbrella coverage as Landlord may reasonably require) for property damage, personal injuries, or deaths of persons occurring in or about the Premises. Landlord may from time to time require reasonable increases in any such limits. The commercial liability policies shall name Landlord as an additional insured, insure on an occurrence and not a claims-made basis, be issued by insurance companies which are reasonably acceptable to Landlord, not be cancelable unless 30 days prior written notice shall have been given to Landlord, contain a hostile fire endorsement and a contractual liability endorsement

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and provide primary coverage to Landlord (any policy issued to Landlord providing duplicate or similar coverage shall be deemed excess over Tenant's policies). Such policies or certificates thereof shall be delivered to Landlord by Tenant upon commencement of the Lease Term and upon each renewal of said insurance.

The all risk property insurance obtained by Landlord and Tenant shall include a waiver of subrogation by the insurers and all rights based upon an assignment from its insured, against Landlord or Tenant, their officers, directors, employees, managers, agents, invitees and contractors, in connection with any loss or damage thereby insured against. Neither party nor its officers, directors, employees, managers, agents, invitees or contractors shall be liable to the other for loss or damage caused by any risk coverable by all risk property insurance, and each party waives any claims against the other party, and its officers, directors, employees, managers, agents, invitees and contractors for such loss or damage. The failure of a party to insure its property shall not void this waiver. Landlord and its agents, employees and contractors shall not be liable for, and Tenant hereby waives all claims against such parties for, business interruption and losses occasioned thereby sustained by Tenant or any person claiming through Tenant resulting from any accident or occurrence in or upon the Premises or the Project from any cause whatsoever, including without limitation, damage caused in whole or in part, directly or indirectly, by the negligence of Landlord or its agents, employees or contractors.

10. Landlord's Repairs. Landlord shall maintain, at its expense, the structural soundness of the roof, foundation, and exterior walls of the Building in good repair, reasonable wear and tear and uninsured losses and damages caused by Tenant, its agents and contractors excluded. The term "walls" as used in this Paragraph 10 shall not include windows, glass or plate glass, doors or overhead

doors, special store fronts, dock bumpers, dock plates or levelers, or office entries. Tenant shall promptly give Landlord written notice of any repair required by Landlord pursuant to this Paragraph 10, after which Landlord shall have a reasonable opportunity to repair provided, however, that if Landlord fail to make such repairs within a reasonable amount of time, Tenant may make such repairs and be reimbursed within 10 days of providing Landlord with written documentation of expenses incurred and demand therefor.

11. Tenant's Repairs. Landlord, at Tenant's expense as provided in Paragraph 6, shall maintain in good repair and condition the parking areas and other common areas of the Building, including, but not limited to driveways, alleys, landscape and grounds surrounding the Premises. Subject to Landlord's obligation in Paragraph 10 and subject to Paragraphs 9 and 15, Tenant, at its expense, shall repair, replace and maintain in good condition all portions of the Premises and all areas, improvements and systems exclusively serving the Premises including, without limitation, dock and loading areas, truck doors, plumbing, water and sewer lines up to points of common connection, fire sprinklers and fire protection systems, entries, doors, ceilings and roof membrane, windows, interior walls, and the interior side of demising walls, and heating, ventilation and air conditioning systems. Such repair and replacements include capital expenditures and repairs whose benefit may extend beyond the Term. Heating, ventilation and air conditioning systems and other mechanical and building systems serving the Premises shall be maintained at Tenant's expense pursuant to maintenance service contracts entered into by Tenant or, at Landlord's election, by Landlord. The scope of services and contractors under such maintenance contracts shall be reasonably approved by Landlord. At Landlord's request, Tenant shall enter into a joint maintenance agreement with any railroad that services the Premises. If Tenant fails to perform any repair or replacement for which it is responsible, Landlord may perform such work and be reimbursed by Tenant within 10 days after demand therefor. Subject to Paragraphs 9 and 15, Tenant shall bear the full cost of any repair or replacement to any part of the Building or Project that results from damage caused by Tenant, its agents, contractors, or invitees and any repair that benefits only the Premises.

12. Tenant-Made Alterations and Trade Fixtures. Any alterations, additions, or improvements made by or on behalf of Tenant to the Premises ("Tenant-Made Alterations") shall be subject to Landlord's prior written consent. Tenant shall cause, at its expense, all Tenant-Made Alterations to comply with insurance requirements and with Legal Requirements and shall construct at its expense any alteration or modification required by Legal Requirements as a result of any Tenant-Made Alterations. All Tenant-Made Alterations shall be constructed in a good and workmanlike manner by contractors reasonably acceptable to Landlord and only good grades of materials shall be used. All plans and specifications for any Tenant-Made Alterations shall be submitted to Landlord for its approval. Landlord may monitor construction of the Tenant-Made Alterations. Landlord's right to review plans and specifications and to monitor construction shall be solely for its own benefit, and Landlord shall have no duty to see that such plans and specifications or construction comply with applicable laws, codes, rules and regulations. Landlord may post on and about the Premises notices of non-responsibility pursuant to applicable law. Tenant shall provide certificates of insurance for worker's compensation and other coverage in amounts and from an insurance company satisfactory to Landlord protecting Landlord against liability for personal injury or property damage during construction. Upon completion of any Tenant-Made Alterations, Tenant shall deliver to Landlord, if in Tenant's possession, final lien waivers from all such contractors and subcontractors. Upon surrender of the Premises, all Tenant-Made Alterations and any leasehold improvements constructed by Landlord or Tenant shall remain on the Premises as Landlord's property, except to the extent Landlord requires removal at Tenant's expense of any such items or Landlord and Tenant have otherwise agreed in writing in connection with Landlord's consent to any Tenant-Made Alterations. Tenant shall repair any damage caused by such removal.

Tenant: [Illegible] Landlord: [Illegible]

Tenant, at its own cost and expense and without Landlord's prior approval, may erect such shelves, bins, machinery and trade fixtures (collectively "Trade Fixtures") in the ordinary course of its business provided that such items do not alter the basic character of the Premises, do not overload or damage the Premises, and may be removed without injury to the Premises, and the construction, erection, and installation thereof complies with all Legal Requirements and with Landlord's requirements set forth above. Tenant shall remove its Trade Fixtures and shall repair any damage caused by such removal.

13. Signs. Tenant shall not make any changes to the exterior of the Premises without Landlord's prior written consent. Upon surrender or vacation of the Premises, Tenant shall have removed all signs and repair, paint, and/or replace the building facia surface to which its signs are attached. Tenant shall obtain all applicable governmental permits and approvals for sign and exterior treatments. All signs, decorations, advertising media, blinds, draperies and other window treatment or bars or other security installations visible from outside the Premises shall be subject to Landlord's approval and conform in all respects to Landlord's requirements.

14. Parking. Tenant shall be entitled to park in areas designated for nonreserved parking. Landlord shall not be responsible for enforcing Tenant's parking rights against any third parties.

15. Restoration. If at any time during the Lease Term the Premises are damaged by a fire or other casualty, Landlord shall notify Tenant within 60 days after such damage as to the amount of time Landlord reasonably estimates it will take to restore the Premises. If the restoration time is estimated to exceed 6 months, either Landlord or Tenant may elect to terminate this Lease upon notice to the other party given no later than 30 days after Landlord's notice. If neither party elects to terminate this Lease or if Landlord estimates that restoration will take 6 months or less, then, subject to receipt of sufficient insurance proceeds, Landlord shall promptly restore the Premises excluding the improvements installed by Tenant or by Landlord and paid by Tenant, subject to delays arising from the collection of insurance proceeds or from Force Majeure events. Tenant at Tenant's expense shall promptly perform, subject to delays arising from the collection of insurance proceeds, or from Force Majeure events, all repairs or restoration not required to be done by Landlord and shall promptly re-enter the Premises and commence doing business in accordance with this Lease. Notwithstanding the foregoing, either party may terminate this Lease if the Premises are damaged during the last year of the Lease Term and Landlord reasonably estimates that it will take more than one month to repair such damage. Tenant shall pay to Landlord with respect to any damage to the Premises the amount of the commercially reasonably deductible under Landlord's insurance policy (currently \$10,000) within 10 days after presentment of Landlord's invoice. If the damage involves the premises of other tenants, Tenant shall pay the portion of the deductible that the cost of the restoration of the Premises bears to the total cost of restoration, as determined by Landlord. Base Rent and Operating Expenses shall be abated for the period of repair and restoration in the proportion which the area of the Premises, if any, which is not usable by Tenant bears to the total area of the Premises. Such abatement shall be the sole remedy of Tenant, and except as provided herein, Tenant waives any right to terminate the Lease by reason of damage or casualty loss.

16. Condemnation. If any part of the Premises or the Project should be taken for any public or quasi-public use under governmental law, ordinance, or regulation, or by right of eminent domain, or by private purchase in lieu thereof (a "Taking" or "Taken"), and the Taking would prevent or materially interfere with Tenant's use of the Premises or in Landlord's judgment would materially interfere with or impair its ownership or operation of the Project, then upon written notice by Landlord this Lease shall terminate and Base Rent shall be apportioned as of said date. If part of the Premises shall be Taken, and this Lease is not terminated as provided above, the Base Rent payable hereunder during the unexpired Lease Term shall be reduced to such extent as may be fair and reasonable under the circumstances. In the event of any such Taking, Landlord shall be entitled to receive the entire price or award from any such

Taking without any payment to Tenant, and Tenant hereby assigns to Landlord Tenant's interest, if any, in such award. Tenant shall have the right, to the extent that same shall not diminish Landlord's award, to make a separate claim against the condemning authority (but not Landlord) for such compensation as may be separately awarded or recoverable by Tenant for moving expenses and damage to Tenant's Trade Fixtures, if a separate award for such items is made to Tenant.

17. Assignment and Subletting. Without Landlord's prior written consent, Tenant shall not assign this Lease or sublease the Premises or any part thereof or mortgage, pledge, or hypothecate its leasehold interest or grant any concession or license within the Premises and any attempt to do any of the foregoing shall be void and of no effect. For purposes of this paragraph, a transfer of the ownership interests controlling Tenant shall be deemed an assignment of this Lease unless such ownership interests are publicly traded. Notwithstanding the above, Tenant may assign or sublet the Premises, or any part thereof, to (a) any entity controlling Tenant, controlled by Tenant or under common control with Tenant (a "Tenant Affiliate"), or (b) to any person or entity which shall acquire not less than 51% of the stock or assets of Tenant as a result of a consolidation, merger or sale, provided that in the case of this Subparagraph 17(b), (x) such consolidation, merger or sale is for a good business purpose and not principally for the purpose of transferring Tenant's leasehold estate, and (y) the assignee or successor entity has a net worth at least equal to the net worth of Tenant immediately prior to such consolidating merger or sale without the prior written consent of Landlord. Tenant shall reimburse Landlord for all of Landlord's reasonable out-of-pocket expenses in connection with any assignment or sublease. Upon Landlord's receipt of Tenant's written notice of a desire to assign or sublet the Premises, or any part thereof (other than to a Tenant Affiliate), Landlord may, by giving written notice to Tenant within 30 days after receipt of Tenant's notice, terminate this Lease with respect to the space described in Tenant's notice, as of the date specified in Tenant's notice for the commencement of the proposed assignment or sublease.

Tenant: [Illegible] Landlord: [Illegible]

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Notwithstanding any assignment or subletting, Tenant and any guarantor or surety of Tenant's obligations under this Lease shall at all times remain fully responsible and liable for the payment of the rent and for compliance with all of Tenant's other obligations under this Lease (regardless of whether Landlord's approval has been obtained for any such assignments or sublettings). In the event that the rent due and payable by a sublessee or assignee (or a combination of the rental payable under such sublease or assignment plus any bonus or other consideration therefor or incident thereto) exceeds the rental payable under this Lease, then Tenant shall be bound and obligated to pay Landlord as additional rent hereunder all such excess rental and other excess consideration within 10 days following receipt thereof by Tenant.

If this Lease be assigned or if the Premises be subleased (whether in whole or in part) or in the event of the mortgage, pledge, or hypothecation of Tenant's leasehold interest or grant of any concession or license within the Premises or if the Premises be occupied in whole or in part by anyone other than Tenant, then upon a default by Tenant hereunder Landlord may collect rent from the assignee, sublessee, mortgagee, pledgee, party to whom the leasehold interest was hypothecated, concessionee or licensee or other occupant and, except to the extent set forth in the preceding paragraph, apply the amount collected to the next rent payable hereunder; and all such rentals collected by Tenant shall be held in trust for Landlord and immediately forwarded to Landlord. No such transaction or collection of rent or application thereof by Landlord, however, shall be deemed a waiver of these provisions or a release of Tenant from the further performance by Tenant of its covenants, duties, or obligations hereunder.

18. Indemnification. Except for the negligence of Landlord, its agents, employees or contractors, and to the extent permitted by law, Tenant agrees to

indemnify, defend and hold harmless Landlord, and Landlord's agents, employees and contractors, from and against any and all losses, liabilities, damages, costs and expenses (including reasonable attorneys' fees) resulting from claims by third parties for injuries to any person and damage to or theft or misappropriation or loss of property occurring in or about the Project and arising from the use and occupancy of the Premises or from any activity, work, or thing done, permitted or suffered by Tenant in or about the Premises or due to any other act or omission of Tenant, its subtenants, assignees, invitees, employees, contractors and agents. The furnishing of insurance required hereunder shall not be deemed to limit Tenant's obligations under this Paragraph 18.

Landlord covenants and agrees to indemnify and save Tenant, its employees and agents harmless of and from any and all claims, costs, expenses and liabilities, including, without limitation, attorneys' fees, arising on account of or by reason of claims by third parties for injuries or death to persons or damages to property resulting from the negligence or willful misconduct of Landlord or its agents, employees, or contractors, to the extent not attributable to any negligence of Tenant, any assignee or subtenant of Tenant, or their respective employees, agents, or contractors. If a claim under the foregoing indemnity is made against the indemnitee which the indemnitee believes to be covered by an indemnitor's indemnification obligations hereunder, the indemnitee shall promptly notify the indemnitor of the claim and, in such notice shall offer to the indemnitor the opportunity to assume the defense of the claim within 10 business days after receipt of the notice (with counsel reasonably acceptable to the indemnitee). If the indemnitor timely elects to assume the defense of the claim, the indemnitor shall have the right to settle the claim on any terms it considers reasonable and without the indemnitee's prior written consent, as long as the settlement shall not require the indemnitee to render any performance or pay any consideration, and the indemnitee shall not have the right to settle any such claim. If the indemnitor fails timely to elect to assume the defense of the claim or fails to defend the claim with diligence, then the indemnitee shall have the right to take over the defense of the claim and to settle the claim on any terms the indemnitee considers reasonable. Any such settlement shall be valid as against the indemnitor. If the indemnitor assumes the defense of a claim, the indemnitee may employ its own counsel but such employment shall be at the sole expense of the indemnitee. If any such claim arises out of the negligence of both Landlord and Tenant, responsibility for such claim shall be allocated between Landlord and Tenant based on their respective degrees of negligence. This indemnity does not cover claims arising from the presence or release of Hazardous Materials.

19. Inspection and Access. Landlord and its agents, representatives, and contractors may enter the Premises at any reasonable time upon reasonable notice to inspect the Premises and to make such repairs as may be required or permitted pursuant to this Lease and for any other business purpose. Landlord and Landlord's representatives may enter the Premises during business hours for the purpose of showing the Premises to prospective purchasers and, during the last year of the Lease Term, to prospective tenants. Landlord may erect a suitable sign on the Premises stating the Premises are available to let or that the Project is available for sale. Landlord may grant easements, make public dedications, designate common areas and create restrictions on or about the Premises, provided that no such easement, dedication, designation or restriction materially interferes with Tenant's use or occupancy of the Premises. At Landlord's request, Tenant shall execute such instruments as may be necessary for such easements, dedications or restrictions.

20. Quiet Enjoyment. If Tenant shall substantially perform all of the covenants and agreements herein required to be performed by Tenant, Tenant shall, subject to the terms of this Lease, at all times during the Lease Term, have peaceful and quiet enjoyment of the Premises against any person claiming by, through or under Landlord; provided, that substantial performance of Tenant's rent-payment obligations shall be nothing less than full payment of all amounts owed when due.

21. Surrender. Upon termination of the Lease Term or earlier termination of Tenant's right of possession, Tenant shall surrender the Premises to Landlord in the same condition as received, broom clean, ordinary wear and tear and

casualty loss and condemnation covered by Paragraphs 15 and 16 excepted. Any Trade Fixtures, Tenant-Made Alterations and property not so removed by Tenant as permitted or required herein shall be deemed abandoned and may be stored, removed, and disposed of by Landlord at Tenant's expense, and Tenant waives all claims against Landlord for any damages resulting from Landlord's retention and disposition of such property. All obligations of Tenant hereunder not fully performed as of the termination of the Lease Term shall survive the termination of the Lease Term, including without limitation, indemnity obligations, payment obligations with respect to Operating Expenses and obligations concerning the condition and repair of the Premises.

22. Holding Over. If Tenant retains possession of the Premises after the termination of the Lease Term, unless otherwise agreed in writing, such possession shall be subject to immediate termination by Landlord at any time, and all of the other terms and provisions of this Lease (excluding any expansion or renewal option or other similar right or option) shall be applicable during such holdover period, except that Tenant shall pay Landlord from time to time, upon demand, as Base Rent for the holdover period, an amount equal to double the Base Rent in effect on the termination date, computed on a monthly basis for each month or part thereof during such holding over. All other payments shall continue under the terms of this Lease. In addition, Tenant shall be liable for all damages incurred by Landlord as a result of such holding over. No holding over by Tenant, whether with or without consent of Landlord, shall operate to extend this Lease except as otherwise expressly provided, and this Paragraph 22 shall not be construed as consent for Tenant to retain possession of the Premises.

23. Events of Default. Each of the following events shall be an event of default ("Event of Default") by Tenant under this Lease:

Tenant: [Illegible] Landlord: [Illegible]

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(i) Tenant shall fail to pay any installment of Base Rent or any other payment required herein when due, and such failure shall continue for a period of 5 days from receipt of notice therefor from Landlord (provided, however, that if Landlord shall have provided notice of Tenant's failure to pay rent once during any calendar year or three times during the Lease Term, thereafter, as the case may be, Tenant's failure to pay rent within 5 days after the due date thereof shall constitute an Event of Default without any requirement of notice from Landlord).

(ii) Tenant or any guarantor or surety of Tenant's obligations hereunder shall (A) make a general assignment for the benefit of creditors; (B) commence any case, proceeding or other action seeking to have an order for relief entered on its behalf as a debtor or to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution or composition of it or its debts or seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or of any substantial part of its property (collectively a "proceeding for relief"); (C) become the subject of any proceeding for relief which is not dismissed within 60 days of its filing or entry; or (D) die or suffer a legal disability (if Tenant, guarantor, or surety is an individual) or be dissolved or otherwise fail to maintain its legal existence (if Tenant, guarantor or surety is a corporation, partnership or other entity).

(iii) Any insurance required to be maintained by Tenant pursuant to this Lease shall be cancelled or terminated or shall expire or shall be reduced or materially changed, except, in each case, as permitted in this Lease.

(iv) Tenant shall not occupy or shall vacate the Premises or shall fail to continuously operate its business at the Premises for the permitted use set forth herein, whether or not Tenant is in monetary or

other default under this Lease.

(v) Tenant shall attempt or there shall occur any assignment, subleasing or other transfer of Tenant's interest in or with respect to this Lease except as otherwise permitted in this Lease.

(vi) Tenant shall fail to discharge any lien placed upon the Premises in violation of this Lease within 30 days after any such lien or encumbrance is filed against the Premises.

(vii) Tenant shall fail to comply with any provision of this Lease other than those specifically referred to in this Paragraph 23, and except as otherwise expressly provided herein, such default shall continue for more than 30 days after Landlord shall have given Tenant written notice of such default.

24. Landlord's Remedies. Upon each occurrence of an Event of Default and so long as such Event of Default shall be continuing, Landlord may at any time thereafter at its election: terminate this Lease or Tenant's right of possession, (but Tenant shall remain liable as hereinafter provided) and/or pursue any other remedies at law or in equity. Upon the termination of this Lease or termination of Tenant's right of possession, it shall be lawful for Landlord, without formal demand or notice of any kind, to re-enter the Premises by summary dispossession proceedings or any other action or proceeding authorized by law and to remove Tenant and all persons and property therefrom. If Landlord re-enters the Premises, Landlord shall have the right to keep in place and use, or remove and store, all of the furniture, fixtures and equipment at the Premises.

If Landlord terminates this Lease, Landlord may recover from Tenant the sum of: all Base Rent and all other amounts accrued hereunder to the date of such termination; the cost of reletting the whole or any part of the Premises, including without limitation brokerage fees and/or leasing commissions incurred by Landlord, and costs of removing and storing Tenant's or any other occupant's property, repairing, altering, remodeling, or otherwise putting the Premises into condition acceptable to a new tenant or tenants, and all reasonable expenses incurred by Landlord in pursuing its remedies, including reasonable attorneys' fees and court costs; and the excess of the then present value of the Base Rent and other amounts payable by Tenant under this Lease as would otherwise have been required to be paid by Tenant to Landlord during the period following the termination of this Lease measured from the date of such termination to the expiration date stated in this Lease, over the present value of any net amounts which Tenant establishes Landlord can reasonably expect to recover by reletting the Premises for such period, taking into consideration the availability of acceptable tenants and other market conditions affecting leasing. Such present values shall be calculated at a discount rate equal to the 90-day U.S. Treasury bill rate at the date of such termination.

If Landlord terminates Tenant's right of possession (but not this Lease), Landlord may, but shall be under no obligation to, relet the Premises for the account of Tenant for such rent and upon such terms as shall be satisfactory to Landlord without thereby releasing Tenant from any liability hereunder and without demand or notice of any kind to Tenant. For the purpose of such reletting Landlord is authorized to make any repairs, changes, alterations, or additions in or to the Premises as Landlord deems reasonably necessary or desirable. If the Premises are not relet, then Tenant shall pay to Landlord as damages a sum equal to the amount of the rental reserved in this Lease for such period or periods, plus the cost of recovering possession of the Premises (including attorneys' fees and costs of suit), the unpaid Base Rent and other amounts accrued hereunder at the time of repossession, and the costs incurred in any attempt by Landlord to relet the Premises. If the Premises are relet and a sufficient sum shall not be realized from such reletting [after first deducting therefrom, for retention by Landlord, the unpaid Base Rent and other amounts accrued hereunder at the time of reletting, the cost of recovering possession (including attorneys' fees and costs of suit), all of the costs and expense of repairs, changes, alterations, and

additions, the expense of such reletting (including without limitation brokerage fees and leasing commissions) and the cost of collection of the rent accruing therefrom] to satisfy the rent provided for in this Lease to be paid, then Tenant shall immediately satisfy and pay any such deficiency. Any such payments due Landlord shall be made upon demand therefor from time to time and Tenant agrees that Landlord may file suit to recover any sums falling due from time to time. Notwithstanding any such reletting without termination, Landlord may at any time thereafter elect in writing to terminate this Lease for such previous breach.

Exercise by Landlord of any one or more remedies hereunder granted or otherwise available shall not be deemed to be an acceptance of surrender of the Premises and/or a termination of this Lease by Landlord, whether by agreement or by operation of law, it being understood that such surrender and/or termination can be effected only by the written agreement of Landlord and Tenant. Any law, usage, or custom to the contrary notwithstanding, Landlord shall have the right at all times to enforce the provisions of this Lease in strict accordance with the terms hereof; and the failure of Landlord at any time to enforce its rights under this Lease strictly in accordance with same shall not be construed as having created a custom in any way or manner contrary to the specific terms, provisions, and covenants of this Lease or as having modified the same. Tenant and Landlord further agree that forbearance or waiver by Landlord to enforce its rights pursuant to this Lease or at law or in equity, shall not be a waiver of Landlord's right to enforce one or more of its rights in connection with any subsequent default. A receipt by Landlord of rent or other payment with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by Landlord of any provision of this Lease shall be deemed to have been made unless expressed in writing and signed by Landlord. To the greatest extent permitted by law, Tenant waives the service of notice of Landlord's intention to re-enter as provided for in any statute, or to institute legal proceedings to that end, and also waives all right of redemption in case Tenant shall be dispossessed by a judgment or by warrant of any court or judge. The terms "enter," "re-enter," "entry" or "re-entry," as used in this Lease, are not restricted to their technical legal meanings. Any reletting of the Premises shall be on such terms and conditions as Landlord in its sole discretion may determine (including without limitation a term different than the remaining Lease Term, rental concessions, alterations and repair of the Premises, lease of less than the entire Premises to any tenant and leasing any or all other portions of the Project before reletting the Premises). Landlord shall not be liable, nor shall Tenant's obligations hereunder be diminished because of, Landlord's failure to relet the Premises or collect rent due in respect of such reletting.

25. Tenant's Remedies/Limitation of Liability. Landlord shall not be in default hereunder unless Landlord fails to perform any of its obligations hereunder within 30 days after written notice from Tenant specifying such failure (unless such performance will, due to the nature of the obligation, require a period of time in excess of 30 days, then after such period of time as is reasonably necessary). All obligations of Landlord hereunder shall be construed as covenants, not conditions; and, except as may be otherwise expressly provided in this Lease, Tenant may not terminate this Lease for breach of Landlord's obligations hereunder. All obligations of Landlord under this Lease will be binding upon Landlord only during the period of its ownership of the Premises and not thereafter. The term "Landlord" in this Lease shall mean only the owner, for the time being of the Premises, and in the event of the transfer by such owner of its interest in the Premises, such owner shall thereupon be released and discharged from all obligations of Landlord thereafter accruing, but such obligations shall be binding during the Lease Term upon each new owner for the duration of such owner's ownership. Any liability of Landlord under this Lease shall be limited solely to its interest in the Project, and in no event shall any personal liability be asserted against Landlord in connection with this Lease nor shall any recourse be had to any other property or assets of Landlord.

26. Waiver of Jury Trial. TENANT AND LANDLORD WAIVE ANY RIGHT TO TRIAL BY

JURY OR TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT, OR OTHERWISE, BETWEEN LANDLORD AND TENANT ARISING OUT OF THIS LEASE OR ANY OTHER INSTRUMENT, DOCUMENT, OR AGREEMENT EXECUTED OR DELIVERED IN CONNECTION HERewith OR THE TRANSACTIONS RELATED HERETO.

27. Subordination. This Lease and Tenant's interest and rights hereunder are and shall be subject and subordinate at all times to the lien of any first mortgage, now existing or hereafter created on or against the Project or the Premises, and all amendments, restatements, renewals, modifications, consolidations, refinancing, assignments and extensions thereof, without the necessity of any further instrument or act on the part of Tenant. Tenant agrees, at the election of the holder of any such mortgage, to attorn to any such holder. Tenant agrees upon demand to execute, acknowledge and deliver such instruments, confirming such subordination and such instruments of attornment as shall be requested by any such holder. Tenant hereby appoints Landlord attorney in fact for Tenant irrevocably (such power of attorney being coupled with an interest) to execute, acknowledge and deliver any such instrument and instruments for and in the name of the Tenant and to cause any such instrument to be recorded. Notwithstanding the foregoing, any such holder may at any time subordinate its mortgage to this Lease, without Tenant's consent, by notice in writing to Tenant, and thereupon this Lease shall be deemed prior to such mortgage without regard to their respective dates of execution, delivery or recording and in that event such holder shall have the same rights with respect to this Lease as though this Lease had been executed prior to the execution, delivery and recording of such mortgage and had been assigned to such holder. The term "mortgage" whenever used in this Lease shall be deemed to include deeds of trust, security assignments and any other encumbrances, and any reference to the "holder" of a mortgage shall be deemed to include the beneficiary under a deed of trust.

28. Mechanic's Liens. Tenant has no express or implied authority to create or place any lien or encumbrance of any kind upon, or in any manner to bind the interest of Landlord or Tenant in, the Premises or to charge the rentals payable hereunder for any claim in favor of any person dealing with Tenant, including those who

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may furnish materials or perform labor for any construction or repairs. Tenant covenants and agrees that it will pay or cause to be paid all sums legally due and payable by it on account of any labor performed or materials furnished in connection with any work performed on the Premises and that it will save and hold Landlord harmless from all loss, cost or expense based on or arising out of asserted claims or liens against the leasehold estate or against the interest of Landlord in the Premises or under this Lease. Tenant shall give Landlord immediate written notice of the placing of any lien or encumbrance against the Premises and cause such lien or encumbrance to be discharged within 30 days of the filing or recording thereof; provided, however, Tenant may contest such liens or encumbrances as long as such contest prevents foreclosure of the lien or encumbrance and Tenant causes such lien or encumbrance to be bonded or insured over in a manner satisfactory to Landlord within such 30 day period.

29. Estoppel Certificates. Tenant agrees, from time to time, within 10 days after request of Landlord, to execute and deliver to Landlord, or Landlord's designee, any estoppel certificate requested by Landlord, stating that this Lease is in full force and effect, the date to which rent has been paid, that Landlord is not in default hereunder (or specifying in detail the nature of Landlord's default), the termination date of this Lease and such other matters pertaining to this Lease as may be requested by Landlord. Tenant's obligation to furnish each estoppel certificate in a timely fashion is a material inducement for Landlord's execution of this Lease. No cure or grace period provided in this Lease shall apply to Tenant's obligations to timely deliver an estoppel certificate. Tenant hereby irrevocably appoints Landlord as its attorney in fact to execute on its behalf and in its name any such estoppel certificate if Tenant fails to execute and deliver the estoppel certificate within 10 days after Landlord's written request thereof.

30. Environmental Requirements. Except for Hazardous Material contained in products used by Tenant in de minimis quantities for ordinary cleaning and office purposes, Tenant shall not permit or cause any party to bring any Hazardous Material upon the Premises or transport, store, use, generate, manufacture or release any Hazardous Material in or about the Premises without Landlord's prior written consent. Tenant, at its sole cost and expense, shall operate its business in the Premises in strict compliance with all Environmental Requirements and shall remediate in a manner satisfactory to Landlord any Hazardous Materials released on or from the Project by Tenant, its agents, employees, contractors, subtenants or invitees. Tenant shall complete and certify to disclosure statements as requested by Landlord from time to time relating to Tenant's transportation, storage, use, generation, manufacture or release of Hazardous Materials on the Premises. The term "Environmental Requirements" means all applicable present and future statutes, regulations, ordinances, rules, codes, judgments, orders or other similar enactments of any governmental authority or agency regulating or relating to health, safety, or environmental conditions on, under, or about the Premises or the environment, including without limitation, the following: the Comprehensive Environmental Response, Compensation and Liability Act; the Resource Conservation and Recovery Act; and all state and local counterparts thereto, and any regulations or policies promulgated or issued thereunder. The term "Hazardous Materials" means and includes any substance, material, waste, pollutant, or contaminant listed or defined as hazardous or toxic, under any Environmental Requirements, asbestos and petroleum, including crude oil or any fraction thereof, natural gas liquids, liquified natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). As defined in Environmental Requirements, Tenant is and shall be deemed to be the "operator" of Tenant's "facility" and the "owner" of all Hazardous Materials brought on the Premises by Tenant, its agents, employees, contractors or invitees, and the wastes, by-products, or residues generated, resulting, or produced therefrom.

Tenant shall indemnify, defend, and hold Landlord harmless from and against any and all losses (including, without limitation, diminution in value of the Premises or the Project and loss of rental income from the Project), claims, demands, actions, suits, damages (including, without limitation, punitive damages), expenses (including, without limitation, remediation, removal, repair, corrective action, or cleanup expenses), and costs (including, without limitation, actual reasonable attorneys' fees, consultant fees or expert fees and including, without limitation, removal or management of any asbestos brought into the property or disturbed in breach of the requirements of this Paragraph 30, regardless of whether such removal or management is required by law) which are brought or recoverable against, or suffered or incurred by Landlord as a result of any release of Hazardous Materials for which Tenant is obligated to remediate as provided above or any other breach of the requirements under this Paragraph 30 by Tenant, its agents, employees, contractors, subtenants, assignees or invitees, regardless of whether Tenant had knowledge of such noncompliance. The obligations of Tenant under this Paragraph 30 shall survive any termination of this Lease. Tenant shall not be liable, under this Paragraph 30, for any Hazardous Materials existing on the Premises prior to the Commencement Date.

Landlord shall have access to, and a right to perform inspections and tests of, the Premises to determine Tenant's compliance with Environmental Requirements, its obligations under this Paragraph 30, or the environmental condition of the Premises. Access shall be granted to Landlord upon Landlord's prior notice to Tenant and at such times so as to minimize, so far as may be reasonable under the circumstances, any disturbance to Tenant's operations. Such inspections and tests shall be conducted at Landlord's expense, unless such inspections or tests reveal that Tenant has not complied with any Environmental Requirement, in which case Tenant shall reimburse Landlord for the reasonable cost of such inspection and tests. Landlord's receipt of or satisfaction with any environmental assessment in no way waives any rights that Landlord holds against Tenant.

31. Rules and Regulations. Tenant shall, at all times during the Lease Term and any extension thereof, comply with all reasonable rules and regulations at any time or from time to time established by Landlord covering use of the

Premises and the Project. The current rules and regulations are attached hereto. In the event of any conflict between said rules and regulations and other provisions of this Lease, the other terms and provisions

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of this Lease shall control. Landlord shall not have any liability or obligation for the breach of any rules or regulations by other tenants in the Project.

32. Security Service. Tenant acknowledges and agrees that, while Landlord may patrol the Project, Landlord is not providing any security services with respect to the Premises and that Landlord shall not be liable to Tenant for, and Tenant waives any claim against Landlord with respect to, any loss by theft or any other damage suffered or incurred by Tenant in connection with any unauthorized entry into the Premises or any other breach of security with respect to the Premises.

33. Force Majeure. Each of Landlord and Tenant shall not be held responsible for delays in the performance of its obligations hereunder when caused by strikes, lockouts, labor disputes, acts of God, inability to obtain labor or materials or reasonable substitutes therefor, governmental restrictions, governmental regulations, governmental controls, delay in issuance of permits, enemy or hostile governmental action, civil commotion, fire or other casualty, and other causes beyond their respective reasonable control ("Force Majeure"), provided, however, that Tenant's obligation to pay rent shall survive any such Force Majeure occurrence.

34. Entire Agreement. This Lease constitutes the complete agreement of Landlord and Tenant with respect to the subject matter hereof. No representations, inducements, promises or agreements, oral or written, have been made by Landlord or Tenant, or anyone acting on behalf of Landlord or Tenant, which are not contained herein, and any prior agreements, promises, negotiations, or representations are superseded by this Lease. This Lease may not be amended except by an instrument in writing signed by both parties hereto.

35. Severability. If any clause or provision of this Lease is illegal, invalid or unenforceable under present or future laws, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby. It is also the intention of the parties to this Lease that in lieu of each clause or provision of this Lease that is illegal, invalid or unenforceable, there be added, as a part of this Lease, a clause or provision as similar in terms to such illegal, invalid or unenforceable clause or provision as may be possible and be legal, valid and enforceable.

36. Brokers. Landlord and Tenant each represents and warrants that it has dealt with no broker, agent or other person in connection with this transaction and that no broker, agent or other person brought about this transaction, other than the broker, if any, set forth on the first page of this Lease, and each party agrees to indemnify and hold the other party harmless from and against any claims by any other broker, agent or other person claiming a commission or other form of compensation by virtue of having dealt with Landlord or Tenant, as the case may be, with regard to this leasing transaction.

37. Miscellaneous. (a) Any payments or charges due from Tenant to Landlord hereunder shall be considered rent for all purposes of this Lease.

(b) If and when included within the term "Tenant," as used in this instrument, there is more than one person, firm or corporation, each shall be jointly and severally liable for the obligations of Tenant.

(c) All notices required or permitted to be given under this Lease shall be in writing and shall be sent by registered or certified mail, return receipt requested, or by a reputable national overnight courier service, postage prepaid, or by hand delivery addressed to the parties at their addresses below, and with a copy sent to Landlord at 14100 East 35th Place, Aurora, Colorado 80011. Either party may by notice given aforesaid change its address for all

subsequent notices. Except where otherwise expressly provided to the contrary, notice shall be deemed given upon delivery.

(d) Except as otherwise expressly provided in this Lease or as otherwise required by law, Landlord retains the absolute right to withhold any consent or approval.

(e) At Landlord's request from time to time Tenant shall furnish Landlord with true and complete copies of its most recent annual and quarterly financial statements prepared by Tenant or Tenant's accountants and any other financial information or summaries that Tenant typically provides to its shareholders.

(f) Neither this Lease nor a memorandum of lease shall be filed by or on behalf of Tenant in any public record. Landlord may prepare and file, and upon request by Landlord Tenant will execute, a memorandum of lease.

(g) The normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Lease or any exhibits or amendments hereto.

(h) The submission by Landlord to Tenant of this Lease shall have no binding force or effect, shall not constitute an option for the leasing of the Premises, nor confer any right or impose any obligations upon either party until execution of this Lease by both parties.

(i) Words of any gender used in this Lease shall be held and construed to include any other gender, and words in the singular number shall be held to include the plural, unless the context otherwise requires. The

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captions inserted in this Lease are for convenience only and in no way define, limit or otherwise describe the scope or intent of this Lease, or any provision hereof, or in any way affect the interpretation of this Lease.

(j) Any amount not paid by Tenant within 5 days after Tenant's receipt of written notice thereof from Landlord (subject to Paragraph 23(i)) in accordance with the terms of this Lease shall bear interest from such due date until paid in full at the lesser of the highest rate permitted by applicable law or 15 percent per year. It is expressly the intent of Landlord and Tenant at all times to comply with applicable law governing the maximum rate or amount of any interest payable on or in connection with this Lease. If applicable law is ever judicially interpreted so as to render usurious any interest called for under this Lease, or contracted for, charged, taken, reserved, or received with respect to this Lease, then it is Landlord's and Tenant's express intent that all excess amounts theretofore collected by Landlord be credited on the applicable obligation (or, if the obligation has been or would thereby be paid in full, refunded to Tenant), and the provisions of this Lease immediately shall be deemed reformed and the amounts thereafter collectible hereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for hereunder.

(k) Construction and interpretation of this Lease shall be governed by the laws of the state in which the Project is located, excluding any principles of conflicts of laws.

(l) Time is of the essence as to the performance of Tenant's and Landlord's obligations under this Lease.

(m) All exhibits and addenda attached hereto are hereby incorporated into this Lease and made a part hereof. In the event of any conflict between such exhibits or addenda and the terms of this Lease, such exhibits or addenda shall control.

Security Capital Industrial Trust. Any obligation or liability whatsoever of Security Capital Industrial Trust, a Maryland real estate investment trust, which may arise at any time under this Lease or any obligation or liability which may be incurred by it pursuant to any other instrument, transaction, or undertaking contemplated hereby shall not be personally binding upon, nor shall resort for the enforcement thereof be had to the property of, its trustees, directors, shareholders, officers, employees or agents, regardless of whether such obligation or liability is in the nature of contract, tort, or otherwise.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease as of the day and year first above written.

TENANT:

LANDLORD:

IOMEGA CORPORATION

SECURITY CAPITAL INDUSTRIAL TRUST

By: /s/ [Illegible]

By: /s/ [Illegible]

Title: Director Corporate Facilities

Title: Managing Director

Address:

Address:

821 W. Iomega Way
Attn: Dave Correll
Roy, Utah 84067

14100 E. 35th Place
Attn: Managing Director
Aurora, Colorado 80011

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Rules and Regulations

1. The sidewalk, entries, and driveways of the Project shall not be obstructed by Tenant, or its agents, or used by them for any purpose other than ingress and egress to and from the Premises.
2. Except for seeing-eye dogs, no animals shall be allowed in the offices, halls, or corridors in the Project.
3. Tenant shall not install or operate any steam or gas engine or boiler, or other mechanical apparatus in the Premises, except as specifically approved in the Lease. The use of oil, gas or inflammable liquids for heating, lighting or any other purpose is expressly prohibited. Explosives or other articles deemed extra hazardous shall not be brought into the Project.
4. In the event that a vehicle is disabled, it shall be removed within 48 hours. All vehicles shall be parked in the designated parking areas in conformity with all signs and other markings. All parking will be open parking, and no reserved parking, numbering or lettering of individual spaces will be permitted except as specified by Landlord.
5. Tenant shall maintain the Premises free from rodents, insects and other pests.
6. Landlord reserves the right to exclude or expel from the Project any person who shall in any manner do any act in violation of the Rules and Regulations of the Project.
7. Tenant shall not cause any unnecessary labor by reason of Tenant's carelessness or indifference in the preservation of good order and cleanliness. Unless caused by Landlord's negligence, Landlord shall not be responsible to Tenant for any loss of property on the Premises, however occurring, or for any damage done to the effects of Tenant by the janitors or any other employee or person.

8. Tenant shall give Landlord prompt notice of any defects in the water, lawn sprinkler, sewage, gas pipes, electrical lights and fixtures, heating apparatus, or any other service equipment affecting the Premises.
9. Tenant shall not permit dumping of waste or refuse or permit any harmful materials to be placed in any drainage system or sanitary system in or about the Premises.
10. All moveable trash receptacles provided by the trash disposal firm for the Premises must be kept in the trash enclosure areas, if any, provided for that purpose.
11. No auction, public or private, will be permitted on the Premises or the Project.
12. No awnings shall be placed over the windows in the Premises except with the prior written consent of Landlord.
13. The Premises shall not be used for lodging, sleeping or cooking or for any immoral or illegal purposes or for any purpose other than that specified in the Lease.
14. Tenant shall ascertain from Landlord the maximum amount of electrical current which can safely be used in the Premises, taking into account the capacity of the electrical wiring in the Project and the Premises, and shall not use more than such safe capacity. Landlord's consent to the installation of electric equipment shall not relieve Tenant from the obligation not to use more electricity than such safe capacity.
15. Tenant assumes full responsibility for protecting the Premises from theft, robbery and pilferage.
16. Tenant shall not install or operate on the Premises any machinery or mechanical devices of a nature not directly related to Tenant's ordinary use of the Premises and shall keep all such machinery free of vibration, noise and air waves which may be transmitted beyond the Premises.

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EXHIBIT A

Premises

2976 S. Commerce Street, Ogden, Utah

[Depiction to be attached.]

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ADDENDUM A

CPI ADJUSTMENT

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED APRIL 9, 1996 BETWEEN
SECURITY CAPITAL INDUSTRIAL TRUST
and
IOMEGA CORPORATION

Base Rent shall increase on the first day of each of the 40th and 80th months of the Lease Term by an amount equal to 100 percent (100%) of the increase in the Consumer Price Index during the preceding 40 months; provided, however, in no event shall the Base Rent each year be increased by more than 6% or by less than 3% per annum, compounded annually, on a cumulative basis from

the beginning of the Lease term. "Consumer Price Index" means the Utah Wasatch Front Consumer Price Index for All Urban Consumers (Revised Series) of the United States Department of Labor, Bureau of Labor Statistics. If the manner in which the Consumer Price Index is calculated shall be revised, Landlord shall make an adjustment in such revised index so as to produce results equivalent, as nearly as possible, to those which would have been obtained if the Consumer Price Index had not been so revised. If the Consumer Price Index shall become unavailable to the public because publication is discontinued or otherwise, Landlord will substitute therefor a comparable index based upon changes in the cost of living or purchasing power of the consumer dollar published by any other governmental agency or, if no such index shall be available, then a comparable index published by a major bank or other financial institution or by a university or a recognized financial publication.

ADDENDUM B

STORAGE AND USE OF PERMITTED HAZARDOUS MATERIALS

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED APRIL 9, 1996, BETWEEN
IOMEGA CORPORATION
and
SECURITY CAPITAL INDUSTRIAL TRUST

1. Permitted Hazardous Materials and Use.

Tenant has requested Landlord's consent to use the Hazardous Materials listed below in its business at the Premises (the "Permitted Hazardous Materials"). Subject to the conditions set forth herein, Landlord hereby consents to the Use (hereinafter defined) of the Permitted Hazardous Materials. Any Permitted Hazardous Materials on the Premises will be generated, used, received, maintained, treated, stored, or disposed in a manner consistent with good engineering practice and in compliance with all Environmental Requirements.

Permitted Hazardous Materials (including maximum quantities):

To be completed within 30 days of lease [ILLEGIBLE] commencement

date

The storage, uses or processes involving the Permitted Hazardous Materials (the "Use") are described below.

Use [If limited to receiving and storage, so specify]:

2. No Current Investigation. Tenant represents and warrants that it is not currently subject to an inquiry, regulatory investigation, enforcement order, or any other proceeding regarding the generation, use, treatment, storage, or disposal of a Hazardous Material.

3. Notice and Reporting. Tenant immediately shall notify Landlord in writing of any spill, release, discharge, or disposal of any Hazardous Material in, on or under the Premises or the Project. All reporting obligations imposed by Environmental Requirements are strictly the responsibility of Tenant. Tenant shall supply to Landlord within 5 business days after Tenant first receives or

sends the same, copies of all claims, reports, complaints, notices, warnings or asserted violations relating in any way to Tenant's use of the Premises.

4. Indemnification. Tenant's indemnity obligation under the Lease with respect to Hazardous Materials shall include indemnification for the liabilities, expenses and other losses described therein as a result of the Use of the Hazardous Materials or the breach of Tenant's obligations or representations set forth above. It is the intent of this provision that Tenant be strictly liable to Landlord as a result of the Use of Hazardous Materials without regard to the fault or negligence of Tenant, Landlord or any third party.

5. Disposal Upon Lease Termination. At the expiration or earlier termination of the Lease, Tenant, at its sole cost and expense, shall: (i) remove and dispose off-site any drums, containers, receptacles, structures, or tanks storing or containing Hazardous Materials (or which have stored or contained Hazardous Materials) and the contents thereof; (ii) remove, empty, and purge all underground and above ground storage tank systems, including connected piping, of all vapors, liquids, sludges and residues; and (iii) restore the Premises to its original condition. Such activities shall be performed in compliance with all Environmental Requirements and to the satisfaction of Landlord. Landlord's satisfaction with such activities or the condition of the Premises does not waive, or release Tenant from, any obligations hereunder.

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ADDENDUM C

CONSTRUCTION
(ALLOWANCE)

ATTACHED TO AND A PART OF THE LEASE AGREEMENT
DATED APRIL 9, 1996, BETWEEN

SECURITY CAPITAL INDUSTRIAL TRUST

and

IOMEGA CORPORATION

(a) Landlord agrees to furnish or perform those items of construction and those improvements (the "Tenant Improvements") specified below:

Landlord shall diligently pursue to completion the construction of a parking lot to service the Building. All costs associated with designing, obtaining approvals for and constructing the parking lot will be deducted from the \$500,000 Tenant Improvement allowance set forth below. Any remaining amounts of the \$500,000 may be used by Tenant to build additional office space in the Building, which improvements will be made by Tenant.

Landlord shall pay for the Tenant Improvements (as described above) up to a maximum amount of \$500,000, and Tenant shall pay for the cost of the Tenant Improvements in excess of such amount. If the cost of the Tenant Improvements is estimated to exceed such amount, such estimated overage shall be paid by Tenant before Landlord begins construction and a final adjusting payment based upon the actual costs of the Tenant Improvements shall be made when the Tenant Improvements are complete.

(b) If Tenant shall desire any changes to the parking lot improvements, Tenant shall so advise Landlord in writing and Landlord shall determine whether such changes can be made in a reasonable and feasible manner. Any and all costs of reviewing any requested changes, and any and all costs of making any changes to the Tenant Improvements which Tenant may request and which Landlord may agree to shall be deducted from the Tenant Improvement allowance.

EXHIBIT 10.13

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

BETWEEN THE FREMONT JOINT VENTURE

AND

ROSE VENTURES V. INC., THOMAS G. HAURY AND CARLEEN S. HAURY

AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY

THIS AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY (the "Agreement"), is made and entered into as of the 8th day of June, 1998, by and between ROSE VENTURES V, INC., a California Corporation as to an undivided 50% interest, and THOMAS G. HAURY and CARLEEN S. HAURY, husband and wife, as joint tenants as to undivided 50% interest (hereinafter referred to as "Seller"), and WELLS DEVELOPMENT CORPORATION, a Georgia Corporation (hereinafter referred to as "Purchaser").

W I T N E S S E T H:

WHEREAS, Seller desires to sell and Purchaser desires to purchase the Property (as hereinafter defined) subject to the terms and conditions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the premises, the mutual agreements contained herein, the sum of Ten Dollars (\$10.00) in hand paid by Purchaser to Seller at and before the sealing and delivery of these presents and for other good and valuable consideration, the receipt, adequacy, and sufficiency which are hereby expressly acknowledged by the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. Purchase and Sale of Property. Subject to and in accordance with the terms and provisions of this Agreement, Seller hereby agrees to sell to Purchaser and Purchaser hereby agrees to purchase from Seller, the Property, which term "Property" shall mean and include the following:

(a) all that tract or parcel of land located in Fremont, Alameda County, California, and being more particularly described on Exhibit "A" attached hereto and by this reference made a part hereof (herein referred to as the "Land"); and

(b) all of Seller's rights, privileges, and easements appurtenant to the Land, and all of Seller's water rights, mineral rights, reversions, or other appurtenances to said Land, and all right, title, and interest of Seller, if any, in and to any land lying in the bed of any street, road, alley, or right-of-way, open or proposed, adjacent to or abutting the Land; and

(c) all buildings, structures, and improvements situated on the Land, including, without limitation, that certain two story office building containing approximately 58,424 rentable square feet of space, the parking areas containing approximately 190 parking spaces and other amenities constructed on the Land, and all apparatus, built-in appliances, equipment, pumps, machinery, plumbing, heating, air conditioning, elevators, electrical and other fixtures located on or to be located on the Land (all of which are herein collectively referred to as the "Improvements"); and

(d) all personal property located on or to be located on or in, or used in connection with, the Land and Improvements, (all of which are herein collectively referred to as the "Personal Property"); and

(e) all of Seller's right, title, and interest, as landlord or lessor, in and to the Lease (as hereinafter defined); and

(f) all of Seller's right, title, and interest, if any, in and to the plans and specifications with respect to the Improvements and any guarantees, trademarks, rights of copyright, warranties, or other rights related to the ownership of or use and operation of the Land, Personal Property, or Improvements, all governmental licenses and permits, and all intangibles associated with the Land, Personal Property, and Improvements, including the name of the Improvements and the logo therefor, if any.

2. Earnest Money. Within two (2) business days after the Effective Date, Purchaser shall deliver to First American Title Guaranty Company ("Escrow Agent"), whose offices are at 1734 North First Street, San Jose, California 95112, Purchaser's check, payable to Escrow Agent, in the amount of \$100,000 (the "Earnest

Money"), which Earnest Money shall be held and disbursed by Escrow Agent pursuant to this Agreement. The Earnest Money shall be paid by Escrow Agent to Seller at Closing (as hereinafter defined) and shall be applied as a credit to the Purchase Price (as hereinafter defined), or shall otherwise be paid to Seller or refunded to Purchaser in accordance with the terms of this Agreement. All interest and other income from time to time earned on the Earnest Money shall belong to Purchaser and shall be disbursed to Purchaser at any time and from time to time as Purchaser shall direct Escrow Agent, all as provided in the Escrow Agreement. In no event shall any such interest or other income be deemed a part of the Earnest Money.

3. Purchase Price. Subject to adjustment and credits as otherwise specified in this Agreement, the purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Property shall be EIGHT MILLION NINE HUNDRED THOUSAND Dollars (\$8,900,000). The Purchase Price shall be paid by wire transfer of immediately available federal funds, less the amount of Earnest Money and subject to prorations, adjustments and credits as otherwise specified in this Agreement.

4. Purchaser's Inspection and Review Rights. Commencing on the Effective Date and ending on the Closing Date, and subject to the rights of the Tenant (as hereinafter defined), Purchaser and its agents, engineers, or representatives, with Seller's reasonable, good faith cooperation, shall have the privilege of going upon the Property as needed to inspect, examine, test, and survey the Property at all reasonable times and from time to time. Such privilege shall include the right to make tests, borings, and other tests to obtain information necessary to determine surface and subsurface conditions, provided, however, that no borings shall be made without the advance written consent of Seller. Seller in its sole and absolute discretion, shall have the right to approve all consultants conducting any tests as well as the scope of any invasive testing on the Property prior to the Purchaser conducting such testing. Such privilege shall also include the right to make any other tests deemed reasonably necessary by Purchaser. Purchaser hereby agrees to indemnify and hold Seller harmless from any liens, claims, liabilities, expenses and damages, including, without limitation, reasonable attorney's fees, incurred through the exercise of such privilege, and Purchaser further agrees to repair any damage to the Property caused by the exercise of such privilege. At all reasonable times prior to the Closing (as hereinafter defined), Seller shall make available to Purchaser, or Purchaser's agents and representatives, and for copying at Purchaser's expense, all books, records, and files in Seller's possession relating to the ownership and operation of the Property, including, without limitation, title matters, surveys, tenant files, service and maintenance agreements, and other contracts, books, records, operating statements, and other information relating to the Property. Seller further agrees to in good faith assist and cooperate with Purchaser, at no cost to Seller, in coming to a thorough understanding of the books, records, and files relating to the Property. Seller further agrees to provide copies of any of such books, records, and files as may be reasonably requested by Purchaser, with the copying costs to be borne by Purchaser. Seller further agrees to provide to Purchaser prior to the date which is five (5) business days after the Effective Date the most current surveys, appraisals,

environmental and engineering reports of the Land and Improvements which are in the possession of Seller or which Seller can obtain with a reasonable effort and which have not been previously delivered to Purchaser. Seller further agrees to provide to Purchaser prior to the date which is five (5) days after the Effective Date, a statement setting forth all revenues from the Property and setting forth all costs and expenses of operating, maintaining, and repairing the Property (and the costs of replacing component parts thereof) incurred by Seller, in each case during the period of its ownership. The provisions of this paragraph 4 shall survive the Closing or any termination of this Agreement.

5. Special Condition to Closing. Subject to the limitations set forth in paragraph 4 above, Purchaser shall have until June 24, 1998 to make investigations, examinations, inspections, market studies, feasibility studies, lease reviews, and tests relating to the Property and the operation thereof in order to determine, in Purchaser's sole opinion and discretion, the suitability of the Property for acquisition by Purchaser. Purchaser shall have the right to terminate this Agreement at any time prior to the expiration of the Inspection Period by giving written notice to Seller of such election to terminate. In the event this Agreement is so terminated, Seller shall be entitled to receive the sum of One Hundred Dollars (\$100) of the Earnest Money, and the balance of the Earnest Money shall be promptly refunded by Escrow Agent to Purchaser, whereupon, except as expressly provided to the contrary in this Agreement, Purchaser shall have no further right to purchase the Property and no party hereto shall have any other or further rights or obligations under this Agreement. Seller acknowledges that the sum of \$100 is good and adequate consideration for the termination rights granted to Purchaser hereunder. In

the event Purchaser fails to notify Seller on or before June 24, 1998 that Purchaser has elected to terminate this Agreement, then Purchaser's right to terminate this Agreement pursuant to the provisions of paragraphs 5, 6(g) and 6(h) shall be deemed to have been waived. Thereafter, if Seller has complied with all the terms and conditions of this Agreement, and Purchaser fails or refuses to close on or before June 26, 1998 (or July 7, 1998, if the closing date is extended as provided herein), then the Earnest Money shall be released to Seller, and Purchaser shall have no further liability hereunder.

6. General Conditions Precedent to Purchaser's Obligations Regarding the Closing. In addition to any other conditions to Purchaser's obligations hereunder, the obligations and liabilities of Purchaser hereunder shall in all respects be conditioned upon the satisfaction of each of the following conditions prior to or simultaneously with the Closing (as hereinafter defined), any of which may be waived by written notice from Purchaser to Seller:

(a) Seller shall have complied in all material respects with and otherwise performed in all material respects each of the covenants and obligations of Seller set forth in this Agreement.

(b) All representations and warranties of Seller as set forth in this Agreement shall be true and correct in all material respects as of the date of Closing.

(c) There shall have been no material adverse change to the title to the Property which has not been cured and the Title Company (as hereinafter defined) shall have issued the Title Report (as hereinafter defined) on the Land and Improvements without exceptions other than as have been approved by Purchaser as Permitted Exceptions (as hereinafter defined) and the Title Company shall be prepared to issue to Purchaser upon the Closing an ALTA Owner's Title Insurance Policy on the Land and Improvements pursuant to such Title Report.

(d) Purchaser shall have received the Tenant Estoppel Certificate referred to in Paragraph 9(c) hereof, duly executed by the Tenant (as hereinafter defined).

(e) Purchaser shall have received a date-down on the Title Report through the date and time of recording the Grant Deed from Seller to Purchaser, to reflect that Purchaser is vested with the fee simple title

to the Land and the Improvements, and to reflect that all requirements for the issuance of the final title policy pursuant to such Title Commitment have been satisfied.

(f) Seller shall use reasonable efforts to cause the entities which issued to Seller the environmental site assessment report, the appraisal and the building inspection report to address their respective reports to Purchaser in such a way that Purchaser shall be entitled to rely on same.

(g) Purchaser's obligations and liabilities hereunder shall be conditioned upon Purchaser receiving, at Purchaser's sole cost and expense, prior to the Closing, an appraisal of the Land and Improvements (as encumbered by the Lease) from a competent independent appraiser selected by Purchaser which shall state that the Land and Improvements have a value equal to or exceeding the Purchase Price. If the appraisal received by the Purchaser shall reflect a value of the Land and Improvements which is less than the Purchase Price, Purchaser shall have the right to terminate this Agreement prior to June 24, 1998 by giving written notice to Seller of such election to terminate. In the event Purchaser so elects to terminate this Agreement, Seller shall be entitled to receive \$100 of the Earnest Money from Escrow Agent, and Purchaser shall be entitled to a return of the balance of the Earnest Money, if any, from Escrow Agent, Purchaser shall have no further right to acquire the Property, and no party hereto shall have any other or future rights or obligations under this Agreement, except as expressly provided to the contrary herein.

(h) Purchaser shall have received a commitment from a licensed commercial lending institution to make a loan to Purchaser in the amount of not less than \$6,800,000, bearing an interest rate not in excess of 9.25% per annum, being amortized over a period of 30 years, a maturity date of 3 years,

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closing costs not to exceed \$10,000; an origination fee and other costs not to exceed 1% of the loan amount and permitting prepayment in six months. Purchaser shall pay any costs incurred in connection with the closing of such a loan. This contingency to be removed on or before June 24, 1998.

7. Title and Survey. Seller covenants and agrees that Seller, at its sole cost and expense, shall, on or before seven (7) days after the Effective Date of this Agreement cause First American Title Guaranty Company, or such other such title insurance company acceptable to Purchaser (herein referred to as the "Title Company"), to deliver to Purchaser its Preliminary Title Report (herein referred to as the "Title Report") to issue to Purchaser, upon the recording of the Grant Deed conveying title to the Property from Seller to Purchaser, the payment of the Purchase Price, and the payment to the Title Company of the policy premium therefor, an ALTA Owner's Policy of Title Insurance with endorsements covering survey and zoning, in the amount of the Purchase Price, insuring good and marketable fee simple record title to the Property to be in Purchaser without exception (including any general exception) except for matters approved by Purchaser (herein referred to as the ("Permitted Exceptions"). The Title Policy to be issued shall not contain any exception for mechanic's or materialman's liens or any exception for unpaid taxes other than an exception for taxes not yet due and payable. Such Title Policy shall not contain any exception for rights of parties in possession other than an exception for the rights of the Tenant (as hereinafter defined) under the Lease. If the Title Report shall contain an exception for the state of facts which would be disclosed by a survey of the Property or an "area and boundaries" exception, the Title Report shall provide that such exception will be deleted upon the presentation of an "as-built" survey, in which case the Title Report shall be amended to contain an exception only for the matters shown on the as-built survey. Seller shall also cause to be delivered to Purchaser together with such Title Report, legible copies of all documents and instruments referred to

therein. Purchaser shall have until June 15, 1998 or five days after receipt of the Title Report and accompanying documents, whichever is later to notify Seller, in writing, of Purchaser's objection to any exceptions contained in the Title Report and/or any other rights, interests or matters not shown of record but which are discovered by Purchaser as a result of a survey, inspection or inquiry (hereinafter referred to as "Title Defects"). Upon receipt of such notification, Seller shall have five (5) days within which to notify Purchaser, in writing, whether Seller intends to remove or delete from the title to be conveyed to Purchaser any Title Defects objected to by Purchaser provided that Seller shall cure any mortgage, deed of trust or other lien voluntarily created by Seller. If Seller so elects to cure such Title Defects, then Seller shall exercise diligent efforts, at no cost to Purchaser, to remove the same prior to the Closing. If Seller does not elect or is unable to cure such Title Defects, Seller shall notify Purchaser thereof in writing within said five (5) day period, and Purchaser may elect within five (5) calendar days of receipt of Seller's notice (but in no event later than June 24, 1998) to either (i) waive its objections and proceed with the purchase of the Property (without any reduction in the Purchase Price) pursuant to the terms of this Agreement (in which event such Title Defect shall be deemed a "Permitted Exception" as stated above), or (ii) terminate this Agreement, in which event Purchaser and Seller shall have no further right, obligations or liabilities hereunder (other than those that expressly survive termination of this Agreement) and Purchaser shall be entitled to the prompt return of the Earnest Money and all interest accrued thereon while in escrow. If Purchaser fails to make such election within five (5) calendar day period, then Purchaser shall be deemed to have elected to terminate this Agreement as provided above. For purposes of this Agreement, the term "Permitted Exceptions" shall mean those title exceptions applicable to the Property, which are accepted by Purchaser in accordance with the terms of this Section 7). If Seller fails to remove such Title Defect as of the Closing, then, to the extent such Title Defect is a mortgage, deed of trust or other lien voluntarily created by Seller, Purchaser may use the applicable portion of the Purchase Price at Closing to pay off and discharge such mortgage, deed of trust or other lien voluntarily created by Seller; or (i) Purchaser shall have the right to terminate this Agreement by giving written notice of such termination to Seller, whereupon Escrow Agent shall promptly refund all Earnest Money to Purchaser, Purchaser shall have no further right to purchase the Property and Purchaser and Seller shall have no further rights, obligations, or liabilities hereunder, except as may be expressly provided to the contrary herein; or (ii) Purchaser shall have the right to accept title to the Property subject to such defects and objections with no reduction in the Purchase Price, in which event such defects and objections shall be deemed "Permitted Exceptions" above. Except as expressly provided to the contrary herein, Seller makes no warranty of any kind with respect to the title of the Property and Purchaser agrees to look solely to the remedies afforded by Purchaser's title insurance policy with regard to the condition of title.

8. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser:

(a) Lease. Attached hereto as Exhibit "B" and by this reference made a part hereof as a true and correct copy of the lease with Fairchild Technologies USA, Inc. ("Tenant") dated September 19, 1997, including the guarantee of The Fairchild Corporation together with all modifications and amendments to such lease, the cover page of which is attached as Exhibit "A" (such lease, as modified and amended, being herein referred to as the "Lease"). Seller is the "landlord" under the Lease and the rents and other income thereunder, subject only to the collateral assignment of the Lease and the rents thereunder in favor of the holder of any existing mortgage or deed of trust encumbering the Property, which mortgage or deed of trust shall be canceled and satisfied by Seller at the Closing.

(b) Lease - Assignment. To Seller's knowledge, the Tenant has not assigned its interest in the Lease or sublet any portion of its premises under the Lease.

(c) Lease - Default. (i) Seller has not received any notice of termination or default under the Lease, (ii) to the Seller's knowledge there are no existing or uncured defaults by Seller or by the Tenant under the Lease, (iii) to the Seller's knowledge there are no events which with the passage of time or notice, or both, would constitute a default by Seller or by the Tenant, and Seller has complied with each and every undertaking, covenant, and obligation of landlord under the Lease, except that as of the date hereof approximately \$197,000 remains to be disbursed to Tenant in order to satisfy Seller's contribution for tenant improvements, and to the extent Seller's contribution has not been fully funded at Closing, the unfunded portion shall be withheld from Seller's proceeds at Closing and applied by Purchaser to satisfy Seller's obligations under the Lease, and (iv) Seller has not received notice that Tenant has asserted any defense, set-off, or counterclaim with respect to its tenancy or its obligation to pay rent, additional rent, or other charges under the Lease.

(d) Lease - Rents and Special Consideration. Tenant: (i) has not prepaid rent for more than one month in advance under the Lease, (ii) is not entitled to receive any rent concession in connection with its tenancy under the Lease which has not already been received except as expressly provided therein, (iii) is not entitled to any special work (not yet performed), or consideration (not yet given) in connection with its tenancy under the Lease; and (iv) does not have any deed, option, or other evidence of any right or interest in or to the Property, except as evidenced by the express terms of the Lease.

(e) Lease - Commissions. No rental, lease, or other commissions with respect to the Lease is payable to Seller, any partner of Seller, any party affiliated with or related to Seller or third party. All commissions payable under, relating to, or as a result of the Lease has been cashed-out and paid and satisfied in full by Seller or by Seller's predecessor in title to the Property.

(f) Service Contracts. There are no service contracts with Seller (as opposed to Tenant) which are in effect and which relate to the operation, management, or maintenance of the Property which will continue in effect after Closing. Seller has canceled or will cancel, effective as of the Closing, any agreement in the nature of a management agreement or service contract between Seller and any partner or shareholder of Seller or any party affiliated with or related to Seller or any partner or shareholder of Seller.

(g) No Other Agreements. Other than the Lease and the Permitted Exceptions, Seller has not entered into any leases, service contracts, management agreements, or other agreements or instruments, to which Seller is a party and that grant to any person whomsoever or any entity whatsoever any right, title, interest or benefit in or to all or any part of the Property or any rights relating to the use, operation, management, maintenance, or repair of all or any part of the Property and which will extend beyond the Closing.

(h) No Litigation. To Seller's knowledge, there are no actions, suits, or proceedings pending, or, threatened by any organization, person, individual, or governmental agency against Seller with respect to the Property or against the Property, nor does Seller have any knowledge of any basis for such action. Seller has no knowledge of any pending or threatened application for changes in the zoning applicable to the Property or any portion thereof.

(I) Condemnation. To Seller's knowledge no condemnation or other taking by eminent domain of the Property or any portion thereof has been instituted and, there are no pending or threatened condemnation or eminent domain proceedings (or proceedings in the nature or in lieu thereof) affecting the Property or any portion thereof or its use.

(j) Proceedings Affecting Access. The Property is served by a curb

cut for direct vehicular access to and from Auburn Street and Kato Road, adjoining the Property, which is a public road. To Seller's knowledge, there are no pending or threatened proceedings that could have the effect of impairing or restricting access between the Property and such adjacent public roads.

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(k) No Assessments. To Seller's knowledge, no assessments have been made against the Property that are unpaid, whether or not they have become liens, and there are no pending assessments, except as shown on the Title Report.

(l) Violations. Seller has not received written notice of any violations of law, municipal or county ordinances, or other legal requirements with respect to the Property that remain uncured, nor any notice that Improvements thereon do not comply with any legal requirements with respect to the use, occupancy and construction thereof. To Seller's knowledge, the Property is currently zoned in a classification such as will permit the operation of the Property for the uses specified in the Lease and the conditions, if any, to the granting of the zoning of the Property have been satisfied. To Seller's knowledge, the Improvements located on the Property are not located in a flood plain.

(m) Improvements. To Seller's knowledge, there are no structural or other defects, latent or otherwise, in the Improvements, the heating, ventilating, air conditioning, electrical, plumbing, water, roofing, elevators (if any), storm drainage and sanitary sewer systems at or servicing the Land and Improvements are in good condition and working order and there are no defects or deficiencies, latent or otherwise, therein.

(n) Employees. There are no employment, collective bargaining, or similar agreements or arrangements between Seller and any of its employees or others which will be binding on Purchaser or any of Purchaser's successors in title.

(o) Bankruptcy. Seller is solvent and has not made a general assignment for the benefit of creditors nor been adjudicated a bankrupt or insolvent, nor has a receiver, liquidator, or trustee for any of Seller's properties (including the Property) been appointed or a petition filed by or to Seller's knowledge against Seller for bankruptcy, reorganization, or arrangement pursuant to the Federal Bankruptcy Act or any similar Federal or state statute, or any proceeding instituted for the dissolution or liquidation of Seller.

(p) Pre-existing Right to Acquire. No person or entity has any right or option to acquire the Property or any portion thereof which will have any force or effect after the execution of this Agreement, other than Purchaser, except as set forth in the Lease.

(q) Effect of Certification. Neither this Agreement nor the transactions contemplated herein will constitute a breach or violation of, or default under, or will be modified, restricted, or precluded by the Leases, the Service Contracts, or the Permitted Exceptions.

(r) Authorization. ROSE VENTURES V, INC. is a duly organized and validly existing corporation under the laws of the State of California and has duly registered in any jurisdiction where it is required to do so. This Agreement has been duly authorized and executed on behalf of Seller and constitutes the valid and binding agreement of Seller, enforceable in accordance with its terms, and all necessary action on the part of Seller to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

(s) Seller Not a Foreign Person. Neither Seller nor the owner of

beneficial title to the Property is a "foreign person" which would subject Purchaser to the withholding tax provisions of Section 1445 of the Internal Revenue Code of 1986, as amended.

(t) Utilities. To Sellers knowledge all utilities necessary for the use of the Property as an office building of the size and nature situated thereon, including water, sanitary sewer, storm sewer, electricity, and telephone, are installed and operational, and such utilities either enter the Property through adjoining public streets, or, if they pass through adjoining private land, do so in accordance with valid public easements or private easements which inure to the benefit of the Property. All installation and connection charges for utilities serving the Property have been paid in full.

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(u) Tax Returns. All property tax returns required to be filed by Seller relating to the Property under any law, ordinance rule, regulation, order, or requirement of any governmental authority have been, or will be, as the case may be, truthfully, correctly, and timely filed.

At Closing, Seller shall represent and warrant to Purchaser that all representations and warranties of Seller in this Agreement remain true and correct as of the date of the Closing, except for any changes in any such representations or warranties that occur and are disclosed by Seller to Purchaser expressly and in writing at any time and from time to time prior to Closing, which disclosures shall thereafter be updated by Seller to the date of Closing. If there is any change in any representations or warranties and Seller does not cure or correct such changes prior to Closing, then Purchaser may, at Purchaser's option, (i) close and consummate the transaction contemplated by this Agreement, (ii) terminate this Agreement by written notice to Seller, whereupon the Earnest Money shall be immediately returned by Escrow Agent to Purchaser, Purchaser shall have no further right to purchase the Property and thereafter the parties hereto shall have no further rights or obligations hereunder, except only for such rights or obligations that, by the express terms hereof, survive any termination of this Agreement, or (iii) exercise any other remedy available to Purchaser at law or in equity.

9. Seller's Additional Covenants. Seller does hereby further covenant and agree as follows:

(a) Operation of Property. Seller hereby covenants that, from the date of this Agreement up to and including the date of Closing, Seller shall: (i) not enter into a contract with any third party respecting the sale of the Property or any interest therein unless such contract is by its terms subordinate to this Agreement, (ii) not modify, amend, or terminate the Lease or enter into any new lease, contract, or other agreement respecting the Property, without the consent of Purchaser, which consent shall not be withheld or delayed and (iii) not grant or otherwise create or consent to the creation of any easement, restriction, lien, assessment, or encumbrance respecting the Property.

(b) Preservation of Lease. Seller shall, from and after the date of this Agreement to the date of Closing, use its best efforts to perform and discharge all of the duties and obligations and shall otherwise comply with every covenant and agreement of the landlord under the Lease, at Seller's expense, in the manner and within the time limits required thereunder. Furthermore, Seller shall, for the same period of time, use diligent and good faith efforts to cause the Tenant under the Lease to perform all of its duties and obligations and otherwise comply with each and every one of its covenants and agreements under such Lease and shall take such actions as are reasonably necessary to enforce the terms and provisions of the Lease.

(c) Tenant Estoppel Certificate. Prior to June 24, 1998, Seller shall obtain and deliver to Purchaser a fully completed estoppel

certificate with respect to the Lease (herein referred to as the "Tenant Estoppel Certificate") duly executed by the Tenant thereunder in the form attached hereto as Exhibit "C".

(d) Insurance. From and after the date of this Agreement to the date and time of Closing, Seller shall, at its expense, continue to maintain the insurance policies covering the Property which are currently in force and effect.

(e) Securities Act Compliance. Seller acknowledges that Purchaser may be required by the Securities and Exchange Commission to file audited financial statements for one to three years with regard to the Property. At no cost or liability to Seller, Seller shall (i) cooperate with Purchaser, its counsel, accountants, agents, and representatives, provide them with access to Seller's books and records with respect to the ownership, management, maintenance, and operation of the Property for the applicable period, and permit them to copy the same, (ii) execute a form of "rep" letter in form and substance reasonably satisfactory to Seller, and (iii) furnish Purchaser with such additional information concerning the same as Purchaser shall reasonably request. Purchaser will pay the costs associated with any such audit. The terms of this paragraph shall survive Closing.

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10. Closing. Provided that all of the conditions set forth in this Agreement are theretofore satisfied or performed in all material respects, it being fully understood and agreed, however, that Purchaser may expressly waive in writing, at or prior to Closing, any conditions that are unsatisfied or unperformed at such time, the consummation of the sale by Seller and purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held on or before June 26, 1998, and at such specific time, and date as shall be designated by Purchaser in a written notice to Seller not less than two (2) business days prior to Closing at the office of the Title Company, and absent such notice at 2:00pm local time on June 26, 1998. For an additional \$100,000.00 non-refundable deposit, close of escrow can be extended to July 7, 1998.

11. Seller's Closing Documents. For and in consideration of, and as a condition precedent to, Purchaser's delivery to Seller of the Purchase Price described in Paragraph 3 hereof, Seller shall obtain or execute, at Seller's expense, and deliver to Purchaser at Closing the following documents (all of which shall be duly executed, acknowledged, and notarized where required):

(a) Grant Deed. A Grant Deed ("Grant Deed") in the form attached hereto as Exhibit "D" conveying to Purchaser fee simple title to the Land and Improvements, together with all rights, members, easements, and appurtenances thereto, subject only to the Permitted Exceptions. The legal description set forth in the Grant Deed shall be as set forth on Exhibit "A" attached hereto. In the event Purchaser shall obtain a new or updated survey of the Land and Improvements and the legal description set forth in Purchaser's survey shall differ from the legal description set forth on Exhibit "A" hereto, Seller shall execute and deliver to Purchaser a quitclaim deed containing a legal description based upon such survey obtained by Purchaser;

(b) Bill of Sale. A Bill of Sale conveying to Purchaser marketable title to the Personal Property in the form attached hereto as Exhibit "E";

(c) Blanket Transfer. A Blanket Transfer and Assignment in the form attached hereto as Exhibit "F";

(d) Assignment and Assumption of Lease. An Assignment and Assumption of Lease in the form attached hereto as Exhibit "G" assigning to Purchaser all of Seller's right, title, and interest in and to the Lease and the rents thereunder;

(e) ALTA Affidavit. A customary ALTA affidavit in the form required by the Title Company;

(f) FIRPTA Certificate. A FIRPTA Certificate;

(g) Surveys and Plans. Such surveys, site plans, plans and specifications, and other matters relating to the Property as are described in subparagraph (a) of the Blanket Transfer and Assignment and are in the possession of Seller or Seller's agents;

(h) Certificates of Occupancy. To the extent in Seller's possession, the original certificates of occupancy for all space within the Improvements;

(I) Lease. An original executed counterpart or certified copy of the Lease and all amendments to and modifications thereof;

(j) Estoppel Certificate. The estoppel certificate referred to in Paragraph 9(c) hereof;

(k) Keys and Records. All of the keys to any doors or locks on the Property and the original tenant files and other books and records relating to the Property in Seller's possession;

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(l) Tenant Notice. Notice from Seller to the Tenant of the sale of the Property to Purchaser in such form as Purchaser shall reasonably approve; and,

(m) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement.

12. Purchaser's Closing Documents. Purchaser shall deliver the balance of the Purchase Price and shall obtain or execute and deliver to Seller at Closing the following documents, all of which shall be duly executed and acknowledged where required and shall survive the Closing:

(a) Blanket Transfer. The Blanket Transfer and Assignment;

(b) Assignment and Assumption of Lease. The Assignment and Assumption of Lease; and

(c) Settlement Statement. A settlement statement setting forth the amounts paid by or on behalf of and/or credited to each of Purchaser and Seller pursuant to this Agreement.

13. Closing Costs. Seller shall pay the cost of the Title Report, the premium for a CLTA Owner's Policy of Title Insurance issued pursuant thereto, the cost of any recording fees, grantor, documentary or transfer tax imposed by the State of California, Alameda County and local transfer taxes, if any, upon the conveyance of the Property pursuant hereto, the attorneys' fees of Seller and closing costs of the loan referred to in paragraph 6(h) and all other costs and expenses incurred by Seller in closing and consummating the purchase and sale of the Property pursuant hereto. Purchaser shall pay for the difference in premium between a CLTA and an ALTA title policy, any loan closing costs, for its attorneys' fees and all other costs and expenses incurred by Purchaser in closing and consummating the purchase and sale of the Property pursuant hereto. The parties shall each pay one-half of any escrow fees.

14. Prorations. The following items shall be prorated and/or credited between Seller and Purchaser as of Midnight preceding the date of Closing:

(a) Rent. Rent, additional rents, operating costs, and other income of the Property (other than security deposits) collected by Seller from

Tenant for the month of Closing. Seller shall pay to Purchaser at Closing any rents or other sums prepaid by Tenant for any period following the month of Closing. The parties shall adjust after Closing for any uncollected rent or other income under the Lease that shall become due and payable upon final reconciliation of any pass-through items under the Lease. Seller further reserves the right to collect (without any right to pursue the right of possession against the Tenant under the Lease) any delinquent rents or other sums payable under the Lease as of the Closing.

(b) Property Taxes. Except for such taxes which are the responsibility of Tenant and for which Seller has not received payment, City, state, county, and school district ad valorem taxes based on the ad valorem tax bills for the Property, if then available, or if not, then on the basis of the latest available tax figures and information. Should such proration be based on such latest available tax figures and information and prove to be inaccurate upon receipt of the ad valorem tax bills for the Property for the year of Closing, either Seller or Purchaser, as the case may be, may demand at any time after Closing a payment from the other correcting such malapportionment. In addition, if after Closing there is an adjustment or reassessment by any governmental authority with respect to, or affecting, any ad valorem taxes for the Property for the year of Closing or any prior year, any additional tax payment or refund for the Property required to be paid or refunded with respect to the year of Closing shall be prorated between Purchaser and Seller and any such additional tax payment or refund for the Property for any year prior to the year of Closing shall be paid by or to Seller, as the case may be. This agreement shall expressly survive the Closing.

(c) Utility Charges. Except for utilities which are the responsibility of Tenant and for which Seller has not received payment, Seller shall pay all utility bills received prior to Closing and shall

be responsible for utilities furnished to the Property prior to Closing. Purchaser shall be responsible for the payment of all bills for utilities furnished to the Property subsequent to the Closing. Seller and Purchaser hereby agree to prorate and pay their respective shares of all utility bills received subsequent to Closing, which agreement shall survive Closing.

15. PURCHASER'S DEFAULT. IN THE EVENT OF DEFAULT BY PURCHASER UNDER THE TERMS OF THIS AGREEMENT, SELLER'S SOLE AND EXCLUSIVE REMEDY SHALL BE TO RECEIVE THE EARNEST MONEY AS LIQUIDATED DAMAGES AND THEREAFTER THE PARTIES HERETO SHALL HAVE NO FURTHER RIGHTS OR OBLIGATIONS HEREUNDER WHATSOEVER. IT IS HEREBY AGREED THAT SELLER'S DAMAGES WILL BE DIFFICULT TO ASCERTAIN AND THAT THE EARNEST MONEY CONSTITUTES A REASONABLE LIQUIDATION THEREOF AND IS INTENDED NOT AS A PENALTY, BUT AS FULLY LIQUIDATED DAMAGES. SELLER AGREES THAT IN THE EVENT OF DEFAULT BY PURCHASER, IT SHALL NOT INITIATE ANY PROCEEDING TO RECOVER DAMAGES FROM PURCHASER, BUT SHALL LIMIT ITS RECOVERY TO THE RETENTION OF THE EARNEST MONEY.

Seller's Initials

Purchaser's Initials

16. Seller's Default. In the event of default by Seller under the terms of this Agreement, except as otherwise specifically set forth herein, at Purchaser's option: (i) Purchaser may terminate this Agreement by written notice to Seller, whereupon the Earnest Money shall be immediately returned by Escrow Agent to Purchaser, and the parties hereto shall have no further rights or obligations hereunder whatsoever, or (ii) Purchaser shall be entitled to an immediate refund of the Earnest Money and to pursue the remedy of specific

performance as its sole and exclusive remedies.

17. Condemnation. If, prior to the Closing, all or any part of the Property valued at more than \$100,000 is subjected to a bona fide threat of condemnation by a body having the power of eminent domain or is taken by eminent domain or condemnation (or sale in lieu thereof), or if Seller has received notice that any condemnation action or proceeding with respect to the Property is contemplated by a body having the power of eminent domain, Seller shall give Purchaser immediate written notice of such threatened or contemplated condemnation or of such taking or sale, and Purchaser may by written notice to Seller given within thirty (30) days of the receipt of such notice from Seller, elect to cancel this Agreement. If Purchaser chooses to cancel this Agreement in accordance with this Paragraph 17, then the Earnest Money shall be returned immediately to Purchaser by Escrow Agent and except as otherwise provided herein, the rights, duties, obligations, and liabilities of the parties hereunder shall immediately terminate and be of no further force and effect. If Purchaser does not elect to cancel this Agreement in accordance herewith or the portion of the Property in question is valued at less than \$100,000, this Agreement shall remain in full force and effect and the sale of the Property contemplated by this Agreement, less any interest taken by eminent domain or condemnation, or sale in lieu thereof, shall be effected with no further adjustment and without reduction of the Purchase Price, and at the Closing, Seller shall assign, transfer, and set over to Purchaser all of the right, title, and interest of Seller in and to any awards that have been or that may thereafter be made for such taking.

18. Damage or Destruction. If any of the Improvements shall be destroyed or damaged prior to the Closing, and the estimated cost of repair or replacement exceeds One Hundred Thousand Dollars (\$100,000) or if the Lease shall terminate as a result of such damage, Purchaser may, by written notice given to Seller within ten (10) days after receipt of written notice from Seller of such damage or destruction, elect to terminate this Agreement, in which event the Earnest Money shall immediately be returned by Escrow Agent to Purchaser and except as expressly provided herein to the contrary, the rights, duties, obligations, and liabilities of all parties hereunder shall immediately terminate and be of no further force or effect. If Purchaser does not elect to terminate this Agreement pursuant to this Paragraph 18, or has no right to terminate this Agreement (because the

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damage or destruction does not exceed \$100,000 and the Lease remains in full force and effect), and the sale of the Property is consummated, Purchaser shall be entitled to receive all insurance proceeds paid or payable to Seller by reason of such destruction or damage under the insurance required to be maintained by Seller pursuant to Paragraph 9(d) hereof (less amounts of insurance theretofore received and applied by Seller to restoration) and Seller shall pay to Purchaser the amount of any deductible thereunder. If the amount of said casualty or rent loss insurance proceeds is not settled by the date of Closing, Seller shall execute at Closing all proofs of loss, assignments of claim, and other similar instruments to ensure that Purchaser shall receive all of Seller's right, title, and interest in and under said insurance proceeds.

19. Hazardous Substances. To Seller's actual knowledge (Thomas B. Haurey and/or Stephen Diamond) (a) there are no "hazardous substances" (as defined in Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Sections 9601 et seq. as amended) at the Property; (b) there has been no release or threat of release of any such hazardous substance; (c) the Property is not subject to regulation by any governmental entity as result of the presence of (A) stored, leaked or spilled petroleum products, (B) underground storage tanks, (C) an accumulation of rubbish, debris or other solid waste, or because of the presence, release, threat of release, discharge, storage, treatment, generation or disposal of any "hazardous waste" (as defined in the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq., as amended), or "toxic substance" (as defined in the Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., as amended), including without limitation

asbestos and items or equipment containing polychlorinated biphenyls (PCBs) in excess of 50 parts per million; and (d) no environmental condition exists on the Property that either (X) requires the owner of the Property to report such condition to any authority or agency of the State of California or (Y) requires the owner of the Property to make a notation of such condition in any public records or conveyancing instrument upon the conveyance of the Property. Seller covenants during the period of this Agreement not to discharge or store any such materials on the Property.

20. Assignment. Purchaser's rights and duties under this Agreement shall be freely transferable and assignable by Purchaser to an affiliate of Purchaser, Purchaser shall remain liable for the performance of all obligations, covenants, conditions, and agreements imposed upon Purchaser pursuant to the terms of this Agreement.

21. Broker's Commission. Seller has agreed to pay a real estate commission of 3% to The Royston Group and Spectrum Interests (the "Broker"). Purchaser and Seller hereby represent each to the other that they have not discussed this Agreement or the subject matter hereof with any real estate broker or agent other than Broker so as to create any legal right in any such broker or agent to claim a real estate commission with respect to the conveyance of the Property contemplated by this Agreement. Seller shall and does hereby indemnify and hold harmless Purchaser from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Seller. Likewise, Purchaser shall and does hereby indemnify and hold harmless Seller from and against any claim, whether or not meritorious, for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Purchaser, except any such claim asserted by Broker, or any broker or agent claiming under Broker. This Paragraph 21 shall survive the Closing or any termination of this Agreement.

22. Notices. Wherever any notice or other communication is required or permitted hereunder, such notice or other communication shall be in writing and shall be delivered by overnight courier, by hand, or sent by U.S. registered or certified mail, return receipt requested, postage prepaid, to the addresses set out below or at such other addresses as are specified by written notice delivered in accordance herewith:

PURCHASER: c/o Wells Capital, Inc.
3885 Holcomb Bridge Road
Norcross, Georgia 30092
Attn: Mr. Leo F. Wells, III

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with a copy to: O'Callaghan & Stumm LLP
127 Peachtree Street N.E., Suite 1330
Atlanta, Georgia 30303
Attn: William L. O'Callaghan, Jr., Esq.

SELLER: 3600 Pruneridge Avenue
Suite 200
Santa Clara, CA 95051

with a copy to: Kent Mitchell, Esq.
550 Hamilton Ave., Ste. 230
Palo Alto, CA 94301

Any notice or other communication given as hereinabove provided shall be deemed effectively given or received on the date of delivery.

23. Possession. Possession of the Property shall be granted by Seller to Purchaser on the date of Closing, subject only to the Leases and the Permitted Exceptions.

24. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday, or holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day in San Jose, California.

25. Survival of Provisions. All covenants, warranties, and agreements set forth in this Agreement shall survive the execution or delivery of any and all deeds and other documents at any time executed or delivered under, pursuant to, or by reason of this Agreement, and shall survive the payment of all monies made under, pursuant to, or by reason of this Agreement, for a period of 24 months following Closing.

26. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules, and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall, for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

27. Authorization. Purchaser represents to Seller that this Agreement has been duly authorized and executed on behalf of Purchaser and constitutes the valid and binding agreement of Purchaser, enforceable in accordance with its terms, and all necessary action on the part of Purchaser to authorize the transactions herein contemplated has been taken, and no further action is necessary for such purpose.

28. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein shall be of any force or effect. Any amendment to this Agreement shall not be binding upon the parties hereto unless such amendment is in writing and executed by all parties hereto. Subject to the provisions of paragraph 20, the provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Time is of the essence of this Agreement. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. This Agreement shall be construed and interpreted under the laws of the State of California. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the

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masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa.

29. Effective Date. The "Effective Date" of this Agreement shall be deemed to be the date this Agreement is fully executed by both Purchaser and Seller and a fully executed original counterpart of this Agreement has been received by both Purchaser and Seller. If the Effective Date does not occur on or before June 8, 1998, this Agreement shall be void and of no further force and effect.

30. Tax Free Exchanges. Seller shall have the full and unrestricted right to assign the rights and obligations of Seller under the final Purchase

Agreement, to one or more substitute buyer or buyers; but such assignment shall not relieve Seller of Seller's obligations hereunder. The purpose of any such assignment is to enable the substitute buyer or buyers to exchange the Property for property owned by Seller, pursuant to a separate exchange agreement between Seller and such substitute buyer or buyers in order to effect a real property exchange under Internal Revenue Code Section 1031. Buyer agrees to cooperate in such exchange, including the execution of all documents reasonably required by Seller's attorney, at no cost or liability to Buyer, and provided that Buyer shall not be required to take title to any other real estate. Seller agrees to hold Buyer harmless from any liability, damage or costs including reasonable attorney's fees that may arise from Buyer's participation in such exchange.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective seals to be affixed hereunto as of the day, month and year first above written.

"SELLER":

ROSE VENTURES V, INC.

By: /s/ Stephen P. Diamond

Stephen P. Diamond
Its: President

/s/ Thomas G. Haury

THOMAS G. HAURY

/s/ Carleen S. Haury

CARLEEN S. HAURY

"PURCHASER":

WELLS DEVELOPMENT CORPORATION

By: /s/ Brian M. Conlon

Its: EXECUTIVE VICE PRESIDENT

EXHIBIT 10.14

RESTATEMENT AND FIRST AMENDMENT TO
AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY
BETWEEN THE FREMONT JOINT VENTURE

AND

ROSE VENTURES V, INC., THOMAS G. HAURY AND CARLEEN S. HAURY

REINSTATEMENT OF AND FIRST AMENDMENT TO
AGREEMENT FOR THE PURCHASE
AND SALE OF PROPERTY

THIS REINSTATEMENT OF AND FIRST AMENDMENT TO AGREEMENT FOR THE PURCHASE AND SALE OF PROPERTY is made and entered into as of the 1st day of July, 1998, by and between WELLS DEVELOPMENT CORPORATION, a Georgia corporation ("Purchaser") and ROSE VENTURES V, Inc., a California corporation as to any undivided 50% interest, and THOMAS G. HAURY and CARLEEN S. HAURY, husband and wife, as joint tenants, as to an undivided 50% interest (collectively, "Seller")

W I T N E S S E T H:

WHEREAS, the parties hereto entered into that certain Agreement for the Purchase and Sale of Property (the "Purchase Agreement") dated as of June 8, 1998, relating to that certain property located at 47320 Kato Road and being more particularly described on Exhibit A hereto (the "Property"); and

WHEREAS, the Agreement was timely terminated by Purchaser; and

WHEREAS, the parties desire to reinstate the Agreement and amend certain provisions of the Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein set forth, and other good and valuable consideration the receipt, adequacy and sufficiency of which are hereby expressly acknowledged by the parties hereto, Seller and Purchaser do hereby covenant and agree as follows:

1. The Agreement, as amended hereby, is reinstated.

2. Purchaser hereby waives the Special Condition to Closing set forth in paragraph 5 of the Agreement, and said paragraph 5 shall be deleted from the Agreement.

3. Purchaser hereby waives the conditions set forth in subparagraphs 6(g) and 6(h) of the Agreement, and said subparagraphs 6(g) and 6(h) shall be deleted from the Agreement. A new subparagraph 6(g) shall be added to the Agreement, as follows:

"(g) Purchaser shall have, simultaneously with Closing hereunder, closed a loan from a commercial lending institution in the amount of not less than \$5,960,000; bearing an interest rate not in excess of (i) the prime rate of NationsBank, N.A., or (ii) the Variable Eurdollar Rate (as defined by NationsBank, N.A.) plus 220 basis points; being amortized over 30 years; and having a maturity date of 18 months. Purchaser agrees to apply for and accept a commitment having the foregoing terms or more favorable terms and to use commercially reasonable efforts to satisfy any conditions of said commitment and close said loan."

4. The provisions of paragraph 7 of the Agreement shall be amended to provide that Purchaser shall have until July 10, 1998, to notify Seller in

writing of Purchaser's objection to any exceptions contained in the Title Report, etc. The date "June 24, 1998" appearing in said paragraph 7 shall be deemed to mean the date of Closing.

5. The date of Closing specified in paragraph 10 shall be deemed to mean July 15, 1998.

6. Except as expressly modified by the terms and conditions hereof, the terms and conditions of the Agreement shall remain unchanged and in full

force and effect.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed by duly authorized representatives as of the day, month and year first above written.

"PURCHASER":

WELLS DEVELOPMENT CORPORATION, A GEORGIA CORPORATION

By: /s/ Leo F. Wells, III

Title: President

"SELLER"

ROSE VENTURES V, INC.

By: /s/ Stephen P. Diamond

Stephen P. Diamond
Its: President

/s/ Thomas G. Haury

THOMAS G. HAURY

/s/ Carleen S. Haury

CARLEEN S. HAURY

EXHIBIT 10.15

PROMISSORY NOTE

FROM THE FREMONT JOINT VENTURE

TO

NATIONSBANK, N.A.

PROMISSORY NOTE

\$5,960,000.00

July 16, 1998

1. Payment Schedule and Maturity Date. FOR VALUE RECEIVED, the undersigned (herein called "Maker") hereby promises to pay to the order of NationsBank, N.A., a national banking association ("Lender"), without offset, in immediately available funds in lawful money of the United States of America, at NationsBank Plaza, 600 Peachtree Street, N.E. in the City of Atlanta, Fulton County, Georgia, the principal sum of FIVE MILLION NINE HUNDRED SIXTY THOUSAND AND NO/100 DOLLARS (\$5,960,000.00) (or the unpaid balance of all principal advanced against this Note, if that amount is less) together with interest on the unpaid principal balance of this Note from day to day outstanding as hereinafter provided, as follows:

a. Primary Maturity Date. Unless duly extended as hereinafter provided, the final maturity of the indebtedness evidenced by this Note shall be July 16, 1999 (the "Primary Maturity Date").

b. Extended Maturity Date. Maker shall have the right and option (the "Extension Option") to extend the final maturity of the indebtedness evidenced by this Note from the Primary Maturity Date to January 16, 2000 (the "Extended Maturity Date"), upon the conditions that (a) Maker shall give to Lender, no earlier than May 16, 1999, and no later than June 16, 1999, written notice of the exercise by Maker of the Extension Option; (b) there shall not exist, either on the date of such notice (the "Notice Date") or on the Primary Maturity Date, any default under the Mortgage (hereinafter defined) or any other Loan Document (hereinafter defined); (c) there shall not have occurred, from and after the date of this Note, any material adverse change in the business or financial condition of Maker, Wells Development Corporation, a Georgia corporation, Wells Operating Partnership, L.P., a Delaware limited partnership, or Leo F. Wells, III, or any material adverse change in the condition or value of the Property (hereinafter defined); (d) Maker shall make a prepayment of principal in an amount (if any) sufficient to cause the outstanding principal balance of the indebtedness evidenced by this Note to be reduced, prior to the Primary Maturity Date, to an amount no greater than Five Million Four Hundred Sixty Thousand and No/100 Dollars (\$5,460,000.00); and (e) Maker shall pay to Lender, simultaneously with the giving of written notice of Maker's exercise of the Extension Option, an additional origination fee in the amount of Seven Thousand Four Hundred Fifty and No/100 Dollars (\$7,450.00).

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c. Maturity Date. The terms "Maturity Date" and "the final maturity of the indebtedness evidenced by this Note" as used in this Note mean either the Primary Maturity Date, if the Extension Option is not duly exercised by Maker, or the Extended Maturity Date, if the Extension Option is duly exercised by Maker.

d. Interest Installments. All interest accruing hereunder from the date hereof through the Maturity Date shall be due and payable in arrears commencing

on August 1, 1998, and continuing on the first (1st) day of each succeeding calendar month thereafter through and including the first (1st) day of the calendar month in which the Maturity Date occurs.

e. Principal Installments. Commencing on September 1, 1998, and continuing on the first (1st) day of each succeeding calendar month thereafter through and including the first (1st) day of the calendar month in which the Maturity Date occurs, Maker shall pay to Lender equal consecutive monthly installments of principal in the amount of Ten Thousand Four Hundred Ninety-Eight and No/100 Dollars (\$10,498.00) each.

f. Final Payment of Principal and Interest. The entire outstanding principal balance of this Note together with all accrued and unpaid interest thereon shall be finally due and payable on the Maturity Date.

2. Security; Loan Documents. The security for this Note includes a Deed of Trust, Assignment, Security Agreement and Fixture Filing (which, as it may have been or may be amended, restated, modified or supplemented from time to time, is herein called the "Mortgage") of even date herewith from Maker to Lender, conveying and encumbering certain property in Alameda County, California described therein (the "Property"). This Note, the Mortgage and any other documents now or hereafter securing, guaranteeing or executed in connection with the loan evidenced by this Note, are, as the same have been or may be amended, restated, modified or supplemented from time to time, herein sometimes called individually a "Loan Document" and together the "Loan Documents."

3. Interest Rate.

(a) Stated Rate. Subject to the further provisions of this Section 3, the unpaid principal balance of this Note from day to day outstanding which is not past due shall bear interest at a rate per annum equal to the lesser of (i) the Maximum Rate (hereinafter defined) or (ii) the Stated Rate (hereinafter defined) computed on the Annual Basis (hereinafter defined). The term "Stated Rate" as used in this Note means a variable rate per annum equal to either (i) the Prime Rate (hereinafter defined); or (ii) at the election of Maker, but subject to the terms and conditions set forth herein, the Variable Eurodollar Basis

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(hereinafter defined). The Stated Rate shall, unless otherwise specified herein, change with each change in the Prime Rate or Variable Eurodollar Rate, as the case may be, as of the date of any such change, without notice, subject always to the limitations set out in this Section 3; provided, however, that if on any day the Variable Rate shall exceed the maximum permitted by application of the Maximum Rate in effect on that day, the Variable Rate shall be limited to, but shall remain at and vary with, the maximum permitted by application of the Maximum Rate on that day and on each day thereafter until the total amount of interest accrued at the Variable Rate on the unpaid balance of this Note equals the total amount of interest which would have accrued if there were no limitation by the Maximum Rate, or until the earlier payment in full of this Note.

The term "Annual Basis" as used in this Note means computation of interest for the actual number of days elapsed and as if each year were composed of 360 days; however, use of the Annual Basis is subject always to limitation by the Maximum Rate and in no event shall any such computation result in an amount of interest in excess of the Maximum Amount (hereinafter defined). In any event, all interest at the Maximum Rate shall be computed on the Annual Basis of 365 days (366 in a leap year).

The term "Business Day" as used in this Note means any day on which the offices of Lender are open for the conduct of its banking business in Atlanta, Georgia and also on which commercial banks are open for international business

(including dealings in United States dollar deposits) in London, England.

The term "Eurodollar Borrowing" means any portion of the indebtedness evidenced by this Note which bears interest at the Variable Eurodollar Basis.

The term "Eurodollar Reserve Percentage" as used in this Note means the reserve percentage applicable from day to day under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or if more than one such percentage is so applicable, the daily average for such percentage for those days during which any such percentage shall be applicable) for determining the maximum reserve requirement (including, without limitation, any basic, marginal, supplemental or emergency reserve requirement) for Lender in respect of liabilities or assets consisting of or including "Eurocurrency Liabilities" as defined in Regulation D of the Board of Governors of the Federal Reserve Board as from time to time in effect, whether or not Lender has any Eurocurrency liabilities subject to such reserve requirement at that time. Eurodollar Borrowings shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credits for proration, exceptions or offsets that may be available from time to time to Lender. The Variable Eurodollar Basis shall be adjusted

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automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

The term "Maximum Rate" as used in this Note means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or the law of the State of Georgia permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby. The Maximum Rate shall be applied by taking into account all amounts characterized by applicable law as interest on the debt evidenced by this Note, so that the aggregate of all interest does not exceed the maximum nonusurious amount permitted by applicable law (the "Maximum Amount").

The term "Prime Rate" as used in this Note means, on any day, the rate of interest per annum then most recently established by Lender as its "prime rate." Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by Lender to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general.

The term "Variable Eurodollar Basis" as used in this Note means a per annum rate of interest (rounded upwards, if necessary, to the nearest whole one-sixteenth of 1%) determined pursuant to the following formula:

$$\text{Variable Eurodollar Basis} = \frac{[\text{Variable Eurodollar Rate}]}{[100\% - \text{Eurodollar Reserve Percentage}]}$$

PLUS two hundred twenty (220) basis points, after adjustment for insurance costs and other appropriate regulatory costs and adjustments.

The term "Variable Eurodollar Rate" as used in this Note means, as such rate changes each day, without notice, the rate per annum appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in United States dollars at approximately 11:00 a.m. (London time) for a thirty-day period, with the applicable Variable Eurodollar Rate for each day being the Variable Eurodollar Rate that appeared, as aforesaid, two Business Days prior to such day. If for any reason such rate is not available, the term "Variable Eurodollar Rate" shall mean, as such rate changes each day, without

notice, the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in United States dollars at approximately 11:00 a.m. (London time) for a thirty-day period, with the applicable Variable Eurodollar Rate for each day being

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the Variable Eurodollar Rate that appeared, as aforesaid, two Business Days prior to such day; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates.

(b) Election of Stated Rate. The Stated Rate as of the date hereof is the Variable Eurodollar Basis. Maker may elect to change the Stated Rate from the Prime Rate to the Variable Eurodollar Basis, or from the Variable Eurodollar Basis to the Prime Rate, once per calendar month, which election shall be effective on the first (1st) Business Day following receipt by Lender of written notice from Maker setting forth the rate elected. Any portion of the outstanding principal balance hereof which, prior to the Maturity Date, does not bear interest at the Variable Eurodollar Basis shall bear interest at the Prime Rate.

(c) Application of Maximum Rate. Notwithstanding anything herein to the contrary, if on any day the Stated Rate shall exceed the maximum permitted by application of the Maximum Rate in effect on that day, the Stated Rate shall be limited to, but shall remain at and vary with, the maximum permitted by application of the Maximum Rate on that day and on each day thereafter until the total amount of interest accrued at the Stated Rate on the unpaid balance of this Note equals the total amount of interest which would have accrued if there were no limitation by the Maximum Rate, or until the earlier payment in full of this Note.

(d) Suspension of Eurodollar Borrowings. If, at any time,

(i) Lender shall have reasonably determined (which determination shall be conclusive and binding) that by reason of circumstances affecting the London interbank market or other Eurodollar market, as applicable, adequate and reasonable means do not exist for ascertaining the Variable Eurodollar Basis, or

(ii) Lender shall have reasonably determined (which determination shall be conclusive and binding) that the Variable Eurodollar Basis will not adequately and fairly reflect the cost to Lender of any Eurodollar Borrowing,

then Lender shall forthwith give notice thereof to Maker, whereupon until Lender notifies Maker that the circumstances giving rise to such suspension no longer exist, the obligation of Lender to allow new Eurodollar Borrowings shall be suspended.

(e) Conversion to Prime Rate. If, after the date of this Note, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank

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or comparable agency charged with the interpretation or administration thereof, or compliance by Lender (or any of its non-United States offices) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or

impossible for Lender to make, maintain or fund Eurodollar Borrowings, Lender shall forthwith give notice thereof to Maker, whereupon until Lender notifies Maker that the circumstances giving rise to such suspension no longer exist, the obligation of Lender to allow Eurodollar Borrowings shall be suspended. If Lender shall determine that it may not lawfully continue to maintain any outstanding Eurodollar Borrowing to maturity and shall so specify in such notice, such Eurodollar Borrowing shall be immediately converted to a borrowing at the Prime Rate.

(f) Additional Compensation To Lender. If, after the date of this Note, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject Lender to any tax, duty or other direct charge with respect to Eurodollar Borrowings or this Note or shall change the basis of taxation of payments to Lender of the principal of or interest on Eurodollar Borrowings or any other amounts due under this Note in respect of Eurodollar Borrowings or its obligations to allow Eurodollar Borrowings (except for changes in the rate of tax on the overall net income of Lender imposed by the jurisdiction in which Lender's principal executive office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Borrowing any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, Lender or shall impose on Lender or the interbank market for Eurodollar deposits any other condition affecting Eurodollar Borrowings, this Note or the obligation of Lender to allow Eurodollar Borrowings;

and the result of any of the foregoing is to increase the cost to Lender of allowing or maintaining Eurodollar Borrowings or to reduce the amount of any sum received or receivable by Lender under this Note with respect thereto, by an amount deemed by Lender, in its good faith judgment, to be material, then, within

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fifteen (15) days after demand by Lender, Maker shall pay to Lender such additional amount or amounts as will compensate Lender for such increased cost or reduction. Lender will promptly notify Maker of any event of which it has knowledge, occurring after the date hereof, which will entitle Lender to compensation pursuant to this paragraph. A certificate of Lender claiming compensation under this paragraph, setting forth the additional amount or amounts to be paid to it hereunder and explaining in reasonable detail the estimates, data and calculations of such amount, shall be conclusive and binding in the absence of manifest error. In determining such amount, Lender may use any reasonable averaging and attribution methods. In lieu of paying the compensation to Lender described in this paragraph, Maker may elect, promptly upon receiving notice from Lender of the event entitling Lender to such compensation, to have any Eurodollar Borrowing converted to a borrowing at the Prime Rate.

(g) Past Due Rate. From and after maturity (whether by acceleration or otherwise), any principal of, and to the extent permitted by applicable law, any interest on this Note, and any other sum payable hereunder, shall bear interest, payable on demand, at a rate per annum (the "Past Due Rate") equal to the lesser of (i) the Stated Rate plus four percent (4%) or (ii) the Maximum Rate.

(h) Late Charge. If any principal or interest is not paid when due, Maker shall pay, on demand, a late charge of four cents (\$.04) for each dollar of each installment which becomes past due for a period exceeding ten (10) days to help defray the added expense incurred in handling said delinquent installment, provided that in no event shall interest be due or payable in excess of the Maximum Rate.

4. Prepayment. Maker may prepay the principal balance of this Note, in full at any time or in part from time to time, provided that (i) Lender shall have actually received from Maker at least five (5) business days' prior written notice of Maker's intent to prepay, of the amount of principal which will be prepaid (the "Prepaid Principal") and of the date on which the prepayment will be made; (ii) the prepayment must not, in Lender's judgment, result in a breach or loss of rights under any commitment or agreement by any third party for payment or purchase of the loan evidenced by this Note or of the Property; (iii) each prepayment shall be in the amount of \$1,000.00 or a larger integral multiple of \$1,000.00 (unless the prepayment retires the outstanding balance of this Note in full); and (iv) each prepayment shall be in the amount of 100% of the Prepaid Principal, plus accrued unpaid interest thereon to the date of prepayment, plus any other sums which have become due to Lender under the Loan Documents on or before the date of prepayment but have not been paid. If this Note is prepaid in full, any commitment of Lender for further advances shall automatically terminate.

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5. Certain Provisions Regarding Payments. All payments made as scheduled on this Note shall be applied, to the extent thereof, to accrued but unpaid interest, unpaid principal, and any other sums due and unpaid to Lender under the Loan Documents, in such manner and order as Lender may elect in its discretion. All prepayments on this Note shall be applied, to the extent thereof, to accrued but unpaid interest on the amount prepaid, to the remaining principal installments, and any other sums due and unpaid to Lender under the Loan Documents, in such manner and order as Lender may elect in its discretion, including but not limited to application to principal installments in inverse order of maturity. Except to the extent that specific provisions are set forth in this Note or another Loan Document with respect to application of payments, all payments received by the holder hereof shall be applied, to the extent thereof, to the indebtedness secured by the Mortgage in such manner and order as Lender may elect in its discretion, any instructions from Maker or anyone else to the contrary notwithstanding. Remittances in payment of any part of the indebtedness other than in the required amount in immediately available U.S. funds shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by the holder hereof in immediately available U.S. funds and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by the holder hereof of any payment in an amount less than the amount then due on any indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a Default (hereinafter defined). Payments received after 2:00 o'clock p.m. Atlanta, Georgia time shall be deemed to be received on, and shall be posted as of, the following business day.

6. Defaults. It shall be a default ("Default") under this Note and each of the other Loan Documents if (a) any principal, interest or other amount of money due under this Note is not paid in full when due, regardless of how such amount may have become due; or (b) there shall occur any default or event of default under the Mortgage or any other Loan Document. Upon the occurrence of a Default, subject to the terms of Section 4.2 of the Mortgage, the holder hereof shall have the rights to declare the unpaid principal balance and accrued but unpaid interest on this Note at once due and payable (and upon such declaration, the same shall be at once due and payable), to foreclose any liens and security interests securing payment hereof and to exercise any of its other rights,

powers and remedies under this Note, under any other Loan Document, or at law or in equity.

7. Rights Cumulative. All of the rights, remedies, powers and privileges (together, "Rights") of the holder hereof provided for in this Note and in any other Loan Document are

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cumulative of each other and of any and all other Rights at law or in equity. The resort to any Right shall not prevent the concurrent or subsequent employment of any other appropriate Right. No single or partial exercise of any Right shall exhaust it, or preclude any other or further exercise thereof, and every Right may be exercised at any time and from time to time. No failure by the holder hereof to exercise, nor delay in exercising any Right, including but not limited to the right to accelerate the maturity of this Note, shall be construed as a waiver of any Default or as a waiver of any Right. Without limiting the generality of the foregoing provisions, the acceptance by the holder hereof from time to time of any payment under this Note which is past due or which is less than the payment in full of all amounts due and payable at the time of such payment, shall not (i) constitute a waiver of or impair or extinguish the right of the holder hereof to accelerate the maturity of this Note or to exercise any other Right at the time or at any subsequent time, or nullify any prior exercise of any such Right, or (ii) constitute a waiver of the requirement of punctual payment and performance or a novation in any respect.

8. Costs of Collection. If any holder of this Note retains an attorney in connection with any Default or at maturity or to collect, enforce or defend this Note or any other Loan Document in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if Maker sues any holder in connection with this Note or any other Loan Document and does not prevail, then Maker agrees to pay to each such holder, in addition to principal, interest and any other sums owing to Lender under the Loan Documents, all reasonable costs and expenses incurred by such holder in trying to collect this Note or in any such suit or proceeding, including reasonable attorneys' fees.

9. Controlling Agreement. All parties to the Loan Documents intend to comply with applicable usury law. All existing and future agreements regarding the debt evidenced by this Note are hereby limited and controlled by the provisions of this Section. In no event (including but not limited to prepayment, default, demand for payment, or acceleration of maturity) shall the interest taken, reserved, contracted for, charged or received under this Note or under any of the other Loan Documents or otherwise, exceed the Maximum Amount. If, from any possible construction of any document, interest would otherwise be payable in excess of the Maximum Amount, then, ipso facto, such document shall be reformed and the interest payable reduced to the Maximum Amount, without necessity of execution of any amendment or new document. If the holder hereof ever receives interest in an amount which apart from this provision would exceed the Maximum Amount, the excess shall, without penalty, be applied to the unpaid principal of this Note in inverse order of maturity of installments and not to the payment of interest, or be refunded to the payor, at the election of the holder hereof in its sole

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discretion or as required by applicable law. The holder hereof does not intend to charge or receive unearned interest on acceleration. All interest paid or agreed to be paid to the holder hereof shall be spread throughout the full term (including any renewal or extension) of the debt so that the amount of interest does not exceed the Maximum Amount.

10. General Provisions. Time is of the essence with respect to Maker's obligations under this Note. Maker and all sureties, endorsers, guarantors and any other party now or hereafter liable for the payment of this Note in whole or in part, hereby severally (i) waive demand, presentment for payment, notice of dishonor and of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices (except any notices which are specifically required by this Note or any other Loan Document), filing of suit and diligence in collecting this Note or enforcing any of the security herefor; (ii) agree to any substitution, subordination, exchange or release of any such security or the release of any party primarily or secondarily liable hereon; (iii) agree that the holder hereof shall not be required first to institute suit or exhaust its remedies hereon against Maker or others liable or to become liable hereon or to perfect or enforce its rights against them or any security herefor; (iv) consent to any extensions or postponements of time of payment of this Note for any period or periods of time and to any partial payments, before or after maturity, and to any other indulgences with respect hereto, without notice thereof to any of them; and (v) submit (and waive all rights to object) to non-exclusive personal jurisdiction in the State of Georgia, and venue in the county in which payment is to be made as specified in Section 1 of this Note, for the enforcement of any and all obligations under the Loan Documents.

Maker and all other parties to this Note severally waive any and all homestead and exemption rights which any of them or the family of any of them may have under or by virtue of the Constitution or laws of the United States of America or of any state as against this Note, any renewal hereof, or any indebtedness evidenced hereby. Maker and all other parties to this Note jointly and severally transfer, convey and assign to Lender or any other holder a sufficient amount of property or money set apart as exempt to pay the indebtedness evidenced hereby, or any renewal hereof and do hereby, jointly and severally, appoint Lender and any other holder the attorney-in-fact for each of them to claim any and all homestead exemptions allowed by law.

A determination that any provision of this Note is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Note to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

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This Note may not be amended except in a writing specifically intended for the purpose and executed by the party against whom enforcement of the amendment is sought. The holder of this Note may, from time to time, sell or offer to sell the loan evidenced by this Note, or interests therein, to one or more assignees or participants and is hereby authorized to disseminate any information it now has or hereafter obtains pertaining to the loan evidenced by this Note, including, without limitation, any security for this Note and credit or other information on Maker, any of its principals and any guarantor of this Note, to any assignee or participant or prospective assignee or prospective participant, holder's affiliates, including NationsBanc Montgomery Securities LLC, any regulatory body having jurisdiction over the holder of this Note and to any other parties as necessary or appropriate in the holder of this Note's reasonable judgment. Maker shall execute, acknowledge and deliver any and all instruments reasonably requested by the holder of this Note in connection therewith and to the extent, if any, specified in any such assignment or participation, such companies, assignees or participants shall have the rights and benefits with respect to this Note and the other Loan Documents as such persons would have if such persons were Lender hereunder. Maker warrants and represents to Lender and all other holders of this Note that the loan evidenced by this Note is and will be for business or commercial purposes and not primarily for personal, family, or household use. The terms, provisions, covenants and conditions hereof shall be binding upon Maker and the

representatives, successors and assigns of Maker. Captions and headings in this Note are for convenience only and shall be disregarded in construing it. THIS NOTE, AND ITS VALIDITY, ENFORCEMENT AND INTERPRETATION, SHALL BE GOVERNED BY GEORGIA LAW (WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES) AND APPLICABLE UNITED STATES FEDERAL LAW.

THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signatures Begin on Following Page]

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IN WITNESS WHEREOF, Maker has duly executed and sealed this Note as of the date first above written.

MAKER:

Wells/Fremont Associates,
a Georgia joint venture

By: Wells Operating Partnership, L.P.,
a Delaware limited partnership,
Joint Venture Partner

By: Wells Real Estate Investment
Trust, Inc.,
a Maryland corporation,
General Partner

By: /s/ Leo F. Wells, III,

Leo F. Wells, III,
President

[CORPORATE SEAL]

By: Wells Development Corporation,
a Georgia corporation,
Joint Venture Partner

By: /s/ Leo F. Wells, III,

Leo F. Wells, III,
President

[CORPORATE SEAL]

Maker's Federal Tax
Identification Number: 58-2402574

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EXHIBIT 10.16

DEED OF TRUST

BETWEEN THE FREMONT JOINT VENTURE

AND

NATIONSBANK, N.A.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

James H. Keaten, Esq.
Troutman Sanders LLP
NationsBank Plaza - Suite 5200
600 Peachtree Street, N.E.
Atlanta, Georgia 30308-2216

INSTRUCTIONS TO RECORDER:

Index this document as

- (i) a deed of trust;
- (ii) an assignment of rents;
- (iii) a security agreement; and
- (iv) a fixture filing

=====

DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT
AND FIXTURE FILING

STATE OF GEORGIA

COUNTY OF FULTON

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND
FIXTURE FILING (the "Security Instrument") is made and entered into as of the
16th day of July, 1998, by WELLS/FREMONT ASSOCIATES, a Georgia joint venture
comprised of Wells Development Corporation, a Georgia corporation, and Wells
Operating Partnership, L.P., a Delaware limited partnership ("Borrower"), in
favor of FIRST AMERICAN TITLE INSURANCE COMPANY, with an address of 1737 North
First Street, San Jose, California 95112 ("Trustee"), and NATIONSBANK, N.A., a
national banking corporation, together with its successors and assigns
("Lender").

ARTICLE 1 - CERTAIN DEFINITIONS; GRANTING CLAUSES; SECURED
INDEBTEDNESS

Section 1.1. Certain Definitions and Reference Terms. In addition to
other terms defined herein, each of the following terms shall have the meaning
assigned to it:

"Promissory Note": Promissory Note dated of even date herewith made
by Borrower payable to the order of Lender in the principal face amount of FIVE
MILLION NINE HUNDRED SIXTY THOUSAND AND NO/100 DOLLARS (\$5,960,000.00), bearing
interest at a variable rate as therein provided, and finally maturing on July
16, 1999, unless extended to January 16, 2000, pursuant to the terms of said
Note, which, by this reference, is made a part hereof.

Section 1.2. Property. The Borrower, in consideration of the
indebtedness herein recited, irrevocably grants, conveys and assigns to the
Trustee and the Trustee's successors and

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assigns, in trust, with power of sale, all of the following described land, real property interests, buildings, improvements, fixtures, furniture and appliances and other personal property: (a) the real estate (herein called the "Land") described in Exhibit A which is attached hereto and incorporated herein by reference, and (i) all improvements now or hereafter situated or to be situated on the Land (herein together called the "Improvements"); and (ii) all right, title and interest of Borrower, now owned or hereafter acquired, in and to (1) all streets, roads, alleys, easements, rights-of-way, licenses, rights of ingress and egress, vehicle parking rights and public places, existing or proposed, abutting, adjacent, used in connection with or pertaining to the Land or the Improvements; (2) any strips or gores between the Land and abutting or adjacent properties; (3) all options to purchase or lease the Land or the Improvements or any portion thereof or interest therein, and any greater estate in the Land or the Improvements; (4) all claims, actions and causes of action, both in law and in equity, with respect to the Property or the Improvements; and (5) all water and water rights, timber, crops and mineral interests on or pertaining to the Land (the Land, Improvements and other rights, titles and interests referred to in this clause (a) being herein sometimes collectively called the "Premises"); (b) all fixtures, equipment, systems, machinery, furniture, furnishings, appliances, inventory, goods, building and construction materials, supplies, and articles of personal property, of every kind and character, now owned or hereafter acquired by Borrower, which are now or hereafter attached to or situated in, on or about the Land or the Improvements, or used in or necessary to the complete and proper planning, development, use, occupancy or operation thereof, or acquired (whether delivered to the Land or stored elsewhere) for use or installation in or on the Land or the Improvements, and all renewals and replacements of, substitutions for and additions to the foregoing (the properties referred to in this clause (b) being herein sometimes collectively called the "Accessories," all of which are hereby declared to be permanent accessions to the Land); (c) all (i) plans and specifications for the Improvements; (ii) Borrower's rights, but not liability for any breach by Borrower, under all commitments (including any commitment for financing to pay any of the secured indebtedness, as defined below), insurance policies, contracts and agreements for the design, construction, operation or inspection of the Improvements and other contracts and general intangibles (including but not limited to trademarks, trade names, goodwill and symbols) related to the Premises or the Accessories or the operation thereof; (iii) deposits (including but not limited to Borrower's rights in tenants' security deposits, deposits with respect to utility services to the Premises, and any deposits or reserves hereunder or under any other Loan Document for taxes, insurance or

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otherwise), rebates or refunds of impact fees or other taxes, assessments or charges, money, accounts, instruments, documents, notes and chattel paper arising from or by virtue of any transactions related to the Premises or the Accessories; (iv) permits, licenses, franchises, certificates, development rights, commitments and rights for utilities, and other rights and privileges obtained in connection with the Premises or the Accessories; (v) leases, rents, royalties, bonuses, issues, profits, revenues and other benefits of the Premises and the Accessories (without derogation of Article 3 hereof); (vi) oil, gas and other hydrocarbons and other minerals produced from or allocated to the Land and all products processed or obtained therefrom, and the proceeds thereof; and (vii) engineering, accounting, title, legal, and other technical or business data concerning the Property which are in the possession of Borrower or in which Borrower can otherwise grant a security interest; and (d) all (i) proceeds of or arising from the properties, rights, titles and interests referred to above in this Section 1.2, including but not limited to proceeds of any sale, lease or other disposition thereof, proceeds of each policy of insurance relating thereto (including premium refunds), proceeds of the taking thereof or of any rights appurtenant thereto, including change of grade of streets, curb cuts or other

rights of access, by eminent domain or transfer in lieu thereof for public or quasi-public use under any law, and proceeds arising out of any damage thereto; (ii) all claims, actions and causes of action, both in law and in equity, with respect to the Property or the Improvements; and (iii) other interests of every kind and character which Borrower now has or hereafter acquires in, to or for the benefit of the properties, rights, titles and interests referred to above in this Section 1.2 and all property used or useful in connection therewith, including but not limited to rights of ingress and egress and remainders, reversions and reversionary rights or interests; and if the estate of Borrower in any of the property referred to above in this Section 1.2 is a leasehold estate, this conveyance shall include, and the lien and interest created hereby shall encumber and extend to, all other or additional title, estates, interests or rights which are now owned or may hereafter be acquired by Borrower in or to the property demised under the lease creating the leasehold estate; TO HAVE AND TO HOLD the foregoing rights, interests and properties, and all rights, estates, powers and privileges appurtenant thereto (herein collectively called the "Property"), to the use, benefit and behoof of Lender, forever, in fee simple subject to the Permitted Encumbrances (as hereafter defined).

Section 1.3. Security Interest. As additional collateral and further security for the indebtedness secured hereby, to the fullest extent permitted by applicable law, Borrower hereby assigns and grants to Lender a security interest

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in all of the Property which constitutes personal property or fixtures (herein sometimes collectively called the "Collateral"). In addition to its rights hereunder or otherwise, Lender shall have all of the rights of a secured party under the Uniform Commercial Code as adopted in the State of California, or under the Uniform Commercial Code in force in any other state to the extent the same is applicable law.

Section 1.4. Note, Loan Documents, Other Obligations. This Security Instrument is made to secure and enforce the payment and performance of the following promissory notes, obligations, indebtedness and liabilities and all renewals, extensions, supplements, increases, and modifications thereof in whole or in part from time to time: (a) the Promissory Note and all other notes given in substitution therefor or in modification, supplement, increase, renewal or extension thereof, in whole or in part (such note or notes, whether one or more, as from time to time renewed, extended, supplemented, increased or modified and all other notes given in substitution therefor, or in modification, renewal or extension thereof, in whole or in part, being hereinafter called the "Note"); (b) all indebtedness and other obligations owed by Borrower to Lender, or any affiliate of Lender, now or hereafter incurred or arising pursuant to or permitted by the provisions of the Note, this Security Instrument, the Environmental Indemnity Agreement (the "Environmental Agreement") of even date herewith between Borrower and Lender, or any other document now or hereafter evidencing, governing, guaranteeing, securing or otherwise executed in connection with the loan evidenced by the Note, including but not limited to any loan or credit agreement, tri-party financing agreement, purchase and sale agreement with respect to the Property or other agreement between Borrower and Lender, or among Borrower, Lender and any other party or parties, pertaining to the repayment or use of the proceeds of the loan evidenced by the Note (the Note, this Security Instrument, the Environmental Agreement and such other documents, as they or any of them may have been or may be from time to time renewed, extended, supplemented, increased or modified, being herein sometimes collectively called the "Loan Documents"); and (c) all other loans and future advances made by Lender to Borrower and all other debts, obligations and liabilities of Borrower of every kind and character now or hereafter existing in favor of Lender, however and whenever incurred, whether direct or indirect, primary or secondary, joint or several, fixed or contingent, secured or unsecured, and whether originally payable to Lender or to a third party and subsequently acquired by Lender; provided, however, and notwithstanding the foregoing provisions of this clause (c), this Security Instrument shall not

secure any such other loan, advance, debt, obligation or liability with respect to which Lender is by applicable law prohibited from obtaining a

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lien or security title on real estate nor shall this clause (c) operate or be effective to constitute or require any assumption or payment by any person, in any way, of any debt of any other person to the extent that the same would violate or exceed the limit provided in any applicable usury or other law. The indebtedness referred to in this Section 1.4 is hereinafter sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby."

ARTICLE 2 - Representations, Warranties and Covenants

Section 2.1. Borrower represents, warrants, and covenants as follows:

(a) Payment and Performance. Borrower will make due and punctual payment of the secured indebtedness. Borrower will timely and properly perform and comply with all of the covenants, agreements, and conditions imposed upon it by this Security Instrument and the other Loan Documents and will not permit a default to occur hereunder or thereunder. Time shall be of the essence in this Security Instrument.

(b) Title and Permitted Encumbrances. Borrower has, in Borrower's own right, and Borrower covenants to maintain, lawful, good and marketable fee simple title to the Property, is lawfully seized and possessed of the Property and every part thereof, and has the right to convey the same, free and clear of all liens, charges, claims, interests, and encumbrances except for (i) the matters, if any, set forth under the heading "Permitted Exceptions" in Exhibit B hereto, which are Permitted Exceptions only to the extent the same are valid and subsisting and affect the Property, (ii) the liens and security interests evidenced by this Security Instrument, (iii) other liens and security interests (if any) in favor of Lender (the matters described in the foregoing clauses (i), (ii) and (iii) being herein called the "Permitted Encumbrances"). Borrower, and Borrower's successors and assigns, will warrant and forever defend title to the Property, subject as aforesaid, to Lender and its successors and assigns, against the claims and demands of all persons claiming or to claim the same or any part thereof. Borrower will punctually pay, perform, observe and keep all covenants, obligations and conditions in or pursuant to any Permitted Encumbrance and will not modify or permit modification of any Permitted Encumbrance without the prior written consent of Lender. Inclusion of any matter as a Permitted Encumbrance does not constitute approval or waiver by Lender of any existing or future violation or other breach thereof by Borrower, by the Property or otherwise. If any right or interest of Lender in the Property or any part thereof shall be endangered or questioned or shall be attacked directly or indirectly, Lender (whether or not

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named as the party to legal proceedings with respect thereto) is hereby authorized and empowered to take such steps as in its discretion may be proper for the defense of any such legal proceedings or the protection of such right or interest of Lender, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, and the compromise or discharge of adverse claims. All expenditures so made of every kind and character shall be a demand obligation (which obligation Borrower hereby promises to pay) owing by Borrower to Lender, and Lender shall be subrogated to all rights of the person receiving such payment.

(c) Taxes and Other Impositions. Borrower will pay, or cause to be paid, all taxes, assessments and other charges or levies imposed upon or against or with respect to the Property or the ownership, use, occupancy or enjoyment of any portion thereof, or any utility service thereto, as the same become due and payable, including but not limited to all ad valorem taxes assessed against the Property or any part thereof, and shall deliver promptly to Lender such evidence of the payment thereof as Lender may require.

(d) Insurance.

I. Required Insurance. Borrower shall obtain and maintain at Borrower's sole expense: (1) Lender title insurance issued to Lender covering the Premises as required by Lender; (2) all-risk insurance with respect to all insurable Property, against loss or damage by fire, lightning, windstorm, explosion, hail, tornado and such hazards as are presently included in so-called "all-risk" coverage and against such other insurable hazards as Lender may require, in an amount not less than 100% of the full replacement cost, including the cost of debris removal, without deduction for depreciation and sufficient to prevent Borrower and Lender from becoming a coinsurer, such insurance to be in builder's risk (non-reporting) form during and with respect to any construction on the Premises; (3) if and to the extent any portion of the Improvements is in a special flood hazard area, a flood insurance policy in an amount equal to the lesser of the principal face amount of the Note or the maximum amount available; (4) comprehensive general public liability insurance, on an "occurrence" basis, for the benefit of Borrower and Lender as named insureds; (5) statutory workers' compensation insurance with respect to any work on or about the Premises; and (6) such other insurance on the Property as may from time to time be required by Lender (including but not limited to rental loss or business interruption insurance, boiler and machinery insurance, earthquake insurance, and war risk insurance) and against other insurable hazards or casualties which at the time are commonly insured against in the case of premises similarly situated, due

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regard being given to the height, type, construction, location, use and occupancy of buildings and improvements. All insurance policies shall be issued and maintained by insurers, in amounts, with deductibles, and in form satisfactory to Lender, and shall require not less than thirty (30) days' prior written notice to Lender of any cancellation or change of coverage. All insurance policies maintained, or caused to be maintained, by Borrower with respect to the Property, except for public liability insurance, shall provide that each such policy shall be primary without right of contribution from any other insurance that may be carried by Borrower or Lender and that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. If any insurer which has issued a policy of title, hazard, liability or other insurance required pursuant to this Security Instrument or any other Loan Document becomes insolvent or the subject of any bankruptcy, receivership or similar proceeding or if in Lender's reasonable opinion the financial responsibility of such insurer is or becomes inadequate, Borrower shall, in each instance promptly upon the request of Lender and at Borrower's expense, obtain and deliver to Lender a like policy (or, if and to the extent permitted by Lender, a certificate of insurance) issued by another insurer, which insurer and policy meet the requirements of this Security Instrument or such other Loan Document, as the case may be. Without limiting the discretion of Lender with respect to required endorsements to insurance policies, all such policies for loss of or damage to the Property shall contain a standard Lender clause (without contribution) naming Lender as Lender with loss proceeds payable to Lender notwithstanding (i) any act, failure to act or negligence of or violation of any warranty, declaration or condition contained in any such policy by any named insured; (ii) the occupation or use of the Property for purposes more hazardous than permitted by the terms of any such policy; (iii) any foreclosure or other action by Lender under the Loan Documents; or (iv) any change in title to or ownership of the Property or any portion thereof, such proceeds to be held for application as

provided in the Loan Documents. The originals of each initial insurance policy (or to the extent permitted by Lender, a copy of the original policy and a satisfactory certificate of insurance) shall be delivered to Lender at the time of execution of this Security Instrument, with premiums fully paid, and each renewal or substitute policy (or certificate) shall be delivered to Lender, with premiums fully paid, at least ten (10) days before the termination of the policy it renews or replaces. Borrower shall pay all premiums on policies required hereunder as they become due and payable and promptly deliver to Lender evidence satisfactory to Lender of the timely payment thereof. If any loss occurs at any time when Borrower has failed to perform Borrower's covenants and

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agreements in this paragraph, Lender shall nevertheless be entitled to the benefit of all insurance covering the loss and held by or for Borrower, to the same extent as if it had been made payable to Lender. Upon any foreclosure hereof or transfer of title to the Property in extinguishment of the whole or any part of the secured indebtedness, all of Borrower's right, title and interest in and to the insurance policies referred to in this Section (including unearned premiums) and all proceeds payable thereunder shall thereupon vest in the purchaser at foreclosure or other such transferee, to the extent permissible under such policies. Lender shall have the right (but not the obligation) to make proof of loss for, settle and adjust any claim under, and receive the proceeds of, all insurance for loss of or damage to the Property, and the expenses incurred by Lender in the adjustment and collection of insurance proceeds shall be a part of the secured indebtedness and shall be due and payable to Lender on demand. Lender shall not be, under any circumstances, liable or responsible for failure to collect or exercise diligence in the collection of any of such proceeds or for the obtaining, maintaining or adequacy of any insurance or for failure to see to the proper application of any amount paid over to Borrower. Subject to the terms of Subsection II, below, any proceeds received by Lender shall, after deduction therefrom of all reasonable expenses actually incurred by Lender, including attorneys' fees, at Lender's option be (1) released to Borrower, or (2) applied (upon compliance with such terms and conditions as may be required by Lender) to repair or restoration, either partly or entirely, of the Property so damaged, or (3) applied to the payment of the secured indebtedness in such order and manner as Lender, in its sole but reasonable discretion, may elect, whether or not due. In any event, the unpaid portion of the secured indebtedness shall remain in full force and effect and the payment thereof shall not be excused. Borrower shall at all times comply with the requirements of the insurance policies required hereunder and of the issuers of such policies and of any board of fire underwriters or similar body as applicable to or affecting the Property.

II. Restoration Advances.

(i) Lender agrees that in the event that all or a portion of the Improvements shall be destroyed or damaged by fire, explosion, windstorm, hail or any other casualty against which insurance is required under this Security Instrument, Lender will elect to apply the insurance proceeds which remain after payment of the expenses of collection thereof as provided in Subsection I, above (called the "Proceeds" below in this Subsection), or so much thereof as is required, to restoration of the portion of the Premises damaged, as nearly as practicable to its value, character and condition immediately prior to such

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casualty (the "Restoration"), provided that all of the following conditions precedent are satisfied in full not later than ninety (90) days after the date on which the casualty loss occurs:

A) no default shall have occurred and shall remain uncured following the expiration of any grace or cure period;

B) all tenants having present or future possessory rights under Leases (hereinafter defined), including without limitation the tenant under the that certain Standard Industrial/Commercial Single-Tenant Lease-Net (the "Fairchild Lease") dated September 19, 1997, by and between Rose Ventures V, Inc., a California corporation, Thomas G. Haury and Carleen S. Haury, as Lessor, and Fairchild Technologies USA, Inc., as Lessee, the Lessor's interest thereunder having been assigned to Borrower, have agreed in a manner satisfactory to Lender that their Leases will continue in full force and effect and, if necessary, the time for taking or regaining possession of the demised premises under such Leases will be extended by the time necessary to complete the Restoration;

C) all parties having operating, management or franchise interests in, and arrangements concerning, the Property have agreed that they will continue their interests and arrangements for the contract terms then in effect following the Restoration;

D) all parties having commitments to provide financing with respect to the Property, to purchase Borrower's interest in full or in part in the Property or to purchase or pay the loan evidenced by the Note (collectively, "Commitment Providers") have agreed in a manner satisfactory to Lender that their commitments will continue in full force and effect and, if necessary, the expiration of such commitments will be extended by the time necessary to complete the Restoration;

E) Borrower has presented evidence satisfactory to Lender, and Lender has reasonably determined, that the Restoration can be accomplished within a reasonable period of time and in any event prior to the Maturity Date (as defined in the Note);

F) Borrower has delivered or caused to be delivered to Lender, and Lender has approved, complete final plans and specifications (the "Restoration Plans") for the work to be performed in connection with the Restoration (hereinafter called the "Restoration Work") prepared and sealed by an

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architect (the "Architect") acceptable to Lender, with evidence satisfactory to Lender of the approval of the Restoration Plans by all Commitment Providers and by all governmental authorities and all tenants under Leases whose approval is required;

G) Borrower has delivered or caused to be delivered to Lender a signed estimate approved in writing by the Architect, stating the entire cost of completing the Restoration Work;

H) Borrower has entered into, and has furnished to Lender a copy of, a fixed price construction contract satisfactory to Lender, with a contractor reasonably acceptable to Lender, bonded to the extent required by Lender, for the Restoration Work;

I) if Lender has determined that (i) the projected cost of the Restoration Work substantially in accordance with the Restoration Plans exceeds (ii) the available Proceeds held by Lender, then Borrower has deposited with Lender funds sufficient to cover the excess cost;

J) Borrower has furnished all insurance coverage required by Lender pursuant to Subsection 2.1(d)(I), above; and

K) Lender has determined that it will not incur any liability to any person as a result of such use of the Proceeds.

If all of the foregoing conditions have not been satisfied within the time limit specified above, then Lender may, at its option, apply such Proceeds to the indebtedness secured hereby, whether or not due, in such order and manner as Lender elects.

(ii) To the extent that Lender elects to apply the Proceeds to the restoration or reconstruction of the Improvements, then disbursement of the Proceeds for Restoration or Restoration Work shall be subject to and shall be made in accordance with the customary practices of Lender governing the disbursement of construction loans. If Lender determines from time to time that (i) the estimated cost of the Restoration substantially in accordance with the Restoration Plans exceeds (ii) the available Proceeds held by Lender plus all other available funds deposited by Borrower with Lender for the purpose of the Restoration, then Borrower shall deposit additional funds with Lender to cover the excess cost before Lender shall be required to disburse any such Proceeds or other available funds

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for Restoration costs. Any such funds provided by Borrower to cover excess costs shall be used for the costs of Restoration prior to disbursement of any of the Proceeds for such costs.

(iii) Any such Proceeds and additional funds provided by Borrower which are held by Lender under this Subsection II shall be held by Lender in an account of Lender's selection until disbursed for Restoration or otherwise applied as herein provided. Lender's receipt and custody of such Proceeds or additional funds shall not constitute a repayment of any of the indebtedness secured hereby, unless and until such Proceeds or additional funds are actually applied against the indebtedness secured hereby in accordance with this Security Instrument. No disbursement of such Proceeds for Restoration costs shall constitute an advance of the loan evidenced by the Note or increase the principal amount of such loan. If surplus Proceeds remain after completion of the Restoration and payment of all costs therefor, then such surplus Proceeds shall be applied against the indebtedness secured hereby in such manner and order as Lender elects. If surplus funds then remain from additional funds provided by Borrower to cover excess costs of Restoration, then such surplus funds shall be returned to Borrower, provided that no uncured default shall exist hereunder.

(iv) In any event, upon the occurrence of a default at any time, and the expiration of any applicable grace or cure period without the curing thereof, Lender may (but has no obligation to) apply all or any portion of such Proceeds or additional funds provided by Borrower in Lender's possession to the payment of the indebtedness secured hereby, whether or not due, in such order and manner as Lender elects, and/or to the cure of any default without waiving the same.

(e) Reserve for Insurance, Taxes and Assessments. Upon request of Lender, to secure certain of Borrower's obligations in paragraphs (c) and (d) above, but not in lieu of such obligations, Borrower will deposit with Lender a sum equal to ad valorem taxes, assessments and charges (which charges for the purpose of this paragraph shall include without limitation any recurring charge which could result in a lien against the Property) against the Property for the current year and the premiums for such policies of insurance for the current year, all as estimated by Lender and prorated to the end of the calendar month following the month during which Lender's request is made, and thereafter will deposit with Lender, on each date when an installment of principal and/or interest is due on the Note, sufficient funds (as estimated from time to time by Lender) to permit Lender to pay at least fifteen (15) days prior to the delinquency date thereof, the next maturing ad valorem taxes, assessments and

charges and premiums for such policies of

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insurance. Lender shall have the right to rely upon tax information furnished by applicable taxing authorities in the payment of such taxes or assessments and shall have no obligation to make any protest of any such taxes or assessments. Any excess over the amounts required for such purposes shall be held by Lender for future use, applied to any secured indebtedness or refunded to Borrower, at Lender's option, and any deficiency in such funds so deposited shall be made up by Borrower upon demand of Lender. All such funds so deposited shall bear interest at the rate applicable to the account selected by Lender for such funds, may be mingled with the general funds of Lender and shall be applied by Lender toward the payment of such taxes, assessments, charges and premiums when statements therefor are presented to Lender by Borrower (which statements shall be presented by Borrower to Lender a reasonable time before the applicable amount is delinquent); provided, however, that, if a default shall have occurred hereunder, such funds may at Lender's option be applied to the payment of the secured indebtedness in the order determined by Lender in its sole discretion, and that Lender may (but shall have no obligation) at any time, in its discretion, apply all or any part of such funds toward the payment of any such taxes, assessments, charges or premiums which are past due, together with any penalties or late charges with respect thereto. The conveyance or transfer of Borrower's interest in the Property for any reason (including without limitation the foreclosure of a subordinate lien or security interest or a transfer by operation of law) shall constitute an assignment or transfer of Borrower's interest in and rights to such funds held by Lender under this paragraph but subject to the rights of Lender hereunder.

(f) Condemnation. Borrower shall notify Lender immediately of any threatened or pending proceeding for condemnation affecting the Property or arising out of damage to the Property, and Borrower shall, at Borrower's expense, diligently prosecute any such proceedings. Lender shall have the right (but not the obligation) to participate in any such proceeding and to be represented by counsel of its own choice. Lender shall be entitled to receive all sums which may be awarded or become payable to Borrower for the condemnation of the Property, or any part thereof, for public or quasi-public use, or by virtue of private sale in lieu thereof, and any sums which may be awarded or become payable to Borrower for injury or damage to the Property. Borrower shall, promptly upon request of Lender, execute such additional assignments and other documents as may be necessary from time to time to permit such participation and to enable Lender to collect and receipt for any such sums. All such sums are hereby assigned to Lender, and shall, after deduction therefrom of all reasonable expenses actually incurred by Lender, including attorneys' fees, at Lender's option be (1) released to

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Borrower, or (2) applied (upon compliance with such terms and conditions as may be required by Lender) to repair or restoration of the Property so affected, or (3) applied to the payment of the secured indebtedness in such order and manner as Lender, in its sole but reasonable discretion, may elect, whether or not due. In any event the unpaid portion of the secured indebtedness shall remain in full force and effect and the payment thereof shall not be excused. Lender shall not be, under any circumstances, liable or responsible for failure to collect or to exercise diligence in the collection of any such sum or for failure to see to the proper application of any amount paid over to Borrower. Lender is hereby authorized, in the name of Borrower, to execute and deliver valid acquittances for, and to appeal from, any such award, judgment or decree. All costs and expenses (including but not limited to attorneys' fees) incurred by Lender in

connection with any condemnation shall be a demand obligation owing by Borrower (which Borrower hereby promises to pay) to Lender pursuant to this Security Instrument.

(g) Compliance with Legal Requirements. The Property and the use, operation and maintenance thereof and all activities thereon do and shall at all times comply with all applicable Legal Requirements (defined below). The Property is not, and shall not be, dependent on any other property or premises or any interest therein other than the Property to fulfill any requirement of any Legal Requirement. Borrower shall not, by act or omission, permit any building or other improvement not subject to the lien and interest of this Security Instrument to rely on the Property or any interest therein to fulfill any requirement of any Legal Requirement. No part of the Property constitutes a nonconforming use under any zoning law or similar law or ordinance. Borrower has obtained and shall preserve in force all requisite zoning, utility, building, health, environmental and operating permits from the governmental authorities having jurisdiction over the Property. If Borrower receives a notice or claim from any person that the Property, or any use, activity, operation or maintenance thereof or thereon, is not in compliance with any Legal Requirement, Borrower will promptly furnish a copy of such notice or claim to Lender. Borrower has received no notice and has no knowledge of any such noncompliance. As used in this Security Instrument: (i) the term "Legal Requirement" means any Law (defined below), agreement, covenant, restriction, easement or condition (including, without limitation of the foregoing, any condition or requirement imposed by any insurance or surety company), as any of the same now exists or may be changed or amended or come into effect in the future; and (ii) the term "Law" means any federal, state or local law, statute, ordinance, code, rule, regulation, license, permit, authorization, decision, order, injunction or decree, domestic or foreign.

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(h) Maintenance, Repair and Restoration. Borrower will keep the Property in first class order, repair, operating condition and appearance, causing all necessary repairs, renewals, replacements, additions and improvements to be promptly made, and will not allow any of the Property to be misused, abused or wasted or to deteriorate. Notwithstanding the foregoing, Borrower will not, without the prior written consent of Lender, which consent shall not be unreasonably withheld (i) remove from the Property any fixtures or personal property conveyed or encumbered by this Security Instrument except such as is replaced by Borrower by an article of equal suitability and value, owned by Borrower, free and clear of any lien or security interest (except that created by this Security Instrument), or (ii) make any structural alteration to the Property or any other alteration thereto which impairs the value thereof. If any act or occurrence of any kind or nature (including any condemnation or any casualty for which insurance was not obtained or obtainable) shall result in damage to or loss or destruction of the Property, Borrower shall give prompt notice thereof to Lender and Borrower shall promptly, at Borrower's sole cost and expense and regardless of whether insurance or condemnation proceeds (if any) shall be available or sufficient for the purpose, commence and continue diligently to completion to restore, repair, replace and rebuild the Property as nearly as possible to its value, condition and character immediately prior to the damage, loss or destruction.

(i) No Other Liens. Borrower will not, without the prior written consent of Lender, create, place or permit to be created or placed, or through any act or failure to act, acquiesce in the placing of, or allow to remain, any deed to secure debt, Security Instrument, voluntary or involuntary lien, whether statutory, constitutional or contractual, security title, interest, encumbrance or charge, or conditional sale or other title retention document, against or covering the Property, or any part thereof, other than the Permitted Encumbrances, regardless of whether the same are expressly or otherwise subordinate to the lien or security interest created in this Security Instrument, and should any of the foregoing become attached hereafter in any

manner to any part of the Property without the prior written consent of Lender, Borrower will cause the same to be promptly discharged and released. Borrower will own all parts of the Property and will not acquire any fixtures, equipment or other property forming a part of the Property pursuant to a lease, license, security agreement or similar agreement, whereby any party has or may obtain the right to repossess or remove same, without the prior written consent of Lender, which consent shall not be unreasonably withheld. If Lender consents to the voluntary grant by Borrower of any deed to

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secure debt, lien, security interest, or other encumbrance (hereinafter called "Subordinate Lien") conveying or encumbering any of the Property or if the foregoing prohibition is determined by a court of competent jurisdiction to be unenforceable as to a Subordinate Lien, any such Subordinate Lien shall contain express covenants to the effect that: (1) the Subordinate Lien is unconditionally subordinate to this Security Instrument and all Leases (hereinafter defined); (2) if any action (whether judicial or pursuant to a power of sale) shall be instituted to foreclose or otherwise enforce the Subordinate Lien, no tenant of any of the Leases (hereinafter defined) shall be named as a party defendant, and no action shall be taken that would terminate any occupancy or tenancy without the prior written consent of Lender; (3) Rents (hereinafter defined), if collected by or for the holder of the Subordinate Lien, shall be applied first to the payment of the secured indebtedness then due and expenses incurred in the ownership, operation and maintenance of the Property in such order as Lender may determine, prior to being applied to any indebtedness secured by the Subordinate Lien; (4) written notice of default under the Subordinate Lien and written notice of the commencement of any action (whether judicial or pursuant to a power of sale) to foreclose or otherwise enforce the Subordinate Lien or to seek the appointment of a receiver for all or any part of the Property shall be given to Lender with or immediately after the occurrence of any such default or commencement; and (5) neither the holder of the Subordinate Lien, nor any purchaser at foreclosure thereunder, nor anyone claiming by, through or under any of them shall succeed to any of Borrower's rights hereunder without the prior written consent of Lender.

(j) Operation of Property. Borrower will operate the Property in a good and workmanlike manner and in accordance with all Legal Requirements and will pay all fees or charges of any kind in connection therewith. Borrower will keep the Property occupied so as not to impair the insurance carried thereon. Borrower will not use or occupy or conduct any activity on, or allow the use or occupancy of or the conduct of any activity on, the Property in any manner which violates any Legal Requirement or which constitutes a public or private nuisance or which makes void, voidable or cancelable, or increases the premium of, any insurance then in force with respect thereto. Borrower will not initiate or permit any zoning reclassification of the Property or seek any variance under existing zoning ordinances applicable to the Property or use or permit the use of the Property in such a manner which would result in such use becoming a nonconforming use under applicable zoning ordinances or other Legal Requirement. Borrower will not impose any easement, restrictive covenant or encumbrance upon the Property, execute or file any subdivision plat or condominium declaration affecting the

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Property or consent to the annexation of the Property to any municipality, without the prior written consent of Lender, which consent shall not be unreasonably withheld. Borrower will not do or suffer to be done any act whereby the value of any part of the Property may be lessened. Borrower will preserve, protect, renew, extend and retain all material rights and privileges granted for

or applicable to the Property. Without the prior written consent of Lender pursuant to paragraph (u) of this Section 2.1, there shall be no drilling or exploration for or extraction, removal or production of any mineral, hydrocarbon, gas, natural element, compound or substance (including sand and gravel) from the surface or subsurface of the Land regardless of the depth thereof or the method of mining or extraction thereof. Borrower will cause all debts and liabilities of any character (including without limitation all debts and liabilities for labor, material and equipment and all debts and charges for utilities servicing the Property) incurred in the construction, maintenance, operation and development of the Property to be promptly paid.

(k) Financial Matters. Borrower is solvent after giving effect to all borrowings contemplated by the Loan Documents and no proceeding under any Debtor Relief Law (hereinafter defined) is pending (or, to Borrower's knowledge, threatened) by or against Borrower, or any affiliate of Borrower, as a debtor. All reports, statements, plans, budgets, applications, agreements and other data and information heretofore furnished or hereafter to be furnished by or on behalf of Borrower to Lender in connection with the loan or loans evidenced by the Loan Documents (including, without limitation, all financial statements and financial information) are and will be true, correct and complete in all material respects as of their respective dates and do not and will not omit to state any fact or circumstance necessary to make the statements contained therein not misleading. No material adverse change has occurred since the dates of such reports, statements and other data in the financial condition of Borrower or, to Borrower's knowledge, of any tenant under any lease described therein. For the purposes of this paragraph, "Borrower" shall also include any person liable directly or indirectly for the secured indebtedness or any part thereof and any joint venturer or general partner of Borrower.

(l) Status of Borrower; Suits and Claims; Loan Documents. Borrower is and will continue to be (i) duly organized, validly existing and in good standing under the laws of its state of organization, (ii) authorized to do business in, and in good standing in, each state in which the Property is located, and (iii) possessed of all requisite power and authority to carry on its business and to own and operate the Property.

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Each Loan Document executed by Borrower has been duly authorized, executed and delivered by Borrower, and the obligations thereunder and the performance thereof by Borrower in accordance with their terms are and will continue to be within Borrower's power and authority (without the necessity of joinder or consent of any other person), are not and will not be in contravention of any Legal Requirement or any other document or agreement to which Borrower or the Property is subject, and do not and will not result in the creation of any encumbrance against any assets or properties of Borrower, or any other person liable, directly or indirectly, for any of the secured indebtedness, except as expressly contemplated by the Loan Documents. There is no suit, action, claim, investigation, inquiry, proceeding or demand pending (or, to Borrower's knowledge, threatened) against Borrower or against any person liable directly or indirectly for the secured indebtedness or which affects the Property (including, without limitation, any which challenges or otherwise pertains to Borrower's title to the Property) or the validity, enforceability or priority of any of the Loan Documents. There is no judicial or administrative action, suit or proceeding pending (or, to Borrower's knowledge, threatened) against Borrower or against any other person liable directly or indirectly for the secured indebtedness, except as has been disclosed in writing to Lender in connection with the loan evidenced by the Note. The Loan Documents constitute legal, valid and binding obligations of Borrower (and of each guarantor, if any) enforceable in accordance with their terms, except as the enforceability thereof may be limited by Debtor Relief Laws (hereinafter defined) and except as the availability of certain remedies may be limited by general principles of equity. Borrower is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, Sections 1445 and 7701 (i.e. Borrower is not a

non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined therein and in any regulations promulgated thereunder). The loan evidenced by the Note is solely for business purposes, and is not for personal, family, household or agricultural purposes. Borrower will not cause or permit any change to be made in its name, identity, or corporate or partnership structure, unless Borrower shall have notified Lender of such change prior to the effective date of such change, and shall have first taken all action required by Lender for the purpose of further perfecting or protecting the lien and security interest of Lender in the Property. Borrower's principal place of business and chief executive office, and the place where Borrower keeps its books and records concerning the Property, has for the preceding four months been and will continue to be (unless Borrower notifies Lender of any change in writing prior to the date of such change) the address of Borrower set forth at the end of this Security Instrument.

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(m) Certain Environmental Matters.

(i) Definitions. As used in this Security Instrument: (1) "Environmental Claim" means any investigative, enforcement, cleanup, removal, containment, remedial or other governmental or regulatory action at any time threatened, instituted or completed pursuant to any applicable Environmental Requirement against Borrower or against or with respect to the Property or any use or activity on the Property, and any claim at any time threatened or made by any person against Borrower or against or with respect to the Property or any use or activity on the Property, relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Substance; (2) "Environmental Requirement" means any Legal Requirement which pertains to ground or air or water or noise pollution or contamination, underground or aboveground tanks, health or the environment, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), and all environmental laws, ordinances, regulations and rules of the State of California and each agency, instrumentality and subdivision thereof having jurisdiction over the Premises; and (3) "Hazardous Substance" means any substance, whether solid, liquid or gaseous: (a) which is listed, defined or regulated as a "hazardous substance", "hazardous waste" or "solid waste", or otherwise classified as hazardous or toxic, in or pursuant to any Environmental Requirement; or (b) which is or contains asbestos, radon, any polychlorinated biphenyl, urea formaldehyde foam insulation, or explosive or radioactive material; or (c) which causes or poses a threat to cause a contamination or nuisance on the Property or on any adjacent property or a hazard to the environment or to the health or safety of persons on the Property. As used in this paragraph (m), the word "on" when used with respect to the Property or adjacent property means "on, in, under, above or about".

(ii) Representations and Warranties. Borrower represents and warrants to Lender, without regard to whether Lender has or hereafter obtains any knowledge or report of the environmental condition of the Property, as follows: (1) during the period of Borrower's ownership of the Property, the Property has not been used for industrial or manufacturing purposes, for landfill, dumping or other waste disposal activity or operation, for generation, storage, use, sale, treatment, processing, recycling or disposal of any Hazardous Substance, or for any other use that would give rise to the release of any Hazardous Substance on the Property; (2) to the best of Borrower's knowledge after inquiry in accordance with good commercial or customary practices, no use of the Property described in clause

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(1) preceding occurred at any time prior to the period of Borrower's ownership of the Property nor did any such use on any adjacent property occur during or at any time prior to the period of Borrower's ownership of the Property, and there is no Hazardous Substance, storage tank (or similar vessel), sump or well on the Property; (3) Borrower has received no notice and has no knowledge of any Environmental Claim or any completed, pending, proposed or threatened investigation or inquiry concerning the presence or release of any Hazardous Substance on the Property or on any adjacent property or concerning whether any condition, use or activity on the Property or on any adjacent property is in violation of any Environmental Requirement; (4) the present conditions, uses and activities on the Property do not violate any Environmental Requirement and the use of the Property which Borrower (and each tenant and subtenant, if any) makes and intends to make of the Property complies and will comply with all applicable Environmental Requirements; (5) the Property is not currently on, and to the best of Borrower's knowledge after inquiry in accordance with good commercial or customary practices, has never been on, any federal or state "superfund" or "superlien" list; and (6) neither Borrower, nor to Borrower's knowledge any tenant or subtenant, has obtained or is required to obtain any permit or other authorization to construct, occupy, operate, use or conduct any activity on any of the Property by reason of any Environmental Requirement.

(iii) Violations. Borrower will not cause, commit, permit or allow to continue any violation of any Environmental Requirement by Borrower or by or with respect to the Property or any use or activity on the Property, or the attachment of any environmental lien to the Property. Borrower will not place, install, dispose of or release, or cause, permit or allow the placing, installation, disposal or release of, any Hazardous Substance or storage tank (or similar vessel) on the Property and will keep the Property free of any Hazardous Substance. Notwithstanding the foregoing provisions of this Subsection (iii), Borrower shall not be in default under this Subsection (iii) should Borrower store minimal quantities of substances on the Premises which technically could be considered Hazardous Substance, provided that: such substances are of a type and are held only in a quantity normally used in connection with the construction, occupancy or operation of comparable buildings (such as cleaning fluids, and supplies normally used in the day to day operation of business offices), such substances are being held, stored and used in complete and strict compliance with all applicable Environmental Requirements, and the indemnity in Section 7 of the Environmental Agreement shall always apply to such substances, and it shall be and continue to be the responsibility of Borrower to take all remedial actions required

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under and in accordance with Subsection (vi), below, in the event of any unlawful release of any such substance.

(iv) Notice to Lender. Borrower will promptly advise Lender in writing of any Environmental Claim or of the discovery of any Hazardous Substance on the Property, as soon as Borrower first obtains knowledge thereof, including a full description of the nature and extent of the Environmental Claim and/or Hazardous Substance and all relevant circumstances.

(v) Site Assessments and Information. If Lender shall ever have reason to believe that any Hazardous Substance affects the Property, or if any Environmental Claim is made or threatened, or if a default shall have occurred, Borrower will at its expense provide to Lender from time to time, in each case within 30 days of Lender's request, a report (including all drafts thereof if requested by Lender) of an environmental assessment of the Property made after the date of Lender's request and of such scope (including but not limited to the taking of soil borings, air and groundwater samples and other above and below ground testing) as Lender may request and by a consulting firm acceptable to Lender. Borrower will cooperate with each consulting firm making any such assessment and will supply to the consulting firm, from time to time and

promptly on request, all information available to Borrower to facilitate the completion of the assessment and report.

(vi) Remedial Actions. Without limitation of Lender's rights to declare a default and to exercise all remedies available by reason thereof, if any Hazardous Substance is discovered on the Property at any time and regardless of the cause, Borrower shall: (1) promptly at Borrower's sole risk and expense remove, treat and dispose of the Hazardous Substance in compliance with all applicable Environmental Requirements and solely under Borrower's name (or if removal is prohibited by any Environmental Requirement, take whatever action is required by applicable Environmental Requirements), in addition to taking such other action as is necessary to have the full use and benefit of the Property as contemplated by the Loan Documents, and provide Lender with satisfactory evidence thereof; and (2) if requested by Lender, provide to Lender within 30 days of Lender's request a bond, letter of credit or other financial assurance evidencing to Lender's satisfaction that all necessary funds are readily available to pay the costs and expenses of the actions required by clause (1) preceding and to discharge any assessments or liens established against the Property as a result of the presence of the Hazardous Substance on the Property.

(n) Further Assurances. Borrower will, promptly on request of Lender, (i) correct any defect, error or omission

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which may be discovered in the contents, execution or acknowledgment of this Security Instrument or any other Loan Document; (ii) execute, acknowledge, deliver, procure and record and/or file such further documents (including, without limitation, further Security Instruments, security agreements, financing statements, continuation statements, and assignments of rents or leases) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Security Instrument and the other Loan Documents, to more fully identify and subject to the liens and interests hereof any property intended to be covered hereby (including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property) or as deemed advisable by Lender to protect the lien or the interest hereunder against the rights or interests of third persons; and (iii) provide such certificates, documents, reports, information, affidavits and other instruments and do such further acts as may be necessary, desirable or proper in the reasonable determination of Lender to enable Lender to comply with the requirements or requests of any agency having jurisdiction over Lender or any examiners of such agencies with respect to the indebtedness secured hereby, Borrower or the Property. Borrower shall pay all costs connected with any of the foregoing, which shall be a demand obligation owing by Borrower (which Borrower hereby promises to pay) to Lender pursuant to this Security Instrument.

(o) Fees and Expenses. Without limitation of any other provision of this Security Instrument or of any other Loan Document and to the extent not prohibited by applicable law, Borrower will pay, and will reimburse to Lender on demand to the extent paid by Lender: (i) all appraisal fees, filing and recording fees, taxes, brokerage fees and commissions, abstract fees, title search or examination fees, title policy and endorsement premiums and fees, uniform commercial code search fees, escrow fees, reasonable attorneys' fees, architect fees, construction consultant fees, environmental inspection fees, survey fees, and all other out-of-pocket costs and expenses of every character incurred by Borrower or Lender in connection with the preparation of the Loan Documents, the evaluation, closing and funding of the loan evidenced by the Loan Documents, and any and all amendments and supplements to this Security Instrument, the Note or any other Loan Documents or any approval, consent, waiver, release or other matter requested or required hereunder or thereunder, or otherwise attributable or chargeable to Borrower as owner of the Property; and (ii) all costs and expenses, including reasonable attorneys' fees and expenses, incurred or expended in connection with the exercise of any right or remedy, or the enforcement of any obligation of Borrower, hereunder or under any

other Loan Document.

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(p) Indemnification.

(i) Borrower will indemnify and hold harmless Lender from and against, and reimburse Lender on demand for, any and all Indemnified Matters (defined below). For purposes of this paragraph (p), the term "Lender" shall include the directors, officers, partners, employees and agents of Lender, and any persons owned or controlled by, owning or controlling, or under common control or affiliated with Lender. Without limitation, the foregoing indemnities shall apply to each indemnified person with respect to matters which in whole or in part are caused by or arise out of the negligence of such (and/or any other) indemnified person. However, such indemnities shall not apply to a particular indemnified person to the extent that the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of that indemnified person. Any amount to be paid under this paragraph (p) by Borrower to Lender shall be a demand obligation owing by Borrower (which Borrower hereby promises to pay) to Lender pursuant to this Security Instrument. Nothing in this paragraph, elsewhere in this Security Instrument or in any other Loan Document shall limit or impair any rights or remedies of Lender (including without limitation any rights of contribution or indemnification) against Borrower or any other person under any other provision of this Security Instrument, any other Loan Document, any other agreement or any applicable Legal Requirement.

(ii) As used herein, the term "Indemnified Matters" means any and all claims, demands, liabilities (including strict liability), losses, damages (including consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation, reasonable fees and expenses of attorneys and other professional consultants and experts, and of the investigation and defense of any claim, whether or not such claim is ultimately defeated, and the settlement of any claim or judgment including all value paid or given in settlement) of every kind, known or unknown, foreseeable or unforeseeable, which may be imposed upon, asserted against or incurred or paid by Lender at any time and from time to time, whenever imposed, asserted or incurred, because of, resulting from, in connection with, or arising out of any transaction, act, omission, event or circumstance in any way connected with the Property or with this Security Instrument or any other Loan Document, including but not limited to any bodily injury or death or property damage occurring in or upon or in the vicinity of the Property through any cause whatsoever at any time on or before the Release Date, any act performed or omitted to be performed hereunder or under any other Loan Document, any breach by Borrower of any representation, warranty, covenant, agreement or condition contained in this Security Instrument or in any other Loan

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Document, any default as defined herein or any claim under or with respect to any Lease (hereinafter defined) or arising under the Environmental Agreement. The term "Release Date" as used herein means the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full and this Security Instrument has been cancelled and satisfied of record, or (ii) the date on which this Security Instrument is fully and finally foreclosed or a conveyance by deed in lieu of such foreclosure is fully and finally effective, and possession of the Property has been given to the purchaser or grantee free of occupancy and claims to occupancy by Borrower and Borrower's heirs, devisees, representatives, successors and assigns; provided, that if such payment, performance, release, foreclosure or conveyance is challenged, in bankruptcy proceedings or otherwise,

the Release Date shall be deemed not to have occurred until such challenge is rejected, dismissed or withdrawn with prejudice. The indemnities in this paragraph (p) shall not terminate upon the Release Date or upon the cancellation, satisfaction, foreclosure or other termination of this Security Instrument but will survive the Release Date, foreclosure of this Security Instrument or conveyance in lieu of foreclosure, the repayment of the secured indebtedness, the discharge, cancellation and satisfaction of this Security Instrument and the other Loan Documents, any bankruptcy or other debtor relief proceeding, and any other event whatsoever.

(q) Records and Financial Reports. Borrower will keep accurate books and records in accordance with sound accounting principles in which full, true and correct entries shall be promptly made with respect to the Property and the operation thereof, and will permit all such books and records to be inspected and copied, and the Property to be inspected and photographed, by Lender and its representatives during normal business hours and at any other reasonable times. Without limitation of other or additional requirements in any of the other Loan Documents, Borrower will furnish to Lender (i) current operating statements itemizing all income and expenses of the Property for each quarter (and for the fiscal year through the end of such quarter) as soon as reasonably practicable but in any event within fifteen (15) days after the end of such quarter and for the fiscal year of Borrower within sixty (60) days after the end thereof including also a projection of such operations for the next fiscal year; and (ii) a balance sheet (including disclosure of all contingent liabilities) and an income statement of Borrower, for each fiscal year of Borrower as soon as reasonably practicable following the end of such fiscal year, but in any event within ninety (90) days after the end thereof. Each financial statement submitted pursuant to this paragraph shall be prepared in accordance with generally accepted accounting

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principles, consistently applied, and be certified in writing as true and correct by a representative of Borrower acceptable to Lender. Borrower will furnish to Lender at Borrower's expense all evidence which Lender may from time to time reasonably request as to compliance with all provisions of the Loan Documents. Any inspection or audit of the Property or the books and records of Borrower, or the procuring of documents and financial and other information, by or on behalf of Lender shall be for Lender's protection only, and shall not constitute any assumption of responsibility to Borrower or anyone else with regard to the condition, construction, maintenance or operation of the Property nor Lender's approval of any certification given to Lender nor relieve Borrower of any of Borrower's obligations. Lender may from time to time assign or grant participations in the secured indebtedness and Borrower consents to the delivery by Lender to any acquirer or prospective acquirer of any interest or participation in or with respect to all or part of the secured indebtedness such information as Lender now or hereafter has relating to the Property, Borrower, any party obligated for payment of any part of the secured indebtedness, any tenant or guarantor under any lease affecting any part of the Property and any agent or guarantor under any management agreement affecting any part of the Property.

(r) Taxes on Note or Security Instrument. Borrower will promptly pay all income, franchise and other taxes owing by Borrower and any stamp taxes or other taxes (unless such payment by Borrower is prohibited by law) which may be required to be paid with respect to the Note, this Security Instrument or any other instrument evidencing or securing any of the secured indebtedness, excepting any amounts to be paid under the present California Security Instrument tax laws, which amounts shall be paid by Lender. In the event of the enactment after this date of any law of any governmental entity applicable to Lender, the Note, the Property or this Security Instrument deducting from the value of property for the purpose of taxation any lien or interest thereon, or imposing upon Lender the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Borrower, or

changing in any way the laws relating to the taxation of Security Instruments or security agreements or debts secured by Security Instruments or security agreements or the interest of the Lender or secured party in the property covered thereby, or the manner of collection of such taxes, so as to affect this Security Instrument or the indebtedness secured hereby or Lender, then, and in any such event, Borrower, upon demand by Lender, shall pay such taxes, assessments, charges or liens, or reimburse Lender therefor; provided, however, that if in the opinion of counsel for Lender (i) it might be unlawful to require Borrower to make such payment or (ii) the making of such payment might result in

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the imposition of interest beyond the maximum amount permitted by law, then and in such event, Lender may elect, by notice in writing given to Borrower, to declare all of the indebtedness secured hereby to be and become due and payable sixty (60) days from the giving of such notice.

(s) Statement Concerning Note or Security Instrument. Borrower shall at any time and from time to time furnish within seven (7) days of request by Lender a written statement in such form as may be required by Lender stating that (i) the Note, this Security Instrument and the other Loan Documents are valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms; (ii) the unpaid principal balance of the Note; (iii) the date to which interest on the Note is paid; (iv) the Note, this Security Instrument and the other Loan Documents have not been released, subordinated or modified; and (v) there are no offsets or defenses against the enforcement of the Note, this Security Instrument or any other Loan Document. If any of the foregoing statements are untrue, Borrower shall, alternatively, specify the reasons therefor.

(t) Annual Appraisal. Lender may at its option obtain at Borrower's expense, once in each year (or as otherwise reasonably requested by Lender) an appraisal of the Property or any part thereof prepared in accordance with written instructions from Lender by a third-party appraiser engaged directly by Lender. Each such appraiser and appraisal shall be satisfactory to Lender. The costs of each such appraisal shall be a part of the secured indebtedness and shall be payable by Borrower to Lender on demand (which obligation Borrower hereby promises to pay).

(u) Mineral Interests. Borrower agrees that the making of any oil, gas or mineral lease or the sale or conveyance of any mineral interest or right to explore for minerals under, through or upon the Property would impair the value of the Property as security for payment of the indebtedness secured hereby and that Borrower shall have no right, power or authority to lease the Property, or any part thereof, for oil, gas or other mineral purposes, or to grant, assign or convey any mineral interest of any nature, or the right to explore for oil, gas and other minerals, without first obtaining from Lender express written permission, which permission shall not be valid until recorded. Borrower further agrees that if Borrower shall make any such lease or attempt to grant any such mineral rights without such prior written permission, then Lender shall have the option, without notice, to declare the same to be a default hereunder and to declare the indebtedness secured hereby immediately due and payable. Whether or not Lender shall consent to such lease or grant of mineral rights, Lender shall receive

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the entire consideration to be paid for such lease or grant of mineral rights, with the same to be applied upon the indebtedness secured hereby; provided, however, that the acceptance of such consideration shall in no way impair the

lien of this Security Instrument on the Property, including all mineral rights.

(v) Year 2000 Compliance. Borrower has (i) initiated a review and assessment of all areas within its business and operations (including those affected by suppliers and vendors) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by Borrower (or its suppliers and vendors) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable. Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, will be "Year 2000 Compliant"), except to the extent that a failure to do so could not reasonably be expected to cause a material adverse change in the financial condition, results of operations, business or properties of Borrower (a "Material Adverse Change"). Borrower will promptly notify Lender in the event that Borrower discovers or determines that any computer application (including those of its suppliers and vendors) that is material to its business and operations will not be Year 2000 Compliant on a timely basis, except to the extent that such failure could not reasonably be expected to cause a Material Adverse Change.

Section 2.2. Performance by Lender on Borrower's Behalf. Borrower agrees that, if Borrower fails to perform any act or to take any action which under any Loan Document Borrower is required to perform or take, or to pay any money which under any Loan Document Borrower is required to pay, and whether or not the failure then constitutes a default hereunder or thereunder, and whether or not there has occurred any default or defaults hereunder or the secured indebtedness has been accelerated, Lender, in Borrower's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Lender and any money so paid by Lender shall be a demand obligation owing by Borrower to Lender (which obligation Borrower hereby promises to pay), shall be a part of the indebtedness secured hereby, and Lender, upon making such payment, shall be subrogated to all of the rights of the person, entity or body politic receiving such payment. Lender and its designees shall

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have the right to enter upon the Property at any time and from time to time for any such purposes. No such payment or performance by Lender shall waive or cure any default or waive any right, remedy or recourse of Lender. Any such payment may be made by Lender in reliance on any statement, invoice or claim without inquiry into the validity or accuracy thereof. Each amount due and owing by Borrower to Lender pursuant to this Security Instrument shall bear interest, from the date such amount becomes due until paid, at the rate per annum provided in the Note for interest on past due principal owed on the Note but never in excess of the maximum nonusurious amount permitted by applicable law, which interest shall be payable to Lender on demand; and all such amounts, together with such interest thereon, shall automatically and without notice be a part of the indebtedness secured hereby. The amount and nature of any expense by Lender hereunder and the time when paid shall be fully established by the certificate of Lender or any of Lender's officers or agents.

Section 2.3. Absence of Obligations of Lender with Respect to Property. Notwithstanding anything in this Security Instrument to the contrary, including, without limitation, the definition of "Property" and/or the provisions of Article 3 hereof, (i) to the extent permitted by applicable law, the Property is composed of Borrower's rights, title and interests therein but not Borrower's obligations, duties or liabilities pertaining thereto, (ii) Lender neither assumes nor shall have any obligations, duties or liabilities in connection with any portion of the items described in the definition of

"Property" herein, either prior to or after obtaining title to such Property, whether by foreclosure sale, the granting of a deed in lieu of foreclosure or otherwise, and (iii) Lender may, at any time prior to or after the acquisition of title to any portion of the Property as above described, advise any party in writing as to the extent of Lender's interest therein and/or expressly disaffirm in writing any rights, interests, obligations, duties and/or liabilities with respect to such Property or matters related thereto. Without limiting the generality of the foregoing, it is understood and agreed that Lender shall have no obligations, duties or liabilities prior to or after acquisition of title to any portion of the Property, as lessee under any lease or purchaser or seller under any contract or option unless Lender elects otherwise by written notification.

ARTICLE 3 - Collateral Assignment of Leases and Rents

Section 3.1. Assignment. As additional security for the indebtedness secured hereby, Borrower hereby assigns to Lender all Rents (hereinafter defined) and all of Borrower's rights in and under all Leases (hereinafter defined). Upon the

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occurrence of a default hereunder, Lender shall have the right, power and privilege (but shall be under no duty) to demand possession of the Rents, which demand shall to the fullest extent permitted by applicable law be sufficient action by Lender to entitle Lender to immediate and direct payment of the Rents (including delivery to Lender of Rents collected for the period in which the demand occurs and for any subsequent period), for application as provided in this Security Instrument, all without the necessity of any further action by Lender, including, without limitation, any action to obtain possession of the Land, Improvements or any other portion of the Property or any action for the appointment of a receiver. Borrower hereby authorizes and directs the tenants under the Leases to pay Rents to Lender upon written demand by Lender, without further consent of Borrower, without any obligation to determine whether a default has in fact occurred and regardless of whether Lender has taken possession of any portion of the Property, and the tenants may rely upon any written statement delivered by Lender to the tenants. Any such payment to Lender shall constitute payment to Borrower under the Leases, and Borrower hereby appoints Lender as Borrower's lawful attorney-in-fact for giving, and Lender is hereby empowered to give, acquittances to any tenants for such payments to Lender after a default. The assignment contained in this Section shall become null and void upon the release of this Security Instrument. As used herein: (i) "Lease" means each existing or future lease, sublease (to the extent of Borrower's rights thereunder), usufruct or other agreement under the terms of which any person has or acquires any right to occupy or use the Property, or any part thereof, or interest therein, and each existing or future guaranty of payment or performance thereunder, and all extensions, renewals, modifications and replacements of each such lease, sublease, usufruct, agreement or guaranty; and (ii) "Rents" means all of the rents, revenue, income, profits and proceeds derived and to be derived from the Property or arising from the use or enjoyment of any portion thereof or from any Lease, including but not limited to liquidated damages following default under any such Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by damage to any part of the Property, all of Borrower's rights to recover monetary amounts from any tenant in bankruptcy including, without limitation, rights of recovery for use and occupancy and damage claims arising out of Lease defaults, including rejections, under any applicable Debtor Relief Law (as hereinafter defined), together with any sums of money that may now or at any time hereafter be or become due and payable to Borrower by virtue of any and all royalties, overriding royalties, bonuses, delay rentals and any other amount of any kind or character arising under any and all present and all future oil, gas, mineral and mining leases covering the Property or any part thereof, and all proceeds and other amounts

paid or owing to Borrower under or pursuant to any and all contracts and bonds relating to the construction or renovation of the Property.

Section 3.2. Covenants, Representations and Warranties Concerning Leases and Rents. Borrower covenants, represents and warrants that: (i) Borrower has good title to, and is the owner of the entire landlord's interest in, the Leases and Rents hereby assigned and authority to assign them; (ii) all Leases are valid and enforceable, and in full force and effect, and are unmodified except as stated therein; (iii) neither Borrower nor any tenant in the Property is in default under its Lease (and no event has occurred which with the passage of time or notice or both would result in a default under its Lease) or is the subject of any bankruptcy, insolvency or similar proceeding; (iv) unless otherwise stated in a Permitted Encumbrance, no Rents or Leases have been or will be assigned, mortgaged, pledged or otherwise encumbered and no other person has or will acquire any right, title or interest in such Rents or Leases; (v) no Rents have been waived, released, discounted, set off or compromised; (vi) except as stated in the Leases, Borrower has not received any funds or deposits from any tenant for which credit has not already been made on account of accrued Rents; (vii) Borrower shall perform all of its obligations under the Leases and enforce the tenants' obligations under the Leases to the extent enforcement is prudent under the circumstances; (viii) Borrower will not, without the prior written consent of Lender, which consent shall not be unreasonably withheld, enter into any Lease after the date hereof, or waive, release, discount, set off, compromise, reduce or defer any Rent, receive or collect Rents more than one (1) month in advance, grant any rent-free period to any tenant, reduce any Lease term or waive, release or otherwise modify any other material obligation under any Lease, renew or extend any Lease except in accordance with a right of the tenant thereto in such Lease, approve or consent to an assignment of a Lease or a subletting of any part of the premises covered by a Lease, or settle or compromise any claim against a tenant under a Lease in bankruptcy or otherwise; (ix) Borrower will not, except in good faith where the tenant is in material default thereunder, terminate or consent to the cancellation or surrender of any Lease having an unexpired term of one year or more unless promptly after the cancellation or surrender a new Lease of such premises is made with a new tenant having a credit standing, in Lender's judgment, at least equivalent to that of the tenant whose Lease was cancelled, on substantially the same terms as the terminated or cancelled Lease; (x) Borrower will not execute any Lease except in accordance with the Loan Documents and for actual occupancy by the tenant thereunder; (xi) Borrower shall give prompt notice to Lender, as soon as Borrower first obtains notice, of any claim, or the commencement of any action, by any

tenant or subtenant under or with respect to a Lease regarding any claimed damage, default, diminution of or offset against Rent, cancellation of the Lease, or constructive eviction, excluding, however, notices of default under residential Leases, and Borrower shall defend, at Borrower's expense, any proceeding pertaining to any Lease, including, if Lender so requests, any such proceeding to which Lender is a party; (xii) Borrower shall as often as requested by Lender, within ten (10) days of each request, deliver to Lender a complete rent roll of the Property in such detail as Lender may require and financial statements of the tenants, subtenants and guarantors under the Leases to the extent available to Borrower, and deliver to such of the tenants and others obligated under the Leases specified by Lender written notice of the assignment in Section 3.1 hereof in form and content satisfactory to Lender; (xiii) promptly upon request by Lender, Borrower shall deliver to Lender executed originals of all Leases and copies of all records relating thereto;

(xiv) there shall be no merger of the leasehold estates, created by the Leases, with the fee estate of the Land without the prior written consent of Lender; and (xv) Lender may at any time and from time to time by specific written instrument intended for the purpose, unilaterally subordinate the lien of this Security Instrument to any Lease, without joinder or consent of, or notice to, Borrower, any tenant or any other person, and notice is hereby given to each tenant under a Lease of such right to subordinate. No such subordination shall constitute a subordination to any lien or other encumbrance, whenever arising, or improve the right of any junior lienholder; and nothing herein shall be construed as subordinating this Security Instrument to any Lease.

Section 3.3. No Liability of Lender. Lender's acceptance of this assignment shall not be deemed to constitute Lender a "Lender in possession," nor obligate Lender to appear in or defend any proceeding relating to any Lease or to the Property, or to take any action hereunder, expend any money, incur any expenses, or perform any obligation or liability under any Lease, or assume any obligation for any deposit delivered to Borrower by any tenant and not as such delivered to and accepted by Lender. Lender shall not be liable for any injury or damage to person or property in or about the Property, or for Lender's failure to collect or to exercise diligence in collecting Rents, but shall be accountable only for Rents that it shall actually receive. Neither the assignment of Leases and Rents nor enforcement of Lender's rights regarding Leases and Rents (including collection of Rents) nor possession of the Property by Lender nor Lender's consent to or approval of any Lease (nor all of the same), shall render Lender liable on any obligation under or with respect to any Lease or constitute affirmation of, or any subordination to, any Lease, occupancy, use or option. If Lender

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seeks or obtains any judicial relief regarding Rents or Leases, the same shall in no way prevent the concurrent or subsequent employment of any other appropriate rights or remedies nor shall same constitute an election of judicial relief for any foreclosure or any other purpose. Lender neither has nor assumes any obligations as lessor or landlord with respect to any Lease. The rights of Lender under this Article 3 shall be cumulative of all other rights of Lender under the Loan Documents or otherwise.

ARTICLE 4 - Default

Section 4.1. Events of Default. The occurrence of any one of the following shall be a default under this Security Instrument ("Default" or "default"):

(a) Failure to Pay Indebtedness. Any of the secured indebtedness is not paid when due, regardless of how such amount may have become due, and such failure is not cured within the applicable grace or cure period provided for in Section 4.2 of this Security Instrument.

(b) Nonperformance of Covenants. Any covenant, agreement or condition herein or in any other Loan Document (other than covenants otherwise addressed in another paragraph of this Section, such as covenants to pay the secured indebtedness) is not fully and timely performed, observed or kept, and such failure is not cured within the applicable grace or cure period provided for in Section 4.2 of this Security Instrument.

(c) Representations. Any statement, representation or warranty in any of the Loan Documents, or in any financial statement or any other writing heretofore or hereafter delivered to Lender in connection with the secured indebtedness is false, misleading or erroneous in any material respect on the date hereof or on the date as of which such statement, representation or warranty is made.

(d) Bankruptcy or Insolvency. The owner of the Property or any

person liable, directly or indirectly, for any of the secured indebtedness (or any general partner or joint venturer of such owner, if the owner is a general partnership or joint venture):

(1) (i) Executes an assignment for the benefit of creditors, or takes any action in furtherance thereof; or (ii) admits in writing its inability to pay, or fails to pay, its debts generally as they become due; or (iii) as a debtor, files a petition, case, proceeding or other action pursuant to, or voluntarily seeks the benefit or benefits of, Title 11 of the United States Code as now or hereafter in effect or any other

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law, domestic or foreign, as now or hereafter in effect relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement, composition, extension or adjustment of debts, or similar laws affecting the rights of creditors (Title 11 of the United States Code and such other laws being herein called "Debtor Relief Laws"), or takes any action in furtherance thereof; or (iv) seeks the appointment of a receiver, trustee, custodian or liquidator of the Property or any part thereof or of any significant portion of its other property; or

(2) Suffers the filing of a petition, case, proceeding or other action against it as a debtor under any Debtor Relief Law or seeking appointment of a receiver, trustee, custodian or liquidator of the Property or any part thereof or of any significant portion of its other property, and (i) admits, acquiesces in or fails to contest diligently the material allegations thereof, or (ii) the petition, case, proceeding or other action results in entry of any order for relief or order granting relief sought against it, or (iii) in a proceeding under the Federal Bankruptcy Code, the case is converted from one chapter to another, or (iv) fails to have the petition, case, proceeding or other action permanently dismissed or discharged on or before the earlier of trial thereon or sixty (60) days next following the date of its filing; or

(3) Conceals, removes, or permits to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them, or makes or suffers a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or makes any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or suffers or permits, while insolvent, any creditor to obtain a lien (other than as described in subparagraph (4) below) upon any of its property through legal proceedings which are not vacated and such lien discharged prior to enforcement thereof and in any event within sixty (60) days from the date thereof; or

(4) Fails to have discharged within a period of ten (10) days any attachment, sequestration, or similar writ levied upon any of its property; or

(5) Fails to pay immediately any final money judgment against it.

(e) Transfer of the Property. There occurs any sale, lease, conveyance, assignment, pledge, encumbrance, or transfer of all or any part of the Property or any interest therein, voluntarily or involuntarily, whether by operation of law or otherwise, except: (i) sales or transfers of items of the

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Accessories which have become obsolete or worn beyond practical use and which have been replaced by adequate substitutes, owned by Borrower, having a value equal to or greater than the replaced items when new; and (ii) the grant, in the

ordinary course of business, of a leasehold interest in a part of the Improvements to a tenant for occupancy, not containing a right or option to purchase and not in contravention of any provision of this Security Instrument or of any other Loan Document. Lender may, in its sole discretion, waive a default under this paragraph, but it shall have no obligation to do so, and any waiver may be conditioned upon such one or more of the following (if any) which Lender may require: the grantee's integrity, reputation, character, creditworthiness and management ability being satisfactory to Lender in its sole judgment and such grantee's executing, prior to such sale or transfer, a written assumption agreement containing such terms as Lender may require, a principal paydown on the Note, an increase in the rate of interest payable under the Note, a transfer fee, a modification of the term of the Note, and any other modification of the Loan Documents which Lender may require.

(f) Transfer of Ownership of Borrower. There occurs any sale, pledge, encumbrance, assignment or transfer, voluntarily or involuntarily, whether by operation of law or otherwise, of any interest in Borrower, without the prior written consent of Lender.

(g) Grant of Easement, Etc. Without the prior written consent of Lender, which will not be unreasonably withheld, Borrower grants any easement or dedication, files any plat, condominium declaration, or restriction, or otherwise encumbers the Property, or seeks or permits any zoning reclassification or variance, unless such action is expressly permitted by the Loan Documents or does not affect the Property.

(h) Abandonment. The owner of the Property abandons any of the Property.

(i) Default Under Other Lien. A default or event of default occurs and is continuing under any lien, security interest or assignment covering the Property or any part thereof (whether or not Lender has consented, and without hereby implying Lender's consent, to any such lien, security interest or assignment not created hereunder), or the holder of any such lien, security interest or assignment declares a default or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

(j) Destruction. The Property is so demolished, destroyed or damaged that, in the reasonable opinion of Lender,

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it cannot be restored or rebuilt with available funds to a profitable condition within a reasonable period of time and in any event prior to the final maturity date of the Note.

(k) Condemnation. (i) Any governmental authority shall require, or commence any proceeding for, the demolition of any building or structure comprising a part of the Premises, or (ii) there is commenced any proceeding to condemn or otherwise take pursuant to the power of eminent domain, or a contract for sale or a conveyance in lieu of such a taking is executed which provides for the transfer of, a material portion of the Premises, including but not limited to the taking (or transfer in lieu thereof) of any portion which would result in the blockage or substantial impairment of access or utility service to the Improvements or which would cause the Premises to fail to comply with any Legal Requirement.

(l) Liquidation, Etc. There occurs a liquidation, termination, dissolution, merger, consolidation or failure to maintain good standing in the State of Georgia (or in the case of an individual, the death or legal incapacity) of the owner of the Property or any person obligated to pay any part of the secured indebtedness.

(m) Material, Adverse Change. In Lender's reasonable opinion, the

prospect of payment of all or any part of the secured indebtedness has been impaired because of a material, adverse change in the financial condition, results of operations, business or properties of the owner of the Property or any person liable, directly or indirectly, for any of the secured indebtedness, or of any general partner or joint venturer thereof (if such owner or other person is a partnership or joint venture).

(n) Enforceability; Priority. Any Loan Document shall for any reason without Lender's specific written consent cease to be in full force and effect, or shall be declared null and void or unenforceable in whole or in part, or the validity or enforceability thereof, in whole or in part, shall be challenged or denied by any party thereto other than Lender; or the liens, interests, Security Instruments or security interests of Lender in any of the Property become unenforceable in whole or in part, or cease to be of the priority herein required, or the validity or enforceability thereof, in whole or in part, shall be challenged or denied by Borrower or any person obligated to pay any part of the secured indebtedness.

(o) Other Loan Documents; Fairchild Lease. A default or event of default occurs under any Loan Document, other than this Security Instrument, or a default or event of default occurs

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under the Fairchild Lease , and the same is not remedied within the applicable period of grace (if any) provided in such document.

Section 4.2. Notice and Cure. Lender agrees, by its acceptance of this Security Instrument, that notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, upon the occurrence of any default of the type described in Subparagraphs (a) or (b) of Section 4.1 of this Security Instrument, Lender will not accelerate the maturity of the Note or the secured indebtedness and will not exercise any of its other rights and remedies hereunder or under the other Loan Documents until and unless Lender has first given notice of such default to Borrower, in the manner prescribed in Section 6.12 of this Security Instrument, and Borrower has failed to cure such default within the following periods of time:

(a) If such default is a default of the type described in Subparagraph (a) of Section 4.1 of this Security Instrument, Borrower shall have a period of ten (10) days from and after the effective date of such notice within which to cure such default; or

(b) If such default is a default of the type described in Subparagraph (b) of Section 4.1 of this Security Instrument, Borrower shall have a period of thirty (30) days from and after the effective date of such notice within which to cure such default.

After the occurrence of three (3) such defaults, and the giving of notice thereof by Lender, Lender shall not be obligated to give to Borrower any further notice of default or opportunity to cure the same. The agreements set forth in this Section 4.2 do not and shall not be deemed to prevent or prohibit Lender from withholding any advances of the secured indebtedness, following the occurrence of a default, until and unless such default shall have been cured.

If Lender shall fail to give such notice and right to cure to Borrower as provided herein, the sole and exclusive remedy of Borrower for such failure shall be to seek appropriate equitable relief to enforce the agreement to give such notice and right to cure and to have any acceleration of the maturity of the Note and the secured indebtedness postponed or revoked and foreclosure or other proceedings in connection therewith delayed or terminated pending or upon the curing of such default in the manner and during the period of time permitted by such agreement, and Borrower shall have no right to damages or any other type of relief not herein specifically set out against Lender, all

of which damages or other relief are hereby waived by Borrower. Nothing herein or in any of the other Loan Documents shall

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operate or be construed to add on or make cumulative any cure or grace periods specified in any of the Loan Documents.

ARTICLE 5 - Remedies

Section 5.1. Certain Remedies. If a default shall occur, Lender may (but shall have no obligation to) exercise any one or more of the following remedies, without additional notice (unless notice is required by applicable statute):

(a) Acceleration. Lender may at any time and from time to time declare any or all of the secured indebtedness immediately due and payable and such secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, notice of acceleration or of intention to accelerate or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower. Without limitation of the foregoing, upon the occurrence of a default described in clauses (i), (iii) or (iv) of subparagraph (1) of paragraph (d) of Section 4.1, hereof, all of the secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, or any other notice, declaration or act of any kind, all of which are hereby expressly waived by Borrower.

(b) Enforcement of Assignment of Rents. Prior or subsequent to taking possession of any portion of the Property or taking any action with respect to such possession, Lender may: (1) collect and/or sue for the Rents in Lender's own name, give receipts and releases therefor, and after deducting all expenses of collection, including attorneys' fees and expenses, apply the net proceeds thereof to the secured indebtedness in such manner and order as Lender may elect and/or to the operation and management of the Property, including the payment of management, brokerage and attorney's fees and expenses; and (2) require Borrower to transfer all security deposits and records thereof to Lender together with original counterparts of the Leases.

(c) Foreclosure.

(i) Method of Foreclosure. Lender, at Lender's option, may either: (1) accelerate the secured indebtedness, including all accrued interest, pursuant to paragraph (a) of this Section 5.1 and foreclose the lien of this Security Instrument by judicial proceeding, or (2) declare the secured indebtedness immediately due and payable, without deduction, and foreclose this Security Instrument by the power of sale hereby granted.

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(ii) Power of Sale. Should Lender elect to foreclose by exercise of the power of sale contained herein, Lender shall notify Trustee and shall, if required, deposit with Trustee the Note, the original or a certified copy of this Security Instrument, and such other documents, receipts and evidences of expenditures made and secured hereby as Trustee may require. Upon receipt of such notice from Lender, Trustee shall cause to be recorded and delivered to Borrower such notice as may then be required by law and by this Security Instrument. Trustee shall, without demand on Borrower, after lapse of such time as may then be required by law and after recordation of such notice of default and after notice of sale has been given as required by law, sell the Property at

the time and place of sale fixed by it in said notice of sale, either as a whole or in separate lots or parcels or items as Trustee shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to the purchaser or purchasers at such sale its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Borrower, Trustee or Lender, may purchase at such sale, and Borrower hereby covenants to warrant and defend the title of such purchaser or purchasers.

(iii) Foreclosure Sale; Proceeds. After deducting all costs, fees and expenses of Trustee and of this Security Instrument, including, without limitation, costs of evidence of title and actual and customary attorneys' fees of Trustee or Lender in connection with a sale as provided in subparagraph (i) above, Trustee shall apply the proceeds of such sale (a) first, to the payment of all sums expended by Lender under the terms of any of the Loan Documents and not yet repaid, together with interest on such sums at the Default Rate as set forth in the Note, (b) second, to the payment of all sums expended under the terms hereof not then repaid, with accrued interest at the rate of interest equal to the rate then in effect under the Note, or if the Note has been repaid, the rate that would have been in effect under the Note, (c) third, to the payment of all other sums then secured hereby, and (d) fourth, the remainder, if any, to the person or persons legally entitled thereto.

(iv) Additional Remedies. Trustee and Lender shall have all powers, rights and remedies under applicable law whether or not specifically or generally granted or described in this Security Instrument. Nothing contained herein shall be construed to impair or to restrict such powers, rights and remedies or to

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preclude any procedures or process otherwise available to trustees or beneficiaries under deeds of trust in the State of California. Trustee and Lender, and each of them, shall be entitled to enforce the payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Security Instrument or under any other Loan Document or other agreement or any laws now or hereafter in force, notwithstanding the fact that some or all of the indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by Security Instrument, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Security Instrument nor its enforcement, whether by court action or pursuant to the power of sale or other powers contained herein, shall prejudice or in any manner affect Trustee's or Lender's right to realize upon or enforce any other rights or security now or hereafter held by Trustee or Lender. Trustee and Lender, and each of them, shall be entitled to enforce this Security Instrument and any other rights or security now or hereafter held by Lender or Trustee in such order and manner as they or either of them may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Lender is intended to be exclusive of any other remedy contained herein or by law provided or permitted, but each shall be cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Every power or remedy given by any of the Loan Documents to Trustee or Lender, or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Lender, and either of them may pursue inconsistent remedies. By exercising or by failing to exercise any right, option or election hereunder, Lender shall not be deemed to have waived any provision hereof or to have released Borrower from any of the obligations secured hereby unless such waiver or release is in writing and signed by Lender. The waiver by Lender of Borrower's failure to perform or observe any term, covenant or condition referred to or contained herein to be performed or observed by Borrower shall

not be deemed to be a waiver of such term, covenant or condition or of any subsequent failure of Borrower to perform or observe the same or any other such term, covenant or condition referred to or contained herein, and no custom or practice which may develop between Borrower and Lender during the term hereof shall be deemed a waiver of or in any way affect the right of Lender to insist upon the performance by Borrower of the obligations secured hereby in strict accordance with the terms hereof or of any other Loan Document.

(d) Uniform Commercial Code. Without limitation of Lender's rights of enforcement with respect to the Collateral or any part thereof in accordance with the procedures for

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foreclosure of real estate, Lender may exercise its rights of enforcement with respect to the Collateral or any part thereof under the Uniform Commercial Code as adopted in the State of California (or under the Uniform Commercial Code in force in any other state to the extent the same is applicable law) and in conjunction with, in addition to or in substitution for those rights and remedies: (1) Lender may enter upon Borrower's premises to take possession of, assemble and collect the Collateral or, to the extent and for those items of the Collateral permitted under applicable law, to render it unusable; (2) Lender may require Borrower to assemble the Collateral and make it available at a place Lender designates which is mutually convenient to allow Lender to take possession or dispose of the Collateral; (3) written notice mailed to Borrower as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; (4) any sale made pursuant to the provisions of this paragraph shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with and upon the same notice as required for the sale of the Property under power of sale as provided in paragraph (c) above in this Section 5.1; (5) in the event of a foreclosure sale, whether made by Lender under the terms hereof, or under judgment of a court, the Collateral and the other Property may, at the option of Lender, be sold as a whole; (6) it shall not be necessary that Lender take possession of the Collateral or any part thereof prior to the time that any sale pursuant to the provisions of this Section is conducted and it shall not be necessary that the Collateral or any part thereof be present at the location of such sale; (7) with respect to application of proceeds of disposition of the Collateral under Section 5.2 hereof, the costs and expenses incident to disposition shall include the reasonable expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like and the reasonable attorneys' fees and legal expenses incurred by Lender; (8) any and all statements of fact or other recitals made in any bill of sale or assignment or other instrument evidencing any foreclosure sale hereunder as to nonpayment of the secured indebtedness or as to the occurrence of any default, or as to Lender having declared all of such indebtedness to be due and payable, or as to notice of time, place and terms of sale and of the properties to be sold having been duly given, or as to any other act or thing having been duly done by Lender, shall be taken as prima facie evidence of the truth of the facts so stated and recited; and (9) Lender may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Lender, including the sending of notices and the conduct of the sale, but in the name and on behalf of Lender.

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(e) Right of Rescission. Lender may from time to time rescind any notice of default or notice of sale before any Trustee's sale in accordance with the laws of the State of California. The exercise by Lender of such right of

rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Lender to execute and deliver to Trustee, as above provided, other declarations or notices of default to satisfy the obligations of this Security Instrument or secured hereby, nor otherwise affect any provision, covenant or condition of any Loan Document or any of the rights, obligations or remedies of Trustee or Lender hereunder or thereunder.

(f) Full Reconveyance. Upon written request of Lender stating that all sums secured hereby have been paid, upon surrender to Trustee of the Note and the original or a certified copy of this Security Instrument for cancellation and retention, and upon payment of its fees, Trustee shall fully reconvey, without warranty, the entire remaining Property then held hereunder. The recitals in such reconveyance of any matters of facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(g) Fixture Filing. This Security Instrument constitutes a fixture filing under the fixture filing provisions of the UCC, Sections 9-313 and 9-402(6) as enacted and under the equivalent statutes in the State of California, as amended or recodified from time to time.

(h) Border Zone Property. Borrower represents and warrants that the Property has not been designated as Border Zone Property under the provisions of California Health and Safety Code, Sections 25220 et seq. or any regulation adopted in accordance therewith, and there has been no occurrence or condition on any real property adjoining or in the vicinity of the Property that is reasonably likely to cause the Property or any part thereof to be designated as Border Zone Property.

(i) Entry on Property. Lender is authorized, prior or subsequent to the institution of any foreclosure proceedings, to the fullest extent permitted by applicable law, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from Borrower any and all rights which Borrower has with respect to the management, possession, operation, protection or preservation of the Property. Lender shall not be deemed to have taken possession of the Property or any part thereof except upon the exercise of its right to do so, and then only to the extent evidenced by its demand and overt act

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specifically for such purpose. All costs, expenses and liabilities of every character incurred by Lender in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation of Borrower (which obligation Borrower hereby promises to pay) to Lender pursuant to this Security Instrument. If necessary to obtain the possession provided for above, Lender may invoke any and all legal remedies to dispossess Borrower. In connection with any action taken by Lender pursuant to this Section, Lender shall not be liable for any loss sustained by Borrower resulting from any failure to let the Property or any part thereof, or from any act or omission of Lender in managing the Property unless such loss is caused by the willful misconduct and bad faith of Lender, nor shall Lender be obligated to perform or discharge any obligation, duty or liability of Borrower arising under any lease or other agreement relating to the Property or arising under any Permitted Encumbrance or otherwise arising. Borrower hereby assents to, ratifies and confirms any and all actions of Lender with respect to the Property taken under this Section.

(J) Termination of Commitment to Lend. Lender may terminate any commitment or obligation to lend or disburse funds under any Loan Document.

Section 5.2. Intentionally Deleted.

Section 5.3. Lender as Purchaser. Lender shall have the right to become the purchaser at any sale held by Lender or substitute or successor or by any receiver or public officer or at any public sale, and Lender shall have the right to credit upon the amount of Lender's successful bid, to the extent necessary to satisfy such bid, all or any part of the secured indebtedness in such manner and order as Lender may elect.

Section 5.4. Remedies Cumulative. All rights and remedies provided for herein and in any other Loan Document are cumulative of each other and of any and all other rights and remedies existing at law or in equity, and Lender shall, in addition to the rights and remedies provided herein or in any other Loan Document, be entitled to avail itself of all such other rights and remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and interests evidenced hereby, and the resort to any right or remedy provided for hereunder or under any such other Loan Document or provided for by law or in equity shall not prevent the concurrent or subsequent employment of any other appropriate right or rights or remedy or remedies.

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Section 5.5. Lender's Discretion as to Security. Lender may resort to any security given by this Security Instrument or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Lender in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or interests evidenced by this Security Instrument.

Section 5.6. Borrower's Waiver of Certain Rights. To the full extent Borrower may do so, Borrower agrees that Borrower will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any stay, extension or redemption, homestead, moratorium, reinstatement, marshalling or forbearance, and Borrower, for Borrower, Borrower's successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of redemption, stay of execution, reinstatement, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Borrower, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Borrower shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right of Lender under the terms of this Security Instrument to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right of Lender under the terms of this Security Instrument to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. Borrower waives any right or remedy which Borrower may have or be able to assert, pursuant to any provision of applicable law, pertaining to the rights and remedies of sureties. If any law referred to in this Section and now in force, of which Borrower or Borrower's successors or assigns or any other persons claiming any interest in the Property might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Section. Appraisal of the Property is hereby expressly waived, or not, at the option of Lender, such option to be exercised at the time judgment is rendered in any foreclosure hereof, or at any time prior thereto.

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Section 5.7. Delivery of Possession After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale, Borrower or Borrower's successors or assigns are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; and to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible detainer) in any court having jurisdiction.

Section 5.8. Withdrawal, Discontinuance or Abandonment of Proceedings. In the case Lender shall have proceeded to enforce any right, power or remedy under this Security Instrument by foreclosure, entry or otherwise or in the event that Lender shall have commenced advertising the intended exercise of the right of foreclosure provided hereunder, and such proceeding or advertisement shall be withdrawn, discontinued or abandoned for any reason, or shall be determined adversely to Lender, then, in every such case (i) Borrower and Lender shall be restored to their former positions and rights, (ii) all rights, powers and remedies of Lender shall continue as if no such proceeding had been taken, (iii) each and every default declared and remaining uncured prior to such withdrawal, discontinuance or abandonment shall and shall be deemed to be a continuing default, and (iv) neither this Security Instrument, the Note, the secured indebtedness nor any other instrument concerned therewith shall be or shall be deemed to have been reinstated or otherwise affected by such withdrawal, discontinuance or abandonment, and Borrower hereby expressly waives the benefit of any statute or rule of law which would produce a result contrary to or in conflict with the foregoing.

ARTICLE 6 - Miscellaneous

Section 6.1. Scope of Security Instrument. This Security Instrument is a Security Instrument, collateral assignment, security agreement and financing statement, and also covers proceeds and fixtures.

Section 6.2. Notice to Account Debtors. In addition to the rights granted elsewhere in this Security Instrument,

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Lender may at any time notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Lender directly.

Section 6.3. Waiver by Lender. Lender may at any time and from time to time by a specific writing intended for the purpose: (a) waive compliance by Borrower with any covenant herein made by Borrower to the extent and in the manner specified in such writing; (b) consent to Borrower's doing any act which hereunder Borrower is prohibited from doing, or to Borrower's failing to do any act which hereunder Borrower is required to do, to the extent and in the manner specified in such writing; (c) release any part of the Property or any interest therein from the lien and security interest of this Security Instrument; or (d) release any party liable, either directly or indirectly, for the secured indebtedness or for any covenant herein or in any other Loan Document, without impairing or releasing the liability of any other party. No such act shall in any way affect the rights or powers of Lender hereunder except to the extent

specifically agreed to by Lender in such writing.

Section 6.4. No Impairment of Security. The lien, interest and other security rights of Lender hereunder or under any other Loan Document shall not be impaired by any indulgence, moratorium or release granted by Lender including, but not limited to, any renewal, extension or modification which Lender may grant with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which Lender may grant in respect of the Property, or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness. The taking of additional security by Lender shall not release or impair the lien, interest or other security rights of Lender hereunder or affect the liability of Borrower or of any endorser, guarantor or surety, or improve the right of any junior lienholder in the Property (without implying hereby Lender's consent to any junior lien).

Section 6.5. Acts Not Constituting Waiver by Lender. Lender may waive any default without waiving any other prior or subsequent default. Lender may remedy any default without waiving the default remedied. Neither failure by Lender to exercise, nor delay by Lender in exercising, nor discontinuance of the exercise of any right, power or remedy (including but not limited to the right to accelerate the maturity of the secured indebtedness or any part thereof) upon or after any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by Lender of any right, power

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or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by Lender and then such waiver or consent shall be effective only in the specific instance, for the purpose for which given and to the extent therein specified. No notice to nor demand on Borrower in any case shall of itself entitle Borrower to any other or further notice or demand in similar or other circumstances. Remittances in payment of any part of the secured indebtedness other than in the required amount in immediately available U.S. funds shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in immediately available U.S. funds and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 6.6. Borrower's Successors. If the ownership of the Property or any part thereof becomes vested in a person other than Borrower, Lender may, without notice to Borrower, deal with such successor or successors in interest with reference to this Security Instrument and to the indebtedness secured hereby in the same manner as with Borrower, without in any way vitiating or discharging Borrower's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance on the part of Lender, and no extension of the time for the payment of the indebtedness secured hereby given by Lender shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Borrower hereunder for the payment of the indebtedness or performance of the obligations secured hereby or the liability of any other person hereunder for the payment of the indebtedness secured hereby. Borrower agrees that it shall be bound by any modification of this Security Instrument or any of the other Loan Documents made by Lender and any subsequent owner of the Property, with or without notice to such Borrower, and no such modifications shall impair the obligations of such Borrower under this Security Instrument or

any other Loan Document. Nothing in this Section or elsewhere in this Security Instrument shall be construed to imply Lender's consent to any transfer of the Property.

Section 6.7. Place of Payment; Forum. All secured indebtedness which may be owing hereunder at any time by Borrower

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shall be payable at the place designated in the Note (or if no such designation is made, at the address of Lender indicated at the end of this Security Instrument). Borrower hereby irrevocably submits generally and unconditionally for itself and in respect of its property to the non-exclusive jurisdiction of any Georgia state court or any United States federal court sitting in the county in which the secured indebtedness is payable, and to the non-exclusive jurisdiction of any state or United States federal court sitting in the state in which any of the Property is located, over any suit, action or proceeding arising out of or relating to this Security Instrument or the secured indebtedness. Borrower hereby agrees and consents that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any Georgia state court or any United States federal court sitting in the county in which the secured indebtedness is payable may be made by certified or registered mail, return receipt requested, directed to Borrower at its address stated in this Security Instrument, or at a subsequent address of Borrower of which Lender received actual notice from Borrower in accordance with this Security Instrument, and service so made shall be complete five (5) days after the same shall have been so mailed.

Section 6.8. Subrogation to Existing Liens; Vendor's Lien. To the extent that proceeds of the Note are used to pay indebtedness secured by any outstanding lien, interest, charge or prior encumbrance against the Property, such proceeds have been advanced by Lender at Borrower's request, and Lender shall be subrogated to any and all rights, interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, however remote, irrespective of whether said liens, interests, charges or encumbrances are released, and all of the same are recognized as valid and subsisting and are renewed and continued and merged herein to secure the secured indebtedness, but the terms and provisions of this Security Instrument shall govern and control the manner and terms of enforcement of the liens, security interests, charges and encumbrances to which Lender is subrogated hereunder. It is expressly understood that, in consideration of the payment of such indebtedness by Lender, Borrower hereby waives and releases all demands and causes of action for offsets and payments in connection with the said indebtedness. If all or any portion of the proceeds of the loan evidenced by the Note or of any other secured indebtedness has been advanced for the purpose of paying the purchase price for all or a part of the Property, no vendor's lien is waived; and Lender shall have, and is hereby granted, a vendor's lien on the Property as cumulative additional security for the secured indebtedness. Lender may foreclose under this

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Security Instrument or under the vendor's lien without waiving the other or may foreclose under both.

Section 6.9. Application of Payments to Certain Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Security Instrument or if any part of the Property cannot be lawfully subject to the lien and interest hereof to the full extent of such indebtedness, then all payments

made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Security Instrument.

Section 6.10. Compliance with Usury Laws. It is the intent of Borrower and Lender and all other parties to the Loan Documents to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between Lender and Borrower (or any other party liable with respect to any indebtedness under the Loan Documents) are hereby limited by the provisions of this Section which shall override and control all such agreements, whether now existing or hereafter arising. In no way, nor in any event or contingency (including but not limited to prepayment, default, demand for payment, or acceleration of the maturity of any obligation), shall the interest taken, reserved, contracted for, charged, chargeable, or received under this Security Instrument, the Note or any other Loan Document or otherwise, exceed the maximum nonusurious amount permitted by applicable law (the "Maximum Amount"). If, from any possible construction of any document, interest would otherwise be payable in excess of the Maximum Amount, any such construction shall be subject to the provisions of this Section and such document shall ipso facto be automatically reformed and the interest payable shall be automatically reduced to the Maximum Amount, without the necessity of execution of any amendment or new document. If Lender shall ever receive anything of value which is characterized as interest under applicable law and which would apart from this provision be in excess of the Maximum Amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the secured indebtedness in the inverse order of its maturity and not to the payment of interest, or refunded to Borrower or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal. The right to accelerate maturity of the Note or any other secured indebtedness does not include the right to accelerate any interest which has not otherwise accrued on the date of such acceleration, and Lender does not intend to charge or receive any unearned interest in the event of acceleration. All interest paid or agreed to be paid to Lender shall, to the extent permitted by applicable law, be amortized, prorated,

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allocated and spread throughout the full stated term (including any renewal or extension) of such indebtedness so that the amount of interest on account of such indebtedness does not exceed the Maximum Amount. As used in this Section, the term "applicable law" shall mean applicable laws of the State of Georgia, or the federal laws of the United States applicable to this transaction, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

Section 6.11. Cancellation of Security Instrument. If all of the secured indebtedness be paid as the same becomes due and payable and all of the covenants, warranties, undertakings and agreements made in this Security Instrument are kept and performed, and all obligations, if any, of Lender for further advances have been terminated, then, and in that event only, this Security Instrument shall be cancelled by Lender in due form at Borrower's cost. Without limitation, all provisions herein for indemnity of Lender shall survive discharge of the secured indebtedness and any foreclosure, release or termination of this Security Instrument.

Section 6.12. Notices. All notices, requests, consents, demands and other communications required or which any party desires to give hereunder or under any other Loan Document shall be in writing and, unless otherwise specifically provided in such other Loan Document, shall be deemed sufficiently given or furnished if delivered by personal delivery, by courier, or by registered or certified United States mail, postage prepaid, addressed to the party to whom directed at the addresses specified at the end of this Security Instrument (unless changed by similar notice in writing given by the particular party whose address is to be changed) or by telex, or facsimile. Any such notice or communication shall be deemed to have been given and to be effective either

at the time of personal delivery or, in the case of courier or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of telex, when transmitted (answerback confirmed), or, in the case of facsimile, upon receipt. Notwithstanding the foregoing, no notice of change of address shall be effective except upon receipt. This Section shall not be construed in any way to affect or impair any waiver of notice or demand provided in any Loan Document or to require giving of notice or demand to or upon any person in any situation or for any reason.

Section 6.13. Invalidity of Certain Provisions. A determination that any provision of this Security Instrument is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Security Instrument to any person or circumstance is illegal or unenforceable shall not

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affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 6.14. Gender; Titles; Construction. Within this Security Instrument, words of any gender shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions. The use of the words "herein," "hereof," "hereunder" and other similar compounds of the word "here" shall refer to this entire Security Instrument and not to any particular Article, Section, paragraph or provision. The term "person" and words importing persons as used in this Security Instrument shall include firms, associations, partnerships (including limited partnerships), joint ventures, trusts, corporations and other legal entities, including public or governmental bodies, agencies or instrumentalities, as well as natural persons.

Section 6.15. Reporting Compliance. Borrower agrees to comply with any and all reporting requirements applicable to the transaction evidenced by the Note and secured by this Security Instrument which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, including but not limited to The International Investment Survey Act of 1976, The Agricultural Foreign Investment Disclosure Act of 1978, The Foreign Investment in Real Property Tax Act of 1980 and the Tax Reform Act of 1984 and further agrees upon request of Lender to furnish Lender with evidence of such compliance.

Section 6.16. Lender's Consent. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Lender is required or requested, (i) the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of Lender, and Lender shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or Lender's judgment, and (ii) no approval or consent of Lender shall be deemed to have been given except by a specific writing intended for the purpose and executed by an authorized representative of Lender.

Section 6.17. Borrower. Unless the context clearly indicates otherwise, as used in this Security Instrument,

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"Borrower" means the Borrower named in Section 1.1 hereof. Each signatory who signs on behalf of Borrower represents and warrants to Lender that this instrument is executed, acknowledged and delivered by Borrower's duly authorized representatives.

Section 6.18. Execution; Recording. This Security Instrument has been executed in several counterparts, all of which are identical, and all of which counterparts together shall constitute one and the same instrument. The date or dates reflected in the acknowledgments hereto indicate the date or dates of actual execution of this Security Instrument, but such execution is as of the date shown on the first page hereof, and for purposes of identification and reference the date of this Security Instrument shall be deemed to be the date reflected on the first page hereof. Borrower will cause this Security Instrument and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Lender shall reasonably request and will pay all such recording, filing, re-recording and re-filing taxes, fees and other charges.

Section 6.19. Successors and Assigns. The terms, provisions, covenants and conditions hereof shall be binding upon Borrower, and the successors and assigns of Borrower, and shall inure to the benefit of Lender and the successors and assigns of Lender and shall constitute covenants running with the Land. All references in this Security Instrument to Borrower shall be deemed to include all such successors and assigns of Borrower, and all references in this Security Instrument to Lender shall be deemed to include all such successors and assigns of Lender.

Section 6.20. Modification or Termination. The Loan Documents may only be modified or terminated by a written instrument or instruments intended for that purpose and executed by the party against which enforcement of the modification or termination is asserted. Any alleged modification or termination which is not so documented shall not be effective as to any party.

Section 6.21. No Partnership, Etc.. The relationship between Lender and Borrower is solely that of lender and borrower. Lender has no fiduciary or other special relationship with Borrower. Nothing contained in the Loan Documents is intended to create any partnership, joint venture, association or special relationship between Borrower and Lender or in any way make Lender a co-principal with Borrower with reference to the Property. All agreed contractual duties between Borrower and Lender are set forth herein and in the other Loan Documents and any additional implied covenants or duties are hereby disclaimed.

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Any inferences to the contrary of any of the foregoing are hereby expressly negated.

Section 6.22. Disclosure of Information. Lender may, from time to time, sell or offer to sell the Loan, or interests therein, to one or more assignees or participants and is hereby authorized to disseminate any information it now has or hereafter obtains pertaining to the Loan, including, without limitation, any security for the Loan and credit or other information on the Project, Borrower, any of its principals and any guarantor, to any assignee or participant or prospective assignee or prospective participant, to Security Instrument's affiliates, including without limitation NationsBanc Capital Markets, Inc., to any regulatory body having jurisdiction over Lender and to any other parties as necessary or appropriate in Lender's reasonable judgment. Borrower shall execute, acknowledge and deliver any and all instruments reasonably requested by Lender in connection therewith and to the extent, if any, specified in any such assignment or participation, such companies, assignees or participants shall have the rights and benefits with respect to the

Loan Documents as such persons would have if such persons were Lender hereunder.

Section 6.23. Applicable Law. The enforceability of this Security Instrument shall be governed by California law only for purposes of determining the following: (i) the applicable conflict of law rules in this Security Instrument and the other Loan Documents, (ii) whether this Security Instrument transfers or creates an interest in real property for security purposes or otherwise, (iii) the nature of an interest in real property that is transferred or created by this Security Instrument, (iv) the method for foreclosure of a lien on real property and the exercise of any other remedy with respect to the real property or the Rents or profits therefrom, (v) the nature of an interest in real property that results from foreclosure, and (vi) the manner and effect of recording or failing to record evidence of a transaction that transfers or creates an interest in real property. Except as expressly set out above, the enforceability of this Security Instrument and the other Loan Documents shall be governed by Georgia law.

Section 6.24. Effective as a Financing Statement. This Security Instrument shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Property and is to be filed for record in the real estate records of each county where any part of the Property (including said fixtures) is situated. This Security Instrument shall also be effective as a financing statement covering minerals or the like (including oil and gas) and accounts and is to be filed for record in the real estate records of each county

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where any part of the Property is situated. This Security Instrument shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing address of Borrower is the address of Borrower set forth at the end of this Security Instrument and the address of Lender from which information concerning the security interests hereunder may be obtained is the address of Lender set forth at the end of this Security Instrument. A carbon, photographic or other reproduction of this Security Instrument or of any financing statement relating to this Security Instrument shall be sufficient as a financing statement for any of the purposes referred to in this Section.

Section 6.25. Entire Agreement. The Loan Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the indebtedness secured hereby and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect to the matters addressed in the Loan Documents. Borrower hereby acknowledges that, except as incorporated in writing in the Loan Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the matters addressed in the Loan Documents.

THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES

IN WITNESS WHEREOF, this Security Instrument has been executed and sealed by Borrower as of the date first written on page 1 hereof.

Borrower:

Wells/Fremont Associates,
a Georgia joint venture

By: Wells Operating Partnership, L.P.,
a Delaware limited partnership,
Joint Venture Partner

By: Wells Real Estate Investment
Trust, Inc.,
a Maryland corporation,

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General Partner

By: /s/ Leo F. Wells, III,

Leo F. Wells, III,
President

[CORPORATE SEAL]

By: Wells Development Corporation,
a Georgia corporation,
Joint Venture Partner

By: /s/ Leo F. Wells, III,

Leo F. Wells, III,
President

[CORPORATE SEAL]

The address and federal tax identification
number of Borrower are:

3885 Holcomb Bridge Road
Norcross, Georgia 30092

Federal Tax No. 58-2402574

The address of Lender is (including county):

NationsBank, N.A.
NationsBank Plaza - 6th Floor
600 Peachtree Street, N.E.
Atlanta, Fulton County,
Georgia 30308

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ACKNOWLEDGMENT

STATE OF GEORGIA :
: ss
COUNTY OF FULTON :

Before me, a notary public in and for said County and State, on this
16th day of July, 1998, personally appeared Leo F. Wells, III, to me known to be
the identical person who subscribed the name of Wells/Fremont Associates, a
Georgia joint venture ("Borrower"), to the foregoing instrument in his capacity

as President of Wells Real Estate Investment Trust, Inc., a Maryland corporation, which is the General Partner of Wells Operating Partnership, L.P., a Delaware limited partnership, one of the Joint Venture Partners of Borrower, and in his capacity as President of Wells Development Corporation, a Georgia corporation, the other Joint Venture Partner of Borrower, and acknowledged to me that he executed the same as his free and voluntary act and deed and as the free act and voluntary deed of such Joint Venture Partners and of Borrower for the uses and purposes therein set forth.

/s/ W. L. O'Callaghan

NOTARY PUBLIC

My Commission Expires:

[SEAL]

[NOTARIAL SEAL]

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EXHIBIT 10.17

JOINT VENTURE AGREEMENT

OF

THE FREMONT JOINT VENTURE

JOINT VENTURE AGREEMENT

OF

WELLS/FREMONT ASSOCIATES

THIS JOINT VENTURE AGREEMENT (the "Agreement") is made and entered into as of the 15th day of July, 1998, by and between WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership having Wells Real Estate Investment Trust, Inc., a Maryland corporation, as general partner ("Wells OP"), and WELLS DEVELOPMENT CORPORATION, a Georgia corporation ("Wells Development"). Each of the parties may also be referred to herein as a "Venturer" and together as the "Venturers."

W I T N E S S E T H :

WHEREAS, the Venturers desire to joint venture the acquisition, development, operation and sale of real properties according to the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter set forth, the parties hereto covenant and agree as follows:

1. DEFINITIONS.

For the purposes of this Agreement, the following defined terms shall have the meanings ascribed thereto.

1.1 "Administrative Venturer" means the Entity responsible for the conduct of the ordinary and usual business of the Venture and the implementation of the decisions of the Venturers, all as is more fully set forth in Subsection 4.2 hereof. The initial Administrative Venturer shall be Wells OP.

1.2 "Agreed Value" means with respect to Contributed Property the fair market value of such property as of the date of contribution to the Venture as determined by the general partners of the Venturers.

1.3 "Approve," "Approved" or "Approval" means, as to the subject matter thereof and as the context may require, an express consent evidenced by and contained in a written statement signed by the approving Entity. A copy of each such written statement shall be kept at the office of the respective Venturer and shall be available for inspection by the other Venturer upon request.

1.4 "Bankrupt" or "Bankruptcy" means the occurrence of one or more of the following events:

(i) The appointment of a permanent or temporary receiver of the assets and properties of the Venture or a Venturer, and the failure to secure the removal thereof within 60 days after such appointment;

(ii) The adjudication of the Venture or a Venturer as bankrupt or the commission by the Venture or a Venturer of an act of bankruptcy;

(iii) The making by the Venture or a Venturer of an assignment for the benefit of creditors;

(iv) The levying upon or attachment by process of the assets and

properties of the Venture or a Venturer; or

(v) The use by the Venture or a Venturer, whether voluntary or involuntary, of any debt or relief proceedings under the present or future law of any state or of the United States.

1.5 "Capital Account" means a separate account maintained for each Venturer in a manner which complies with Treasury Regulation Section 1.704-1(b), as may be amended or revised from time to time.

1.6 "Capital Contributions" means the aggregate contributions to the capital of the Venture made by the Venturers as Capital Contributions pursuant to Subsection 3.1 hereof.

1.7 "Contributed Property" means the interest of each Venturer contributing property (excluding cash or cash equivalents) to the Venture in such property.

1.8 "Defaulting Venturer" means any Venturer failing to perform any of the obligations of such Venturer under this Agreement or violating the provisions of this Agreement.

1.9 "Distribution Percentage Interests" means collectively the interests in the income, gains, losses, deductions, credits, Net Cash Flow, Extraordinary Receipts, as determined by Subsection 3.2 hereof, as such may be adjusted from time to time as provided in this Agreement.

1.10 "Entity" means any person, corporation, partnership (general or limited), joint venture, association, joint stock company, trust or other business entity or organization.

1.11 "Extraordinary Receipts" means those funds of the Venture which are derived from (i) the net proceeds of any casualty insurance insuring any of the Properties or any portion thereof, to the extent not applied to the repair, restoration or replacement of the Properties or any portion thereof as may be Approved by the Venturers; (ii) the net proceeds of any condemnation, or any taking by eminent domain, or any transfer in lieu thereof, of any of the Properties, or any portion thereof, to the extent not applied to the repair, restoration or reconstruction of any remaining portion of the Properties as may be Approved by the Venturers; (iii) the net proceeds of any sale of any of the Properties, or any portion thereof; and (iv) the

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net proceeds of any indebtedness (or any refinancing of such indebtedness) secured in whole or in part by any of the Properties or any portion thereof.

1.12 "Fiscal Year" means the fiscal year of the Venture established under Subsection 3.4(c) hereof.

1.13 "I.R.C." means the Internal Revenue Code of 1986, as amended.

1.14 "Lease" means a lease or rental agreement now or hereafter existing between the Venture, as lessor or landlord (whether initially or by assignment) and an Entity.

1.15 "Leasing Agreements" means, collectively, those certain Leasing and Tenant Coordinating Agreements between the Venturers as "Owner" and Wells Management Company, Inc. as "Agent" therein, concerning the leasing of the Properties.

1.16 "Major Decisions" means any decision or action to (i) convey by the Venture substantially all the assets of the Venture; (ii) acquire any Property or an interest in a Property, except for the acquisition of that certain office building located at 47320 Kato Road, Fremont, California leased to Fairchild Technologies USA, Inc. (the "Fairchild Building"), which is hereby

Approved by the Venturers; (iii) finance or borrow or execute any promissory note or other obligation (other than a Lease) or mortgage or other encumbrance in the name of or on behalf of the Venture, except for that certain loan from NationsBank, N.A. in the amount of approximately \$5,960,000 to finance the acquisition of the Fairchild Building to constitute a mortgage and encumbrance upon the Fairchild Building, which is hereby Approved by the Venturers; (iv) retain the services of a manager other than Wells Management Company, Inc.; (v) approve each construction and architectural contract and all architectural plans, specifications and drawings and all revisions or changes thereof in connection with the development and construction of any improvements for the Properties; (vi) reduce any portion of the insurance program for the Properties or the Venture; (vii) determine any fee or other amount to be paid to either Venturer or any affiliate of a Venturer; (viii) make any expenditure or incur any obligation by or on behalf of the Venture involving a sum in excess of \$15,000 for any transaction or group of similar transactions except for expenditures made and obligations incurred pursuant to and specifically set forth in a budget Approved by the Venturers; (ix) adjust, settle or compromise any claim, obligation, debt, demand, suit or judgment against the Venture or any Venturer in its capacity as a Venturer, or waive any breach of or default in any monetary or non-monetary obligation owed to the Venture, involving singly or in the aggregate an amount in excess of \$15,000, or in the initiation of any such claim or suit for the benefit of the Venture; (x) convey or sell any Properties or authorize the conveyance or sale of all Properties; (xi) admit any new Venturer to the Venture; (xii) cause the Venture to be admitted as a joint venturer to any other joint venture; and (xiii) make any other decision or action which by the provisions of this Agreement is required to be Approved by the Venturers or which in a material respect affects the Venture or any of the assets or operations thereof. All Major Decisions shall be made by the Venturers in a timely manner with due regard for the necessity of obtaining and evaluating the information necessary for making such Major Decisions.

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1.17 "Management Agreements" means, collectively, those certain Management Agreements between the Venturers as "Owner" and Wells Management Company, Inc. as "Manager" therein, concerning the management of the Property.

1.18 "Manager" means Wells Management Company, Inc.

1.19 "Net Cash Flow" means for a given fiscal period, those funds of the Venture constituting the gross cash receipts of the Venture from the operation of the Properties (including interest and proceeds from business interruption or rent insurance) for such period exclusive of Capital Contributions by the Venturers and Extraordinary Receipts, which are available for distribution to the Venturers following (i) the payment of all operating, fixed cost and capital expenditures of the Venture, for which no reserves have been established, applicable to such period; (ii) the payment of all principal and interest with respect to any debt secured by any mortgage permitted by this Agreement; and (iii) the establishment by the Venturers of appropriate reserves for taxes, debt service, maintenance, repairs and other expenses and working capital requirements of the Venture including, without limitation, accruals for real estate taxes, insurance and other annual expense items (unless and to the extent the same are escrowed with a mortgagee).

1.20 "Nondefaulting Venturer" in the context wherein one or more Venturers become a Defaulting Venturer, means the remaining Venturers (provided the remaining Venturers are not also Defaulting Venturers).

1.21 "Notice" means a written advice or notification required or permitted by this Agreement, as more particularly provided in Subsection 8.1 hereof.

1.22 "Prime Rate" means the rate of interest announced from time to time by NationsBank, N.A. as its prime rate. In the event the prime rate of NationsBank, N.A. is hereafter discontinued or becomes unascertainable, the Administrative Venturer shall designate a comparable reference rate to be the

Prime Rate.

1.23 "Property" means any particular tract of land (and all rights and appurtenances incident thereto) owned or to be owned by the Venture or owned or to be owned by any joint venture, partnership, limited liability company or other entity in which the Venture owns an economic or beneficial interest and all improvements located, constructed or developed thereon or to be constructed or developed thereon.

1.24 "Properties" means, collectively, all Property of the Venture at any given time.

1.25 "Purchasing Party" means the Venturer other than the Selling Party in the event of a proposed transfer described in Subsection 6.4 hereof.

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1.26 "Selling Party" means the Venturer desiring to transfer its interest in a transaction described in Subsection 6.4 hereof.

1.27 "Venture" means the joint venture formed pursuant to the laws of the State of Georgia by this Agreement.

1.28 "Venturer" or "Venturers" means the party or parties to this Agreement and all permitted successors and assigns thereof.

1.29 Other terms defined in this Agreement:

Term	Section
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"Assignment"	6.1
"Right of First Refusal"	6.2
"Certification"	6.4(a)
"Accepting Venturer"	6.5(a)
"Dissenting Venturer"	6.5(a)

2. THE VENTURE.

2.1 Formation of Venture. The Venturers hereby enter into and form the Venture as a joint venture for the limited purposes and scope set forth herein. The rights and obligations of the Venturers and the status, administration and termination of the Venture shall be governed by the laws of the State of Georgia. The Venture is being formed for the sole purpose of acquiring, owning, developing, operating and eventually selling the Properties.

2.2 Purposes and Scope of Venture. Subject to the provisions of this Agreement, the activities of the Venture shall be limited strictly to the acquisition, ownership, financing, development, leasing, operation, sale and management of the Properties for the production of income and profit, either directly or through the ownership of joint ventures, partnerships, limited liability companies or other entities, including all activities reasonably necessary or desirable to accomplish such purposes, and shall not be extended by implication or otherwise unless Approved by all venturers. Nothing in this Agreement shall be deemed to restrict in any way the freedom of any Venturer to conduct any other business or activity whatsoever (including, without limitation, the acquisition, development, leasing, sale, operation and management of other real property) without any accountability to the Venture or any other Venturer, even if such business or activity competes with the business of the Venture, it being understood by each Venturer that the other Venturer may be interested directly or indirectly in various other businesses and undertakings not included in the Venture.

2.3 Name of Venture. The business and affairs of the Venture shall be conducted under the name "Wells/Fremont Associates" (or such other names as shall be approved by both Venturers), and such name shall be used at all times

in connection with the

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business and affairs of the Venture. The Venturers shall execute any assumed or fictitious name certificate or certificates required by law to be filed in connection with the formation of the Venture and shall cause such certificate or certificates to be filed in the appropriate records.

2.4 Scope of Authority. Except as otherwise expressly and specifically provided in this Agreement, no Venturer shall have any authority to act for, or assume any obligations or responsibility on behalf of, any other Venturer or the Venture.

2.5 Principal Place of Business. The principal place of business and initial office of the Venture shall be located at 3885 Holcomb Bridge Road, Norcross, Georgia 30092, and may be relocated as may be from time to time Approved by the Venturers.

2.6 Representations, Warranties and Indemnity. In order to induce the other Venturer to enter into this Agreement, each Venturer does hereby make to each other Venturer the representations and warranties hereinafter set forth, and does hereby agree to indemnify and hold each other Venturer harmless from any and all loss, expense or liability any other Venturer may suffer as a result of any inaccuracy as of the date hereof in any representation and warranty set forth below:

(a) Authorization. The execution and delivery of this Agreement has been duly authorized by the agreements by which each Venturer was either created or currently governed.

(b) Claims. There is no claim, litigation, proceeding or governmental investigation pending, or, so far as is known to each Venturer, threatened, against or relating to each Venturer, or the transactions contemplated by this Agreement which does or would reasonably be expected materially and adversely to affect the ability of each Venturer to enter into this Agreement or to carry out its obligations hereunder, and there is not any basis for any such claim, litigation, proceeding or governmental investigation.

(c) Conflicts. Neither the consummation of the transactions contemplated by this Agreement to be performed, nor the fulfillment of the terms, conditions and provisions of this Agreement, conflict with or will result in the breach of any of the terms, conditions or provisions of, or constitute a default under, the agreements by which each Venturer was created or is currently governed or any material agreement, indenture, instrument or undertaking to which each Venturer is a party.

(d) Investment Objectives. The investment objectives of each Venturer with respect to the Properties and the objectives of the Venture are: (i) to maximize Net Cash Flow; (ii) to preserve, protect and return the Venturers' investment in the Venture; and (iii) to realize appreciation upon the sale of the Properties.

(e) Charges to the Venturer. Neither Venturer will be charged, directly or indirectly, more than once for the same services.

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2.7 Term of Venture.

(a) Commencement. The Venture term shall begin on the date of this Agreement as set forth above and end upon dissolution of the Venture.

(b) Dissolution and Termination. Dissolution shall occur upon

the occurrence of any of the events described in Section 7 of this Agreement. Upon dissolution, the assets shall be liquidated in due course and distributed as provided in Subsection 3.3(c) (i) hereof. The Venture shall continue until termination in accordance with the relevant dissolution and termination provisions of the Georgia Uniform Partnership Act.

3. FINANCIAL STRUCTURE.

3.1 Capital Contributions. The Venturers shall from time to time make Capital Contributions to the Venture in such amounts as are agreed to by the Venturers. In addition, Wells Development shall be obligated to transfer, assign and contribute, and hereby agrees to transfer, assign and contribute, to the Venture all of its right, title and interest in and to that certain Agreement for the Purchase and Sale of Property between Wells Development and Rose Ventures V, Inc., Thomas G. Haury and Carleen S. Haury dated as of June 8, 1998, as amended by that certain Reinstatement of and First Amendment to Agreement for the Purchase and Sale of Property dated as of July 1, 1998 relating to the acquisition of the Fairchild Building.

3.2 Distribution Percentage Interest. The Distribution Percentage Interest of each of the Venturers shall be equal to the percentage equivalent (rounded to the nearest one-hundredth of a percent) of a fraction, the numerator of which is the aggregate of all Capital Contributions (or the Agreed Value thereof) made by the Venturer pursuant to Subsection 3.1 hereof, and the denominator of which is the aggregate amount of all Capital Contributions (or the Agreed Value thereof) made by all of the Venturers pursuant to Subsection 3.1 hereof. Each Venturer's interest in the Venture shall always be proportional to its Capital Contributions.

Each Venturer (the "First Venturer") does hereby agree to indemnify and hold the other Venturer (the "Second Venturer") harmless from and against any claim, action, liability, loss, damage, cost or expense, including, without limitation, attorney's fees and expenses incurred by the Second Venturer by reason of (i) any act or omission of the First Venturer in connection with the operation of the Venture and the Properties, or (ii) the claims made by third parties to the extent that the Second Venturer's percentage share of the total liability, loss, damage, cost or expense incurred by the Venture and the Venturers in connection with such claims exceeds its Distribution Percentage Interest at the time such liability, loss, damage, cost or expense is suffered or incurred. Upon dissolution, each Venturer shall look solely to the assets of the Venture for the return of its investment, and if the Venture Property remaining after payment or discharge of the debts and liabilities of the Venture, including debts and liabilities owed to one or more of the Venturers, is insufficient to return the aggregate Capital

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Contributions of each Venturer, such Venturers shall have no recourse against the Venture or any other Venturer.

3.3 Allocations and Distributions. Allocations for accounting purposes and for federal, state and local income tax purposes of each item of income, loss, deduction and gain, and distributions of Net Cash Flow and Extraordinary Receipts shall be allocated among the Venturers as follows:

(a) Allocation of Tax Items. For federal, state and local income tax purposes and for purposes of maintaining the Venturers' Capital Accounts, except as otherwise provided herein, each item of income, gain, loss and deduction of the Venture for each tax year shall be allocated to the Venturers in accordance with their Distribution Percentage Interests.

(b) Net Cash Flow. All distributions of Net Cash Flow shall be made to the Venturers in accordance with each such Venturer's Distribution Percentage Interest and shall be made at such intervals as may be approved by the Venturers, but in no event less frequently than quarterly.

(c) Extraordinary Receipts. Distributions of Extraordinary Receipts shall be made as follows:

(i) Distributions Not in Connection With Dissolution. Distribution of Extraordinary Receipts not generated in connection with an event of dissolution shall be made as follows: first, to the establishment of any reserve approved by the Venturers; and second, to the Venturers based on their respective Distribution Percentage Interests.

(ii) Distributions in Connection With Dissolution. Distribution of Extraordinary Receipts generated in connection with an event of dissolution (as well as the other assets of the Venture) shall be made as follows: first, to the payment of debts and liabilities of the Venture to creditors (including all mortgages, but excluding any other debts or liabilities to Venturers or affiliates of Venturers), and to the expenses of liquidation; second, to the establishment of such reserves as the Venturers may deem reasonably necessary for contingent or unforeseen liabilities or obligations of the Venture, which may be held in escrow for a reasonable period of time and then distributed pursuant to the remainder of this Subsection; third, to the repayment of any remaining debts and obligations of the Venture to the Venturers or affiliates of the Venturers; and fourth, to the Venturers in accordance with the positive balances in their respective Capital Accounts.

(d) Compliance with Section 704(c). To comply with Section 704(c) of the I.R.C., items of income, gain, loss, depreciation and cost recovery deductions attributable to Contributed Property shall be allocated for federal income tax purposes among the Venturers in the manner provided under Section 704(c) of the I.R.C. taking into account the variation, if any, between the Agreed Value of such Property and its adjusted tax basis at the time of contribution.

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(e) Qualified Income Offset. Notwithstanding any provision to the contrary contained herein, in the event that any Venturer receives an adjustment, allocation or distribution described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which causes a deficit balance in such Venturer's Capital Account, such Venturer will be allocated items of income or gain (consisting of a pro rata portion of each item of partnership income, including gross income, and gain for such year) in an amount and manner sufficient to eliminate such deficit balance as quickly as possible, all in accordance with Treasury Regulations Section 1.704-1(b)(2)(ii)(d). (It is the intent of the Venturers that the foregoing provision constitute a "Qualified Income Offset," as defined in Treasury Regulations Section 1.704-1(b)(2)(ii)(d), and the foregoing provision shall in all events be interpreted so as to constitute a valid "Qualified Income Offset.")

3.4 Income Taxes and Accounting.

(a) Income Tax Returns. All income tax returns of the Venture shall be prepared on an accrual basis (except to the extent as may otherwise be Approved by all Venturers or be required by law, statute or regulation governing such tax and returns).

(b) Elections. Any provision of this Agreement to the contrary notwithstanding, solely for federal income tax purposes, each of the Venturers hereby recognizes that the Venture will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the I.R.C.; provided, however, that the filing of U.S. Partnership Returns of Income shall not be construed to extend the purposes of the Venture or expand the obligations or liabilities of the Venturers. The Venture shall file an election under Section 754 of the I.R.C. only in the event of a transfer or proposed transfer by any one or more Venturers of all or any part of their interest or interests in the Venture to any Entity. Such election shall be filed by the Venture upon the request of any Venturer made with respect to the income tax return for the period which includes the date of transfer of such interest in the Venture; such request

shall be in writing and shall be made not less than 60 days prior to the initial date established by law for filing such income tax return.

(c) Fiscal Year. The Venture shall operate on a calendar year basis.

(d) Books of Account. The books of account of the Venture and the Venturer's Properties shall be kept and maintained at all times by the Administrative Venturer or the delegated representative thereof at the principal place of business of the Administrative Venturer. The books of account shall be maintained on an accrual basis, unless otherwise determined by the Administrative Venturer, in accordance with generally accepted accounting principles, consistently applied, and shall show all items of income and expense relating to the Venture and the Properties.

(e) Reports. The Administrative Venturer shall cause to be prepared at the expense of the Venture and furnished to each of the Venturers the information and data with respect to the Venture during the Fiscal Year as shall enable each Venturer on a timely

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basis to prepare or cause to be prepared the reports required under their respective partnership agreements to be made to their partners. In addition, within 60 days after the end of each Fiscal Year, the Administrative Venturer shall use its best efforts to cause to be prepared and to deliver to each Venturer a report setting forth in sufficient detail all such information and data with respect to business transactions effected by or involving the Venture during such Fiscal Year as shall enable the Venture and each Venturer to prepare its federal, state and local income tax returns on a timely basis in accordance with the laws, rules and regulations then prevailing. The Administrative Venturer shall cause to be prepared federal, state and local tax returns required of the Venture and submit such returns to the Venturers no later than 30 days prior to the date required for the filing thereof and shall file the same.

(f) Records. Any Venturer shall have the right at all reasonable times during usual business hours to audit, examine and make copies of the books of account of the Venture. Such right may be exercised through any agent or employee of such Venturer designated by such Venturer or by an independent certified public accountant designated by such Venturer. Any Venturer shall bear all expenses incurred in any examination or audit made for such Venturer's account.

(g) Audits. In the event that the Internal Revenue Service or any other governmental agency with jurisdiction shall conduct, commence or give notification of intent to conduct or commence any audit or other investigation of the books, records, tax returns or other affairs of the Venture, the Administrative Venturer shall immediately advise the Venturers thereof by Notice. The Administrative Venturer shall be the "tax matters partner," as that term is defined by I.R.C., if one is needed for the Venture.

3.5 Banking. Funds of the Venture shall be deposited in an account or accounts of a type, in form and name and in a bank or banks selected by the Administrative Venturer. No funds other than Venture funds shall be deposited in any such account. Withdrawals from bank accounts shall be made by the Administrative Venturer and by such other parties as may be designated by the Venturers.

4. MANAGEMENT.

4.1 Authority of Administrative Venturer. The overall management and control of the business and affairs of the Venture shall be vested in the Venturers, collectively, acting by and through the Administrative Venturer. The Administrative Venturer shall have responsibility for establishing the policies and operating procedures with respect to the business and affairs of the Venture

and for making all decisions, except as otherwise provided herein and except Major Decisions, as to all matters which the Venture has authority to perform, as fully as if the Venturers were themselves making such decisions. All decisions, other than Major Decisions, with respect to the management and control of the Venture made by the Administrative Venturer shall be binding on the Venture and all Venturers. The Administrative Venturer shall be responsible for performing, or for causing to be performed, all acts necessary to accomplish the purposes of the Venture. No act shall be taken, sum expended, decision made

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or obligation incurred by the Venture, or any Venturer, with respect to a matter within the scope of any of the Major Decisions, unless such matter has been Approved by all of the Venturers. Except as otherwise expressly provided for in this Agreement, documents executed by or behalf of the Venture shall be executed only with the Approval of the Administrative Venturer.

4.2 Administrative Venturer. The initial Administrative Venturer shall be Wells OP. The Administrative Venturer shall, at the expense of the Venture, discharge or cause the discharge of the duties of the Administrative Venturer unless and until (i) the Administrative Venturer resigns as the Administrative Venturer, or (ii) the Administrative Venturer becomes a Defaulting Venturer. In the event of an occurrence described in either clause (i) or (ii) of the immediately preceding sentence, the then current Administrative Venturer shall thereupon be relieved from any further performance of the functions of the Administrative Venturer under this Agreement and a replacement for the Administrative Venturer shall be appointed by a majority in interest of the other Venturers. In the event an Entity not a Venturer shall be appointed to be Administrative Venturer, such Entity shall discharge the functions of the Administrative Venturer under this Agreement but shall not be entitled to any of the rights, titles or interests of a Venturer. The breach or violation by the Administrative Venturer of any provision of this Subsection, or of any other duty or obligation imposed upon the Administrative Venturer by this Agreement, shall subject to the Administrative Venturer to the provisions of Subsection 4.4 hereof as a Defaulting Venturer (provided the Administrative Venturer is then also a Venturer) only if such breach or violation by the Administrative Venturer involves fraud, negligence or willful misconduct. Furthermore, the Administrative Venturer shall be liable to the Venture and to the Venturers for any breach or violation of the Administrative Venturer's duties and obligations under this Subsection only if such breach or violation involves fraud, negligence or willful misconduct.

(a) Records. The Administrative Venturer shall maintain or cause to be maintained at the expense of the Venture, books of account as described in Subsection 3.4(d) hereof.

(b) Property Taxes and Licenses. The Administrative Venturer shall cause to be filed each year timely ad valorem tax returns for the Properties.

(c) Leases. The Administrative Venturer is authorized to negotiate and execute Leases on behalf of the Venture without further Approval of the Venturers and is authorized to delegate this responsibility pursuant to a management agreement. Initially, this responsibility will be delegated to the Manager under the Management Agreements and Leasing Agreements by and between the Venturers and the Manager.

(d) Indemnity. The Venture shall indemnify and hold the Administrative Venturer harmless against all claims, actions, liability, loss, damage, cost or expense, including attorney's fees and expenses, by reason of any act or omission of the Administrative Venturer that is duly authorized and performed in accordance with the terms and provisions of this Agreement. However, any Entity which is both the Administrative Venturer

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and a Venturer shall be responsible as a Venturer, to the extent of the proportionate liability thereof, for such obligation for the Venture to so indemnify and hold harmless the Administrative Venturer. The liability of the Venturers under this Subsection shall be several, and not joint, and shall be shared in proportion to the Distribution Percentage Interests of the Venturers.

4.3 Compensation of Venturers. No payment will be made by the Venture to any Venturer for the services of such Venturer or any affiliate, partner or employee of any Venturer, other than as provided in the Management Agreements and the Leasing Agreements.

4.4 Defaulting Venturer. If any Venturer fails to perform any of its obligations under this Agreement or violates the terms of this Agreement, such Venturer shall be a Defaulting Venturer and the Nondefaulting Venturer shall have the right to give such Defaulting Venturer a Notice specifically setting forth the nature of the default and stating that such Defaulting Venturer shall have a period of 15 days to pay any sums of money specified therein as due and owing to the Venture or to any Venturer, or 30 days (or such longer period as is specified in the next succeeding sentence) to cure any other default specified in such Notice. If the monies specified are not paid within such 15 day period or such Defaulting Venturer does not cure all other defaults within such 30 day period, or, if the defaults are not capable of being cured within such 30 day period, such Defaulting Venturer has not commenced in good faith the curing of such defaults within such 30 days period and does not thereafter prosecute to completion with diligence and continuity the curing thereof, the Nondefaulting Venturer shall have all rights provided in Subsections 4.4(a) through 4.4(c) below, in addition to any other rights it may have under the Georgia Uniform Partnership Act. If a Defaulting Venturer completely cures all of such defaults within the aforesaid cure periods, then such defaults shall be deemed no longer to exist and such Venturer shall be deemed no longer to constitute a Defaulting Venturer unless and until another default by such Venturer occurs. A Defaulting Venturer shall have no power or authority to bind the Venture or the Venturers but shall cooperate with and, to the extent requested, assist the Nondefaulting Venturers in every way possible.

(a) Equitable Relief. The Nondefaulting Venturer may bring any proceeding in the nature of injunction, specific performance or other equitable remedy, it being acknowledged by each of the Venturers that damages at law may be an inadequate remedy for a default or threatened breach of this Agreement.

(b) Damages. The Nondefaulting Venturer may bring any action at law by or on behalf of itself or the Venture as may be permitted in order to recover damages.

(c) Dissolution. The Nondefaulting Venturer may institute such proceedings as may be appropriate to secure an accounting and to dissolve, wind up and terminate the Venture.

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(d) Additional Remedies. The rights and remedies of the Venturers under this Agreement shall not be mutually exclusive; that is, the exercise of one or more of the provisions hereof shall not preclude the exercise of any other provisions hereof, except as may be expressly provided in this Agreement. Each of the Venturers confirms that damages at law may be an inadequate remedy for a breach or threatened breach of this Agreement and agrees that, in the event of a breach or threatened breach of any provision hereof, the respective rights and obligations hereunder shall be enforceable by specific performance, injunction or other equitable remedy, but nothing herein contained is intended to, nor shall it, limit or affect any right or rights at law or by statute or otherwise of any Venturer aggrieved as against any other Venturer for breach or threatened breach of any provisions of this Agreement, it being the intention of this Subsection to make clear the Agreement of the Venturers that the respective rights and obligations of the Venturers under this Agreement shall be enforceable in equity as well as at law or otherwise.

4.5 Limitation on Authority. Notwithstanding any provision of this Agreement to the contrary, neither Venturer shall have the authority to take any action which, if taken singularly by such Venturer separate from the Venture, would be prohibited by such Venturer's

4.6 Holding Title as Nominee. With the consent of the other Venturers, any Venturer shall be authorized to hold title to a Property or Properties as agent or as nominee on behalf of the Venture.

5. INSURANCE.

5.1 Minimum Insurance Requirements. The Venture shall carry and maintain in force the insurance hereinafter described, the premiums for which shall be a cost and expense of the Venture.

(a) Liability Insurance. Comprehensive general liability insurance for the benefit of the Venture and the Venturers as named insureds against claims for "personal injury" liability.

(b) Other Insurance. Such other insurance as the Venturers may reasonably deem to be necessary or as may be required by any mortgagee of any Property of the Venture.

5.2 Insureds. All of the policies of insurance described in Subsection 5.1 shall name the Venture and each of the Venturers as named insureds, as their respective interests may appear. All such insurance shall be effected under policies issued by insurers and be in forms and for amounts Approved by both Venturers.

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6. TRANSFERS AND OTHER DISPOSITIONS.

6.1 Prohibited Transfers. No Venturer may sell, transfer, assign, mortgage, pledge, hypothecate or otherwise dispose of, encumber or permit or suffer any encumbrance on (all referred to as "Assignment"), all or any part of the interest of such Venturer in the Venture or in the Properties (including, but not limited to, the right to receive any distributions under this Agreement) unless such an Assignment is Approved by all Venturers, provided that this restriction on Assignment shall not apply to the Assignment of units of partnership interests or beneficial interests in a Venturer. Any Assignment made in violation of this Section 6 shall be void.

6.2 Exceptions. The prohibition in Subsection 6.1 hereof shall not apply to: (a) an Assignment permitted under Subsection 6.4 hereof ("Right of First Refusal"); or (b) an Assignment of all or a part of its interest in the Venture by Wells Development to Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P. or a joint venture between said Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P., which is hereby Approved by Wells OP.

6.3 Notice. Each Venturer shall promptly by Notice inform the other Venturer of the occurrence of any disposition not required to have been Approved by the other Venturer.

6.4 Right of First Refusal. If any Selling Party shall desire to transfer (for the purposes of this Subsection the terms "transfer" and "transferred" include any and all types of disposition) all or any portion of its interest in the Venture to any Entity, such Selling Party may consummate such transfer only if (i) such sale is a sale of Selling Party's interest in the Venture separate and distinct from any other property, (ii) the consideration payable is cash and/or note(s) and not an interest in other property, and (iii) the provisions and conditions of Subsections (a) through (d) hereof have been complied with.

(a) Certification. The Selling Party shall deliver to the

Purchasing Party a written certification ("Certification") reflecting (i) the name of the prospective transferee of the entire interest of the Selling Party in the Venture; (ii) the price for which, and the terms upon which, the Selling Party is willing to transfer and such prospective transferee is willing to buy the entire interest of the Selling Party in the Venture (which price and terms shall be based either upon preliminary discussions and negotiations, evidenced in a writing signed by the prospective transferee, between the Selling Party and such prospective transferee or upon a fully negotiated and executed purchase agreement, a copy of which shall be furnished to the Purchasing Party); and (iii) whether the Selling Party has any interest, financial or otherwise, in the prospective transferee and whether, to the best knowledge of the Selling Party, there exists any other contract or offer for the purchase of all or any portion of the Properties or of the Selling Party's interest in the Venture. Such Certification shall be accompanied by a request (in the form of a Notice) by the Selling Party to the Purchasing Party to either Approve such transfer and prospective transferee or to purchase the Selling Party's interest in the Venture for the price and upon the terms provided in such Certification. The Selling Party may transfer the

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interest of the Selling Party in the Venture only to such prospective transferee or to the Purchasing Party. The Purchasing Party must either approve such prospective transferee or purchase the interest of the Selling Party in the Venture.

(b) Purchasing Party's Rights. The Purchasing Party shall have the right either (i) to allow the Selling Party to transfer the interest of the Selling Party in the Venture for a price and upon terms no more favorable to the prospective transferee than those reflected, and to the prospective transferee named in the Certification, or (ii) to purchase the Selling Party's entire interest in the Venture at the price contained in the Certification and on the other terms and conditions of the Certification. The price for which, and the terms upon which, the Selling Party shall transfer its interest in the Venture shall, by way of illustration and not limitation, be deemed "more favorable" than those reflected in the Certification if (i) the total actual transfer price is lower than that set forth in such Certification, (ii) a lesser portion of the price is paid in cash at the time of the transfer than that set forth in such Certification, or (iii) the portion of the price not paid in cash at the time of the transfer is payable over a longer period of time, at a lower interest rate or with lower or less frequent periodic payments than those set forth in such Certification.

(c) Notice of Election. The Purchasing Party shall have a period of 60 days after receipt of the Selling Party's Certification specified in Subsection 6.4(a) hereof to serve upon the Selling Party a Notice which shall specify whether such Purchasing Party will Approve a transfer to such prospective transferee, or whether the Purchasing Party shall purchase the entire interest of the Selling Party as provided in Subsection 6.4(b) hereof. If the Purchasing Party fails to give such Notice within the allocated time, the Purchasing Party shall be deemed to have approved the transfer of the interest to such prospective transferee, and the Purchasing Party shall, if requested by the Selling Party, execute, acknowledge and deliver such documents, or cause the same to be executed, acknowledged and delivered, including without limitation, the rights and restrictions contained in this Section 6 with respect to further transfers. Any such new Venturer shall execute and deliver to the other Venturers such documents as the other Venturers may reasonably request confirming the assumption by such new Venturer of the obligations of the Selling Party under this Agreement. At the time of closing of a transfer to a third party transferee pursuant to this Subsection 6.4, the Purchasing Party shall execute and deliver to the Selling Party and such transferee a written estoppel certificate in recordable form pursuant to which the Purchasing Party shall certify and agree that to the best of the Purchasing Party's knowledge and belief the pending transfer is permitted pursuant to this Subsection (provided, that to the best of the Purchasing Party's knowledge and belief such transfer is, in fact, permitted by this Subsection). In such estoppel certificate, the

Purchasing Party shall waive any further right whatsoever to attempt to force a rescission or setting aside of such transfer; provided, however, the Purchasing Party shall expressly reserve any rights thereafter to pursue any action for damages against both the Selling Party and the transferee should the Purchasing Party thereafter determine that, contrary to the Purchasing Party's earlier best knowledge and belief, the transfer was in fact not consummated in strict accordance with the terms of this Section 6.

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(d) Power of Attorney. In the event that either (i) the Purchasing Party shall have failed to respond, in the manner and within the time required by Subsection 6.4(c) hereof, to the Selling Party's Certification specified in Subsection 6.4(a) hereof, or (ii) the Purchasing Party shall have served upon the Selling Party a Notice specifying that the Purchasing Party has approved a transfer to a prospective transferee of the Selling Party as contemplated by Subsection 6.4(c) hereof, and the Purchasing Party shall have thereafter failed or refused, within ten days after receipt of a Notice from the other Venturer requesting same, to execute, acknowledge and deliver such documents, or cause the same to be done, as shall be required to effectuate a transfer of such interest in accordance with the Certification, then, and in either of such events, the Selling Party may execute, acknowledge and deliver such documents for, on behalf of and in the stead of the Purchasing Party, and such execution, acknowledgment and delivery by the Selling Party shall be for all purposes as effective against and binding upon the Purchasing Party as though such execution, acknowledgment and delivery had been by the Purchasing Party; provided, however, that no such documents executed by the Selling Party shall contain any undertaking on behalf of the Purchasing Party beyond the scope of the undertakings necessary for the Selling Party to effectuate such transfer. Each Venturer does hereby irrevocably constitute and appoint each other Venturer as the true and lawful attorney in fact of such Venture and the successors and assigns thereof, in the name, place and stead of such Venturer or the successors or assigns thereof, as the case may be, to execute, acknowledge and deliver such documents in the event such Venturer shall be the Purchasing Party under the circumstances contemplated by this Subsection 6.4(d). It is expressly understood, intended and agreed by each Venturer, for such Venturer and the successors and assigns thereof, that the grant of the power of attorney to each other Venturer pursuant to this Subsection 6.4(d) is coupled with an interest, is irrevocable and shall survive the death, termination or legal incompetency of such granting Venturer, as the case may be, or the assignment of the interest of such granting Venturer in the Venture, or the dissolution of the Venture.

6.5 Offer from Third Party to Purchase the Property.

(a) In the event that one of the Venturers receives a bona fide offer from an unrelated third party for the sale of all or substantially all of the Properties or last remaining Property owned by the Venture at the time of such offer, which offer such Venturer wishes to accept (the "Accepting Venturer"), but the other Venturer wishes to reject, the Venturer not desiring to sell the Property or Properties pursuant to said offer (the "Dissenting Venturer") must elect within thirty (30) days after receipt by the Dissenting Venturer of notice of said offer from the Accepting Venturer to either (i) purchase the Accepting Venturer's entire interest in the Venture on the same terms and conditions as the third party offer to purchase; or (ii) consent to the sale of the Properties or last remaining Property of the Venturer pursuant to such third party offer. The Accepting Venturer shall deliver to the Dissenting Venturer a written notice (the "Notice") reflecting (i) the name and address of the person or entity desiring to purchase the Properties or last remaining Property of the Venture; (ii) the sales price to be paid by such person or entity; and (iii) shall include a copy of the third party offer. In the event that the Dissenting Venturer elects to purchase the Accepting Venturer's entire interest in the Venture, the purchase price payable for the Accepting Partner's interest in the Venture shall be equal to

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the amount such Accepting Venturer would have received if the Property or Properties had been sold to such unrelated third party in accordance with the terms of its offer, after payment of all sales commissions and other fees and expenses which would have been due and payable upon the sale of said Property or Properties and the repayment of all debts of the Venture, if any.

(b) As set forth above, the Dissenting Venturer shall have 30 days after receipt of the Notice in which to make its election. The election of the Dissenting Venturer shall be made by written notice to the Accepting Venturer. In the event that the Dissenting Venturer elects to purchase the Accepting Venturer's interest in the Venture pursuant to alternative (i) above, the Dissenting Venturer shall have an additional 30 days following the receipt of the Notice within which to close the purchase of the Accepting Venturer's interest in the Venture. The failure of the Dissenting Venturer to either elect to purchase the Accepting Venturer's interest in the Venture pursuant to subparagraph (a) (i) above within 30 days after the receipt by the Dissenting Venturer of the Notice, or the failure to close the purchase of the Accepting Venturer's interest in the Venture within the foregoing time period shall be conclusively deemed to constitute a consent to the sale of the Properties or last remaining Property of the Venturer pursuant to such third party offer.

(c) The closing of any purchase and sale under this Section 6.5 shall be held at the principal office of the Venturer or at such other place as shall be mutually agreed to by the Venturers within 30 days following the receipt by the Accepting Venturer of written notice that the Dissenting Venturer has exercised its option to purchase the Accepting Venturer's interest in the Venture. At the closing, an appropriate assignment of the Accepting Venturer's interest in the Venture, with covenants against Assignor's acts, together with such other instruments and documents as may be necessary or appropriate to effect the transfer of the Accepting Venturer's interest in the Venture, shall be executed and delivered. The Venturers shall also execute and deliver an amendment to this Agreement, if appropriate. The purchase price payable to the Accepting Venturer shall be paid at closing by wire transfer of immediately available federal funds. Effective the date of closing, the Accepting Venturer shall cease to be a member of the Venture, and the Accepting Venturer shall have no further rights, duties or obligations with respect to the Venture arising out of this Agreement. Subsequent to the closing date, the Accepting Venturer shall have no further interest in the Venture's capital, income, profits, losses, gains, allocations or distributions.

(d) Upon any default or breach of any provision of this Section 6.5, the nonbreaching party shall be entitled to sue such defaulting party and recover damages or enforce the terms hereof by specific performance.

(e) In the event that either (i) the Dissenting Venturer shall have failed to respond, in the manner and within the time required by Subsection 6.5(a) hereof, to the Accepting Venturer's Notice specified in Subsection 6.5(a) hereof, or (ii) the Dissenting Venturer shall have served upon the Accepting Venturer a notice specifying its intent to approve the transfer of the Properties or Property, and the Dissenting Venturer shall have thereafter failed or refused within ten (10) days after receipt of a notice from the Accepting Venturer

requesting same to execute, acknowledge and deliver such documents, instruments and writings, or to cause the same to be done, as required to effectuate the contemplated sale of the Properties, or (iii) the Dissenting Venturer shall have failed to close the purchase of the Accepting Venturer's interest in the Venture within the time period set forth in Subsection 6.5(c) hereof, then, in such event, the Accepting Venturer may execute, acknowledge and deliver such documents, instruments and writings for, and on behalf of, and in the name, place and stead of, the Dissenting Venturer, and such execution, acknowledgment and delivery by such Accepting Venturer shall be for all purposes as effective against and binding upon the Venture and the Dissenting Venturer as if such

execution, acknowledgment and delivery had been made by the Dissenting Venturer; provided, however, that no such documents executed by the Accepting Venturer pursuant to the terms hereof shall contain any undertaking on behalf of the Dissenting Venturer beyond the scope of the undertaking as necessary for the Accepting Venturer to effectuate the transfer and sale of the Properties of the Venture. Each Venturer does hereby irrevocably constitute and appoint each other Venturer as its true and lawful attorney-in-fact of such Venturer and its successors and assigns, in the name, place and stead of such Venturer or its successors or assigns, as the case may be, to execute, acknowledge and deliver any and all such deeds, assignments, documents, instruments and writings in the event such Venturer shall be the Dissenting Venturer under the circumstances contemplated by this Subsection 6.5(e). It is expressly understood, intended and agreed by each Venturer, for such Venturer and its successors and assigns, that the grant of the power of attorney to each other Venturer pursuant to this Subsection 6.5(e) is coupled with an interest, is irrevocable and shall survive the death, termination or legal incompetence of such granting Venturer, as the case may be, or the assignment of the interest of such granting Venturer in the Venture, or the dissolution of the Venture.

7. DISSOLUTION AND TERMINATION.

The Venture shall dissolve on December 31, 2028, or upon the occurrence of any of the following:

- (i) A decree of a court of competent jurisdiction declaring dissolution;
- (ii) Sale of all or substantially all of the assets of the Venture;
- (iii) The Venture or either Venturer is adjudicated insolvent or bankrupt;
- (iv) Termination of either of the Venturers; or
- (v) Unanimous consent of the Venturers.

Upon the occurrence of any of the events set forth in this Section 7, Notice thereof shall be given to all of the Venturers by the Administrative Venturer and the Administrative Venturer shall, as required by Subsection 2.7(b) hereof, proceed to terminate and wind up the Venture

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and shall distribute the Extraordinary Receipts (and the other assets of the Venture) resulting therefrom in accordance with Subsection 3.3(c) hereof.

8. MISCELLANEOUS PROVISIONS.

8.1 Notices. Notices given under this Agreement shall be in writing and shall be deemed to have been properly given or served by the deposit of such with the United States Postal Service, or any official successor thereto, designated as registered or certified mail, return receipt requested, bearing adequate postage and addressed as hereinafter provided. The time period in which a response to any such Notice must be given or any action taken with respect thereto, however, shall commence to run from the date of receipt on the return receipt of the Notice. Rejection or other refusal to accept or the inability to deliver because of changed address or status of which no Notice was given to the Administrative Venturer shall be deemed to be receipt of the Notice sent. In the event that registered or certified mail is not being accepted for prompt delivery, each Notice may then be served by personal service addressed as hereinafter provided. By giving to the other Venturer at least 30 days' Notice thereof, any Venturer shall have the right from time to time during the term of this Agreement to change his Notice address(es) and to specify as his Notice address(es) any other address(es) within the continental United States of America. Each Notice to the Venturers shall be sent to the addresses set forth below (unless such Notice address is properly changed):

Wells Operating Partnership, L.P.
3885 Holcomb Bridge Road
Norcross, Georgia 30092

Wells Development Corporation
3885 Holcomb Bridge Road
Norcross, Georgia 30092

8.2 Governing Law. This Agreement and the obligations of the Venturers hereunder shall be interpreted, construed and enforced in accordance with the laws of the State of Georgia, including the Georgia Uniform Partnership Act.

8.3 Fees and Commissions. Except as may otherwise be provided herein, each Venturer hereby represents to each other Venturer that there are no claims for brokerage or other commissions or finder's or other similar fees in connection with the transactions contemplated by this Agreement insofar as such claims shall be based on arrangements or agreements made by or on behalf of the Venturer so representing, and each Venturer so representing hereby indemnifies and agrees to hold harmless each other Venturer from and against all liabilities, cost, damages and expenses from any such claims.

8.4 Waiver. No consent or waiver, express or implied, by any Venturer to or of any breach or default by any other Venturer in the performance by such other Venturer of the obligations thereof under this Agreement shall be deemed or construed to be a consent or

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waiver to or of any other breach or default in the performance by such other Venturer of the same or any other obligations of such other Venturer under this Agreement. Failure on the part of any Venturer to complain or any act or failure to act of any other Venturer or to declare any other Venturer in default, irrespective of how long such failure continues, shall not constitute a waiver of such Venturer of the rights thereof under this Agreement.

8.5 Severability. If any provision of this Agreement or the application thereof to any Entity or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to any other Entity or circumstance shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

8.6 Status Reports. Recognizing that each Venturer may find it necessary from time to time to establish to third parties such as accountants, banks, mortgagees or the like, the then current status of performance hereunder, upon the written request of any other Venturer, made from time to time by Notice, each Venturer shall furnish promptly a written statement (in recordable form, if requested) on the status of any matter pertaining to this Agreement to the best of the knowledge and belief of the Venturer making such statement.

8.7 Entire Agreement - Amendment. This Agreement constitutes the entire agreement of the Venturers with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Venturer against whom enforcement of the change, waiver, discharge or termination is sought. The execution of any amendment to this Agreement, or the execution of any other agreement or amendment thereto, by all Venturers shall establish that such execution was made in accordance with any applicable requirements for Approval.

8.8 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural; and the plural shall include the singular. Titles of Sections, Subsections and Paragraphs in this Agreement are for convenience only, and neither limit nor amplify the provisions

of this Agreement, and all references in this Agreement to Sections, Subsections or Paragraphs shall refer to the Section, Subsection or Paragraph of this Agreement unless specific reference is made to another document or instrument.

8.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise but a single instrument.

8.10 Successors and Assigns. Subject to the restrictions on transfers and encumbrances set forth herein, this Agreement shall inure to the benefit of and be binding upon the Venturers and their respective heirs, executors, legal representatives, successors and assigns. Whenever in this Agreement a reference to any Entity or Venturer is made, such reference shall be deemed to include a reference to the heirs, executors, legal representatives, successors and assigns of such Entity or Venturer.

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IN WITNESS WHEREOF, the undersigned Venturers have executed this Joint Venture Agreement of Wells/Fremont Associates under seal as of the day and year first above written.

WELLS OPERATING PARTNERSHIP, L.P.
A Delaware Limited Partnership

By: Wells Real Estate Investment Trust, Inc.
A Maryland Corporation
(As General Partner)

Signed, sealed and delivered
in the presence of:

By: /s/ Leo F. Wells, III

Leo F. Wells, III
President

/s/ Michael C. Berndt

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

WELLS DEVELOPMENT CORPORATION
A Georgia Corporation

Signed, sealed and delivered
in the presence of:

By: /s/ Leo F. Wells, III

Leo F. Wells, III
President

/s/ Michael C. Berndt

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

ATL1-290543

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EXHIBIT 10.18

JOINT VENTURE AGREEMENT

OF

FUND X AND FUND XI ASSOCIATES

JOINT VENTURE AGREEMENT

OF

FUND X AND FUND XI ASSOCIATES

THIS JOINT VENTURE AGREEMENT (the "Agreement") is made and entered into as of the 15th day of July, 1998, by and between WELLS REAL ESTATE FUND X, L.P., a Georgia limited partnership having Leo F. Wells, III and Wells Partners, L.P., a Georgia limited partnership, as general partners ("Fund X"), and WELLS REAL ESTATE FUND XI, L.P., a Georgia limited partnership having Leo F. Wells, III and Wells Partners, L.P., a Georgia limited partnership, as general partners ("Fund XI"). Each of the parties may also be referred to herein as a "Venturer" and together as the "Venturers."

W I T N E S S E T H :

WHEREAS, the Venturers desire to joint venture the acquisition, development, operation and sale of real properties according to the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter set forth, the parties hereto covenant and agree as follows:

1. DEFINITIONS.

For the purposes of this Agreement, the following defined terms shall have the meanings ascribed thereto.

1.1 "Administrative Venturer" means the Entity responsible for the conduct of the ordinary and usual business of the Venture and the implementation of the decisions of the Venturers, all as is more fully set forth in Subsection 4.2 hereof. The initial Administrative Venturer shall be Fund X.

1.2 "Agreed Value" means with respect to Contributed Property the fair market value of such property as of the date of contribution to the Venture as determined by the general partners of the Venturers.

1.3 "Approve," "Approved" or "Approval" means, as to the subject matter thereof and as the context may require, an express consent evidenced by and contained in a written statement signed by the approving Entity. A copy of each such written statement shall be kept at the office of the respective Venturer and shall be available for inspection by the other Venturer upon request.

1.4 "Bankrupt" or "Bankruptcy" means the occurrence of one or more of the following events:

(i) The appointment of a permanent or temporary receiver of the assets and properties of the Venture or a Venturer, and the failure to secure the removal thereof within 60 days after such appointment;

(ii) The adjudication of the Venture or a Venturer as bankrupt or the commission by the Venture or a Venturer of an act of bankruptcy;

(iii) The making by the Venture or a Venturer of an assignment for the benefit of creditors;

(iv) The levying upon or attachment by process of the assets and properties of the Venture or a Venturer; or

(v) The use by the Venture or a Venturer, whether voluntary or involuntary, of any debt or relief proceedings under the present or future law of any state or of the United States.

1.5 "Capital Account" means a separate account maintained for each Venturer in a manner which complies with Treasury Regulation Section 1.704-1(b), as may be amended or revised from time to time.

1.6 "Capital Contributions" means the aggregate contributions to the capital of the Venture made by the Venturers as Capital Contributions pursuant to Subsection 3.1 hereof.

1.7 "Contributed Property" means the interest of each Venturer contributing property (excluding cash or cash equivalents) to the Venture in such property.

1.8 "Defaulting Venturer" means any Venturer failing to perform any of the obligations of such Venturer under this Agreement or violating the provisions of this Agreement.

1.9 "Distribution Percentage Interests" means collectively the interests in the income, gains, losses, deductions, credits, Net Cash Flow, Extraordinary Receipts, as determined by Subsection 3.2 hereof, as such may be adjusted from time to time as provided in this Agreement.

1.10 "Entity" means any person, corporation, partnership (general or limited), joint venture, association, joint stock company, trust or other business entity or organization.

1.11 "Extraordinary Receipts" means those funds of the Venture which are derived from (i) the net proceeds of any casualty insurance insuring any of the Properties or any

portion thereof, to the extent not applied to the repair, restoration or replacement of the Properties or any portion thereof as may be Approved by the Venturers; (ii) the net proceeds of any condemnation, or any taking by eminent domain, or any transfer in lieu thereof, of any of the Properties, or any portion thereof, to the extent not applied to the repair, restoration or reconstruction of any remaining portion of the Properties as may be Approved by the Venturers; (iii) the net proceeds of any sale of any of the Properties, or any portion thereof; and (iv) the net proceeds of any indebtedness (or any refinancing of such indebtedness) secured in whole or in part by any of the Properties or any portion thereof.

1.12 "Fiscal Year" means the fiscal year of the Venture established under Subsection 3.4(c) hereof.

1.13 "I.R.C." means the Internal Revenue Code of 1986, as amended.

1.14 "Lease" means a lease or rental agreement now or hereafter existing between the Venture, as lessor or landlord (whether initially or by assignment) and an Entity.

1.15 "Leasing Agreements" means, collectively, those certain Leasing and Tenant Coordinating Agreements between the Venturers as "Owner" and Wells Management Company, Inc. as "Agent" therein, concerning the leasing of the Properties.

1.16 "Major Decisions" means any decision or action to (i) convey by the Venture substantially all the assets of the Venture; (ii) acquire any

Property or an interest in any Property; (iii) finance or borrow or execute any promissory note or other obligation (other than a Lease) or mortgage or other encumbrance in the name of or on behalf of the Venture; (iv) retain the services of a manager other than Wells Management Company, Inc.; (v) approve each construction and architectural contract and all architectural plans, specifications and drawings and all revisions or changes thereof in connection with the development and construction of any improvements for the Properties; (vi) reduce any portion of the insurance program for the Properties or the Venture; (vii) determine any fee or other amount to be paid to either Venturer or any affiliate of a Venturer; (viii) make any expenditure or incur any obligation by or on behalf of the Venture involving a sum in excess of \$15,000 for any transaction or group of similar transactions except for expenditures made and obligations incurred pursuant to and specifically set forth in a budget Approved by the Venturers; (ix) adjust, settle or compromise any claim, obligation, debt, demand, suit or judgment against the Venture or any Venturer in its capacity as a Venturer, or waive any breach of or default in any monetary or non-monetary obligation owed to the Venture, involving singly or in the aggregate an amount in excess of \$15,000, or in the initiation of any such claim or suit for the benefit of the Venture; (x) convey or sell any Properties or authorize the conveyance or sale of all Properties; (xi) admit any new Venturer to the Venture; (xii) cause the Venture to be admitted as a joint venturer to any other joint venture; and (xiii) make any other decision or action which by the provisions of this Agreement is required to be Approved by the Venturers or which in a material respect affects the Venture or any of the assets or operations thereof. All Major Decisions shall be made by

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the Venturers in a timely manner with due regard for the necessity of obtaining and evaluating the information necessary for making such Major Decisions.

1.17 "Management Agreements" means, collectively, those certain Management Agreements between the Venturers as "Owner" and Wells Management Company, Inc. as "Manager" therein, concerning the management of the Property.

1.18 "Manager" means Wells Management Company, Inc.

1.19 "Net Cash Flow" means for a given fiscal period, those funds of the Venture constituting the gross cash receipts of the Venture from the operation of the Properties (including interest and proceeds from business interruption or rent insurance) for such period exclusive of Capital Contributions by the Venturers and Extraordinary Receipts, which are available for distribution to the Venturers following (i) the payment of all operating, fixed cost and capital expenditures of the Venture, for which no reserves have been established, applicable to such period; (ii) the payment of all principal and interest with respect to any debt secured by any mortgage permitted by this Agreement; and (iii) the establishment by the Venturers of appropriate reserves for taxes, debt service, maintenance, repairs and other expenses and working capital requirements of the Venture including, without limitation, accruals for real estate taxes, insurance and other annual expense items (unless and to the extent the same are escrowed with a mortgagee).

1.20 "Nondefaulting Venturer" in the context wherein one or more Venturers become a Defaulting Venturer, means the remaining Venturers (provided the remaining Venturers are not also Defaulting Venturers).

1.21 "Notice" means a written advice or notification required or permitted by this Agreement, as more particularly provided in Subsection 8.1 hereof.

1.22 "Prime Rate" means the rate of interest announced from time to time by NationsBank of Georgia, N.A. as its prime rate. In the event the prime rate of NationsBank of Georgia, N.A. is hereafter discontinued or becomes unascertainable, the Administrative Venturer shall designate a comparable reference rate to be the Prime Rate.

1.23 "Property" means any particular tract of land (and all rights and appurtenances incident thereto) owned or to be owned by the Venture or owned or to be owned by any joint venture, partnership, limited liability company or other entity in which the Venture owns an economic or beneficial interest and all improvements located, constructed or developed thereon or to be constructed or developed thereon.

1.24 "Properties" means, collectively, all Property of the Venture at any given time.

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1.25 "Purchasing Party" means the Venturer other than the Selling Party in the event of a proposed transfer described in Subsection 6.4 hereof.

1.26 "Selling Party" means the Venturer desiring to transfer its interest in a transaction described in Subsection 6.4 hereof.

1.27 "Venture" means the joint venture formed pursuant to the laws of the State of Georgia by this Agreement.

1.28 "Venturer" or "Venturers" means the party or parties to this Agreement and all permitted successors and assigns thereof.

1.29 Other terms defined in this Agreement:

Term ----	Section -----
"Assignment"	6.1
"Right of First Refusal"	6.2
"Certification"	6.4(a)

2. THE VENTURE.

2.1 Formation of Venture. The Venturers hereby enter into and form the Venture as a joint venture for the limited purposes and scope set forth herein. The rights and obligations of the Venturers and the status, administration and termination of the Venture shall be governed by the laws of the State of Georgia. The Venture is being formed for the sole purpose of acquiring, owning, developing, operating and eventually selling the Properties.

2.2 Purposes and Scope of Venture. Subject to the provisions of this Agreement, the activities of the Venture shall be limited strictly to the acquisition, ownership, financing, development, leasing, operation, sale and management of the Properties for the production of income and profit, either directly or through the ownership of joint ventures, partnerships, limited liability companies or other entities, and to contract to purchase and acquire ownership interests in such Properties or entities which own such Properties, including all activities reasonably necessary or desirable to accomplish such purposes, and shall not be extended by implication or otherwise unless Approved by all venturers. Nothing in this Agreement shall be deemed to restrict in any way the freedom of any Venturer to conduct any other business or activity whatsoever (including, without limitation, the acquisition, development, leasing, sale, operation and management of other real property) without any accountability to the Venture or any other Venturer, even if such business or activity competes with the business of the Venture, it being understood by each Venturer that the other Venturer may be interested directly or indirectly in various other businesses and undertakings not included in the Venture.

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2.3 Name of Venture. The business and affairs of the Venture shall be conducted under the name "Fund X and Fund XI Associates" (or such other names

as shall be approved by both Venturers), and such name shall be used at all times in connection with the business and affairs of the Venture. The Venturers shall execute any assumed or fictitious name certificate or certificates required by law to be filed in connection with the formation of the Venture and shall cause such certificate or certificates to be filed in the appropriate records.

2.4 Scope of Authority. Except as otherwise expressly and specifically provided in this Agreement, no Venturer shall have any authority to act for, or assume any obligations or responsibility on behalf of, any other Venturer or the Venture.

2.5 Principal Place of Business. The principal place of business and initial office of the Venture shall be located at 3885 Holcomb Bridge Road, Norcross, Georgia 30092, and may be relocated as may be from time to time Approved by the Venturers.

2.6 Representations, Warranties and Indemnity. In order to induce the other Venturer to enter into this Agreement, each Venturer does hereby make to each other Venturer the representations and warranties hereinafter set forth, and does hereby agree to indemnify and hold each other Venturer harmless from any and all loss, expense or liability any other Venturer may suffer as a result of any inaccuracy as of the date hereof in any representation and warranty set forth below:

(a) Authorization. The execution and delivery of this Agreement has been duly authorized by the agreements by which each Venturer was either created or currently governed.

(b) Claims. There is no claim, litigation, proceeding or governmental investigation pending, or, so far as is known to each Venturer, threatened, against or relating to each Venturer, or the transactions contemplated by this Agreement which does or would reasonably be expected materially and adversely to affect the ability of each Venturer to enter into this Agreement or to carry out its obligations hereunder, and there is not any basis for any such claim, litigation, proceeding or governmental investigation.

(c) Conflicts. Neither the consummation of the transactions contemplated by this Agreement to be performed, nor the fulfillment of the terms, conditions and provisions of this Agreement, conflict with or will result in the breach of any of the terms, conditions or provisions of, or constitute a default under, the agreements by which each Venturer was created or is currently governed or any material agreement, indenture, instrument or undertaking to which each Venturer is a party.

(d) Investment Objectives. The investment objectives of each Venturer with respect to the Properties and the objectives of the Venture are: (i) to maximize Net Cash Flow; (ii) to preserve, protect and return the Venturers' investment in the Venture; and (iii) to realize appreciation upon the sale of the Properties.

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(e) Charges to the Venturer. Neither Venturer will be charged, directly or indirectly, more than once for the same services.

2.7 Term of Venture.

(a) Commencement. The Venture term shall begin on the date of this Agreement as set forth above and end upon dissolution of the Venture.

(b) Dissolution and Termination. Dissolution shall occur upon the occurrence of any of the events described in Section 7 of this Agreement. Upon dissolution, the assets shall be liquidated in due course and distributed as provided in Subsection 3.3(c) (i) hereof. The Venture shall continue until termination in accordance with the relevant dissolution and termination

provisions of the Georgia Uniform Partnership Act.

3. FINANCIAL STRUCTURE.

3.1 Capital Contributions. The Venturers shall from time to time make Capital Contributions to the Venture in such amounts as are agreed to by the Venturers.

3.2 Distribution Percentage Interest. The Distribution Percentage Interest of each of the Venturers shall be equal to the percentage equivalent (rounded to the nearest one-hundredth of a percent) of a fraction, the numerator of which is the aggregate of all Capital Contributions (or the Agreed Value thereof) made by the Venturer pursuant to Subsection 3.1 hereof, and the denominator of which is the aggregate amount of all Capital Contributions (or the Agreed Value thereof) made by all of the Venturers pursuant to Subsection 3.1 hereof. Each Venturer's interest in the Venture shall always be proportional to its Capital Contributions.

Each Venturer (the "First Venturer") does hereby agree to indemnify and hold the other Venturer (the "Second Venturer") harmless from and against any claim, action, liability, loss, damage, cost or expense, including, without limitation, attorney's fees and expenses incurred by the Second Venturer by reason of (i) any act or omission of the First Venturer in connection with the operation of the Venture and the Properties, or (ii) the claims made by third parties to the extent that the Second Venturer's percentage share of the total liability, loss, damage, cost or expense incurred by the Venture and the Venturers in connection with such claims exceeds its Distribution Percentage Interest at the time such liability, loss, damage, cost or expense is suffered or incurred. Upon dissolution, each Venturer shall look solely to the assets of the Venture for the return of its investment, and if the Venture Property remaining after payment or discharge of the debts and liabilities of the Venture, including debts and liabilities owed to one or more of the Venturers, is insufficient to return the aggregate Capital Contributions of each Venturer, such Venturers shall have no recourse against the Venture or any other Venturer.

3.3 Allocations and Distributions. Allocations for accounting purposes and for federal, state and local income tax purposes of each item of income, loss, deduction and gain,

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and distributions of Net Cash Flow and Extraordinary Receipts shall be allocated among the Venturers as follows:

(a) Allocation of Tax Items. For federal, state and local income tax purposes and for purposes of maintaining the Venturers' Capital Accounts, except as otherwise provided herein, each item of income, gain, loss and deduction of the Venture for each tax year shall be allocated to the Venturers in accordance with their Distribution Percentage Interests.

(b) Net Cash Flow. All distributions of Net Cash Flow shall be made to the Venturers in accordance with each such Venturer's Distribution Percentage Interest and shall be made at such intervals as may be approved by the Venturers, but in no event less frequently than quarterly.

(c) Extraordinary Receipts. Distributions of Extraordinary Receipts shall be made as follows:

(i) Distributions Not in Connection With Dissolution. Distribution of Extraordinary Receipts not generated in connection with an event of dissolution shall be made as follows: first, to the establishment of any reserve approved by the Venturers; and second, to the Venturers based on their respective Distribution Percentage Interests.

(ii) Distributions in Connection With Dissolution. Distribution of Extraordinary Receipts generated in connection with an event of

dissolution (as well as the other assets of the Venture) shall be made as follows: first, to the payment of debts and liabilities of the Venture to creditors (including all mortgages, but excluding any other debts or liabilities to Venturers or affiliates of Venturers), and to the expenses of liquidation; second, to the establishment of such reserves as the Venturers may deem reasonably necessary for contingent or unforeseen liabilities or obligations of the Venture, which may be held in escrow for a reasonable period of time and then distributed pursuant to the remainder of this Subsection; third, to the repayment of any remaining debts and obligations of the Venture to the Venturers or affiliates of the Venturers; and fourth, to the Venturers in accordance with the positive balances in their respective Capital Accounts.

(d) Compliance with Section 704(c). To comply with Section 704(c) of the I.R.C., items of income, gain, loss, depreciation and cost recovery deductions attributable to Contributed Property shall be allocated for federal income tax purposes among the Venturers in the manner provided under Section 704(c) of the I.R.C. taking into account the variation, if any, between the Agreed Value of such Property and its adjusted tax basis at the time of contribution.

(e) Qualified Income Offset. Notwithstanding any provision to the contrary contained herein, in the event that any Venturer receives an adjustment, allocation or distribution described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which causes a deficit balance in such Venturer's Capital Account, such Venturer will be allocated

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items of income or gain (consisting of a pro rata portion of each item of partnership income, including gross income, and gain for such year) in an amount and manner sufficient to eliminate such deficit balance as quickly as possible, all in accordance with Treasury Regulations Section 1.704-1(b)(2)(ii)(d). (It is the intent of the Venturers that the foregoing provision constitute a "Qualified Income Offset," as defined in Treasury Regulations Section 1.704-1(b)(2)(ii)(d), and the foregoing provision shall in all events be interpreted so as to constitute a valid "Qualified Income Offset.")

3.4 Income Taxes and Accounting.

(a) Income Tax Returns. All income tax returns of the Venture shall be prepared on an accrual basis (except to the extent as may otherwise be Approved by all Venturers or be required by law, statute or regulation governing such tax and returns).

(b) Elections. Any provision of this Agreement to the contrary notwithstanding, solely for federal income tax purposes, each of the Venturers hereby recognizes that the Venture will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the I.R.C.; provided, however, that the filing of U.S. Partnership Returns of Income shall not be construed to extend the purposes of the Venture or expand the obligations or liabilities of the Venturers. The Venture shall file an election under Section 754 of the I.R.C. only in the event of a transfer or proposed transfer by any one or more Venturers of all or any part of their interest or interests in the Venture to any Entity. Such election shall be filed by the Venture upon the request of any Venturer made with respect to the income tax return for the period which includes the date of transfer of such interest in the Venture; such request shall be in writing and shall be made not less than 60 days prior to the initial date established by law for filing such income tax return.

(c) Fiscal Year. The Venture shall operate on a calendar year basis.

(d) Books of Account. The books of account of the Venture and the Venturer's Properties shall be kept and maintained at all times by the Administrative Venturer or the delegated representative thereof at the principal place of business of the Administrative Venturer. The books of account shall be

maintained on an accrual basis, unless otherwise determined by the Administrative Venturer, in accordance with generally accepted accounting principles, consistently applied, and shall show all items of income and expense relating to the Venture and the Properties.

(e) Reports. The Administrative Venturer shall cause to be prepared at the expense of the Venture and furnished to each of the Venturers the information and data with respect to the Venture during the Fiscal Year as shall enable each Venturer on a timely basis to prepare or cause to be prepared the reports required under their respective partnership agreements to be made to their partners. In addition, within 60 days after the end of each Fiscal Year, the Administrative Venturer shall use its best efforts to cause to be prepared and to deliver to each Venturer a report setting forth in sufficient detail all such information and data with

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respect to business transactions effected by or involving the Venture during such Fiscal Year as shall enable the Venture and each Venturer to prepare its federal, state and local income tax returns on a timely basis in accordance with the laws, rules and regulations then prevailing. The Administrative Venturer shall cause to be prepared federal, state and local tax returns required of the Venture and submit such returns to the Venturers no later than 30 days prior to the date required for the filing thereof and shall file the same.

(f) Records. Any Venturer shall have the right at all reasonable times during usual business hours to audit, examine and make copies of the books of account of the Venture. Such right may be exercised through any agent or employee of such Venturer designated by such Venturer or by an independent certified public accountant designated by such Venturer. Any Venturer shall bear all expenses incurred in any examination or audit made for such Venturer's account.

(g) Audits. In the event that the Internal Revenue Service or any other governmental agency with jurisdiction shall conduct, commence or give notification of intent to conduct or commence any audit or other investigation of the books, records, tax returns or other affairs of the Venture, the Administrative Venturer shall immediately advise the Venturers thereof by Notice. The Administrative Venturer shall be the "tax matters partner," as that term is defined by I.R.C., if one is needed for the Venture.

3.5 Banking. Funds of the Venture shall be deposited in an account or accounts of a type, in form and name and in a bank or banks selected by the Administrative Venturer. No funds other than Venture funds shall be deposited in any such account. Withdrawals from bank accounts shall be made by the Administrative Venturer and by such other parties as may be designated by the Venturers.

4. MANAGEMENT.

4.1 Authority of Administrative Venturer. The overall management and control of the business and affairs of the Venture shall be vested in the Venturers, collectively, acting by and through the Administrative Venturer. The Administrative Venturer shall have responsibility for establishing the policies and operating procedures with respect to the business and affairs of the Venture and for making all decisions, except as otherwise provided herein and except Major Decisions, as to all matters which the Venture has authority to perform, as fully as if the Venturers were themselves making such decisions. All decisions, other than Major Decisions, with respect to the management and control of the Venture made by the Administrative Venturer shall be binding on the Venture and all Venturers. The Administrative Venturer shall be responsible for performing, or for causing to be performed, all acts necessary to accomplish the purposes of the Venture. No act shall be taken, sum expended, decision made or obligation incurred by the Venture, or any Venturer, with respect to a matter within the scope of any of the Major Decisions, unless such matter has been Approved by all of the Venturers. Except as otherwise expressly provided for in

this Agreement, documents executed by or behalf of the Venture shall be executed only with the Approval of the Administrative Venturer.

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4.2 Administrative Venturer. The initial Administrative Venturer shall be Fund X. The Administrative Venturer shall, at the expense of the Venture, discharge or cause the discharge of the duties of the Administrative Venturer unless and until (i) the Administrative Venturer resigns as the Administrative Venturer, or (ii) the Administrative Venturer becomes a Defaulting Venturer. In the event of an occurrence described in either clause (i) or (ii) of the immediately preceding sentence, the then current Administrative Venturer shall thereupon be relieved from any further performance of the functions of the Administrative Venturer under this Agreement and a replacement for the Administrative Venturer shall be Fund XI or shall be appointed by Fund XI. In the event an Entity not a Venturer shall be appointed to be Administrative Venturer, such Entity shall discharge the functions of the Administrative Venturer under this Agreement but shall not be entitled to any of the rights, titles or interests of a Venturer. The breach or violation by the Administrative Venturer of any provision of this Subsection, or of any other duty or obligation imposed upon the Administrative Venturer by this Agreement, shall subject to the Administrative Venturer to the provisions of Subsection 4.4 hereof as a Defaulting Venturer (provided the Administrative Venturer is then also a Venturer) only if such breach or violation by the Administrative Venturer involves fraud, negligence or willful misconduct. Furthermore, the Administrative Venturer shall be liable to the Venture and to the Venturers for any breach or violation of the Administrative Venturer's duties and obligations under this Subsection only if such breach or violation involves fraud, negligence or willful misconduct.

(a) Records. The Administrative Venturer shall maintain or cause to be maintained at the expense of the Venture, books of account as described in Subsection 3.4(d) hereof.

(b) Property Taxes and Licenses. The Administrative Venturer shall cause to be filed each year timely ad valorem tax returns for the Properties.

(c) Leases. The Administrative Venturer is authorized to negotiate and execute Leases on behalf of the Venture without further Approval of the Venturers and is authorized to delegate this responsibility pursuant to a management agreement. Initially, this responsibility will be delegated to the Manager under the Management Agreements and Leasing Agreements by and between the Venturers and the Manager.

(d) Indemnity. The Venture shall indemnify and hold the Administrative Venturer harmless against all claims, actions, liability, loss, damage, cost or expense, including attorney's fees and expenses, by reason of any act or omission of the Administrative Venturer that is duly authorized and performed in accordance with the terms and provisions of this Agreement. However, any Entity which is both the Administrative Venturer and a Venturer shall be responsible as a Venturer, to the extent of the proportionate liability thereof, for such obligation for the Venture to so indemnify and hold harmless the Administrative Venturer. The liability of the Venturers under this Subsection shall be several, and not joint, and shall be shared in proportion to the Distribution Percentage Interests of the Venturers.

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4.3 Compensation of Venturers. No payment will be made by the Venture to any Venturer for the services of such Venturer or any affiliate, partner or employee of any Venturer, other than as provided in the Management Agreements and the Leasing Agreements.

4.4 Defaulting Venturer. If any Venturer fails to perform any of its obligations under this Agreement or violates the terms of this Agreement, such Venturer shall be a Defaulting Venturer and the Nondefaulting Venturer shall have the right to give such Defaulting Venturer a Notice specifically setting forth the nature of the default and stating that such Defaulting Venturer shall have a period of 15 days to pay any sums of money specified therein as due and owing to the Venture or to any Venturer, or 30 days (or such longer period as is specified in the next succeeding sentence) to cure any other default specified in such Notice. If the monies specified are not paid within such 15 day period or such Defaulting Venturer does not cure all other defaults within such 30 day period, or, if the defaults are not capable of being cured within such 30 day period, such Defaulting Venturer has not commenced in good faith the curing of such defaults within such 30 days period and does not thereafter prosecute to completion with diligence and continuity the curing thereof, the Nondefaulting Venturer shall have all rights provided in Subsections 4.4(a) through 4.4(c) below, in addition to any other rights it may have under the Georgia Uniform Partnership Act. If a Defaulting Venturer completely cures all of such defaults within the aforesaid cure periods, then such defaults shall be deemed no longer to exist and such Venturer shall be deemed no longer to constitute a Defaulting Venturer unless and until another default by such Venturer occurs. A Defaulting Venturer shall have no power or authority to bind the Venture or the Venturers but shall cooperate with and, to the extent requested, assist the Nondefaulting Venturers in every way possible.

(a) Equitable Relief. The Nondefaulting Venturer may bring any proceeding in the nature of injunction, specific performance or other equitable remedy, it being acknowledged by each of the Venturers that damages at law may be an inadequate remedy for a default or threatened breach of this Agreement.

(b) Damages. The Nondefaulting Venturer may bring any action at law by or on behalf of itself or the Venture as may be permitted in order to recover damages.

(c) Dissolution. The Nondefaulting Venturer may institute such proceedings as may be appropriate to secure an accounting and to dissolve, wind up and terminate the Venture.

(d) Additional Remedies. The rights and remedies of the Venturers under this Agreement shall not be mutually exclusive; that is, the exercise of one or more of the provisions hereof shall not preclude the exercise of any other provisions hereof, except as may be expressly provided in this Agreement. Each of the Venturers confirms that damages at law may be an inadequate remedy for a breach or threatened breach of this Agreement and agrees that, in the event of a breach or threatened breach of any provision hereof, the respective rights and obligations hereunder shall be enforceable by specific performance, injunction or other

equitable remedy, but nothing herein contained is intended to, nor shall it, limit or affect any right or rights at law or by statute or otherwise of any Venturer aggrieved as against any other Venturer for breach or threatened breach of any provisions of this Agreement, it being the intention of this Subsection to make clear the Agreement of the Venturers that the respective rights and obligations of the Venturers under this Agreement shall be enforceable in equity as well as at law or otherwise.

4.5 Limitation on Authority. Notwithstanding any provision of this Agreement to the contrary, neither Venturer shall have the authority to take any action which, if taken singularly by such Venturer separate from the Venture, would be prohibited by such Venturer's

4.6 Holding Title as Nominee. With the consent of the other Venturers, any Venturer shall be authorized to hold title to a Property or Properties as agent or as nominee on behalf of the Venture.

5. INSURANCE.

5.1 Minimum Insurance Requirements. The Venture shall carry and maintain in force the insurance hereinafter described, the premiums for which shall be a cost and expense of the Venture.

(a) Liability Insurance. Comprehensive general liability insurance for the benefit of the Venture and the Venturers as named insureds against claims for "personal injury" liability.

(b) Other Insurance. Such other insurance as the Venturers may reasonably deem to be necessary or as may be required by any mortgagee of any Property of the Venture.

5.2 Insureds. All of the policies of insurance described in Subsection 5.1 shall name the Venture and each of the Venturers as named insureds, as their respective interests may appear. All such insurance shall be effected under policies issued by insurers and be in forms and for amounts Approved by both Venturers.

6. TRANSFERS AND OTHER DISPOSITIONS.

6.1 Prohibited Transfers. No Venturer may sell, transfer, assign, mortgage, pledge, hypothecate or otherwise dispose of, encumber or permit or suffer any encumbrance on (all referred to as "Assignment"), all or any part of the interest of such Venturer in the Venture or in the Properties (including, but not limited to, the right to receive any distributions under this Agreement) unless such an Assignment is Approved by all Venturers, provided that this restriction on Assignment shall not apply to the Assignment of units of partnership interests or beneficial interests in a Venturer. Any Assignment made in violation of this Section 6 shall be void.

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6.2 Exceptions. The prohibition in Subsection 6.1 hereof shall not apply to an Assignment permitted under Subsection 6.4 hereof ("Right of First Refusal").

6.3 Notice. Each Venturer shall promptly by Notice inform the other Venturer of the occurrence of any disposition not required to have been Approved by the other Venturer.

6.4 Right of First Refusal. If any Selling Party shall desire to transfer (for the purposes of this Subsection the terms "transfer" and "transferred" include any and all types of disposition) all or any portion of its interest in the Venture to any Entity, such Selling Party may consummate such transfer only if (i) such sale is a sale of Selling Party's interest in the Venture separate and distinct from any other property, (ii) the consideration payable is cash and/or note(s) and not an interest in other property, and (iii) the provisions and conditions of Subsections (a) through (d) hereof have been complied with.

(a) Certification. The Selling Party shall deliver to the Purchasing Party a written certification ("Certification") reflecting (i) the name of the prospective transferee of the entire interest of the Selling Party in the Venture; (ii) the price for which, and the terms upon which, the Selling Party is willing to transfer and such prospective transferee is willing to buy the entire interest of the Selling Party in the Venture (which price and terms shall be based either upon preliminary discussions and negotiations, evidenced in a writing signed by the prospective transferee, between the Selling Party and such prospective transferee or upon a fully negotiated and executed purchase agreement, a copy of which shall be furnished to the Purchasing Party); and (iii) whether the Selling Party has any interest, financial or otherwise, in the prospective transferee and whether, to the best knowledge of the Selling Party, there exists any other contract or offer for the purchase of all or any portion of the Properties or of the Selling Party's interest in the Venture. Such

Certification shall be accompanied by a request (in the form of a Notice) by the Selling Party to the Purchasing Party to either Approve such transfer and prospective transferee or to purchase the Selling Party's interest in the Venture for the price and upon the terms provided in such Certification. The Selling Party may transfer the interest of the Selling Party in the Venture only to such prospective transferee or to the Purchasing Party. The Purchasing Party must either approve such prospective transferee or purchase the interest of the Selling Party in the Venture.

(b) Purchasing Party's Rights. The Purchasing Party shall have the right either (i) to allow the Selling Party to transfer the interest of the Selling Party in the Venture for a price and upon terms no more favorable to the prospective transferee than those reflected, and to the prospective transferee named in the Certification, or (ii) to purchase the Selling Party's entire interest in the Venture at the price contained in the Certification and on the other terms and conditions of the Certification. The price for which, and the terms upon which, the Selling Party shall transfer its interest in the Venture shall, by way of illustration and not limitation, be deemed "more favorable" than those reflected in the Certification if (i) the total actual transfer price is lower than that set forth in such Certification, (ii) a lesser portion of the price is paid in cash at the time of the transfer than that set forth in such Certification, or (iii) the portion of the price not paid in cash at the time of the transfer is payable over a

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longer period of time, at a lower interest rate or with lower or less frequent periodic payments than those set forth in such Certification.

(c) Notice of Election. The Purchasing Party shall have a period of 60 days after receipt of the Selling Party's Certification specified in Subsection 6.4(a) hereof to serve upon the Selling Party a Notice which shall specify whether such Purchasing Party will Approve a transfer to such prospective transferee, or whether the Purchasing Party shall purchase the entire interest of the Selling Party as provided in Subsection 6.4(b) hereof. If the Purchasing Party fails to give such Notice within the allocated time, the Purchasing Party shall be deemed to have approved the transfer of the interest to such prospective transferee, and the Purchasing Party shall, if requested by the Selling Party, execute, acknowledge and deliver such documents, or cause the same to be executed, acknowledged and delivered, including without limitation, the rights and restrictions contained in this Section 6 with respect to further transfers. Any such new Venturer shall execute and deliver to the other Venturers such documents as the other Venturers may reasonably request confirming the assumption by such new Venturer of the obligations of the Selling Party under this Agreement. At the time of closing of a transfer to a third party transferee pursuant to this Subsection 6.4, the Purchasing Party shall execute and deliver to the Selling Party and such transferee a written estoppel certificate in recordable form pursuant to which the Purchasing Party shall certify and agree that to the best of the Purchasing Party's knowledge and belief the pending transfer is permitted pursuant to this Subsection (provided, that to the best of the Purchasing Party's knowledge and belief such transfer is, in fact, permitted by this Subsection). In such estoppel certificate, the Purchasing Party shall waive any further right whatsoever to attempt to force a rescission or setting aside of such transfer; provided, however, the Purchasing Party shall expressly reserve any rights thereafter to pursue any action for damages against both the Selling Party and the transferee should the Purchasing Party thereafter determine that, contrary to the Purchasing Party's earlier best knowledge and belief, the transfer was in fact not consummated in strict accordance with the terms of this Section 6.

(d) Power of Attorney. In the event that either (i) the Purchasing Party shall have failed to respond, in the manner and within the time required by Subsection 6.4(c) hereof, to the Selling Party's Certification specified in Subsection 6.4(a) hereof, or (ii) the Purchasing Party shall have served upon the Selling Party a Notice specifying that the Purchasing Party has approved a transfer to a prospective transferee of the Selling Party as

contemplated by Subsection 6.4(c) hereof, and the Purchasing Party shall have thereafter failed or refused, within ten days after receipt of a Notice from the other Venturer requesting same, to execute, acknowledge and deliver such documents, or cause the same to be done, as shall be required to effectuate a transfer of such interest in accordance with the Certification, then, and in either of such events, the Selling Party may execute, acknowledge and deliver such documents for, on behalf of and in the stead of the Purchasing Party, and such execution, acknowledgment and delivery by the Selling Party shall be for all purposes as effective against and binding upon the Purchasing Party as though such execution, acknowledgment and delivery had been by the Purchasing Party; provided, however, that no such documents executed by the Selling Party shall contain any undertaking on behalf of the Purchasing Party beyond the scope of the undertakings

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necessary for the Selling Party to effectuate such transfer. Each Venturer does hereby irrevocably constitute and appoint each other Venturer as the true and lawful attorney in fact of such Venture and the successors and assigns thereof, in the name, place and stead of such Venturer or the successors or assigns thereof, as the case may be, to execute, acknowledge and deliver such documents in the event such Venturer shall be the Purchasing Party under the circumstances contemplated by this Subsection 6.4(d). It is expressly understood, intended and agreed by each Venturer, for such Venturer and the successors and assigns thereof, that the grant of the power of attorney to each other Venturer pursuant to this Subsection 6.4(d) is coupled with an interest, is irrevocable and shall survive the death, termination or legal incompetency of such granting Venturer, as the case may be, or the assignment of the interest of such granting Venturer in the Venture, or the dissolution of the Venture.

7. DISSOLUTION AND TERMINATION.

The Venture shall dissolve on December 31, 2028, or upon the occurrence of any of the following:

- (i) A decree of a court of competent jurisdiction declaring dissolution;
- (ii) Sale of all or substantially all of the assets of the Venture;
- (iii) The Venture or either Venturer is adjudicated insolvent or bankrupt;
- (iv) Termination of either of the Venturers; or
- (v) Unanimous consent of the Venturers.

Upon the occurrence of any of the events set forth in this Section 7, Notice thereof shall be given to all of the Venturers by the Administrative Venturer and the Administrative Venturer shall, as required by Subsection 2.7(b) hereof, proceed to terminate and wind up the Venture and shall distribute the Extraordinary Receipts (and the other assets of the Venture) resulting therefrom in accordance with Subsection 3.3(c) hereof.

8. MISCELLANEOUS PROVISIONS.

8.1 Notices. Notices given under this Agreement shall be in writing and shall be deemed to have been properly given or served by the deposit of such with the United States Postal Service, or any official successor thereto, designated as registered or certified mail, return receipt requested, bearing adequate postage and addressed as hereinafter provided. The time period in which a response to any such Notice must be given or any action taken with respect thereto, however, shall commence to run from the date of receipt on the return receipt of the Notice. Rejection or other refusal to accept or the inability to deliver because of changed address or status of which no Notice was given to the Administrative Venturer shall be deemed to be receipt of the Notice sent. In the

event that registered or certified mail is not being

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accepted for prompt delivery, each Notice may then be served by personal service addressed as hereinafter provided. By giving to the other Venturer at least 30 days' Notice thereof, any Venturer shall have the right from time to time during the term of this Agreement to change his Notice address(es) and to specify as his Notice address(es) any other address(es) within the continental United States of America. Each Notice to the Venturers shall be sent to the addresses set forth below (unless such Notice address is properly changed):

Wells Real Estate Fund X, L.P.
3885 Holcomb Bridge Road
Norcross, Georgia 30092

Wells Real Estate Fund XI, L.P.
3885 Holcomb Bridge Road
Norcross, Georgia 30092

8.2 Governing Law. This Agreement and the obligations of the Venturers hereunder shall be interpreted, construed and enforced in accordance with the laws of the State of Georgia, including the Georgia Uniform Partnership Act.

8.3 Fees and Commissions. Except as may otherwise be provided herein, each Venturer hereby represents to each other Venturer that there are no claims for brokerage or other commissions or finder's or other similar fees in connection with the transactions contemplated by this Agreement insofar as such claims shall be based on arrangements or agreements made by or on behalf of the Venturer so representing, and each Venturer so representing hereby indemnifies and agrees to hold harmless each other Venturer from and against all liabilities, cost, damages and expenses from any such claims.

8.4 Waiver. No consent or waiver, express or implied, by any Venturer to or of any breach or default by any other Venturer in the performance by such other Venturer of the obligations thereof under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Venturer of the same or any other obligations of such other Venturer under this Agreement. Failure on the part of any Venturer to complain or any act or failure to act of any other Venturer or to declare any other Venturer in default, irrespective of how long such failure continues, shall not constitute a waiver of such Venturer of the rights thereof under this Agreement.

8.5 Severability. If any provision of this Agreement or the application thereof to any Entity or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to any other Entity or circumstance shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

8.6 Status Reports. Recognizing that each Venturer may find it necessary from time to time to establish to third parties such as accountants, banks, mortgagees or the like, the then current status of performance hereunder, upon the written request of any other Venturer,

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made from time to time by Notice, each Venturer shall furnish promptly a written statement (in recordable form, if requested) on the status of any matter pertaining to this Agreement to the best of the knowledge and belief of the Venturer making such statement.

8.7 Entire Agreement - Amendment. This Agreement constitutes the

entire agreement of the Venturers with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Venturer against whom enforcement of the change, waiver, discharge or termination is sought. The execution of any amendment to this Agreement, or the execution of any other agreement or amendment thereto, by all Venturers shall establish that such execution was made in accordance with any applicable requirements for Approval.

8.8 Terminology. All personal pronouns used in this Agreement, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural; and the plural shall include the singular. Titles of Sections, Subsections and Paragraphs in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement, and all references in this Agreement to Sections, Subsections or Paragraphs shall refer to the Section, Subsection or Paragraph of this Agreement unless specific reference is made to another document or instrument.

8.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise but a single instrument.

8.10 Successors and Assigns. Subject to the restrictions on transfers and encumbrances set forth herein, this Agreement shall inure to the benefit of and be binding upon the Venturers and their respective heirs, executors, legal representatives, successors and assigns. Whenever in this Agreement a reference to any Entity or Venturer is made, such reference shall be deemed to include a reference to the heirs, executors, legal representatives, successors and assigns of such Entity or Venturer.

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IN WITNESS WHEREOF, the undersigned Venturers have executed this Joint Venture Agreement of Fund X and Fund XI Associates under seal as of the day and year first above written.

WELLS REAL ESTATE FUND X, L.P.
A Georgia Limited Partnership

By: Wells Partners, L.P.
A Georgia Limited Partnership
(As General Partner)

By: Wells Capital, Inc.
A Georgia Corporation
(As General Partner)

Signed, sealed and delivered
in the presence of:

/s/ Michael C. Berndt

Unofficial Witness

/s/ Martha Jean Cory

Notary Public

Notary Public, Gwinnett County, Georgia
My Commission Expires June 24, 2000

Signed, sealed and delivered
in the presence of:

By: /s/ Leo F. Wells, III

Leo F. Wells, III
President

[Corporate Seal]

By: /s/ Leo F. Wells, III

Leo F. Wells, III

General Partner

/s/ Michael C. Berndt

Unofficial Witness

/s/ Martha Jean Cory

Notary Public
Notary Public, Gwinnett County, Georgia
My Commission Expires June 24, 2000

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WELLS REAL ESTATE FUND XI, L.P.
A Georgia Limited Partnership

By: Wells Partners, L.P.
A Georgia Limited Partnership
(As General Partner)

By: Wells Capital, Inc.
A Georgia Corporation
(As General Partner)

Signed, sealed and delivered
in the presence of:

By: /s/ Leo F. Wells, III

Leo F. Wells, III
President

[Corporate Seal]

/s/ Michael C. Berndt

Unofficial Witness

/s/ Martha Jean Cory

Notary Public
Notary Public, Gwinnett County, Georgia
My Commission Expires June 24, 2000

Signed, sealed and delivered
in the presence of:

By: /s/ Leo F. Wells, III

Leo F. Wells, III
General Partner

/s/ Michael C. Berndt

Unofficial Witness

/s/ Martha Jean Cory

Notary Public
Notary Public, Gwinnett County, Georgia
My Commission Expires June 24, 2000

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EXHIBIT 10.19

AGREEMENT FOR THE PURCHASE AND SALE
OF JOINT VENTURE INTEREST
BETWEEN WELLS DEVELOPMENT CORPORATION
AND
THE FUND X-XI JOINT VENTURE

AGREEMENT FOR THE PURCHASE
AND SALE OF JOINT VENTURE INTEREST

THIS AGREEMENT, made and entered into as of the 17th day of July, 1998, by and between WELLS DEVELOPMENT CORPORATION, a Georgia corporation whose address is 3885 Holcomb Bridge Road, Norcross, Georgia 30092 ("Seller"), WELLS MANAGEMENT COMPANY, INC., whose address is 3885 Holcomb Bridge Road, Norcross, Georgia 30092 ("Guarantor") and FUND X AND FUND XI ASSOCIATES, a Georgia joint venture comprised of Wells Real Estate Fund X, L.P., a Georgia limited partnership, and Wells Real Estate Fund XI, L.P., a Georgia limited partnership, whose address is 3885 Holcomb Bridge Road, Norcross, Georgia 30092 (collectively, the "Purchaser").

W I T N E S S E T H:

Whereas, Seller has entered into that certain Agreement for the Purchase and Sale of Property (the "Purchase Agreement") with ROSE VENTURES V, INC., Thomas G. Haury and Carleen S. Haury dated as of June 8, 1998, as amended, relating to certain improved property situated in the Mission Business Park in Fremont, California and being more particularly described on Exhibit A hereto (the "Property"); and

WHEREAS, Seller intends to assign its rights under the Purchase Agreement to WELLS/FREMONT ASSOCIATES, a Georgia joint venture between Seller and Wells Operating Partnership, L.P., a Delaware limited partnership (the "Joint Venture") and contribute the Earnest Money received by it hereunder in exchange for an interest in the Joint Venture (the "Joint Venture Interest"); and

Whereas, The Joint Venture will acquire the Property with the funds contributed by Seller and funds obtained through a loan in the amount of \$5,960,000 (the "Loan") from NationsBank, N.A.; and

WHEREAS, the property is subject to that certain Standard Industrial/Commercial Single Tenant Lease-Net with Fairchild Technologies USA, Inc. (the "Lease") relating to the Property; and

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to acquire from Seller the Joint Venture Interest upon the terms and conditions hereinafter set forth; and

WHEREAS, Guarantor is an affiliate of Seller and will benefit from this transaction;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein set forth, the receipt, adequacy and sufficiency of which are hereby expressly acknowledged by the parties hereto, Seller and Purchaser do hereby covenant and agree as follows:

1. Agreement to Buy and Sell. Upon the terms and conditions set forth in this Agreement, and subject to acquisition of the Property by the Joint Venture pursuant to the Purchase Agreement, Purchaser agrees to buy from Seller and

Seller agrees to sell to Purchaser the Joint Venture Interest.

2. Earnest Money. Within three (3) business days after the effective date of this Agreement, Purchaser shall deliver to Seller, Purchaser's check, in the amount of \$2,000,000 (said amount being herein referred to as the "Earnest Money"), which Earnest Money shall be held and disbursed pursuant to this Agreement. The Earnest Money, plus any other funds advanced by Purchaser to Seller, shall be applied as a credit to the Purchase Price (as hereinafter defined) or otherwise paid to Seller or refunded to Purchaser as provided herein. The parties hereto acknowledge that some or all of the Earnest Money shall be utilized by Seller to be contributed as a capital contribution to the Joint Venture with respect to Seller's Joint Venture Interest. Purchaser may but shall not be required to pay additional funds to Seller thereby increasing the Earnest Money and Purchase Price by an equivalent amount, in which event Seller shall contribute such funds to the Joint Venture in exchange for an increased ownership interest. Guarantor joins in the execution of this Agreement for the sole purpose of guaranteeing Seller's obligations to Purchaser hereunder regarding the repayment of the Earnest Money, which guaranty shall be evidenced by the execution and delivery of that certain Guarantee of Refund of Earnest Money in the form attached as Exhibit B hereto.

3. Purchase Price. Subject to adjustment and credits as otherwise specified in this Agreement, the purchase price (the "Purchase Price") to be paid by Purchaser to Seller for the Joint Venture Interest shall be approximately \$2,000,000, the precise amount to be the amount contributed by Seller to the Joint Venture. It is the intent of the parties that Seller shall not make any profit or incur any loss in connection with this transaction and to that end, Seller agrees to cause the Joint Venture to hold in an interest bearing account for the benefit of Purchaser any cash distributions payable to Seller prior to Closing hereunder. The Purchase Price shall be paid by Purchaser to Seller at the Closing by cashier's check or by wire transfer of immediately available federal funds, less the amount of Earnest Money and subject to prorations, adjustments, and credits as otherwise specified in this Agreement.

4. Purchaser's Right of Inspection and Seller's Cooperation. From and after the date of this Agreement, Purchaser and its agents, engineers, or representatives, with Seller's reasonable, good faith cooperation, shall have the privilege of going upon the Property as needed to inspect, examine, test, and survey the Property at all reasonable times and from time to time. Such privilege shall include the right to make said tests, borings, and other tests to obtain information necessary to

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determine surface and subsurface conditions. Such privilege shall also include the right to make any other tests deemed reasonably necessary by Purchaser. Purchaser hereby indemnifies and holds Seller harmless from any liens, claims, liabilities, and damages incurred through the exercise of such privilege. The obligations of Purchaser under the preceding sentence shall survive any termination of this Agreement. Seller shall make available to Purchaser all work product in the possession of Seller relating to the Property, including surveys, site plans, environmental audits, soils tests, market studies, Seller's owner's title policy and all other information provided to Seller or obtained by Seller with respect to the Property.

5. Special Conditions to Closing. Notwithstanding any other provision to the contrary contained in this Agreement, Purchaser's obligations hereunder are expressly conditioned upon the following special conditions:

(a) The Joint Venture shall have paid-off the Loan in full prior to Closing and the Joint Venture shall own title to the Property debt-free at Closing;

(b) Purchaser shall have available to it at the date of Closing sufficient net proceeds available for investment in properties to fully fund the remainder of the Purchase Price;

(c) All of the representations and warranties set forth in paragraph 7 shall be true and correct in all material respects on the Date of Closing;

(d) The receipt by Purchaser of an appraisal reflecting the value of the Property owned by the Joint Venture as being not less than \$8,900,000;

(e) The receipt by Purchaser of evidence reasonably satisfactory to Purchaser that the Property is free of any Hazardous Materials;

(f) The receipt of evidence that Fairchild Technologies USA, Inc. continues to be occupying the Property as a tenant pursuant to the Lease paying rent on a current basis and that neither the Landlord nor the tenant are in default with respect to the Lease; and

(g) The receipt of any necessary consents for the admission of Purchaser as a Joint Venture partner in the Joint Venture.

In the event any of the conditions set forth above are not met on or prior to the date of Closing, Purchaser shall be entitled to terminate this Agreement upon written notice to Seller. If Purchaser elects to so terminate this Agreement, Seller shall be entitled to receive the sum of Twenty-Five Dollars (\$25.00) of

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the Earnest Money, and the balance of the Earnest Money shall be refunded to Purchaser, whereupon, except as expressly provided to the contrary in this Agreement, no party hereto shall have any other or further rights or obligations under this Agreement. Seller acknowledges that the sum of Twenty-Five Dollars (\$25.00) is good and adequate consideration for the termination rights granted to Purchaser hereunder.

6. Closing and Closing Date. The consummation of the sale by Seller and the purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held on or before the first anniversary of the date hereof, unless extended as hereinafter provided, at the offices of O'Callaghan & Stumm LLP, 127 Peachtree Street N.E., Suite 1330, Atlanta, Georgia 30303 or such other office as the parties may agree at such specific time and date as shall be designated by Purchaser in a written notice to Seller not less than three (3) business days prior to the date of Closing or absent such notice at 10:00 a.m. on the first anniversary of the date hereof. At Closing, Seller shall execute and deliver to Purchaser (a) an assignment of its Joint Venture Interest in form and substance reasonably satisfactory to Purchaser and (b) the consent of Wells Operating Partnership, L.P. to the transfer of the Joint Venture Interest, (c) an amendment to the Joint Venture Agreement of the Joint Venture providing for admission of Purchaser in the place of Seller, and (d) such other documents as may be reasonably required by Purchaser or Purchaser's counsel in order to effectuate the transaction contemplated hereunder. At Closing, Purchaser shall deliver to Seller the Purchase Price and shall execute and deliver to Seller a Closing Statement and such other documents as may be reasonably required by Seller or Seller's counsel in order to effectuate the transaction contemplated hereby. Purchaser shall have the right to extend the closing for two successive six month periods in the event Purchaser does not have sufficient funds available to close the transaction.

7. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser, each of which shall be deemed material:

(a) Title and Authority. The Joint Venture shall at Closing be the owner of good and marketable fee simple record title to the Property subject only to those matters set forth on Exhibit C hereto (the "Permitted Encumbrances") and, if applicable, to one or more mortgages which shall be canceled and satisfied at no cost to Purchaser at or before

the Closing, it being the intent of the parties that the Property free and clear of any liens, claims or encumbrances except the Permitted Encumbrances, at the time Purchaser acquires the Joint Venture Interest. Seller has the full right, power and authority to execute and deliver this Agreement and to consummate the purchase and sale herein

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contemplated and to perform the covenants and agreement of Seller hereunder.

(b) No Litigation. There are no actions, suits, or proceedings pending, or, to the best of Seller's knowledge, threatened by any organization, person, individual, or governmental agency against Seller which would impair Seller's ability to convey the Joint Venture Interest pursuant to this Agreement or against the Property, nor does Seller know of any basis for such action.

(c) Pre-existing Right to Acquire. No person or entity has any right or option to acquire the Joint Venture Interest which will have any force or effect after the execution hereof, other than Purchaser.

(d) Ownership of Joint Venture Interest. Seller owns or shall at the time of Closing own beneficially and of record the Joint Venture Interest free and clear of all liens, claims, pledges, options, adverse claims and charges of any nature whatsoever.

8. Default. In the event Seller fails to comply with or perform any of the covenants, agreements or obligations to be performed by Seller under the terms and provisions of this Agreement, or in the event Seller's warranties and representations set forth in this Agreement are untrue or misleading, at Purchaser's option: (i) Purchaser shall be entitled to an immediate refund of all Earnest Money and to thereafter exercise any and all rights and remedies available to Purchaser at law or in equity; or (ii) Purchaser shall be entitled, upon giving written notice to Seller as herein provided, to terminate this Agreement. Upon any such termination, all Earnest Money shall be immediately returned to Purchaser and this Agreement and all rights and obligations created hereunder shall be of no further force or effect. In the event Purchaser fails to comply with or perform any of the covenants, agreements or obligations to be performed by Purchaser under the terms and provisions of this Agreement, Seller's sole and exclusive remedy for any such default shall be to terminate this Agreement and to receive \$100 of the Earnest Money as full liquidated damages for such default, the parties hereto acknowledging that it is impossible to more precisely estimate the damages to be suffered by Seller upon Purchaser's default, whereupon all rights and obligations created hereby shall terminate and be of no further force or effect whatsoever.

9. Assignment. Purchaser's rights and duties under this Agreement shall be freely transferable and assignable by Purchaser, either in full or in part, and in the event of any such transfer or assignment, Seller shall look solely to such transferee or assignee for the performance of all obligations,

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covenants, conditions, and agreements imposed upon Purchaser pursuant to the terms of this Agreement.

10. Broker's Commission. Seller shall and does hereby indemnify and hold harmless Purchaser from and against any claim for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Seller. Likewise, Purchaser shall and does hereby indemnify and hold harmless Seller from and against any claim for any real estate sales commission, finder's fees or like compensation in connection with the sale contemplated hereby and arising out of

any act or agreement of Purchaser.

11. Notices. Any notices which may be permitted or required hereunder shall be in writing and sent or hand delivered to the addresses set forth herein, and shall be deemed to have been duly given as of the date and time the same are either personally delivered (if delivered by hand or by overnight courier) or, if mailed, on the third (3rd) business day following the date same is deposited with the United States Postal Service, postage prepaid, to be mailed by registered or certified United States mail, return receipt requested.

12. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday or holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

13. Survival of Provisions. All covenants, warranties, and agreements set forth in this Agreement shall survive the execution or delivery of any and all deeds and other documents at any time executed or delivered under, pursuant to or by reason of this Agreement, and shall survive the payment of all monies made under, pursuant to, or by reason of this Agreement.

14. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

15. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a

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waiver of either party's right to demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no prior representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein or in said Letter Agreement shall be of any force or effect. Any amendment to this Agreement shall not be binding upon Seller or Purchaser unless such amendment is in writing and executed by both. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Time is of the essence in this Agreement. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. This Agreement shall be construed and interpreted under the laws of the State of Georgia. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa. The parties do not intend and this Agreement shall not be deemed to create a joint venture, partnership, or any other relationship between Seller and Purchaser or the Joint Venture and Purchaser except that of contracting parties.

16. Effective Date. For purposes of the calculations of any time periods set forth in this Agreement, the effective date of this Agreement shall be deemed to be the latest of the dates set forth below, or the date this Agreement is last initialed, whichever is later.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by duly authorized representatives as of the day, month and year first above written.

"SELLER":

WELLS DEVELOPMENT CORPORATION, a Georgia corporation

By: /s/ Leo F. Wells III

Title: PRESIDENT

Date: July 17, 1998

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"GUARANTOR":

WELLS MANAGEMENT COMPANY, INC.

By: /s/ Leo F. Wells III

Title: PRESIDENT

Date: July 17, 1998

"PURCHASER":

FUND X AND FUND XI ASSOCIATES, a Georgia joint venture

By: WELLS REAL ESTATE FUND X, L.P.,
a Georgia limited partnership, as
administrative venturer

By: Wells Partners, L.P., a Georgia
limited partnership, general partner

By: Wells Capital, Inc., a
Georgia corporation
General Partner

By: /s/ Leo F. Wells III

Title: PRESIDENT

Date: July 17, 1998

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EXHIBIT 10.20

LEASE AGREEMENT

BETWEEN THE FREMONT JOINT VENTURE

AND

FAIRCHILD TECHNOLOGIES USA, INC.

AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION
STANDARD INDUSTRIAL/COMMERCIAL SINGLE-TENANT LEASE - NET
(DO NOT USE THIS FORM FOR MULTI-TENANT BUILDINGS)

1. Basic Provisions ("Basic Provisions")

1.1 Parties: This Lease ("Lease"), dated for reference purposes only September 19, 1997, is made by and between ROSE VENTURES V, INC., a California corporation, THOMAS G. HAURY and CARLEEN S. HAURY ("Lessor") and FAIRCHILD TECHNOLOGIES USA, INC., a _____ corporation ("Lessee"), (collectively the "Parties," or individually a "Party").

1.2 Premises: That certain real property, including all improvements therein or to be provided by Lessor under the terms of this Lease, and commonly known as 47320 Kato Road, Fremont, located in the County of Alameda, State of California, and generally described as (describe briefly the nature of the property and, if applicable, the "Project", if the property is located within a Project) an industrial/office building and land located thereon, said building consisting of approximately 58,424 square feet, of which approximately 22,456 square feet is second story office space, with approximately 35,968 square feet of first floor space ("Premises"). (See also Paragraph 2)

1.3 Term: Seven (7) years and -0- months ("Original Term") commencing December 1, 1997 ("Commencement Date") and ending November 30, 2004 ("Expiration Date"). (See also Paragraph 3)

1.4 Early Possession: October 1, 1997 for 2nd floor office area for early possession rent of \$22,456.00 per month for two (2) months ("Early Possession Date"). (See also Paragraphs 3.2 and 3.3)

1.5 Base Rent: \$68,128.00 per month ("Base Rent"), payable on the first (1st) day of each month commencing December 1, 1997 (See also Paragraph 4)

If this box is checked, there are provisions in this Lease for the Base Rent to be adjusted. (Addendum paragraphs 50, 52).

1.6 Base Rent Paid Upon Execution: \$22,456.00 as Base Rent for the period October 1, 1997 to October 31, 1997.

1.7 Security Deposit: None ("Security Deposit"). (See also Paragraph 5)

1.8 Agreed Use: general office, light manufacturing and industrial, assembly and manufacturing semiconductor and optical cd machinery and equipment. (See also Paragraph 6)

1.9 Insuring Party: Lessor is the "Insuring Party" unless otherwise stated herein. (See also Paragraph 8)

1.10 Real Estate Brokers: (See also Paragraph 15)

(a) Representation: The following real estate brokers (collectively, the "Brokers") and brokerage relationships exist in this transaction (check applicable boxes):

[X] Cornish & Carey Commercial represents Lessor exclusively ("Lessor's Broker");

[X] CB Commercial represents Lessee exclusively ("Lessee's Broker"); or

[_] _____ represents both Lessor and Lessee ("Dual Agency").

(b) Payment to Brokers: Upon execution and delivery of this Lease by both Parties, Lessor shall pay to the Broker the fee agreed to in their separate written agreement (or if there is no such agreement, the sum of _____% of the total Base Rent for the brokerage services rendered by said Broker).

1.11 Guarantor. The obligations of the Lessee under this Lease are to be guaranteed by The Fairchild Corporation ("Guarantor"). (See also Paragraph 37)

1.12 Addenda and Exhibits. Attached hereto is an Addendum or Addenda consisting of Paragraphs 50 through 68 and Exhibits _____, all of which constitute a part of this Lease.

2. Premises.

2.1 Letting. Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the Premises, for the term, at the rental, and upon all of the terms, covenants and conditions set forth in this Lease. Unless otherwise provided herein, any statement of size set forth in this Lease, or that may have been used in calculating rental, is an approximation which the Parties agree is reasonable and the rental based thereon is not subject to revision whether or not the actual size is more or less.

2.2 Condition. Lessor shall deliver the Premises to Lessee broom clean and free of debris on the Commencement Date or the Early Possession Date, whichever first occurs ("Start Date"), and, Landlord warrants that the Premises are connected for water, electricity and gas usage and that all of the connections for water, electricity and gas usage are in working order and shall be in good working order as of the Start Date, and, warrants that the structural elements of the roof, bearing walls and foundation of any buildings on the Premises (the "Building") shall be free of material defects. If a non-compliance with said warranty exists as of the Start Date, Lessor shall, as Lessor's sole obligation with respect to such matter, except as otherwise provided in this Lease, promptly after receipt of written notice from Lessee setting forth with specificity the nature and extent of such non-compliance, rectify same at Lessor's expense. If, after the Start Date, Lessee does not give Lessor written notice of any non-compliance with this warranty within: (i) one year as to the surface of the roof and the structural portions of the roof, foundations and bearing walls, (ii) six (6) months as to the HVAC systems, (iii) thirty (30) days as to the remaining systems and other elements of the Building, correction of such non-compliance shall be the obligation of Lessee at Lessee's sole cost and expense.

2.3 Compliance. If the Applicable Requirements are hereafter changed (as opposed to being in existence at the Start Date, which is addressed in Paragraph 6.2(e) below) so as to require during the term of this Lease the construction of an addition to or an alteration of the Building, the remediation of any Hazardous

Substance, or the reinforcement or other physical modification of the Building ("Capital Expenditure"), Lessor and lessee shall allocate the cost of such work as follows:

(a) Subject to Paragraph 2.3(c) below, if such Capital Expenditures are required as a result of the specific and unique use of the Premises by Lessee as compared with uses by tenants in general, Lessee shall be fully responsible for the cost thereof, provided, however that if such Capital Expenditure is required

during the last two (2) years of this Lease and the cost thereof exceeds six (6) months' Base Rent, Lessee may instead terminate this Lease unless Lessor notifies Lessee, in writing, within ten (10) days after receipt of Lessee's termination notice that Lessor has elected to pay the difference between the actual cost thereof and the amount equal to six (6) months' Base Rent. If Lessee elects termination, Lessee shall immediately cease the use of the Premises which requires such Capital Expenditure and deliver to Lessor written notice specifying a termination date at least ninety (90) days thereafter. Such termination date shall, however, in no event be earlier than the last day that Lessee could legally utilize the Premises without commencing such Capital Expenditure.

(b) If such Capital Expenditure is not the result of the specific and unique use of the Premises by Lessee (such as, governmentally mandated seismic modifications), then Lessor and Lessee shall allocate the obligation to pay for such costs pursuant to the provisions of Paragraph 7.1(c); provided, however, that if such Capital Expenditure is required during the last two years of this Lease or if Lessor reasonably determines that it is not economically feasible to pay its share thereof, Lessor shall have the option to terminate this Lease upon ninety (90) days prior written notice to Lessee unless Lessee notifies Lessor, in writing, within ten (10) days after receipt of Lessor's termination notice that Lessee will pay for such Capital Expenditure. If Lessor does not elect to terminate, and fails to tender its share of any such Capital Expenditure, Lessee may advance such funds and deduct same, with Interest, from Rent until Lessor's share of such costs have been fully paid. If Lessee is unable to finance Lessor's share, or if the balance of the Rent due and payable for the remainder of this Lease is not sufficient to fully reimburse Lessee on an offset basis, Lessee shall have the right to terminate this Lease upon thirty (30) days written notice to Lessor.

(c) Notwithstanding the above, the provisions concerning Capital Expenditures are intended to apply only to non-voluntary, unexpected, and new Applicable Requirements. If the Capital Expenditures are instead triggered by Lessee as a result of an actual or proposed change in use, change in intensity of use, or modification to the Premises then, and in that event, Lessee shall be fully responsible for the cost thereof, and Lessee shall not have any right to terminate this Lease.

2.4 Acknowledgements. Lessee acknowledges that: (a) it has been advised by Lessor and/or Brokers to satisfy itself with respect to the condition of the Premises (including but not limited to the electrical, HVAC and fire sprinkler systems, security, environmental aspects, and compliance with Applicable Requirements), and their suitability for Lessee's intended use, (b) Lessee has made such investigation as it deems necessary with reference to such matters and assumes all responsibility therefor as the same relate to its occupancy of the Premises, and (c) neither Lessor, Lessor's agents, nor any Broker has made any oral or written representations or warranties with respect to said matters other than as set forth in this Lease. In addition, Lessor acknowledges that: (a) Broker has made no representations, promises or warranties concerning Lessee's ability to honor the Lease or suitability to occupy the Premises, and (b) it is Lessor's sole responsibility to investigate the financial capability and/or suitability of all proposed tenants.

3. Term.

3.1 Term. The Commencement Date, Expiration Date and Original Term of this Lease are as specified in Paragraph 1.3.

3.2 Early Possession. Except as expressly provided in paragraphs 1.4 and 1.6, if Lessee totally or partially occupies the Premises prior to the Commencement Date, the obligation to pay Base Rent shall be abated for the period of such early possession. All other terms of this Lease (including but not limited to the obligations to pay Real Property Taxes and insurance premiums and to maintain the Premises) shall, however, be in effect during such period. Any such early possession shall not affect the Expiration Date.

3.3 Delay In Possession. Lessor agrees to use its best commercially reasonable efforts to deliver possession of the Premises to Lessee by the

Commencement Date. If, despite said efforts, Lessor is unable to deliver possession as agreed, Lessor shall not be subject to any liability therefor, nor shall such failure affect the validity of this Lease. Lessee shall not, however, be obligated to pay Rent or perform its other obligations until it receives possession of the Premises. If possession is not delivered within sixty (60) days after the Commencement Date, Lessee may, at its option, by notice in writing within ten (10) days after the end of such sixty (60) day period, cancel this Lease, in which event the Parties shall be discharged from all obligations hereunder. If such written notice is not received by Lessor within said ten (10) day period, Lessee's right to cancel shall terminate. Except as otherwise provided, if possession is not tendered to Lessee by the Start Date and Lessee does not terminate this Lease, as aforesaid, any period of rent abatement that Lessee would otherwise have enjoyed shall run from the date of delivery of possession and continue for a period equal to what Lessee would otherwise have enjoyed under the terms hereof, but minus any days of delay caused by the acts or omissions of Lessee. If possession of the Premises is not delivered within four (4) months after the Commencement Date, this Lease shall terminate unless other agreements are reached between Lessor and Lessee, in writing.

3.4 Lessee Compliance. Lessor shall not be required to tender possession of the Premises to Lessee until Lessee complies with its obligation to provide evidence of insurance (Paragraph 8.5). Pending delivery of such evidence, Lessee shall be required to perform all of its obligations under this Lease from and after the Start Date, including the payment of Rent, notwithstanding Lessor's election to withhold possession pending receipt of such evidence of insurance. Further, if Lessee is required to perform any other conditions prior to or concurrent with the Start Date, the Start Date shall occur but Lessor may elect to withhold possession until such conditions are satisfied.

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4. Rent.

4.1. Rent Defined. All monetary obligations of Lessee to Lessor under the terms of this Lease (except for the Security Deposit) are deemed to be rent ("Rent").

4.2 Payment. Lessee shall cause payment of Rent to be received by Lessor in lawful money of the United States, without offset or deduction (except as specifically permitted in this Lease), on or before the day on which it is due. Rent for any period during the term hereof which is for less than one (1) full calendar month shall be prorated based upon the actual number of days of said month. Payment of Rent shall be made to Lessor at its address stated herein or to such other persons or place as Lessor may from time to time designate in writing. Acceptance of a payment which is less than the amount then due shall not be a waiver of Lessor's rights to the balance of such Rent, regardless of Lessor's endorsement of any check so stating.

5. Security Deposit. Lessee shall deposit with Lessor upon execution hereof the Security Deposit as security for Lessee's faithful performance of its obligations under this Lease. If Lessee fails to pay Rent, or otherwise Defaults under this Lease, Lessor may use, apply or retain all or any portion of said Security Deposit for the payment of any amount due Lessor or to reimburse or compensate Lessor for any liability, expense, loss or damage which Lessor may suffer or incur by reason thereof. If Lessor uses or applies all or any portion of said Security Deposit, Lessee shall within ten (10) days after written request therefor deposit monies with Lessor sufficient to restore said Security Deposit to the full amount required by this Lease. If the Base Rent increases during the term of this Lease, Lessee shall, upon written request from Lessor, deposit additional moneys with Lessor so that the total amount of the Security Deposit shall at all times bear the same proportion to the increased Base Rent as the initial Security Deposit bore to the initial Base Rent. Should the Agreed Use be amended to accommodate a material change in the business of Lessee or to accommodate a sublessee or assignee, Lessor shall have the right to increase the Security Deposit to the extent necessary, in Lessor's reasonable judgment, to account for any increased wear and tear that the Premises may suffer as a result

thereof. If a change in control of Lessee occurs during this Lease and following such change the financial condition of Lessee is, in Lessor's reasonable judgment, significantly reduced, Lessee shall deposit such additional monies with Lessor as shall be sufficient to cause the Security Deposit to be at a commercially reasonable level based on said change in financial condition. Lessor shall not be required to keep the Security Deposit separate from its general accounts. Within fourteen (14) days after the expiration or termination of this Lease, if Lessor elects to apply the Security Deposit only to unpaid Rent, and otherwise within thirty (30) days after the Premises have been vacated pursuant to Paragraph 7.4(c) below, Lessor shall return that portion of the Security Deposit not used or applied by Lessor. No part of the Security Deposit shall be considered to be held in trust, to bear interest or to be prepayment for any monies to be paid by Lessee under this Lease.

6. Use.

6.1 Use. Lessee shall use and occupy the Premises only for the Agreed Use, or any other legal use which is reasonably comparable thereto, and for no other purpose. Lessee shall not use or permit the use of the Premises in a manner that is unlawful, creates damage, waste or a nuisance, or that disturbs owners and/or occupants of, or causes damage to neighboring properties. Lessor shall not unreasonably withhold or delay its consent to any written request for a modification of the Agreed Use, so long as the same will not impair the structural integrity of the improvements on the Premises or the mechanical or electrical systems therein, is not significantly more burdensome to the Premises. If Lessor elects to withhold consent, Lessor shall within five (5) business days after such request give written notification of same, which notice shall include an explanation of Lessor's objections to the change in use.

6.2 Hazardous Substances.

(a) Reportable Uses Require Consent. The term "Hazardous Substance" as used in this Lease shall mean any product, substance, or waste whose presence, use, manufacture, disposal, transportation, or release, either by itself or in combination with other materials expected to be on the Premises, is either: (i) potentially injurious to the public health, safety or welfare, the environment or the Premises, (ii) regulated or monitored by any governmental authority, or (iii) a basis for potential liability of Lessor to any governmental agency or third party under any applicable statute or common law theory. Hazardous Substances shall include, but not be limited to, hydrocarbons, petroleum, gasoline, and/or crude oil or any products, by-products or fractions thereof. Lessee shall not engage in any activity in or on the Premises which constitutes a Reportable Use of Hazardous Substances without the express prior written consent of Lessor and timely compliance (at Lessee's expense) with all Applicable Requirements. "Reportable Use" shall mean (i) the installation or use of any above or below ground storage tank, (ii) the generation, possession, storage, use, transportation, or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with, any governmental authority, and/or (iii) the presence at the Premises of a Hazardous Substance with respect to which any Applicable Requirements requires that a notice be given to persons entering or occupying the Premises or neighboring properties. Notwithstanding the foregoing, Lessee may use any ordinary and customary materials reasonably required to be used in the normal course of the Agreed Use, so long as such use is in compliance with all Applicable Requirements, is not a Reportable Use, and does not expose the Premises or neighboring property to any meaningful risk of contamination or damage or expose Lessor to any liability therefor. In addition, Lessor may condition its consent to any Reportable Use upon receiving such additional assurances as Lessor reasonably deems necessary to protect itself, the public, the Premises and/or the environment against damage, contamination, injury and/or liability, including, but not limited to, the installation (and removal on or before Lease expiration or termination) of protective modifications (such as concrete encasements) and/or increasing the Security Deposit.

(b) Duty to Inform Lessor. If Lessee knows, or has reasonable cause to believe, that a Hazardous Substance has come to be located in, on, under or about the Premises, other than as previously consented to by Lessor, Lessee

shall immediately give written notice of such fact to Lessor, and provide Lessor with a copy of any report, notice, claim or other documentation which it has concerning the presence of such Hazardous Substance.

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(c) Lessee Remediation. Lessee shall not cause or permit any Hazardous Substance to be spilled or released in, on, under, or about the Premises (including through the plumbing or sanitary sewer system) and shall promptly, at Lessee's expense, take all investigatory and/or remedial action reasonably recommended, whether or not formally ordered or required, for the cleanup of any contamination of, and for the maintenance, security and/or monitoring of the Premises or neighboring properties, that was caused or materially contributed to by Lessee, or pertaining to or involving any Hazardous Substance brought onto the Premises during the term of this Lease, by or for Lessee, or any third party.

(d) Lessee Indemnification. Lessee shall indemnify, defend and hold Lessor, its agents, employees, lenders and ground lessor, if any, harmless from and against any and all loss of rents and/or damages, liabilities, judgments, claims, expenses, penalties, and attorneys' and consultants' fees arising out of or involving any Hazardous Substance brought onto the Premises by or for Lessee, or any third party (provided, however, that Lessee shall have no liability under this Lease with respect to underground migration of any Hazardous Substance under the Premises from adjacent properties). Lessee's obligations shall include, but not be limited to, the effects of any contamination or injury to person, property or the environment created or suffered by Lessee, and the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease. No termination, cancellation or release agreement entered into by Lessor and Lessee shall release Lessee from its obligations under this Lease with respect to Hazardous Substances, unless specifically so agreed by Lessor in writing at the time of such agreement.

(e) Lessor Indemnification. Lessor and its successors and assigns shall indemnify, defend, reimburse and hold Lessee, its employees and lenders, harmless from and against any and all environmental damages, including Lessee's reasonable attorney's fees, costs of defense, the cost of remediation, which existed as a result of Hazardous Substances on the Premises prior to the Start Date or which are caused by the gross negligence or willful misconduct of Lessor, its agents or employees. Lessor's obligations, as and when required by the Applicable Requirements, shall include, but not be limited to, the cost of investigation, removal, remediation, restoration and/or abatement, and shall survive the expiration or termination of this Lease.

(f) Investigations and Remediations. Lessor shall retain the responsibility and pay for any investigations or remediation measures required by governmental entities having jurisdiction with respect to the existence of Hazardous Substances on the Premises prior to the Start Date, unless such remediation measure is required as a result of Lessee's use (including "Alterations, as defined in paragraph 7.3(a) below) of the Premises, in which event Lessee shall be responsible for such payment. Lessee shall cooperate fully in any such activities at the request of Lessor, including allowing Lessor and Lessor's agents to have reasonable access to the Premises at reasonable times in order to carry out Lessor's investigative and remedial responsibilities.

(g) Lessor Termination Option. If a Hazardous Substance Condition occurs during the term of this Lease, unless Lessee is legally responsible therefor (in which case Lessee shall make the investigation and remediation thereof required by the Applicable Requirements and this Lease shall continue in full force and effect, but subject to Lessor's rights under Paragraph 6.2(d) and Paragraph 13), Lessor may, at Lessor's option, either (i) investigate and remediate such Hazardous Substance Condition, if required, as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect, or (ii) if the estimated cost to remediate such condition exceeds twelve (12) times the then monthly Base Rent or \$100,000, whichever is greater, give

written notice to Lessee, within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such Hazardous Substance Condition, of Lessor's desire to terminate this Lease as of the date sixty (60) days following the date of such notice. In the event Lessor elects to give a termination notice, Lessee may, within ten (10) days thereafter, give written notice to Lessor of Lessee's commitment to pay the amount by which the cost of the remediation of such Hazardous Substance Condition exceeds an amount equal to twelve (12) times the then monthly Base Rent or \$100,000, whichever is greater. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within thirty (30) days following such commitment. In such event, this Lease shall continue in full force and effect, and Lessor shall proceed to make such remediation as soon as reasonably possible after the required funds are available. If Lessee does not give such notice and provide the required funds or assurance thereof within the time provided, this Lease shall terminate as of the date specified in Lessor's notice of termination.

6.3 Lessee's Compliance with Applicable Requirements. Except as otherwise provided in this Lease, Lessee shall, at Lessee's sole expense, fully, diligently and in a timely manner, materially comply with all Applicable Requirements, the requirements of any applicable fire insurance underwriter or rating bureau, and the recommendations of Lessor's engineers and/or consultants which relate in any manner to the Premises, without regard to whether said requirements are now in effect or become effective after the Start Date. Lessee shall, within ten (10) days after receipt of Lessor's written request, provide Lessor with copies of all permits and other documents, and other information evidencing Lessee's compliance with any Applicable Requirements specified by Lessor, and shall immediately upon receipt, notify Lessor in writing (with copies of any documents involved) of any threatened or actual claim, notice, citation, warning, complaint or report pertaining to or involving the failure of Lessee or the Premises to comply with any Applicable Requirements.

6.4 Inspection; Compliance. Lessor and Lessor's "Lender" (as defined in Paragraph 30 below) and consultants shall have the right to enter into Premises at any time, in the case of an emergency, and otherwise at reasonable times, for the purpose of inspecting the condition of the Premises and for verifying compliance by Lessee with this Lease. The cost of any such inspections shall be paid by Lessor, unless a violation of Applicable Requirements, or a contamination is found to exist or be imminent, or the inspection is requested or ordered by a governmental authority. In such case, Lessee shall upon request reimburse Lessor for the cost of such inspections, so long as such inspection is reasonably related to the violation or contamination.

7. Maintenance; Repairs, Utility Installations; Trade Fixtures and Alterations.

7.1 Lessee's Obligations.

(a) In General. Subject to the provisions of Paragraph 2.2 (Condition), 2.3 (Compliance), 6.3 (Lessee's Compliance with Applicable Requirements), 7.2 (Lessor's Obligations), 9 (Damage or Destruction), and 14 (Condemnation), Lessee shall, at Lessee's sole expense, keep the Premises, Utility Installations, and Alterations in good order, condition and repair (whether or not the portion of the Premises requiring repairs, or the means of repairing the same, are reasonably or readily accessible to Lessee, and whether or not the need for such repairs occurs as a result of Lessee's use, any prior use, the elements or the age of such portion of the Premises), including, but not limited to, all equipment or facilities, such as plumbing, heating, ventilating, air-conditioning, electrical, lighting facilities, boilers, pressure vessels, fire protection system, fixtures, walls (interior and exterior), foundations, ceilings, roofs, floors, windows, doors, plate glass, skylights, landscaping, driveways, parking lots, fences, retaining walls, signs, sidewalks and parkways located in, on, or adjacent to the Premises. Lessee, in keeping the Premises in good order, condition and repair, shall exercise and perform good maintenance practices, specifically including the procurement and maintenance of the service contracts required by Paragraph 7.1(b) below. Lessee's obligations shall include

restorations, replacements or renewals when necessary to keep the Premises and all improvements thereon or a part thereof in good order, condition and state of repair. Lessee shall, during the term of this Lease, keep the exterior appearance of the Building in a first-class condition consistent with the exterior appearance of other similar facilities of comparable age and size in the vicinity, including, painting the Building exterior if and upon exercise of the Option to extend by Lessee.

(b) Service Contracts. Not used.

(c) Replacement. Subject to Lessee's indemnification of Lessor as set forth in Paragraph 8.7 below, and without relieving Lessee of liability resulting from Lessee's failure to exercise and perform good maintenance practices, if the Basic Elements described in Paragraph 7.1(b) cannot be repaired other than at a cost which is in excess of 50% of the cost of replacing such Basic Elements, then such Basic Elements shall be replaced by Lessor, and the cost thereof shall be prorated between the Parties and Lessee shall only be obligated to pay, each month during the remainder of the term of this Lease, on the date on which Base Rent is due, an amount equal to the product of multiplying the cost of such replacement by a fraction, the numerator of which is one, and the denominator of which is the number of months of the useful life of such replacement as such useful life is specified pursuant to Federal income tax regulations or guidelines for depreciation thereof (including interest on the unamortized balance as is then commercially reasonable in the judgment of Lessor's accountants), with Lessee reserving the right to prepay its obligation at any time.

7.2 Lessor's Obligations. Subject to the provisions of Paragraphs 2.2 (Condition), 2.3 (Compliance), 9 (Damage or Destruction) and 14 (Condemnation), it is intended by the Parties hereto that Lessor have no obligation, in any manner whatsoever, to repair and maintain the Premises, or the equipment therein, all of which obligations are intended to be that of the Lessee. It is the intention of the Parties that the terms of this Lease govern the respective obligations of the Parties as to maintenance and repair of the Premises, and they expressly waive the benefit of any statute now or hereafter in effect to the extent it is inconsistent with the terms of this Lease.

7.3 Utility Installations; Trade Fixtures; Alterations.

(a) Definitions; Consent Required. The term "Utility Installations" refers to all floor and window coverings, air lines, power panels, electrical distribution, security and fire protection systems, communication systems, lighting fixtures, HVAC equipment, plumbing, and fencing in or on the Premises. The term "Trade Fixtures" shall mean Lessee's machinery and equipment that can be removed without doing material damage to the Premises. The term "Alterations" shall mean any modification of the improvements, other than Utility Installations or Trade Fixtures, whether by addition or deletion. "Lessee Owned Alterations and/or Utility Installations" are defined as Alterations and/or Utility Installations made by Lessee that are not yet owned by Lessor pursuant to Paragraph 7.4(a). Lessee shall not make any Alterations or Utility Installations to the Premises without Lessor's prior written consent. Lessee may, however, make non-structural Utility Installations to the interior of the Premises (excluding the roof) without such consent but upon notice to Lessor, as long as they are not visible from the outside, do not involve puncturing, relocating or removing the roof or any existing walls, and the cumulative cost thereof during this Lease as extended does not exceed \$100,000 in any one year.

(b) Consent. Any Alterations or Utility Installations that Lessee shall desire to make and which require the consent of the Lessor shall be presented to Lessor in written form with detailed plans. Consent shall be deemed conditioned upon Lessee's: (i) acquiring all applicable governmental permits, (ii) furnishing Lessor with copies of both the permits and the plans and specifications prior to commencement of the work, and (iii) compliance with all conditions of said permits and other Applicable Requirements in a prompt and expeditious manner. Any Alterations or Utility Installations shall be performed in a workmanlike manner with good and sufficient materials. Lessee shall promptly upon completion furnish Lessor with as-built plans and specifications. For work which costs an amount equal to the greater of one month's Base Rent, or

\$10,000, Lessor may condition its consent upon Lessee providing a lien and completion bond in an amount equal to one and one-half times the estimated cost of such Alteration or Utility Installation and/or upon Lessee's posting an additional Security Deposit with Lessor.

(c) Indemnification. Lessee shall pay, when due, all claims for labor or materials furnished or alleged to have been furnished to or for Lessee at or for use on the Premises, which claims are or may be secured by any mechanic's or materialmen's lien against the Premises or any interest therein. Lessee shall give Lessor not less than ten (10) days' notice prior to the commencement of any work in, on or about the Premises, and Lessor shall have the right to post notices of non-responsibility. If Lessee shall contest the validity of any such lien, claim or demand, then Lessee shall, at its sole expense defend and protect itself, Lessor and the Premises against the same and shall pay and satisfy any such adverse judgment that may be rendered thereon before the enforcement thereof. If Lessor shall require, Lessee shall furnish a surety bond in an amount equal to one and one-half times the amount

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of such contested lien, claim or demand, indemnifying Lessor against liability for the same. If Lessor elects to participate in any such action, Lessee shall pay Lessor's attorneys' fees and costs.

7.4 Ownership; Removal; Surrender; and Restoration.

(a) Ownership. Subject to Lessor's right to elect ownership as hereinafter provided, all Alterations and Utility Installations made by Lessee shall be the property of Lessee, but considered a part of the Premises. Lessor may, at any time, elect in writing to be the owner of all or any specified part of the Lessee Owned Alterations and Utility Installations. Unless otherwise instructed per Paragraph 7.4(b) hereof, all Lessee Owned Alterations and Utility Installations shall, at the expiration or termination of this Lease, become the property of Lessor and be surrendered by Lessee with the Premises.

(b) Removal. By delivery to Lessee of written notice from Lessor not earlier than ninety (90) and not later than thirty (30) days prior to the end of the term of this Lease, Lessor may require that any or all Lessee Owned Alterations or Utility Installations be removed by the expiration or termination of this Lease. Lessor may require the removal at any time of all or any part of any Lessee Owned Alterations or Utility Installations made without the required consent.

(c) Surrender/Restoration. Lessee shall surrender the Premises by the Expiration Date or any earlier termination date, with all of the improvements, parts and surfaces thereof broom clean and free of debris, and in good operating order, condition and state of repair, ordinary wear and tear excepted. "Ordinary wear and tear" shall not include any damage or deterioration that would have been prevented by good maintenance practice. Lessee shall repair any damage occasioned by the installation, maintenance or removal of Trade Fixtures, Lessee Owned Alternations and/or Utility Installations, furnishings, and equipment as well as the removal of any storage tank installed by or for Lessee, and the removal, replacement, or remediation of any soil, material or groundwater contaminated by Lessee. Trade Fixtures shall remain the property of Lessee and shall be removed by Lessee. The failure by Lessee to timely vacate the Premises pursuant to this Paragraph 7.4(c) without the express written consent of Lessor shall constitute a holdover under the provisions of Paragraph 26 below.

8. Insurance; Indemnity.

8.1 Payment For Insurance. Lessee shall pay for all insurance required under Paragraph 8 except to the extent of the cost attributable to liability insurance carried by Lessor under Paragraph 8.2(b) in excess of \$2,000,000 per occurrence. Premiums for policy periods commencing prior to or extending beyond the Lease term shall be prorated to correspond to the Lease term. Payment shall be made by Lessee to Lessor within ten (10) days following receipt of an

invoice.

8.2 Liability Insurance.

(a) Carried by Lessee. Lessee shall obtain and keep in force a Commercial General Liability Policy of Insurance protecting Lessee and Lessor against claims for bodily injury, personal injury and property damage based upon or arising out of the ownership, use, occupancy or maintenance of the Premises and all areas appurtenant thereto. Such insurance shall be on an occurrence basis providing single limit coverage in an amount not less than \$2,000,000 per occurrence with an "Additional Insured-Managers or Lessors of Premises Endorsement" and contain the "Amendment of the Pollution Exclusion Endorsement" for damage caused by heat, smoke or fumes from a hostile fire. The Policy shall not contain any intra-insured exclusions as between insured persons or organizations, but shall include coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity obligations under this Lease. The limits of said insurance shall not, however, limit the liability of Lessee nor relieve Lessee of any obligation hereunder. All insurance carried by Lessee shall be primary to and not contributory with any similar insurance carried by Lessor, whose insurance shall be considered excess insurance only.

(b) Carried by Lessor. Not used.

8.3 Property Insurance - Building, Improvements and Rental Value.

(a) Building and Improvements. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor, with loss payable to Lessor, any groundlessor, and to any Lender(s) insuring loss or damage to the Premises. The amount of such insurance shall be equal to the full replacement cost of the Premises, as the same shall exist from time to time, or the amount required by any Lenders, but in no event more than the commercially reasonable and available insurable value thereof. If Lessor is the Insuring Party, however, Lessee Owned Alterations and Utility Installations, Trade Fixtures, and Lessee's personal property shall be insured by Lessee under Paragraph 8.4 rather than by Lessor. If the coverage is available and commercially appropriate, such policy or policies shall insure against all risks of direct physical loss or damage (except the perils of flood and/or earthquake unless required by a Lender), including coverage for debris removal and the enforcement of any Applicable Requirements requiring the upgrading, demolition, reconstruction or replacement of any portion of the Premises as the result of a covered loss. Said policy or policies shall also contain an agreed valuation provision in lieu of any coinsurance clause, waiver of subrogation, and inflation guard protection causing an increase in the annual property insurance coverage amount by a factor of not less than the adjusted U.S. Department of Labor Consumer Price Index for All Urban Consumers for the city nearest to where the Premises are located. If such insurance coverage has a deductible clause, the deductible amount shall not exceed \$1,000 per occurrence, and Lessee shall be liable for such deductible amount in the event of an Insured Loss.

(b) Rental Value. The Insuring Party shall obtain and keep in force a policy or policies in the name of Lessor with loss payable to Lessor and any Lender, insuring the loss of the full Rent for one (1) year. Said insurance shall provide that in the event the Lease is terminated by reason of an insured loss, the period of indemnity for such coverage shall be extended beyond the date of the completion of repairs or replacement of the Premises, to provide for one full year's loss of Rent from the date of any such loss. Said insurance shall contain an agreed valuation provision in lieu of any coinsurance clause, and the amount of coverage shall be adjusted annually to reflect the projected Rent otherwise payable by Lessee, for the next twelve (12) month period. Lessee shall be liable for any deductible amount in the event of such loss.

(c) Adjacent Premises. If the Premises are part of a larger building, or of a group of buildings owned by Lessor which are adjacent to the Premises, the

Lessee shall pay for any increase in the premiums for the property insurance of such building or buildings if said increase is caused by Lessee's acts, omissions, use or occupancy of the Premises.

8.4 Lessee's Property/Business Interruption Insurance.

(a) Property Damage. Lessee shall obtain and maintain insurance coverage on all of Lessee's personal property, Trade Fixtures, and Lessee Owned Alterations and Utility Installations. Such insurance shall be full replacement cost coverage with a deductible of not to exceed \$1,000 per occurrence. The proceeds from any such insurance shall be used by Lessee for the replacement of personal property, Trade Fixtures and Lessee Owned Alterations and Utility Installations. Lessee shall provide Lessor with written evidence that such insurance is in force.

(b) Business Interruption. Lessee shall obtain and maintain loss of income and extra expense insurance in amounts as will reimburse Lessee for direct or indirect loss of earnings attributable to all perils commonly insured against by prudent lessees in the business of Lessee or attributable to prevention of access to the Premises as a result of such perils.

(c) No Representation of Adequate Coverage. Lessor makes no representation that the limits or forms of coverage of insurance specified herein are adequate to cover Lessee's property, business operations or obligations under this Lease.

8.5 Insurance Policies. Insurance required herein shall be by companies duly licensed or admitted to transact business in the state where the Premises are located, and maintaining during the policy term a "General Policyholders Rating" of at least B+, V, as set forth in the most current issue of "Best's Insurance Guide", or such other rating as may be required by a Lender. Lessee shall not do or permit to be done anything which invalidates the required insurance policies. Lessee shall, prior to the Start Date, deliver to Lessor certified copies of policies of such insurance or certificates evidencing the existence and amounts of the required insurance. No such policy shall be cancelable or subject to modification except after thirty (30) days prior written notice to Lessor. Lessee shall, at least thirty (30) days prior to the expiration of such policies, furnish Lessor with evidence of renewals or "insurance binders" evidencing renewal thereof, or Lessor may order such insurance and charge the cost thereof to Lessee, which amount shall be payable by Lessee to Lessor upon demand. Such policies shall be for a term of at least one year, or the length of the remaining term of this Lease, whichever is less. If either Party shall fail to procure and maintain the insurance required to be carried by it, the other Party may, but shall not be required to, procure and maintain the same.

8.6 Waiver of Subrogation. Without affecting any other rights or remedies, Lessee and Lessor each hereby release and relieve the other, and waive their entire right to recover damages against the other, for loss of or damage to its property arising out of or incident to the perils required to be insured against herein. The effect of such releases and waivers is not limited by the amount of insurance carried or required, or by any deductibles applicable hereto. The Parties agree to have their respective property damage insurance carriers waive any right to subrogation that such companies may have against Lessor or Lessee, as the case may be, so long as the insurance is not invalidated thereby.

8.7 Indemnity. Except for Lessor's gross negligence or willful misconduct, Lessee shall indemnify, protect, defend and hold harmless the Premises, Lessor and its agents, Lessor's master or ground lessor, partners and Lenders, from and against any and all claims, loss of rents and/or damages, liens, judgments, penalties, attorneys' and consultants' fees, expenses and/or liabilities arising out of, involving, or in connection with, the use and/or occupancy of the Premises by Lessee. If any action or proceeding is brought against Lessor by reason of any of the foregoing matters, Lessee shall upon notice defend the same at Lessee's expense by counsel reasonably satisfactory to Lessor and Lessor shall cooperate with Lessee in such defense. Lessor need not have first paid any such claim in order to be defended or indemnified.

8.8 Exemption of Lessor from Liability. Lessor shall not be liable for

injury or damage to the person or goods, wares, merchandise or other property of Lessee, Lessee's employees, contractors, invitees, customers, or any other person in or about the Premises, whether such damage or injury is caused by or results from fire, steam, electricity, gas, water or rain, or from the breakage, leakage, obstruction or other defects of pipes, fire sprinklers, wires, appliances, plumbing, HVAC or lighting fixtures, or from any other cause, whether the said injury or damage results from conditions arising upon the Premises or upon other portions of the Building of which the Premises are a part or from other sources or places. Lessor shall not be liable for any damages arising from any act or neglect of any other tenant of Lessor. Notwithstanding Lessor's negligence or breach of this Lease, Lessor shall under no circumstances be liable for injury to Lessee's business or for any loss of income or profit therefrom.

9. Damage or Destruction.

9.1 Definitions

(a) "Premises Partial Damage" shall mean damage or destruction to the improvements on the Premises, other than Lessee Owned Alternations and Utility Installations, which Lessor certifies in writing to Lessee can reasonably be repaired in the Applicable Period (defined below) or less. Lessor shall notify Lessee in writing within thirty (30) days from the date of the damage or destruction as to whether or not the damage is Partial or Total. If Lessor does not so certify, or if the repairs are not substantially completed within the Applicable Period, then Lessee may terminate this Lease.

(b) "Premises Total Destruction" shall mean damage or destruction to the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which cannot reasonably be repaired in the Applicable Period or less. Lessor shall notify Lessee in writing within 30 days from the date of the damage or destruction as to whether or not the damage is Partial or Total.

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(c) "Insured Loss" shall mean damage or destruction to improvements on the Premises, other than Lessee Owned Alterations and Utility Installations and Trade Fixtures, which was caused by an event required to be covered by the insurance described in Paragraph 8.3(a), irrespective of any deductible amounts or coverage limits involved.

(d) "Replacement Cost" shall mean the cost to repair or rebuild the improvements owned by Lessor at the time of the occurrence to their condition existing immediately prior thereto, including demolition, debris removal and upgrading required by the operation of Applicable Requirements, and without deduction for depreciation.

(e) "Hazardous Substance Condition" shall mean the occurrence or discovery of a condition involving the presence of, or a contamination by, a Hazardous Substance as defined in Paragraph 6.2(a), in, on, or under the Premises.

(f) See Addendum 66 for the definition of "Applicable Period".

9.2 Partial Damage - Insured Loss. If a Premises Partial Damage that is an Insured Loss occurs, then Lessor shall exert commercially reasonable efforts to, at Lessor's expense, repair such damage (but not Lessee's Trade Fixtures or Lessee Owned Alterations and Utility Installations) as soon as reasonably possible and this Lease shall continue in full force and effect; provided, however, that Lessee shall, at Lessor's election, make the repair of any damage or destruction the total cost to repair of which is \$10,000 or less, and, in such event, Lessor shall make any applicable insurance proceeds available to Lessee on a reasonable basis for that purpose. Notwithstanding the foregoing, if the required insurance was not in force or the insurance proceeds are not sufficient to effect such repair, the Insuring Party shall promptly contribute the shortage in proceeds (except as to the deductible which is Lessee's responsibility) as and when required to complete said repairs. In the event,

however, such shortage was due to the fact that, by reason of the unique nature of the improvements, full replacement cost insurance coverage was not commercially reasonable and available, Lessor shall have no obligation to pay for the shortage in insurance proceeds or to fully restore the unique aspects of the Premises unless Lessee provides Lessor with the funds to cover same, or adequate assurance thereof, within ten (10) days following receipt of written notice of such shortage and request therefor. If Lessor receives said funds or adequate assurance thereof within said ten (10) day period, the party responsible for making the repairs shall complete them as soon as reasonably possible and this Lease shall remain in full force and effect (subject to Lessee's right to terminate the Lease if repairs are not substantially completed within the Applicable Period). If such funds or assurance are not received, Lessor may nevertheless elect by written notice to Lessee within ten (10) days thereafter to: (i) make such restoration and repair as is commercially reasonable with Lessor paying any shortage in proceeds, in which case this Lease shall remain in full force and effect, or have this Lease terminate thirty (30) days thereafter. Lessee shall not be entitled to reimbursement of any funds contributed by Lessee to repair any such damage or destruction. Premises Partial Damage due to flood or earthquake shall be subject to Paragraph 9.3, notwithstanding that there may be some insurance coverage, but the net proceeds of any such insurance shall be made available for the repairs if made by either Party.

9.3 Partial Damage - Uninsured Lose. If a Premises Partial Damage that is not an Insured Loss occurs, unless caused by a negligent or willful act of Lessee (in which event Lessee shall make the repairs at Lessee's expense), Lessor may either: (i) repair such damage as soon as reasonably possible at Lessor's expense, in which event this Lease shall continue in full force and effect (subject to Lessee's right to terminate the Lease if repairs are not substantially completed within the Applicable Period), or (ii) terminate this Lease by giving written notice to Lessee within thirty (30) days after receipt by Lessor of knowledge of the occurrence of such damage. Such termination shall be effective sixty (60) days following the date of such notice. In the event Lessor elects to terminate this Lease, Lessee shall have the right within ten (10) days after receipt of the termination notice to give written notice to Lessor of Lessee's commitment to pay for the repair of such damage without reimbursement from Lessor. Lessee shall provide Lessor with said funds or satisfactory assurance thereof within thirty (30) days after making such commitment. In such event this Lease shall continue in full force and effect, and Lessor shall proceed to make such repairs as soon as reasonably possible after the required funds are available. If Lessee does not make the required commitment, this Lease shall terminate as of the date specified in the termination notice.

9.4 Total Destruction. Notwithstanding any other provision hereof, if a Premises Total Destruction occurs, this Lease shall (at the election of either party) terminate as of the date of such Destruction. If the damage or destruction was caused by the gross negligence or willful misconduct of Lessee, Lessor shall have the right to recover Lessor's damages from Lessee, except as provided in Paragraph 8.6.

9.5 Damage Near End of Term. If at any time during the last six (6) months of this Lease there is damage for which the cost to repair exceeds one (1) month's Base Rent, whether or not an Insured Loss, Lessor may terminate this Lease effective sixty (60) days following the date of occurrence of such damage by giving a written termination notice to Lessee within thirty (30) days after the date of occurrence of such damage. Notwithstanding the foregoing, if Lessee at that time has an exercisable option to extend this Lease or to purchase the Premises, then Lessee may preserve this Lease by, (a) exercising such option and (b) providing Lessor with any shortage in insurance proceeds (or adequate assurance thereof) needed to make the repairs on or before the earlier of (i) the date which is ten days after Lessee's receipt of Lessor's written notice purporting to terminate this Lease, or (ii) the day prior to the date upon which such option expires. If Lessee duly exercises such option during such period and provides Lessor with funds (or adequate assurance thereof) to cover any shortage in insurance proceeds, Lessor shall, at Lessor's commercially reasonable expense, repair such damage as soon as reasonably possible and this Lease shall continue in full force and effect. If Lessee fails to exercise such option and

provide such funds or assurance during such period, then this Lease shall terminate on the date specified in the termination notice and Lessee's option shall be extinguished.

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9.6 Abatement of Rent; Lessee's Remedies.

(a) Abatement. In the event of Premises Partial Damage or Premises Total Destruction or a Hazardous Substance Condition for which Lessee is not responsible under this Lease, the Rent payable by Lessee for the period required for the repair, remediation or restoration of such damage shall be abated in proportion to the degree to which Lessee's use of the Premises is impaired, but not to exceed the proceeds received from the Rental Value insurance. All other obligations of Lessee hereunder shall be performed by Lessee, and Lessor shall have no liability for any such damage, destruction, remediation, repair or restoration except as provided herein.

(b) Remedies. If Lessor shall be obligated to repair or restore the Premises and does not commence, in a substantial and meaningful way, such repair or restoration within ninety (90) days after such obligation shall accrue, Lessee may, at any time prior to the commencement of such repair or restoration, give written notice to Lessor and to any Lenders of which Lessee has actual notice, of Lessee's election to terminate this Lease on a date not less than sixty (60) days following the giving of such notice. If Lessee gives such notice and such repair or restoration is not commenced within thirty (30) days thereafter, this Lease shall terminate as of the date specified in said notice. If the repair or restoration is commenced within said thirty (30) days, this Lease shall continue in full force and effect. "Commence" shall mean either the unconditional authorization of the preparation of the required plans, or the beginning of the actual work on the Premises, whichever first occurs.

9.7 Termination-Advance Payments. Upon termination of this Lease pursuant to Paragraph 6.2(g) or Paragraph 9, an equitable adjustment shall be made concerning advance Base Rent and any other advance payments made by Lessee to Lessor. Lessor shall, in addition, return to Lessee so much of Lessee's Security Deposit as has not been, or is not then required to be, used by Lessor.

9.8 Waive Statutes. Lessor and Lessee agree that the terms of this Lease shall govern the effect of any damage to or destruction of the Premises with respect to the termination of this Lease and hereby waive the provisions of any present or future statute to the extent inconsistent herewith.

10. Real Property Taxes.

10.1 Definition of "Real Property Taxes." As used herein, the term "Real Property Taxes" shall include any form of assessment; real estate, general, special, ordinary or extraordinary, or rent levy or tax (other than inheritance, personal income or estate taxes); improvement bond; and/or license fee imposed upon or levied against any legal or equitable interest of Lessor in the Premises, Lessor's right to other income therefrom, and/or Lessor's business of leasing, by any authority having the direct or indirect power to tax and where the funds are generated with reference to the Building address and where the proceeds so generated are to be applied by the city, county or other local taxing authority of a jurisdiction within which the Premises are located. The term "Real Property Taxes" shall also include any tax, fee, levy, assessment or charge, or any increase therein, imposed by reason of events occurring during the term of this Lease, including but not limited to, a change in the ownership of the Premises.

10.2

(a) Payment of Taxes. Lessee shall pay the Real Property Taxes applicable to the Premises during the term of this Lease. Subject to Paragraph 10.2(b), all such payments shall be made at least ten (10) days prior to any delinquency date. Lessee shall promptly furnish Lessor with satisfactory evidence that such

taxes have been paid. If any such taxes shall cover any period of time prior to or after the expiration or termination of this Lease, Lessee's share of such taxes shall be prorated to cover only that portion of the tax bill applicable to the period that this Lease is in effect, and Lessor shall reimburse Lessee for any overpayment. If Lessee shall fail to pay any required Real Property Taxes, Lessor shall have the right to pay the same, and Lessee shall reimburse Lessor therefor upon demand.

(b) Advance Payment. In the event Lessee incurs a late charge on any Rent payment, Lessor may, at Lessor's option, estimate the current Real Property Taxes, and require that such taxes be paid in advance to Lessor by Lessee, either: (i) in a lump sum amount equal to the installment due, at least twenty (20) days prior to the applicable delinquency date, or (ii) monthly in advance with the payment of the Base Rent. If Lessor elects to require payment monthly in advance, the monthly payment shall be an amount equal to the amount of the estimated installment of taxes divided by the number of months remaining before the month in which said installment becomes delinquent. When the actual amount of the applicable tax bill is known, the amount of such equal monthly advance payments shall be adjusted as required to provide the funds needed to pay the applicable taxes. If the amount collected by Lessor is insufficient to pay such Real Property Taxes when due, Lessee shall pay Lessor, upon demand, such additional sums as are necessary to pay such obligations. All moneys paid to Lessor under this Paragraph may be intermingled with other moneys of Lessor and shall not bear interest. In the event of a Breach by Lessee in the performance of its obligations under this Lease, then any balance of funds paid to Lessor under the provisions of this Paragraph may at the option of Lessor, be treated as an additional Security Deposit.

10.3 Joint Assessment. If the Premises are not separately assessed, Lessee's liability shall be an equitable proportion of the Real Property Taxes for all of the land and improvements included within the tax parcel assessed, such proportion to be conclusively determined by Lessor from the respective valuations assigned in the assessor's work sheets or such other information as may be reasonably available.

10.4 Personal Property Taxes. Lessee shall pay, prior to delinquency, all taxes assessed against and levied upon Lessee Owned Alterations, Utility Installations, Trade Fixtures, furnishings, equipment and all personal property of Lessee. When possible, Lessee shall cause such property to be assessed and billed separately from the real property of Lessor. If any of Lessee's said personal property shall be assessed with Lessor's real property, Lessee shall pay Lessor the taxes attributable to Lessee's property within ten (10) days after receipt of a written statement.

11. Utilities. Lessee shall pay for all water, gas, heat, light, power, telephone, trash disposal and other utilities and services supplied to the Premises, together with any taxes thereon. If any such services are not separately

metered to Lessee, Lessee shall pay a reasonable proportion, to be determined by Lessor, of all charges jointly metered.

12. Assignment and Subletting.

12.1 Lessor's Consent Required.

(a) Lessee shall not voluntarily or by operation of law assign, transfer, mortgage or encumber (collectively, "assign or assignment") or sublet all or any part of Lessee's interest in this Lease or in the Premises without Lessor's prior written consent.

(b) A change in the control of Lessee shall constitute an assignment requiring consent. The transfer, on a cumulative basis, of twenty-five percent (25%) or more of the voting control of Lessee shall constitute a change in

control for this purpose.

(c) The involvement of Lessee or its assets in any transaction, or series of transactions (by way of merger, sale, acquisition, financing, transfer, leveraged buy-out or otherwise), lease or not a formal assignment or hypothecation of this Lease or Lessee's assets occurs, which results or will result in a reduction of the Net Worth of Lessee by an amount greater than twenty-five percent (25%) of such Net Worth as it was represented at the time of the execution of this Lease or at the time of the most recent assignment to which Lessor has consented, or as it exists immediately prior to said transaction or transactions constituting such reduction, whichever was or is greater, shall be considered an assignment of this Lease to which Lessor may withhold its consent. "Net Worth of Lessee" shall mean the net worth of Lessee (excluding any guarantors) established under generally accepted accounting principles.

(d) An assignment or subletting without consent shall, at Lessor's option, be a Default curable after notice per Paragraph 13.1(c), or a noncurable Breach without the necessity of any notice and grace period. If Lessor elects to treat such unapproved assignment or subletting as a noncurable Breach, Lessor may either: (i) terminate this Lease, or (ii) upon thirty (30) days written notice, increase the monthly Base Rent to one hundred ten percent (110%) of the Base Rent then in effect. Further, in the event of such Breach and rental adjustment, (i) the purchase price of any option to purchase the Premises held by Lessee shall be subject to similar adjustment to one hundred ten percent (110%) of the price previously in effect, and (ii) all fixed and non-fixed rental adjustments scheduled during the remainder of the Lease term shall be increased to One Hundred Ten Percent (110%) of the scheduled adjusted rent.

(e) Lessee's remedy for any breach of Paragraph 12.1 by Lessor shall be limited to compensatory damages and/or injunctive relief.

12.2 Terms and Conditions Applicable to Assignment and Subletting.

(a) Regardless of Lessor's consent, any assignment or subletting shall not: (i) be effective without the express written assumption by such assignee or subleases of the obligations of Lessee under this Lease, (ii) release Lessee of any obligations hereunder, or (iii) alter the primary liability of Lessee for the payment of Rent or for the performance of any other obligations to be performed by Lessee.

(b) Lessor may accept Rent or performance of Lessee's obligations from any person other than Lessee pending approval or disapproval of an assignment. Neither a delay in the approval or disapproval of such assignment nor the acceptance of Rent or performance shall constitute a waiver or estoppel of Lessor's right to exercise its remedies for Lessee's Default or Breach.

(c) Lessor's consent to any assignment or subletting shall not constitute a consent to any subsequent assignment or subletting.

(d) In the event of any Default or Breach by Lessee, Lessor may proceed directly against Lessee, any Guarantors or anyone else responsible for the performance of Lessee's obligations under this Lease, including any assignee or sublessee, without first exhausting Lessor's remedies against any other person or entity responsible therefore to Lessor, or any security held by Lessor.

(e) Each request for consent to an assignment or subletting shall be in writing, accompanied by information relevant to Lessor's determination as to the financial and operational responsibility and appropriateness of the proposed assignee or sublessee, including but not limited to the intended use and/or required modification of the Premises, if any, together with a fee of \$1,000 or ten percent (10%) of the current monthly Base Rent applicable to the portion of the Premises which is the subject of the proposed assignment or sublease, whichever is greater, as consideration for Lessor's considering and processing said request. Lessee agrees to provide Lessor with such other or additional information and/or documentation as may be reasonably requested.

(f) Any assignee of, or sublessee under, this Lease shall, by reason of

accepting such assignment or entering into such sublease, be deemed to have assumed and agreed to conform and comply with each and every term covenant, condition and obligation herein to be observed or performed by Lessee during the term of said assignment or sublease, other than such obligations as are contrary to or inconsistent with provisions of an assignment or sublease to which Lessor has specifically consented to in writing.

12.3 Additional Terms and Conditions Applicable to Subletting. The following terms and conditions shall apply to any subletting by Lessee of all or any part of the Premises and shall be deemed included in all subleases under this Lease whether or not expressly incorporated therein:

(a) Lessee hereby assigns and transfers to Lessor all of Lessee's interest in all Rent payable on any sublease, and Lessor may collect such Rent and apply same toward Lessee's obligations under this Lease; provided, however that until a Breach shall occur in the performance of Lessee's obligations, Lessee may collect said Rent. Lessor shall not, by reason of the foregoing or any assignment of such sublease, nor by reason of the collection of Rent, be deemed liable to the sublessee for any failure of Lessee to perform and comply with any of Lessee's obligations to such sublessee. Lessee hereby irrevocably authorizes and directs any such sublessee, upon receipt of a written notice from Lessor stating that a Breach exists in the performance of Lessee's obligations under this Lease, to pay to Lessor all Rent due and to become due under the sublease. Sublessee shall rely upon any such

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notice from Lessor and shall pay all Rents to Lessor without any obligation or right to inquire as to whether such Breach exists, notwithstanding any claim from Lessee to the contrary.

(b) In the event of a Breach by Lessee, Lessor may, at its option, require sublessee to attorn to Lessor, in which event Lessor shall undertake the obligations of the sublessor under such sublease from the time of the exercise of said option to the expiration of such sublease; provided, however, Lessor shall not be liable for any prepaid rents or security deposit paid by such sublessee to such sublessor or for any prior Defaults or Breaches of such sublessor.

(c) Any matter requiring the consent of the sublessor under a sublease shall also require the consent of Lessor.

(d) No sublessee shall further assign or sublet all or any part of the Premises without Lessor's prior written consent.

(e) Lessor shall deliver a copy of any notice of Default or Breach by Lessee to the sublessee, who shall have the right to cure the Default of Lessee within the grace period, if any, specified in such notice. The sublessee shall have a right of reimbursement and offset from and against Lessee for any such Defaults cured by the sublessee.

13. Default; Breach; Remedies.

13.1 Default; Breach. A "Default" is defined as a failure by the Lessee to comply with or perform any of the terms, covenants, conditions or rules under this Lease. A "Breach" is defined as the occurrence of one or more of the following Defaults, and the failure of Lessee to cure such Default within any applicable grace period:

(a) The abandonment of the Premises; or the vacating of the Premises without providing a commercially reasonable level of security, or where the coverage of the property insurance described in Paragraph 8.3 is jeopardized as a result thereof, or without providing reasonable assurances to minimize potential vandalism.

(b) The failure of Lessee to make any payment of Rent or any Security

Deposit required to be made by Lessee hereunder, whether to Lessor or to a third party, when due, to provide reasonable evidence of insurance or surety bond, or to fulfill any obligation under this Lease which endangers or threatens life or property, where such failure continues for a period of five (5) business days following written notice to Lessee.

(c) The failure by Lessee to provide (i) reasonable written evidence of compliance with Applicable Requirements, (ii) the service contracts, (iii) the rescission of an unauthorized assignment or subletting, (iv) a Tenancy Statement, (v) a requested subordination, (vi) evidence concerning any guaranty and/or Guarantor, (vii) any document requested under Paragraph 42 (easements), or (viii) any other documentation or information which Lessor may reasonably require of Lessee under the terms of this Lease, where any such failure continues for a period of fifteen (15) days following written notice to Lessee.

(d) A Default by Lessee as to the terms, covenants, conditions or provisions of this Lease, or of the rules adopted under Paragraph 40 hereof, other than those described in subparagraphs 13.1 (a), (b) or (c), above, where such Default continues for a period of thirty (30) days after written notice; provided, however, that if the nature of Lessee's Default is such that more than thirty (30) days are reasonably required for its cure, then it shall not be deemed to be a Breach if Lessee commences such cure within said thirty (30) day period and thereafter diligently prosecutes such cure to completion.

(e) The occurrence of any of the following events: (i) the making of any general arrangement or assignment for the benefit of creditors; (ii) becoming a "debtor" as defined in 11 U.S.C. ss. 101 or any successor statute thereto (unless, in the case of a petition filed against Lessee, the same is dismissed within sixty (60) days); (iii) the appointment of a trustee or receiver to take possession of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where possession is not restored to Lessee within thirty (30) days; or (iv) the attachment, execution or other judicial seizure of substantially all of Lessee's assets located at the Premises or of Lessee's interest in this Lease, where such seizure is not discharged within thirty (30) days; provided, however, in the event that any provision of this subparagraph (e) is contrary to any applicable law, such provision shall be of no force or effect, and not affect the validity of the remaining provisions.

(f) The discovery that any financial statement of Lessee or of any Guarantor given to Lessor was materially false.

(g) If the performance of Lessee's obligations under this Lease is guaranteed: (i) the death of a Guarantor, (ii) the termination of a Guarantor's liability with respect to this Lease other than in accordance with the terms of such guaranty, (iii) a Guarantor's becoming insolvent or the subject of a bankruptcy filing, (iv) a Guarantor's refusal to honor the guaranty, or (v) a Guarantor's breach of its guaranty obligation on an anticipatory basis, and Lessee's failure, within sixty (60) days following written notice of any such event, to provide written alternative assurance or security, which, when coupled with the then existing resources of Lessee, equals or exceeds the combined financial resources of Lessee and the Guarantors that existed at the time of execution of this Lease.

13.2 Remedies. If Lessee fails to perform any of its affirmative duties or obligations, within ten (10) days after written notice (or in case of an emergency, without notice), Lessor may, at its option, perform such duty or obligation on Lessee's behalf, including but not limited to the obtaining of reasonably required bonds, insurance policies, or governmental licenses, permits or approvals. The costs and expenses of any such performance by Lessor shall be due and payable by Lessee upon receipt of invoice therefor. If any check given to Lessor by Lessee shall not be honored by the bank upon which it is drawn, Lessor, at its option, may require all future payments to be made by Lessee to be by cashier's check. In the event of a Breach, Lessor may, with or without further notice or demand, and without limiting Lessor in the exercise of any right or remedy which Lessor may have by reason of such Breach:

(a) Terminate Lessee's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Lessee shall immediately

surrender possession to Lessor. In such event Lessor shall be entitled to recover from Lessee: (i) the unpaid Rent which had been earned at the time of termination; (ii) the worth at the time of award of the amount by which the unpaid rent which would have been earned after termination until the time

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of award exceeds the amount of such rental loss that the Lessee proves could have been reasonably avoided; (iii) the worth at the time of award of the amount by which the unpaid rent for the balance of the term after the time of award exceeds the amount of such rental loss that the Lessee proves could be reasonably avoided; and (iv) any other amount necessary to compensate Lessor for all the detriment proximately caused by the Lessee's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, including but not limited to the cost of recovering possession of the Premises, expenses of reletting, including necessary renovation and alteration of the Premises, reasonable attorneys' fees, and that portion of any leasing commission paid by Lessor in connection with this Lease applicable to the unexpired term of this Lease. The worth at the time of award of the amount referred to in provision (iii) of the immediately preceding sentence shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of the District within which the Premises are located at the time of award plus one percent (1%). Efforts by Lessor to mitigate damages caused by Lessee's Breach of this Lease shall not waive Lessor's right to recover damages under Paragraph 12. If termination of this Lease is obtained through the provisional remedy of unlawful detainer, Lessor shall have the right to recover in such proceeding any unpaid Rent and damages as are recoverable therein, or Lessor may reserve the right to recover all or any part thereof in a separate suit. If a notice and grace period required under Paragraph 13.1 was not previously given, a notice to pay rent or quit, or to perform or quit given to Lessee under the unlawful detainer statute shall also constitute the notice required by Paragraph 13.1. In such case, the applicable grace period required by Paragraph 13.1 and the unlawful detainer statute shall run concurrently, and the failure of Lessee to cure the Default within the greater of the two such grace periods shall constitute both an unlawful detainer and a Breach of this Lease entitling Lessor to the remedies provided for in this Lease and/or by said statute.

(b) Continue the Lease and Lessee's right to possession and recover the Rent as it becomes due, in which event Lessee may sublet or assign, subject only to reasonable limitations. Acts of maintenance, efforts to relet, and/or the appointment of a receiver to protect the Lessor's interests, shall not constitute a termination of the Lessee's right to possession.

(c) Pursue any other remedy now or hereafter available under the laws or judicial decisions of the state wherein the Premises are located. The expiration or termination of this Lease and/or termination of Lessee's right to possession shall not relieve Lessee from liability under any indemnity provisions of this Lease as to matters occurring or accruing during the term hereof or by reason of Lessee's occupancy of the Premises.

13.3 Inducement Recapture. Any agreement for free or abated rent or other charges, or for the giving or paying by Lessor to or for Lessee of any cash or other bonus, inducement or consideration for Lessee's entering into this Lease, all of which concessions are hereinafter referred to as "Inducement Provisions" shall be deemed conditioned upon Lessee's full and faithful performance of all of the terms, covenants and conditions of this Lease. Upon Breach of this Lease by Lessee, any such Inducement Provision shall automatically be deemed deleted from this Lease and of no further force or effect, and any rent, other charge, bonus, inducement or consideration theretofore abated, given or paid by Lessor under such an Inducement Provision shall be immediately due and payable by Lessee to Lessor, notwithstanding any subsequent cure of said Breach by Lessee. The acceptance by Lessor of rent or the cure of the Breach which initiated the operation of this paragraph shall not be deemed a waiver by Lessor of the provisions of this paragraph unless specifically so stated in writing by Lessor at the time of such acceptance.

13.4 Late Charges. Lessee hereby acknowledges that late payment by Lessee of Rent will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges, and late charges which may be imposed upon Lessor by any Lender. Accordingly, if any Rent shall not be received by Lessor within ten (10) days after such amount shall be due, then, without any requirement for notice to Lessee, Lessee shall pay to Lessor a one-time late charge equal to five percent (5%) of each such overdue amount. The parties hereby agree that such late charge represents a fair and reasonable estimate of the costs Lessor will incur by reason of such late payment. Acceptance of such late charge by Lessor shall in no event constitute a waiver of Lessee's Default or Breach with respect to such overdue amount, nor prevent the exercise of any of the other rights and remedies granted hereunder. In the event that a late charge is payable hereunder, whether or not collected, for three (3) consecutive installments of Base Rent, then notwithstanding any provision of this Lease to the contrary, Base Rent shall, at Lessor's option, become due and payable quarterly in advance.

13.5 Interest. Any monetary payment due Lessor hereunder, other than late charges, not received by Lessor, when due as to scheduled payments (such as Base Rent) or within thirty (30) days following the date on which it was due for non-scheduled payment, shall bear interest from the date when due, as to scheduled payments, or the thirty-first (31st) day after it was due as to non-scheduled payments. The interest ("Interest") charged shall be equal to the prime rate reported in the Wall Street Journal as published closest prior to the date when due plus four percent (4%), but shall not exceed the maximum rate allowed by law. Interest is payable in addition to the potential late charge provided for in Paragraph 13.4.

13.6 Breach by Lessor.

(a) Notice of Breach. Lessor shall not be deemed in breach of this Lease unless Lessor fails within a reasonable time to perform an obligation required to be performed by Lessor. For purposes of this Paragraph, a reasonable time shall in no event be less than thirty (30) days after receipt by Lessor, and any Lender whose name and address shall have been furnished Lessee in writing for such purpose, of written notice specifying wherein such obligation of Lessor has not been performed; provided, however, that if the nature of Lessor's obligation is such that more than thirty (30) days are reasonably required for its performance, then Lessor shall not be in breach if performance is commenced within such thirty (30) day period and thereafter diligently pursued to completion.

(b) Performance by Lessee on Behalf of Lessor. In the event that neither Lessor nor Lender cures said breach within thirty (30) days after receipt of said notice, or if having commenced said cure they do not diligently pursue it to completion, then Lessee may elect to cure said breach at Lessee's expense and offset from

Rent an amount equal to the greater of one month's Base Rent or the Security Deposit, and to pay an excess of such expense under protest, reserving Lessee's right to reimbursement from Lessor. Lessee shall document the cost of said cure and supply said documentation to Lessor.

14. Condemnation. If the Premises or any portion thereof are taken under the power of eminent domain or sold under the threat of the exercise of said power (collectively "Condemnation"), this Lease shall terminate as to the part taken as of the date the condemning authority takes title or possession, whichever first occurs. If more than ten percent (10%) of any building portion of the premises, or more than twenty-five percent (25%) of the land area portion of the premises not occupied by any building, is taken by Condemnation, Lessee may, at Lessee's option, to be exercised in writing within ten (10) days after Lessor shall have given Lessee written notice of such taking (or in the absence of such

notice, within ten (10) days after the condemning authority shall have taken possession) terminate this Lease as of the date the condemning authority takes such possession. If Lessee does not terminate this Lease in accordance with the foregoing, this Lease shall remain in full force and effect as to the portion of the Premises remaining, except that the Base Rent shall be reduced in proportion to the reduction in utility of the Premises caused by such Condemnation. Condemnation awards and/or payments shall be the property of Lessor, whether such award shall be made as compensation for diminution in value of the leasehold, the value of the part taken, or for severance damages; provided, however, that Lessee shall be entitled to any compensation for Lessee's relocation expenses, loss of business goodwill and/or Trade Fixtures, without regard to whether or not this Lease is terminated pursuant to the provisions of this Paragraph. All Alterations and Utility Installations made to the Premises by Lessee, for purposes of Condemnation only, shall be considered the property of the Lessee and Lessee shall be entitled to any and all compensation which is payable therefor. In the event that this Lease is not terminated by reason of the Condemnation, Lessor shall repair any damage to the Premises caused by such Condemnation.

15. Brokers' Fee.

15.1 Additional Commission. Not used.

15.2 Assumption of Obligations. Not used.

15.3 Representations and Indemnities of Broker Relationships. Lessee and Lessor each represent and warrant to the other that it has had no dealings with any person, firm, broker or finder (other than the Brokers, if any) in connection with this Lease, and that no one other than said named Brokers is entitled to any commission or finder's fee in connection herewith. Lessee and Lessor do each hereby agree to indemnify, protect, defend and hold the other harmless from and against liability for compensation or charges which may be claimed by any such unnamed broker, finder or other similar party by reason of any dealings or actions of the indemnifying Party, including any costs, expenses, attorneys' fees reasonably incurred with respect thereto.

16. Estoppel Certificates.

(a) Each Party (as "Responding Party") shall within ten (10) days after written notice from the other Party (the "Requesting Party") execute, acknowledge and deliver to the Requesting Party a statement in writing in form similar to the then most current "Estoppel Certificate" form published by the American Industrial Real Estate Association, plus such additional information, confirmation and/or statements as may be reasonably requested by Requesting Party.

(b) If the Responding Party shall fail to execute or deliver the Estoppel Certificate within such ten day period, the Requesting Party may execute an Estoppel Certificate stating that: (i) the Lease is in full force and effect without modification except as may be represented by the Requesting Party, (ii) there are no uncured defaults in the Requesting Party's performance, and (iii) if Lessor is the Requesting Party, not more than one month's rent has been paid in advance. Prospective purchasers and encumbrancers may rely upon the Requesting Party's Estoppel Certificate, and the Responding Party shall be estopped from denying the truth of the facts contained in said Certificate.

(c) If Lessor desires to finance, refinance, or sell the Premises, or any part thereof, Lessee and all Guarantors shall deliver to any potential lender or purchaser designated by Lessor such financial statements as may be reasonably required by such lender or purchaser, including but not limited to Lessee's financial statements for the past three (3) years. All such financial statements shall be received by Lessor and such lender or purchaser in confidence and shall be used only for the purposes herein set forth.

17. Definition of Lessor. The term "Lessor" as used herein shall mean the owner or owners at the time in question of the fee title to the Premises, or, if this is a sublease, of the Lessee's interest in the prior lease. In the event of a transfer of Lessor's title or interest in the Premises or this Lease, Lessor

shall deliver to the transferee or assignee (in cash or by credit) any unused Security Deposit held by Lessor. Except as provided in Paragraph 15, upon such transfer or assignment and delivery of the Security Deposit, as aforesaid, the prior Lessor shall be relieved of all liability with respect to the obligations and/or covenants under this Lease thereafter to be performed by the Lessor. Subject to the foregoing, the obligations and/or covenants in this Lease to be performed by the Lessor shall be binding only upon the Lessor as hereinabove defined. Notwithstanding the above, and subject to the provisions of Paragraph 20 below, the original Lessor under this Lease, and all subsequent holders of the Lessor's interest in this Lease shall remain liable and responsible with regard to the potential duties and liabilities of Lessor pertaining to Hazardous Substances as outlined in Paragraph 6 above.

18. Severability. The invalidity of any provision of this Lease, as determined by a court of competent jurisdiction, shall in no way affect the validity of any other provision hereof.

19. Days. Unless otherwise specifically indicated to the contrary, the word "days" as used in this Lease shall mean and refer to calendar days.

20. Limitation on Liability. Subject to the provisions of Paragraph 17 above, the obligations of Lessor under this Lease shall not constitute personal obligations of Lessor, the individual partners of Lessor or its or their individual partners, directors, officers or shareholders, and Lessee shall look to the Premises, and to no other assets of Lessor, for the satisfaction of any liability of Lessor with respect to this Lease, and shall not seek recourse

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against the individual partners of Lessor, or its or their individual partners, directors, officers or shareholders, or any of their personal assets for such satisfaction.

21. Time of Essence. Time is of the essence with respect to the performance of all obligations to be performed or observed by the Parties under this Lease.

22. No Prior or Other Agreements; Broker Disclaimer. This Lease contains all agreements between the Parties with respect to any matter mentioned herein, and no other prior or contemporaneous agreement or understanding shall be effective. Lessor and Lessee each represents and warrants to the Brokers that it has made, and is relying solely upon, its own investigation as to the nature, quality, character and financial responsibility of the other Party to this Lease and as to the nature, quality and character of the Premises. Brokers have no responsibility with respect thereto or with respect to any default or breach hereof by either Party. The liability (including court costs and Attorneys' fees), of any Broker with respect to negotiation, execution, delivery or performance by either Lessor or Lessee under this Lease or any amendment or modification hereto shall be limited to an amount up to the fee received by such Broker pursuant to this Lease; provided, however, that the foregoing limitation on each Broker's liability shall not be applicable to any gross negligence or willful misconduct of such Broker.

23. Notices.

23.1 Notice Requirements. All notices required or permitted by this Lease shall be in writing and may be delivered in person (by hand or by courier) or may be sent by regular, certified or registered mail or U.S. Postal Service Express Mail, with postage prepaid, or by facsimile transmission, and shall be deemed sufficiently given if served in a manner specified in this Paragraph 23. The addresses noted adjacent to a Party's signature on this Lease shall be that Party's address for delivery or mailing of notices. Either Party may by written notice to the other specify a different address for notice, except that upon Lessee's taking possession of the Premises, the Premises shall constitute Lessee's address for notice. A copy of all notices to Lessor shall be concurrently transmitted to such party or parties at such addresses as Lessor may from time to time hereafter designate in writing.

23.2 Date of Notice. Any notice sent by registered or certified mail, return receipt requested, shall be deemed given on the date of delivery shown on the receipt card, or if no delivery date is shown, the postmark thereon. If sent by regular mail the notice shall be deemed given forty-eight (48) hours after the same is addressed as required herein and mailed with postage prepaid. Notices delivered by United States Express Mail or overnight courier that guarantee next day delivery shall be deemed given twenty-four (24) hours after delivery of the same to the Postal Service or courier. Notices transmitted by facsimile transmission or similar means shall be deemed delivered upon telephone confirmation of receipt, provided a copy is also delivered via delivery or mail. If notice is received on a Saturday, Sunday or legal holiday, it shall be deemed received on the next business day.

24. Waivers. No waiver by Lessor of the Default or Breach of any term, covenant or condition hereof by Lessee, shall be deemed a waiver of any other term, covenant or condition hereof, or of any subsequent Default or Breach by Lessee of the same or of any other term, covenant or condition hereof. Lessor's consent to, or approval of, any act shall not be deemed to render unnecessary the obtaining of Lessor's consent to, or approval of, any subsequent or similar act by Lessee, or be construed as the basis of an estoppel to enforce the provision or provisions of this Lease requiring such consent. The acceptance of Rent by Lessor shall not be a waiver of any Default or Breach by Lessee. Any payment by Lessee may be accepted by Lessor on account of moneys or damages due Lessor, notwithstanding any qualifying statements or conditions made by Lessee in connection therewith, which such statements and/or conditions shall be of no force or effect whatsoever unless specifically agreed to in writing by Lessor at or before the time of deposit of such payment.

25. Recording. Either Lessor or Lessee shall, upon request of the other, execute, acknowledge and deliver to the other a short form memorandum of this Lease for recording purposes. The Party requesting recordation shall be responsible for payment of any fees applicable thereto.

26. No Right To Holdover. Lessee has no right to retain possession of the Premises or any part thereof beyond the expiration or termination of this Lease. In the event that Lessee holds over, then the Base Rent shall be increased to one hundred fifty percent (150%) of the Base Rent applicable during the month immediately preceding the expiration or termination. Nothing contained herein shall be construed as consent by Lessor to any holding over by Lessee.

27. Cumulative Remedies. No remedy or election hereunder shall be deemed exclusive but shall, wherever possible, be cumulative with all other remedies at law or in equity.

28. Covenants and Conditions; Construction of Agreement. All provisions of this Lease to be observed or performed by Lessee are both covenants and conditions. In construing this Lease, all headings and titles are for the convenience of the parties only and shall not be considered a part of this Lease. Whenever required by the context, the singular shall include the plural and vice versa. This Lease shall not be construed as if prepared by one of the parties, but rather according to its fair meaning as a whole, as if both parties had prepared it.

29. Binding Effect; Choice of Law. This Lease shall be binding upon the parties, their personal representatives, successors and assigns and be governed by the laws of the State in which the Premises are located. Any litigation between the Parties hereto concerning this Lease shall be initiated in the county in which the Premises are located.

30. Subordination; Attornment; Non-Disturbance.

30.1 Subordination. This Lease and any Option granted hereby shall be subject and subordinate to any ground lease, mortgage, deed of trust, or other hypothecation or security device (collectively, "Security Device"), now or hereafter placed upon the Premises, to any and all advances made on the security thereof, and to all renewals, modifications, and extensions thereof. Lessee agrees that the holders of any such Security Devices (in this Lease together referred to as "Lessor's Lender") shall have no liability or obligation to

perform any of the obligations of Lessor under this Lease. Any Lender may elect to have this Lease and/or any Option granted hereby superior to the lien of its Security Device by giving written notice thereof to Lessee, whereupon this Lease and such

Options shall be deemed prior to such Security Device, notwithstanding the relative dates of the documentation or recordation thereof.

30.2 Attornment. Subject to the non-disturbance provisions of Paragraph 30.3, Lessee agrees to attorn to a Lender or any other party who acquires ownership of the Premises by reason of a foreclosure of a Security Device, and that in the event of such foreclosure, such new owner shall (i) be liable for any act or omission of any prior lessor or with respect to events occurring prior to acquisition of ownership; (ii) be subject to any offsets or defenses which Lessee might have against any prior lessor, or (iii) be bound by prepayment of more than one (1) month's rent.

30.3 Non-Disturbance. With respect to Security Devices entered into by Lessor after the execution of this Lease, Lessee's subordination of this Lease shall be subject to receiving a commercially reasonable non-disturbance agreement (a "Non-Disturbance Agreement") from the Lender which Non-Disturbance Agreement provides that Lessee's possession of the Premises, and this Lease, including any options to extend the term hereof, will not be disturbed so long as Lessee is not in Breach hereof and attorns to the record owner of the Premises. Further, within sixty (60) days after the execution of this Lease, Lessor shall use its commercially reasonable efforts to obtain a Non-Disturbance Agreement from the holder of any pre-existing Security Device which is secured by the Premises. In the event that Lessor is unable to provide the Non-Disturbance Agreement within said sixty (60) days, then Lessee may, at Lessee's option, directly contact Lessor's lender and attempt to negotiate for the execution and delivery of a Non-Disturbance Agreement.

30.4 Self-Executing. The agreements contained in this Paragraph 30 shall be effective without the execution of any further documents; provided, however, that, upon written request from Lessor or a Lender in connection with a sale, financing or refinancing of the Premises, Lessee and Lessor shall execute such further writings as may be reasonably required to separately document any subordination, attornment and/or Non-Disturbance Agreement provided for herein.

31. Attorneys' Fees. If any Party or Broker brings an action or proceeding involving the Premises to enforce the terms hereof or to declare rights hereunder, the Prevailing Party (as hereafter defined) in any such proceeding, action, or appeal thereon, shall be entitled to reasonable attorneys' fees. Such fees may be awarded in the same suit or recovered in a separate suit, whether or not such action or proceeding is pursued to decision or judgment. The term, "Prevailing Party" shall include, without limitation, a Party or Broker who substantially obtains or defeats the relief sought, as the case may be, whether by compromise, settlement, judgment, or the abandonment by the other Party or Broker of its claim or defense. The attorneys' fees award shall not be computed in accordance with any court fee schedule, but shall be such as to fully reimburse all attorneys' fees reasonably incurred. In addition, Lessor shall be entitled to attorneys' fees, costs and expenses incurred in the preparation and service of notices of Default and consultations in connection therewith, whether or not a legal action is subsequently commenced in connection with such Default or resulting Breach.

32. Lessor's Access; Showing Premises; Repairs. Lessor and Lessor's agents shall have the right to enter the Premises at any time, in the case of an emergency, and otherwise at reasonable times for the purpose of showing the same to prospective purchasers, lenders, or lessees, and making such alterations, repairs, improvements or additions to the Premises as Lessor may deem necessary. All such activities shall be without abatement of rent or liability to Lessee. Lessor may at any time place on the Premises any ordinary "For Sale" signs and Lessor may during the last six (6) months of the term hereof place on the

Premises any ordinary "For Lease" signs. Lessee may at any time place on or about the Premises any ordinary "For Sublease" sign.

33. Auctions. Lessee shall not conduct, nor permit to be conducted, any auction upon the Premises without Lessor's prior written consent. Lessor shall not be obligated to exercise any standard of reasonableness in determining whether to permit an auction.

34. Signs. Except for ordinary "For Sublease" signs, Lessee shall not place any sign upon the Premises without Lessor's prior written consent. All signs must comply with all Applicable Requirements.

35. Termination; Merger. Unless specifically stated otherwise in writing by Lessor, the voluntary or other surrender of this Lease by Lessee the mutual termination or cancellation hereof, or a termination hereof by Lessor for Breach by Lessee, shall automatically terminate any sublease or lesser estate in the Premises; provided, however, that Lessor may elect to continue any one or all existing subtenancies. Lessor's failure within ten (10) days following any such event to elect to the contrary by written notice to the holder of any such lesser interest, shall constitute Lessors election to have such event constitute the termination of such interest.

36. Consents. Except as otherwise provided herein, wherever in this Lease the consent of a Party is required to an act by or for the other Party, such consent shall not be unreasonably withheld or delayed. Lessor's actual reasonable costs and expenses (including but not limited to architects', attorneys', engineers' and other consultants' fees) incurred in the consideration of, or response to, a request by Lessee for any Lessor consent, including but not limited to consents to an assignment, a subletting or the presence or use of a Hazardous Substance, shall be paid by Lessee upon receipt of an invoice and supporting documentation therefor. Lessor's consent to any act, assignment or subletting shall not constitute an acknowledgment that no Default or Breach by Lessee of this Lease exists, nor shall such consent be deemed a waiver of any then existing Default or Breach, except as may be otherwise specifically stated in writing by Lessor at the time of such consent. The failure to specify herein any particular condition to Lessor's consent shall not preclude the imposition by Lessor at the time of consent of such further or other conditions as are then reasonable with reference to the particular matter for which consent is being given. In the event that either Party disagrees with any determination made by the other hereunder and reasonably requests the reasons for such determination, the determining party shall furnish its reasons in writing and in reasonable detail within ten (10) business days following such request.

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37. Guarantor.

37.1 Execution. The Guarantors, if any, shall each execute a guaranty in the form most recently published by the American Industrial Real Estate Association, and each such Guarantor shall have the same obligations as Lessee under this Lease.

37.2 Default. It shall constitute a Default of the Lessee if any Guarantor fails or refuses, upon request to provide: (a) evidence of the execution of the guaranty, including the authority of the party signing on Guarantor's behalf to obligate Guarantor, and in the case of a corporate Guarantor, a certified copy of a resolution of its board of directors authorizing the making of such guaranty, (b) current financial statements, (c) a Tenancy Statement, or (d) written confirmation that the guaranty is still in effect.

38. Quiet Possession. Subject to payment by Lessee of the Rent and performance of all of the covenants, conditions and provisions on Lessee's part to be observed and performed under this Lease, Lessee shall have quiet possession and quiet enjoyment of the Premises during the term hereof.

39. Options.

39.1 Definition. "Option" shall mean: (a) the right to extend the term of or renew this Lease or to extend or renew any lease that Lessee has on other property of Lessor; (b) not used; (c) not used.

39.2 Options Personal To Original Lessee. Each Option granted to Lessee in this Lease is personal to the original Lessee, and cannot be assigned or exercised by anyone other than said original Lessee and only while the original Lessee is in full possession of the Premises and, if requested by Lessor, with Lessee certifying that Lessee has no intention of thereafter assigning or subletting.

39.3 Multiple Options. In the event that Lessee has any multiple Options to extend or renew this Lease, a later Option cannot be exercised unless the prior Options have been validly exercised.

39.4 Effect of Default on Options.

(a) Lessee shall have no right to exercise an Option: (i) during the period commencing with the giving of any notice of monetary Default and continuing until said monetary Default is cured, (ii) during the period of time any Rent is unpaid (without regard to whether notice thereof is given Lessee), (iii) during the time Lessee is in monetary Breach of this Lease, or (iv) in the event that Lessee has been given three (3) or more notices of separate monetary Default, whether or not the monetary Defaults are cured, during the twelve (12) month period immediately preceding the exercise of the Option.

(b) The period of time within which an Option may be exercised shall not be extended or enlarged by reason of Lessee's inability to exercise an Option because of the provisions of Paragraph 39.4(a).

(c) An Option shall terminate and be of no further force or effect, notwithstanding Lessee's due and timely exercise of the Option, if, after such exercise and prior to the commencement of the extended term, (i) Lessee fails to pay Rent for a period of thirty (30) days after such Rent becomes due (without any necessity of Lessor to give notice thereof), (ii) Lessor gives to Lessee three (3) or more notices of separate Default during any twelve (12) month period, whether or not the Defaults are cured, or (iii) if Lessee commits a Breach of this Lease.

40. Multiple Buildings. If the Premises are a part of a group of buildings controlled by Lessor, Lessee agrees that it will observe all reasonable rules and regulations which Lessor may make from time to time for the management, safety, and care of said properties, including the care and cleanliness of the grounds and including the parking, loading and unloading of vehicles, and that Lessee will pay its fair share of common expenses incurred in connection therewith.

41. Security Measures. Lessee hereby acknowledges that the rental payable to Lessor hereunder does not include the cost of guard service or other security measures, and that Lessor shall have no obligation whatsoever to provide same. Lessee assumes all responsibility for the protection of the Premises, Lessee, its agents and invitees and their property from the acts of third parties.

42. Reservations. Lessor reserves to itself the right, from time to time, to grant, without the consent or joinder of Lessee, such easements, rights and dedications that Lessor deems necessary, and to cause the recordation of parcel maps and restrictions, so long as such easements, rights, dedications, maps and restrictions do not unreasonably interfere with the use of the Premises by Lessee. Lessee agrees to sign any documents reasonably requested by Lessor to effectuate any such easement rights, dedication, map or restrictions.

43. Performance Under Protest. If at any time a dispute shall arise as to any amount or sum of money to be paid by one Party to the other under the provisions hereof, the Party against whom the obligation to pay the money is asserted shall have the right to make payment "under protest" and such payment shall not be regarded as a voluntary payment and there shall survive the right on the part of said Party to institute suit for recovery of such sum. If it shall be adjudged

that there was no legal obligation on the part of said Party to pay such sum or any part thereof, said Party shall be entitled to recover such sum or so much thereof as it was not legally required to pay.

44. Authority. If either Party hereto is a corporation, trust, limited liability company, partnership, or similar entity, each individual executing this Lease on behalf of such entity represents and warrants that he or she is duly authorized to execute and deliver this Lease on its behalf. Each party shall, within thirty (30) days after request, deliver to the other party satisfactory evidence of such authority.

45. Conflict. Any conflict between the printed provisions of this Lease and the typewritten or handwritten provisions shall be controlled by the typewritten or handwritten provisions.

46. Offer. Preparation of this Lease by either Party or their agent and submission of same to the other Party shall not be deemed an offer to lease to the other Party. This Lease is not intended to be binding until executed and delivered by all Parties hereto.

47. Amendments. This Lease may be modified only in writing, signed by the Parties in interest at the time of the modification. As long as they do not materially change Lessee's obligations hereunder, Lessee agrees to make such reasonable non-monetary modifications to this Lease as may be reasonably required by a Lender in connection with the obtaining of normal financing or refinancing of the Premises.

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48. Multiple Parties. If more than one person or entity is named herein as either Lessor or Lessee, such multiple Parties shall have joint and several responsibility to comply with the terms of this Lease.

49. Mediation and Arbitration of Disputes. An Addendum requiring the Mediation and/or the Arbitration of all disputes between the Parties and/or Brokers arising out of this Lease is is not attached to this Lease.

LESSOR AND LESSEE HAVE CAREFULLY READ AND REVIEWED THIS LEASE AND EACH TERM AND PROVISION CONTAINED HEREIN, AND BY THE EXECUTION OF THIS LEASE SHOW THEIR INFORMED AND VOLUNTARY CONSENT THERETO. THE PARTIES HEREBY AGREE THAT, AT THE TIME THIS LEASE IS EXECUTED, THE TERMS OF THIS LEASE ARE COMMERCIALY REASONABLE AND EFFECTUATE THE INTENT AND PURPOSE OF LESSOR AND LESSEE WITH RESPECT TO THE PREMISES.

ATTENTION: NO REPRESENTATION OR RECOMMENDATION IS MADE BY THE AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION OR BY ANY BROKER AS TO THE LEGAL SUFFICIENCY, LEGAL EFFECT, OR TAX CONSEQUENCES OF THIS LEASE OR THE TRANSACTION TO WHICH IT RELATES. THE PARTIES ARE URGED TO:

1. SEEK ADVICE OF COUNSEL AS TO THE LEGAL AND TAX CONSEQUENCES OF THIS LEASE.
2. RETAIN APPROPRIATE CONSULTANTS TO REVIEW AND INVESTIGATE THE CONDITION OF THE PREMISES. SAID INVESTIGATION SHOULD INCLUDE BUT NOT BE LIMITED TO: THE POSSIBLE PRESENCE OF HAZARDOUS SUBSTANCES, THE ZONING OF THE PREMISES, THE STRUCTURAL INTEGRITY, THE CONDITION OF THE ROOF AND OPERATING SYSTEMS, AND THE SUITABILITY OF THE PREMISES FOR LESSEE'S INTENDED USE.

WARNING: IF THE PREMISES IS LOCATED IN A STATE OTHER THAN CALIFORNIA, CERTAIN PROVISIONS OF THE LEASE MAY NEED TO BE REVISED TO COMPLY WITH THE LAWS OF THE STATE IN WHICH THE PREMISES IS LOCATED.

The parties hereto have executed this Lease at the place and on the dates specified above their respective signatures.

By LESSOR:

By LESSEE:

ROSE VENTURES V, INC.,
a California corporation

FAIRCHILD TECHNOLOGIES USA, INC.
a _____ corporation

By: /s/ Stephen P. Diamond

Stephen P. Diamond
President

By: /s/ William Ward

William Ward
President

By: /s/ Thomas G. Haury

Thomas G. Haury

/s/ Carleen S. Haury

Carleen S. Haury

Individual Owners
3600 Pruneridge Avenue, Suite 370
Santa Clara, CA 95051
(408) 247-1111

NOTE: These forms are often modified to meet changing requirements of law and industry needs. Always write or call to make sure you are utilizing the most current form: AMERICAN INDUSTRIAL REAL ESTATE ASSOCIATION, 700 So. Flower Street, Suite 600, Los Angeles, California 90017. (213) 687-8777. Fax No. (213) 687-8616

Address for notices to Lessee: Fairchild Technologies, Inc. (47613 Warm Springs Blvd., Fremont, CA 94539; Tel.: 510-659-8370; FAX: 510-659-9407; Attention: President); with a copy to The Fairchild Corporation (Hand Delivery: Dulles Airport, 300 West Service Rd., Suite 400, Chantilly, VA; Mail: P.O. Box 10803, Chantilly, VA 20153; Tel: 703-478-5800; Fax: 703-478-5767; Attention: General Counsel).

ADDENDUM TO STANDARD INDUSTRIAL/COMMERCIAL
SINGLE-TENANT LEASE - NET

This is an Addendum to that certain Standard Industrial/Commercial Single-Tenant Lease - Net ("Lease") dated September 19, 1997, between ROSE VENTURES V., INC., THOMAS G. HAURY and CARLEEN S. HAURY, as Lessor, and FAIRCHILD TECHNOLOGIES USA, INC., as Lessee. To the extent that the terms, covenants or conditions of this Addendum modify, conflict with or are in addition to any of the terms, covenants or conditions of the Lease, the terms, covenants and conditions of this Addendum shall control. In all other respects, the terms, covenants and conditions of the Lease shall have full force and effect.

50. Base Rent; Annual Adjustments.

On each year anniversary of the Commencement Date, the base monthly rent in effect just preceding such anniversary date shall be adjusted upward by a three percent (3%) increase.

51. Lessor's Building Modifications.

A. On or before the Commencement Date of the Lease, Lessor, at its expense, shall install, or cause to be installed, a new roof on the building which is part of the leased premises. Said roof shall be installed by a licensed contractor, with all necessary permits therefor.

B. On or before the Commencement Date of the Lease, Lessor, at its

expense, shall install, or cause to be installed, one (1) dock high loading door and associated improvements in accordance with plans, specifications and drawings therefor, to be prepared at Lessor's instance and expense, which plans shall be objected to (and if so, revised by Lessor and resubmitted) or approved by Lessee within three (3) days after receipt thereof from Lessor. Said door and dock improvements shall be installed by a qualified reputable licensed contractor, subject to the reasonable prior approval of Lessee, which approval will not be unreasonably withheld or delayed, who submits the lowest bid therefor, such work to be done with all necessary permits therefor.

52. Lessee's Initial Building Modifications

A. Lessee intends to install tenant improvements in the building pursuant to plans and specifications to be prepared at Lessee's instance and expense, which shall be subject to Lessor's prior written consent in accordance with paragraph 7.3(b) of the Lease. Lessor agrees to pay up to the sum of One Million One Hundred Sixty-eight Thousand Four Hundred Eighty Thousand Dollars (\$1,168,480.00) toward the actual cost of such tenant improvements, as established by invoices for such tenant improvements.

B. If the actual cost of said tenant improvements is less than \$1,168,480.00, or if Lessee elects to pay any of such costs itself, (the "reduced cost"), then for each \$1,000.00 (or part thereof) of such reduced cost (up to, but not more than \$584,240.00 of such reduced cost), the Base Rent shall be adjusted downwards by \$16.61 per month.

C. Any costs to complete the tenant improvements hereunder which are not required to be paid by Lessor shall be paid by Lessee in full when the same become due and payable.

D. Except as expressly modified herein, the provisions of paragraph 7 of the Lease shall apply to all of the tenant improvements contemplated by Lessee hereunder.

E. Lessor shall provide and pay for four (4) hours of space planning for Lessee using Lessor's space planner as soon as practicable following the execution of this Lease by all parties hereto.

F. All tenant improvements paid for by Lessor during the initial term, including those under subparagraphs (A) and (B) hereof, shall be deemed owned by Landlord from and after the date of installation thereof. All of the tenant improvements installed by or at the expense of the Tenant during the initial term of the Lease shall be deemed owned by Lessor as of the last day of the initial term, whether or not said Lease is extended.

G. Lessee may have access to the leased premises following the execution hereof and before the Commencement Date to complete the Improvements contemplated under this Addendum Paragraph 52.

53. Option to Extend Lease.

Reference is made to paragraph 39 of the Lease setting forth provisions governing Options under this Lease. Lessor hereby grants to Lessee an Option to extend the initial term of this Lease, subject to the provisions of said paragraph 39. Said Option shall be for an additional term of five (5) years following the

last day of the initial term hereof. Written notice of Lessee's exercise of said Option shall be given to Lessor not more than 180 days, nor less than 90 days before the last day of the initial term of the Lease. Failure to give Lessor such notice as aforesaid shall cause said option to lapse forthwith and thereafter shall have no further force or effect, and may not be exercisable by Lessee. The basic monthly rent during the first year of the Option term shall be ninety-five percent (95%) of the then fair market rental value of the leased

premises in its then existing condition subject to the annual three percent (3%) adjustment increases as provided in paragraph 50 hereof. Within thirty (30) days prior to the commencement of the Option term, Lessor and Lessee shall negotiate and attempt to agree on the rental for the Option term. In the event the Lessor and Lessee are unable to agree, then within ten (10) days after the Option term begins, the same shall be submitted to binding arbitration to determine said rental rate. Each party shall select an appraiser familiar with commercial industrial office rental property rates for buildings and property similarly situated to the leased property. The two appraisers so selected shall establish the rent by agreement within twenty (20) days after their appointment. Upon failure of the two (2) appraisers to agree, they shall select a third appraiser similarly qualified to them who shall determine said rental rate within twenty (20) days after his appointment. The rate so fixed shall be effective retroactively to the commencement date of the Option term, but in no event shall it be less than the rental rate in effect during the last year of the initial term of the Lease. The fees and costs of the appraiser selected by each party shall be born by that party. The fees and costs of any third appraiser selected by the two (2) appraisers shall be born equally by the Lessor and the Lessee. The appraisers selected may be licensed appraisers, or real estate brokers or licensed sales agents who are active in leasing and offering property for lease which is comparable in type and location to the leased premises.

54. Earthquake Insurance; Lessee Liable for Deductible.

Notwithstanding the provisions of paragraph 8.3 of the Lease, the policy of insurance referenced therein shall include coverage against the perils of flood and earthquake risk, and Lessee shall indemnify Lessor for any loss, cost of damage not covered by reason of the deductible amount provided for in said insurance policy or policies. Lessor shall notify Lessee when annual renewal quotes for such insurance are known. Lessee may obtain its own policy of such insurance covering Lessor as the primary Insured if such policy provides comparable coverage. An original copy of such policy naming Lessor as primary insured shall be delivered to Lessor by or at the instance of Lessee, and a certificate of such insurance showing that it is in effect shall be provided to Lessor before Lessor's existing policy covering such risks expires.

Each year, Lessor shall provide Lessee with an estimate of the cost of renewing the earthquake insurance coverage with the Lessor's insurance carrier. If that insurance coverage rate is better than Lessee is able to obtain through its carrier, Lessor shall allow Fairchild to obtain such earthquake insurance coverage through the Lessor's insurance policy.

55. Lessor's Repair Obligations.

Notwithstanding anything in paragraph 7 of the Lease to the contrary, Lessor, upon receipt of written notice of defects or damage from Lessee, shall maintain, repair and replace, at Lessor's instance and expense, any structural elements of the roof, bearing walls and foundation of the building on the leased premises. Lessor shall be entitled to use any insurance proceeds available to pay for all or a portion of the cost of maintaining, repairing or replacing the same.

56. Assignment and Subletting; Payment of Bonus Rent to Lessor.

In the event of the occurrence of any assignment or subletting of all or any part of the leased premises hereunder with Lessor's prior written consent and otherwise in accordance with paragraph 12 of the Lease, any "bonus rent", as hereinafter defined, received by the Lessee from its assignee(s) or subtenant(s) shall be paid over to Lessor upon Lessee's receipt thereof. SEE ADDENDUM 67 FOR THE DEFINITION OF BONUS RENT.

57. Addition to Section 6.2(e), Lessor Indemnification.

Lessor shall indemnify, defend and hold Lessee, its agents, employees and lenders, if any, harmless from and against any and all loss and/or damages, liabilities, judgments, claims, expense, penalties, and reasonable attorneys' and consultants' fees arising out of or involving such Lessor Hazardous Substance Obligations, or for any breach of representations expressly set forth

in this Addendum to Section 6.2(e) of the Lease. No termination of this Lease, and no cancellation or release agreement entered into by Lessor and Lessee, unless expressly provided otherwise therein, shall release Lessor from its obligations under this Lease with respect to Lessor Hazardous Substance Obligations under this section 6.2(e).

Lessor represents to the best of its knowledge, and without further inquiry, that (i) there are no existing environmental claims relating to or affecting the leased premises (including land and building); and that (ii) it does not have any knowledge of any potential environment claims relating to or affecting the leased premises (including land and building).

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58. Addition to Section 6.2(g), Lessor Termination Option.

Notwithstanding the foregoing, the Lease may not be terminated by Lessor under this Section 6.2(g) until such time as (a) Lessee has had a reasonable opportunity to find other suitable and comparable facilities, and (b) Lessor reimburses Lessee for the cost of relocation and the amortized cost of tenant improvements which have been paid for by Lessee over the remainder of the initial lease term hereunder.

59. Addition to Section 7.1, Lessee's Obligations.

Lessor shall deliver to Lessee at least fifteen (15) days prior to the Lease Commencement Date copies of all warranties (if any) for any Building component for which Lessee has maintenance obligations under Section 7.1 of the Lease. Lessor shall remain a beneficiary of such warranties, entitled to enforce the same, and shall exert best reasonable efforts to assist Lessee in becoming an additional beneficiary thereof entitled also to enforce the same.

60. Addition to Section 7.4(b), Removal.

Notwithstanding anything herein to the contrary, the initial tenant improvements and alterations by Lessee done at the commencement of the Lease shall not be subject to removal. Any additional tenant improvements and alterations made by Lessee from time to time after the Commencement Date, shall not be subject to removal unless at the time of giving consent for such alterations or improvements Lessor indicates in writing that it will require their removal at Lease termination. Lessee reserves the right to remove same at its election.

61. Addition to Section 8.7, Indemnity.

Notwithstanding any contrary provision in Section 8.7, or any other provision of the Lease, Lessee shall have no obligation to indemnify, protect, defend or hold harmless the leased premises, lessor or any other party, persons or entities, from any loss, claims, damages, expense or liabilities arising out of, involving or dealing with: (i) hazardous Substances (except as provided in Section 6.2(d) of the Lease); (ii) structural defects and maintenance, repair and replacement obligations that remain the responsibility of Lessor as expressly referenced under Section 7.2 and Addendum paragraph 55; (iii) any breach of express warranties by Lessor; (iv) any gross negligence or wilful misconduct on the part of the Lessor, its agents, employees or representatives; or (v) to the extent any liability arises from representatives.

62. Add Section 12.3(e), Assignment to Affiliates or Successors.

Notwithstanding anything contained in the Lease to the contrary, and provided that the Lessee is not then in default, Lessee shall have the unrestricted right, from time to time, without consent of the Lessor, to assign and/or sublet the leased premises to: (a) any parent, subsidiary or affiliate company of Lessee; (b) any company that purchases all or substantially all of the assets of Lessee; or (c) a surviving company in conjunction with a merger, consolidation or public offering of stock involving Lessee; provided in each

instance that the Lessee and its Guarantors, without further notice to its Guarantors, shall remain jointly and severally liable with the assignee or sublessee and shall not be released from their obligations under the Lease and Guaranty.

63. Addition to Section 13.3, Inducement Recapture.

Notwithstanding anything to the contrary, the parties acknowledge and agree that improvements paid for by Lessor pursuant to Addendum paragraph 52 are not Inducement Provisions subject to recovery hereunder.

64. Addition to Section 30.3, Non-Disturbance.

As a condition precedent to Lessee's obligations hereunder, Lessor shall deliver as soon as reasonably practicable (and in any event prior to the Lease Commencement Date), a Non-Disturbance and Attornment Agreement (in commercially reasonable form acceptable to Lessor's Lenders) from Lessor's lenders having a Security Device on the Building. Except for such lender's Security Devices, Lessor represents and warrants that there are no ground leases or other financial encumbrances (other than the lien of current taxes and assessments not yet due) affecting the Building or the Property.

65. Short Form Memorandum of Lease.

Lessor and Lessee agree to execute and record at the instance and expense of Lessee a Short Form Memorandum of the Lease in the Official Records of Alameda County, California, following the execution hereof.

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66. DEFINITION OF APPLICABLE PERIOD FOR PURPOSES OF SECTION 9 (DAMAGE OR DESTRUCTION).

The term "Applicable Period," as used in Section 9 of the Lease, shall mean a period of 90 days from the date Lessor obtains permits to complete the work (repair of damaged or destroyed improvements on the Premises), but in any event not longer than 150 days from the date of damage or destruction.

67. DEFINITION OF BONUS RENT FOR PURPOSES OF ADDENDUM 56 (ASSIGNMENT AND SUBLETTING; PAYMENT OF BONUS RENT TO LESSOR).

The term "Bonus Rent," as used in Addendum 56 of the Lease, shall mean any payment of money or other consideration or thing of value paid to Lessee by its assignee(s) or subtenant(s) which exceed the basic rental payable by Lessee to Lessor (on a prorated basis), for all or any portion of the Leased Premises assigned or subleased by the Lessee, but shall exclude: (i) payments in an amount sufficient for Lessee to recoup the unamortized portion of any tenant improvements paid for by the Lessee prior to the date of such assignment or sublease, and (ii) payments in an amount sufficient for Lessee to recoup the cost of any improvements or other expenses incurred by Lessee in connection with such assignment or sublease (such as leasing commissions or additional tenant improvements paid for by Lessee in connection with such assignment or sublease).

68. Right of First Refusal to Purchase Building.

Lessor grants Lessee a right of first refusal to purchase the Premises pursuant to this Section. If Lessor receives a bona fide offer to sell the Premises (the "Purchase Offer,") and it intends to accept the Purchase Offer. Lessor will give a written copy of the Purchase Offer to Lessee, and Lessee will have the right to accept the Purchase Offer by written notice to Lessor given within 5 business days after Lessee's receipt of the Purchase Offer. If Lessee accepts the Purchase Offer, Lessee will be bound to purchase the Premises from Lessor, and Lessor will be bound to sell the Premises to Lessee, in accordance with the terms of the Purchase Offer.

This right of first refusal shall not apply to Security Interests on the

Premises; provided, however, that Lessee shall have the right to bid at any foreclosure sale of the Premises.

This right of first refusal shall not apply to transactions between Rose Ventures V, Inc. on the one hand and Thomas G. Haury and Carleen S. Haury on the other hand.

If Lessee is given notice of a Purchase Offer, and Lessee does not accept the Purchase Offer: (i) if the Premises are subsequently sold pursuant to such Purchase Offer, Lessee shall have no further rights of first refusal; (ii) if, however, the Premises are not sold pursuant to such Purchase Offer, Lessee shall continue to have a right of first refusal as per the terms hereof.

If Lessee purchases the Premises pursuant to this right of first refusal, prepaid rent will be credited against the purchase price.

The memorandum of lease to be recorded with respect to this Lease Agreement shall include in it a recording of this right of first refusal.

Executed as of the 30th day of September, 1997.

"Lessor"

ROSE VENTURES V, INC.

By: /s/ Stephen P. Diamond

Stephen P. Diamond
Its President

/s/ Thomas G. Haury

Thomas G. Haury

/s/ Carleen S. Haury

Carleen S. Haury

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"Lessee"

FAIRCHILD TECHNOLOGIES USA, INC.

By: /s/ William Ward

William Ward, President

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EXHIBIT 10.21

PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

BETWEEN THE CORT JOINT VENTURE

AND

SPENCER FOUNTAIN VALLEY HOLDINGS, INC.

ESCROW HOLDER:

TITLE COMPANY:

Chicago Title Company
16969 Von Karman, Suite 200
Irvine, California 92714
Attn: Margie Wheeler, Escrow Officer
Telephone: (714) 263-2556
Facsimile: (714) 263-0356
Escrow No.: 8307031-M23

Chicago Title Company
16969 Von Karman, Suite 200
Irvine, California 92714
Attn: Ms. Suzie Calwell, Title Officer
Telephone: (714) 263-4035
Facsimile: (714) 263-1022
Title Order No.: 8300228

PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS

This Purchase and Sale Agreement and Joint Escrow Instructions (the "Agreement") is made as of June 12, 1998 by and between SPENCER FOUNTAIN VALLEY HOLDINGS, INC., a California corporation ("Seller") and WELLS DEVELOPMENT CORPORATION, a Georgia corporation ("Purchaser").

RECITALS

A. Seller is currently the owner of that certain real property located in the County of Orange, State of California, commonly known as 10700 Spencer Avenue, Fountain Valley and more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference (the "Land"). The Land is currently improved by a concrete tilt up office building containing approximately 52,000 square feet of space (the "Building"). The Land, the Building and all other improvements, structures and fixtures thereon are sometimes collectively referred to herein as the "Real Property."

B. Purchaser wishes to purchase from Seller, and Seller wishes to sell to Purchaser, the Real Property and the other Property described in Section 1 below in accordance with the Letter of Intent and pursuant to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the mutual covenants, promises and undertakings set forth in this Agreement, Purchaser and Seller agree as follows:

1. Purchase and Sale. Upon and subject to the terms and conditions set forth in this Agreement, Seller hereby agrees to sell to Purchaser and Purchaser hereby agrees to buy the following:

(a) the Real Property, together with all easements, hereditaments and appurtenances thereto;

(b) all furniture, furnishings, fixtures, equipment, machinery, and other tangible personal property owned by Seller and used by Seller in connection with the management, operation, maintenance and repair of the Real Property and located on the Real Property (the "Project Personal Property"); and

(c) all governmental approvals, permits and licenses pertaining to the Real Property (the "Approvals"), and

(d) all right, title and interest of Seller in and to any site, architectural, mechanical, electrical, plumbing and structural plans, studies and related documents pertaining to the Real Property (the "Project Plans").

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The Real Property, the Project Personal Property, the Approvals and the Project Plans are collectively referred to herein as the "Property".

2. Purchase Price. The purchase price for the Property (the "Purchase Price") shall be Six Million Five Hundred Thousand and No/100 Dollars (\$6,500,000.00).

3. Method of Payment of Purchase Price. The Purchase Price shall be payable by Purchaser to Seller as follows:

3.1 Deposit. The amount of One Hundred Thousand and No/100 Dollars (\$100,000.00) (the "Deposit") shall be deposited in cash by Purchaser into the Escrow (as defined in Section 4.1) within two (2) Business Days following the Opening of Escrow (as defined in Section 4.1). Upon receipt of the Deposit, Escrow Holder shall invest the same in an interest bearing account acceptable to Purchaser. Unless Purchaser terminates the Escrow pursuant to this Agreement on or before the Feasibility Date, the Deposit shall become non-refundable to Purchaser, provided that Seller shall have fulfilled all of its obligations hereunder. Purchaser shall receive a credit in the amount of the Deposit against the Purchase Price in the event that the closing of the Escrow (the "Closing") takes place at the time and in the manner provided in this Agreement. All interest earned on the Deposit shall be returned to Purchaser.

3.2 Payment of Balance of Purchase Price. The entire balance of the Purchase Price shall be paid by Purchaser in cash into the Escrow prior to the Closing. As used in this Agreement, the term "cash" shall mean immediately available U.S. funds transferred by certified check or wire transfer.

4. Escrow.

4.1 Opening; Joint Instructions. The purchase and sale of the Property shall be completed through an escrow (the "Escrow") at the office of the escrow holder identified on page 1 hereof ("Escrow Holder"). This Agreement shall constitute joint escrow instructions to the Escrow Holder in connection with the Escrow. The Escrow shall be deemed to be "opened" as of the date (the "Opening of Escrow") upon which the Escrow Holder holds fully executed original counterparts of this Agreement executed by Seller and Purchaser. Escrow Holder shall promptly notify Purchaser and Seller of the date which constitutes the Opening of Escrow.

4.2 Additional Instructions. Purchaser and Seller hereby agree to execute such additional instructions not inconsistent with this Agreement as may be reasonably required by the Escrow Holder.

4.3 Closing Deadline. As used herein, the "Closing Deadline" shall mean the date which is three (3) Business Days following the Feasibility Date. The Closing shall occur as soon as possible after the satisfaction of all of the conditions contained in this Agreement, but in no event later than the Closing Deadline. Time is specifically of the essence as to the Closing Deadline. The Closing Deadline shall not be extended except by the mutual written agreement of Purchaser and Seller.

4.4 Seller's Deliveries Prior to Closing. Seller shall deliver to the Escrow Holder, prior to the Closing, the following documents and funds:

(a) a grant deed to the Property, in the form attached hereto as Exhibit "F", duly executed and acknowledged by Seller and in recordable form (the "Grant Deed");

(b) a bill of sale in the form attached hereto as Exhibit "B" fully executed by Seller (the "Bill of Sale");

(c) three executed original counterparts of an assignment and assumption of contracts and warranties in the form attached hereto as Exhibit "C", executed by Seller (the "Assignment of Contracts and Warranties");

(d) three executed original counterparts of an assignment and assumption of leases in the form attached hereto as Exhibit "D", executed by Seller (the "Assignment of Leases");

(e) federal and state non-foreign seller affidavits in the forms attached hereto as Exhibits "E-1" and "E-2", respectively, executed by Seller (collectively, the "Affidavits");

(f) a statement of documentary transfer tax due and request that the tax declaration not be made a part of the permanent record, in the form attached hereto as Exhibit "G" (the "Transfer Tax Statement");

(g) an executed original of an estoppel certificate (the "Tenant Estoppel") in substantially the form of Exhibit "H" hereto pertaining to the lease (the "Lease") with Cort Furniture Rental Corporation (the "Tenant") and a Subordination, Nondisturbance and Attornment Agreement (the "SNDA") between the Tenant and Purchaser's lender (if any) in form and content reasonably acceptable to Purchaser's lender (if any) and the Tenant. Although Seller shall use reasonable efforts to obtain the Tenant Estoppel and the SNDA, Seller's inability to obtain the Tenant Estoppel and the SNDA by the Closing Deadline shall not constitute a breach or default by Seller. However, Purchaser's receipt of the Tenant Estoppel and the SNDA shall be a condition precedent to Purchaser's obligation to acquire the Property;

(h) an executed original of a lease guaranty (the "Lease Guaranty") in substantially the form of Exhibit "I" hereto executed by Cort Business Services Corporation, a Delaware corporation ("Lease Guarantor"). Although Seller shall use reasonable efforts to obtain the Lease Guaranty, Seller's inability to obtain the Lease Guaranty by the Closing Deadline shall not constitute a breach or default by Seller. However, Purchaser's receipt of the Lease Guaranty shall be a condition precedent to Purchaser's obligation to acquire the Property; and

(i) all other sums and documents reasonably required of Seller by Escrow Holder to carry out and close this Escrow pursuant to this Agreement.

4.5 Purchaser's Deliveries Prior to Closing. Purchaser shall deliver to the Escrow Holder, prior to the Closing, the balance of the Purchase Price and the following documents:

(a) three executed original counterparts of the Assignment of Contracts and Warranties;

(b) three executed original counterparts of the Assignment of Leases; and

(c) all other sums and documents reasonably required of Purchaser by Escrow Holder to carry out and close this Escrow.

4.6 Actions at Closing. At the Closing, the Escrow Holder shall do the following:

(a) cause the Grant Deed and the SNDA (if any) to be recorded in the Official Records of Orange County, California and cause the Transfer Tax Statement to be delivered to the recorder's office with instructions to attach the Transfer Tax Statement to the Grant Deed following recordation of the Grant Deed;

(b) cause the Bill of Sale, complete original counterparts of the Assignment of Contracts and Warranties, complete original counterparts of the Assignment of Leases, the Affidavits, the Tenant Estoppel, the Lease Guaranty and an owner's policy of title insurance or commitment therefor pursuant to Section 5.3 hereof to be delivered to Purchaser; and

(c) deliver to Seller complete original counterparts of the Assignment of Contracts and Warranties, complete original counterparts of the Assignment of Leases, and the Purchase Price (less costs and expenses to be paid by Seller under Section 4.8 and any amounts required to be withheld under Section 4.4(e) hereof).

4.7 Cancellation of Escrow.

(a) In the event that the Closing does not occur at the time and in the manner provided in this Agreement due to the material failure of Purchaser to comply with any of its obligations under this Agreement ("Purchaser Default"), Seller shall have the right to cancel the Escrow by written notice to Purchaser and the Escrow Holder. Upon such cancellation, all costs of the Escrow (collectively, the "Cancellation Costs") shall be paid by Purchaser.

(b) In the event that the Closing does not occur at the time and in the manner provided in this Agreement due to the material failure of Seller to comply with any of its obligations under this Agreement ("Seller Default"), Purchaser shall have the right to cancel the Escrow by written notice to Seller and the Escrow Holder. Upon such cancellation, Seller shall return the Deposit to Purchaser and the Cancellation Costs shall be paid by Seller.

(c) In the event that the Closing does not occur at the time and in the manner provided in this Agreement for any reason other than a Purchaser Default or Seller Default, either Purchaser or Seller may, at any time after the Closing Deadline, cancel the Escrow by written notice to the other and to the Escrow Holder. Upon such cancellation, Seller shall return the Deposit to Purchaser and the Cancellation Costs shall be divided equally between Purchaser and Seller.

(d) Upon any cancellation of the Escrow, all instruments and documents deposited with the Escrow Holder shall be returned to the parties who deposited the same.

(e) The rights and remedies set forth in this Section 4.7 shall not be exclusive of any other rights or remedies which Purchaser or Seller may have by law or in equity in the event of breach of this Agreement, provided however that Seller's exclusive remedy in the event of a Purchaser Default shall be to receive the Deposit as full liquidated damages and to require Purchaser to pay the Cancellation Costs pursuant to Section 4.7(a), above.

4.8 Fees, Closing Costs and Prorations. The costs incidental to the Closing shall be paid as follows:

(a) Seller shall pay: (i) the documentary transfer tax payable in connection with the recordation of the Grant Deed as set forth in the Transfer Tax Statement; (ii) the premium for the CLTA standard coverage owner's title policy obtained by Purchaser or, if Purchaser obtains an ALTA extended coverage owner's policy, then that portion of the premium which would have been payable for a CLTA standard coverage owner's policy; (iii) one-half (2) of the Escrow Holder's escrow fees; and (iv) the broker's commission to Collins Commercial Corporation.

(b) Purchaser shall pay: (i) the cost of any title insurance endorsements requested by Purchaser and, if Purchaser elects to obtain an ALTA extended coverage owner's policy rather than a CLTA standard coverage owner's policy, then the portion of the premium attributable to the ALTA extended coverage; (ii) the cost of obtaining any survey of the Property obtained by Purchaser; (iii) the cost of recording the Grant Deed and the SNDA (if any); and (iv) one-half (2) of the Escrow Holder's escrow fees.

(c) Purchaser and Seller shall each pay their own legal fees and other incidental expenses incurred in connection with the transaction contemplated by this Agreement.

(d) Rents which have actually been received by Seller for the month ("Current Month") in which the Closing occurs shall be prorated as of the Closing. All rents or charges due prior to the Current Month and Seller's pro rata share of any unpaid rent for the Current Month ("Current Month Unpaid Rent") shall be the property of Seller, and shall be paid over to Seller by Purchaser immediately upon receipt by Purchaser. Purchaser shall apply payments received after Closing first to current rent then due and then to past rent starting with the most recent delinquency. All prepaid rents and charges for the period following the Closing and all security deposits or other deposits of tenants held by Seller shall be paid by Seller to Purchaser at Closing.

(e) All utility charges, maintenance and repair expenses, taxes, assessments, insurance premiums and all other operating expenses which are the landlord's responsibility under the Lease shall be prorated as of the Closing based upon the latest available information. Any such items which are the responsibility of the tenant under the Lease shall not be prorated. If supplemental real property taxes are the landlord's responsibility under the Lease, then Seller agrees that, after the Closing and upon receipt of a Supplemental Tax Bill from the County of Orange Tax Assessor's Office by Seller or Purchaser, Seller will meet with Purchaser to determine the amount of any Supplemental Taxes affecting the Property. Seller shall pay to Purchaser the portion of the Supplemental Taxes which the parties agree is attributable to the period of time prior to the Closing.

(f) Any other costs or expenses in connection with the transaction contemplated by this Agreement shall be apportioned in the manner customary in the County in which the Property is located.

5. Title.

5.1 Preliminary Title Report. Seller shall obtain and deliver to Purchaser on or prior to the Opening of Escrow a current preliminary title report prepared by Chicago Title Insurance Company with respect to the Property (the "Preliminary Title

Report") and copies of all underlying title documents referenced in the Preliminary Title Report.

5.2 Permitted Exceptions. Seller shall convey to Purchaser fee simple title to the Property, subject only to the following (referred to collectively herein as the "Permitted Exceptions"):

(a) The Title Company's standard printed exceptions and exclusions on its standard form CLTA (or, if Purchaser so elects, its ALTA extended coverage) owner's policy of title insurance;

(b) All other covenants, conditions, restrictions, exceptions, reservations, rights, rights of way, easements and other matters (other than deeds of trust and other monetary encumbrances which are to be paid at Closing) affecting title shown in the Preliminary Title Report, except any of the same which pursuant to Section 8 are (i) disapproved by Purchaser, and (ii) which Seller agrees in writing to cure;

(c) General and special taxes and assessments not then delinquent; and

(d) Instruments recorded with the mutual approval of Purchaser and Seller.

5.3 Title Insurance. At the Closing, the Escrow Holder shall deliver to Purchaser a CLTA standard coverage owner's policy of title insurance (or, if Purchaser so elects pursuant to Section 5.4, an ALTA extended coverage owner's policy of title insurance) issued by the Title Company or a commitment by the Title Company to issue such a policy, with liability in the amount of the Purchase Price, showing title to the Property to be vested in Purchaser subject only to the Permitted Exceptions.

5.4 ALTA Extended Coverage Title Policy; Supplements to Preliminary Title Report. Purchaser may elect to receive an American Land Title Association extended coverage owner's policy of title insurance, provided that (i) Purchaser pays for any required survey and the increased premium of an ALTA extended coverage owner's policy over the premium for a CLTA standard coverage owner's policy, and (ii) neither the obtaining of any required survey nor the issuance of an ALTA extended coverage owner's policy shall delay the Closing beyond the Closing Deadline. If any timely obtained ALTA survey, or any supplements to the Preliminary Title Report, disclose any title defects that materially affect Purchaser's use of the Property (minor encroachments and easements not materially affecting Purchaser's use of the Property shall be deemed Permitted Exceptions), Purchaser's sole remedy shall be to terminate this Agreement upon written notice to Seller and Escrow Holder on or before the Feasibility Date, in which event the Deposit shall be returned to Purchaser and Section 4.7(c) hereof shall apply.

6. Lease and Contracts.

6.1 Delivery of Lease, Contracts and Other Documents. Seller shall, on or before the Opening of Escrow, deliver to Purchaser copies of (i) the Lease and any commission agreements relating to the Lease, (ii) all contracts, representations, warranties and agreements pertaining to the ownership, operation, management, maintenance and use of the Property for the past two years (collectively, the "Contracts"), (iii) any existing boundary, as-built and topographic surveys, appraisals, environmental reports and building inspection reports of the Property in Seller's possession, and (iv) operating statements for the Property for the past two years. Further, Seller shall use reasonable efforts to obtain prior to the Feasibility Date (at Purchaser's sole cost and expense) reliance letters addressed to Purchaser, Purchaser's assigns and any lender, by the parties

who prepared the appraisal, environmental report and building inspection reports. In no event shall Seller's failure to obtain such reliance letters constitute a breach or default by Seller.

6.2 Performance of Lease and Contracts. From and after the Opening of Escrow until the Closing, Seller agrees that it will continue to perform all of its obligations under the Lease and the Contracts. From and after the Opening of Escrow, Seller will not amend or terminate the Lease or any of the Contracts without the express prior written consent of Purchaser, which consent shall not be unreasonably withheld.

6.3 Originals at Closing. At the Closing, Seller shall deliver to Purchaser outside of Escrow the executed originals of those Contracts (if any) which will survive the Closing, and the Lease (including any amendments thereto), together with all property management books, records, operating reports and files pertaining to the Property.

7. Purchaser's Inspection. Purchaser and Purchaser's agents are hereby granted a license, for a period of thirty (30) calendar days following the Opening of Escrow (the "Feasibility Period"), to enter upon and inspect the Property and all improvements, fixtures, equipment and personal property located thereon or affixed thereto. Seller agrees to cooperate with Purchaser and Purchaser's agents in connection with such inspection, and to make available for Purchaser's inspection and copying (any copying to be at Purchaser's expense) all of Seller's books and records, appraisals, building plans and specifications, soils reports, engineering studies, environmental reports and other materials in Seller's possession relating to the Property. Seller further understands that Purchaser or Purchaser's representatives may contact the Tenant (and/or any guarantor of the Lease) during the Feasibility Period in an effort to obtain financial information concerning the Tenant (and/or any guarantor of the Lease), and Seller has no objection to such efforts by Purchaser or Purchaser's representatives. Purchaser shall repair any damage to the Property, and shall defend, indemnify and hold Seller, its shareholders, directors, officers, employees and agents harmless from and against any and all claims, suits, judgments, losses, damages or liabilities of any nature (including without limitation reasonable attorneys fees and costs of suit) directly arising from the entry upon the Property by Purchaser, its employees, agents, independent contractors and consultants.

8. Purchaser's Approval Items. This Agreement and each of Purchaser's obligations in connection herewith are expressly conditioned upon Purchaser's approval, in the exercise of Purchaser's sole and absolute discretion, of each of the following items on or before the last day of the Feasibility Period (the "Feasibility Date"):

(a) the Lease and the financial condition of the Tenant and the guarantor of the Lease;

(b) all Contracts;

(c) the Preliminary Title Report and underlying recorded documents;

(d) the status and condition of the Property and any improvements, fixtures, appurtenances and equipment located thereon or affixed thereto;

(e) all items made available for Purchaser's inspection pursuant to Section 7 above; and

(f) all other aspects of the Property.

Purchaser's approval of all of the foregoing items on or prior to the Feasibility Date, Purchaser shall be deemed to have disapproved such matters and the Escrow shall terminate immediately following the Feasibility Date, in which event Section 4.7(c) shall apply. If Purchaser notifies Seller and Escrow Holder in writing of Purchaser's approval of all of the foregoing items on or prior to the Feasibility Date, then the Deposit shall become non-refundable to Purchaser pursuant to Section 3.1 hereof.

9. Seller's Representations and Warranties. As used in this Section 9, the phrase "to the best knowledge and belief of Seller" means to the actual knowledge of John Kocmur, Seller's Vice President, without any independent investigation or inquiry. John Kocmur is the corporate officer of Seller having primary responsibility for management of the Property and, as a result, the most knowledge of any corporate officers of Seller regarding the Property. Seller hereby makes the following representations, covenants and warranties, each of which shall survive for a period of 18 months following the Closing:

(a) Seller is a corporation, duly organized and validly existing under the laws of the State of California. Seller has the requisite right, power, legal capacity and authority to enter into and fully perform each and all of its obligations under this Agreement. The individuals executing this Agreement on behalf of Seller have the requisite right, power, legal capacity and authority to execute and enter into this Agreement on behalf of Seller, to legally bind Seller to the terms and provisions of this Agreement and to execute all other documents and take all other actions as may reasonably be necessary to perform each and all of Seller's obligations under this Agreement.

(b) To the best knowledge and belief of Seller, there is presently no pending or contemplated condemnation of the Real Property or any part thereof, and Seller has made no commitment to any governmental or quasi-governmental entity or to any other person or entity which relates to the Real Property or imposes upon Seller or Seller's successors or assigns any obligation to pay or contribute property or money or to construct, install or maintain any improvements on or off the Real Property.

(c) To the best knowledge and belief of Seller, the closing of the transaction contemplated by this Agreement will not constitute or result in any default or event which, with or without notice or lapse of time, or both, would result in a violation of any applicable law, ordinance or regulation or a default, breach or violation of, or the creation of any lien or other encumbrance pursuant to, any agreement, instrument or arrangement by which Seller or the Real Property or any portion thereof is bound.

(d) To the best knowledge and belief of Seller, the Real Property, including the improvements as constructed and as operated by Seller, conforms to, and is operated, maintained, and leased in accordance with all applicable city, county, state, federal and other applicable laws, statutes, ordinances, rules and regulations. Seller has not received any notification from any city, county, state or federal authority alleging that the Real Property, including the improvements, as constructed and as operated by Seller, do not conform to or are not operated, maintained, and leased in accordance with all such applicable laws, statutes, ordinances, rules and regulations.

(e) Except as disclosed in the environmental reports made available for Purchaser's inspection pursuant to Section 7 hereof, Seller has received no written notice from any third parties, prior owners of the Real

Property, or any federal, state or local governmental agency, indicating that any Hazardous Substance remedial or clean-up work will be required on the Real Property. To the best knowledge and belief of Seller, there have not been any on-site spills, releases, discharges or disposal of Hazardous Substances which have occurred on the Property during Seller's ownership of the Real Property. For purposes of this Agreement, the term "Hazardous Substances" shall include all substances which are classified as hazardous substances or hazardous wastes under any of the following laws, rules and regulations: (i) the Toxic Substances Control Act, 15 U.S.C., Section 2601 et seq., (ii) the Clean Water Act, 33 U.S.C., Section 1251 et seq., (iii) the Resource and Conservation and Recovery Act, 42 U.S.C., Section 6901 et seq., (iv) the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C., Section 9601, et seq., (v) the Hazardous Materials Transportation Act, 49 U.S.C., Section 1801, et seq., (vi) the California Hazardous Waste Control Act, Health and Safety Code, Section 25100 et seq., (vii) the California Hazardous Substance Account Act, Health and Safety Code, Section 25249.5 et seq., (viii) the California Waste Management Act, Health and Safety Code, Section 25170.1 et seq., (ix) Health and Safety Code, Section 2550, Hazardous Materials Release Response Plans and Inventory, (x) the California Porter-Cologne Water Quality Control Act, Water Code, Section 13000 et seq., or (xi) other federal or state laws, rules and regulations, all as amended.

(f) To the best knowledge and belief of Seller, there are no taxes, assessments (special, general or otherwise) or bonds of any nature affecting the Real Property, or any portion thereof, except as disclosed in the Preliminary Title Report.

(g) The Lease is the only existing lease or rental agreement pursuant to which any person or entity is occupying any portion of the Real Property. The Lease is in full force and effect and, to the best knowledge and belief of Seller (i) there are no present uncured defaults thereunder, and (ii) no commissions are due and payable with respect to the Lease or any renewal thereof.

(h) Seller acknowledges that Purchaser may be required by the Securities and Exchange Commission to file audited financial statements for one to three years with regard to the Property. At no cost or liability to Seller, Seller shall (i) cooperate with Purchaser, its counsel, accountants, agents, and representatives, provide them with access to Seller's books and records with respect to the ownership, management, maintenance, and operation of the Property for the applicable period, and permit them to copy the same, (ii) execute a form of "rep" letter in form and substance reasonably satisfactory to Seller, and (iii) furnish Purchaser with such additional information concerning the same as Purchaser shall reasonably request. Purchaser will pay all costs and expenses associated with any such audit.

10. Purchaser's Representations and Warranties. Purchaser hereby makes the following representations, covenants and warranties, each of which shall survive for a period of one year following the Closing:

(a) Purchaser is a corporation, duly organized and existing under the laws of the State of Georgia and is duly qualified to transact business in the State of California, to the extent such qualification is necessary; and

(b) Purchaser has the requisite right, power, legal capacity and authority to enter into and fully perform each and all of its obligations under this Agreement. The individuals executing this Agreement on behalf of Purchaser have the requisite right, power, legal capacity and authority to execute and enter into this Agreement on behalf of Purchaser, to legally bind Purchaser to the

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and provisions of this Agreement and to execute all other documents and take all other actions as may reasonably be necessary to perform each and all of Purchaser's obligations under this Agreement.

11. Change in Circumstance. If, following the Opening of Escrow, either Seller or Purchaser (the "representing party") first becomes aware of some changed fact or circumstance which would require material changes to any of the representations or warranties made by the representing party in Section 9 or 10 above in order to make such representations or warranties accurate, then the representing party shall immediately give written notice of such changed fact or circumstance to the other party, but such notice shall not relieve the representing party of its obligation to consummate this transaction. When the representing party notifies the other party of any changed fact or circumstance, then the other party may terminate this Agreement, in which event Section 4.7(c) shall apply (except that the representing party shall pay all Cancellation Costs). So long as the representations and warranties made by the representing party were true and accurate as of the Opening of Escrow, such representing party shall not be liable to the other party if a changed fact or circumstance makes a representation or warranty untrue and if the representing party discloses such fact to the other party in accordance with this Section 11.

12. As-Is Purchase.

(a) Purchaser's Investigation. Purchaser is, or prior to the Feasibility Date will be, familiar with the Property and has or will make such independent investigations as it deems necessary or appropriate concerning the use or sale of the Property, including but not limited to (i) any desired investigations or analysis of the economic value of the Property or the feasibility of marketing the Property for the purposes intended by Purchaser; (ii) soils reports and hazardous waste and toxic materials studies; (iii) the physical condition of the Real Property; (iv) the use of the Building for Purchaser's intended purpose; (v) the size, dimensions, location or topography of the Real Property; (vi) the adequacy of water, sewage or any other utilities serving the Building; and (vii) all other matters concerning the use, development or sale of the Property.

(b) No Reliance. Purchaser is relying solely upon its own inspection, investigation and analysis of the foregoing matters in purchasing the Property and is not relying in any way upon any representations, cost information, statements, agreements, warranties, studies, reports, descriptions, guidelines or other information or material furnished by Seller or its representatives, whether oral or written, express or implied, of any nature whatsoever regarding any of the foregoing matters, except as specifically set forth in Section 9 of this Agreement.

(c) "AS-IS". Purchaser acknowledges that it is a sophisticated purchaser who is familiar with this type of property and that it is acquiring the Property "AS-IS," without representation by Seller or its representatives as to any matter except as specifically set forth in Section 9 of this Agreement.

13. No Assignment by Purchaser. Except as otherwise provided in this Section 13, Purchaser shall be permitted to assign Purchaser's rights and delegate Purchaser's obligations hereunder only with the prior written consent of Seller, which consent may be granted or withheld in Seller's sole and absolute discretion. Notwithstanding the foregoing, Purchaser shall, upon written notice to Seller but without the need for Seller's consent, be permitted to assign Purchaser's rights and delegate Purchaser's obligations hereunder to another entity which is an affiliate of Purchaser.

14. Treatment of Deposit. The Deposit shall be credited toward the Purchase Price in the event that the Closing takes place at the time and in the manner provided in

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this Agreement. The Deposit shall be retained by Seller as liquidated damages upon cancellation of the Escrow by Seller pursuant to Section 4.7(a) following a Purchaser Default. The Deposit shall be returned to Purchaser upon cancellation of the Escrow pursuant to Section 4.7(b) or 4.7(c) hereof.

15. LIQUIDATED DAMAGES ON PURCHASER DEFAULT. PURCHASER AND SELLER HEREBY ACKNOWLEDGE AND AGREE THAT, IN THE EVENT OF A PURCHASER DEFAULT, SELLER WILL SUFFER DAMAGES IN AN AMOUNT WHICH WILL, DUE TO THE SPECIAL NATURE OF THE TRANSACTION CONTEMPLATED BY THIS AGREEMENT AND THE SPECIAL NATURE OF THE NEGOTIATIONS WHICH PRECEDED THIS AGREEMENT, BE IMPRACTICAL OR EXTREMELY DIFFICULT TO ASCERTAIN. IN ADDITION, PURCHASER WISHES TO HAVE A LIMITATION PLACED UPON THE POTENTIAL LIABILITY OF PURCHASER TO SELLER IN THE EVENT OF A PURCHASER DEFAULT, AND WISHES TO INDUCE SELLER TO WAIVE OTHER REMEDIES WHICH SELLER MAY HAVE IN THE EVENT OF A PURCHASER DEFAULT. PURCHASER AND SELLER, AFTER DUE NEGOTIATION, HEREBY ACKNOWLEDGE AND AGREE THAT THE AMOUNT OF THE DEPOSIT (AS THE SAME EXISTS FROM TIME TO TIME UNDER THIS AGREEMENT) REPRESENTS A REASONABLE ESTIMATE OF THE DAMAGES WHICH SELLER WILL SUSTAIN IN THE EVENT OF SUCH PURCHASER DEFAULT. PURCHASER AND SELLER HEREBY AGREE THAT SELLER MAY, IN THE EVENT OF A PURCHASER DEFAULT, TERMINATE THIS AGREEMENT BY WRITTEN NOTICE TO PURCHASER AND ESCROW HOLDER, CANCEL THE ESCROW AND RETAIN THE DEPOSIT AS LIQUIDATED DAMAGES. SUCH RETENTION OF THE DEPOSIT BY SELLER IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO SECTIONS 1671, 1676 AND 1677 OF THE CALIFORNIA CIVIL CODE, AND SHALL NOT BE DEEMED TO CONSTITUTE A FORFEITURE OR PENALTY WITHIN THE MEANING OF SECTION 3275 OR SECTION 3369 OF THE CALIFORNIA CIVIL CODE, OR ANY SIMILAR PROVISION. FOLLOWING TERMINATION OF THIS AGREEMENT, CANCELLATION OF THE ESCROW AND RETENTION OF THE DEPOSIT AS LIQUIDATED DAMAGES PURSUANT TO THIS SECTION 15, ALL OF THE RIGHTS AND OBLIGATIONS OF PURCHASER AND SELLER UNDER THIS AGREEMENT SHALL BE TERMINATED.

PURCHASER AND SELLER ACKNOWLEDGE THAT THEY HAVE READ AND UNDERSTAND THE PROVISIONS OF THIS SECTION 15 AND BY THEIR INITIALS IMMEDIATELY BELOW AGREE TO BE BOUND BY ITS TERMS.

"Seller":

"Purchaser":

/s/ [ILLEGIBLE]

/s/ BMC

16. Risk of Loss. It shall be a condition to Purchaser's obligation to purchase the Property that no damage, destruction or loss (whether or not covered by insurance) in excess of Fifty Thousand and No/100 Dollars (\$50,000.00), and no other event or condition, not existing on the Feasibility Date, shall have occurred and shall exist at Closing. In the event of damage, destruction or loss which is \$50,000 or less (i) to the extent that the damage, destruction or loss is not insured, then there shall be a reduction in the Purchase Price in any amount necessary to repair such damage, destruction or loss, and (ii) to the extent that the damage, destruction or loss is insured, any insurance proceeds shall be assigned to Purchaser at Closing, or shall be used to cure such damage in a timely manner, provided such insurance proceeds are sufficient to cure the damage.

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17. Brokers. Purchaser and Seller each represent and warrant to each other that it has not engaged or dealt with any broker, finder or other agent in connection with this Agreement or the transactions contemplated hereby other than Collins Commercial Corporation (the "Broker"). Seller shall pay, outside of

Escrow pursuant to a separate agreement, a real estate commission to the Broker, and Purchaser shall have no responsibility therefor. Purchaser and Seller each hereby indemnify and hold the other harmless from and against all costs, expenses or liabilities (including without limitation attorneys fees and court costs, whether or not taxable and whether or not any action is prosecuted to judgment) incurred by the indemnified party in connection with any claim or demand by a person or entity for any broker's, finder's or other commission or fee in connection with the indemnifying party's entry into this Agreement and the transactions contemplated hereby.

18. Condemnation. At Closing, no part of the Property shall be subject to notice of acquisition or condemnation or shall previously have been acquired by authority of any governmental agency in the exercise of its power of eminent domain or by private purchase in lieu thereof, nor at Closing shall there be any written threat or written evidence of the imminence of any such acquisition or purchase.

19. Miscellaneous.

19.1 Notices. All notices, approvals, disapprovals or elections required or permitted to be given under this Agreement shall be in writing and shall be (i) delivered personally, (ii) sent via Federal Express (or another comparable overnight messenger service), or (iii) sent via telefacsimile to the parties at the following addresses:

If to Seller: Spencer Fountain Valley Holdings, Inc.
12520 High Bluff Drive, Suite 100
San Diego, California 92130
Attention: Mr. John I. Kocmur
Facsimile: (619) 481-4968

With a copy to: Sheppard, Mullin, Richter & Hampton LLP
650 Town Center Drive, 4th Floor
Costa Mesa, California 92626-1925
Attention: Brent R. Liljestrom, Esquire
Facsimile: (714) 513-5130

If to Purchaser: Wells Development Corporation
3885 Holcomb Bridge Road
Atlanta, Georgia 30092
Attention: Mr. Michael C. Berndt
Facsimile: (770) 840-7224

With a copy to: O'Callaghan & Stumm, L.P.
127 Peachtree Street, N.E., Suite 1330
Atlanta, Georgia 30303
Attention: William O'Callaghan, Esquire
Facsimile: (404) 522-3080

Personally delivered notices shall be deemed given upon actual personal delivery to the intended recipient. Notices given by telefacsimile shall be deemed given upon completion of transmission to the receiving telefacsimile machine. Notices sent via Federal Express (or another comparable overnight messenger service) shall be deemed given the immediately following business day.

19.2 Attorneys' Fees. In the event of any action between Purchaser and Seller for enforcement of any of the terms or conditions of this Agreement, the prevailing party in such action shall be entitled to recover its reasonable costs and expenses, including without limitation taxable court costs and attorneys' fees, as awarded by a court of competent jurisdiction.

19.3 Entire Agreement. This Agreement contains all of the agreements of Purchaser and Seller with regard to the transactions contemplated hereby, and

supersedes all prior agreements, understandings and negotiations, whether written or oral.

19.4 Amendment. This Agreement shall not be modified or amended except by an instrument in writing duly executed by both Purchaser and Seller.

19.5 Successors. Subject to the restrictions on Purchaser's right to assign as set forth in Section 13 hereof, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the successors in interest and assigns of Purchaser and Seller.

19.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

19.7 Headings. The paragraph headings and captions in this Agreement are for convenience only and shall not limit or define the contents of this Agreement.

19.8 Time. Time is of the essence of this Agreement, it being understood that the time for performance of each obligation, including without limitation the Closing Deadline, has been the subject of negotiation by the parties.

19.9 Further Assurances. Seller and Purchaser agree that they will, at any time and from time to time after the Closing, upon the request of the other party, execute, acknowledge and deliver all such further deeds, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably required for the effective assignment, transferring, granting or conveying of any or all of the assets or property to be assigned to them as provided herein, at the cost of the requesting party.

19.10 Business Days. As used herein, "Business Days" means all days other than Saturdays, Sundays, federal holidays and holidays in the State of California.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

"Purchaser":

WELLS DEVELOPMENT CORPORATION, a
Georgia corporation

By: /s/ Brian M. Conlon

Brian M. Conlon - Executive Vice President

[Printed Name and Title]

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"Seller":

SPENCER FOUNTAIN VALLEY HOLDINGS, INC.,
a California corporation

By /s/ John I. Kocmur

John I. Kocmur, its Vice President

EXHIBIT 10.22

FIRST AMENDMENT TO
PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS

BETWEEN THE CORT JOINT VENTURE

AND

SPENCER FOUNTAIN VALLEY HOLDINGS, INC

FIRST AMENDMENT TO PURCHASE AND SALE
AGREEMENT AND JOINT ESCROW INSTRUCTIONS

THIS FIRST AMENDMENT TO PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS is made and entered into as of the 16th day of July, 1998, by and between WELLS DEVELOPMENT CORPORATION, a Georgia corporation ("Purchaser") and SPENCER FOUNTAIN VALLEY HOLDINGS, INC., a California corporation ("Seller").

W I T N E S S E T H :

WHEREAS, the parties hereto entered into that certain PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (the "Agreement") dated as of June 12, 1998, relating to that certain property located at 10700 Spencer Avenue, Fountain Valley, California and being more particularly described therein; and

WHEREAS, the parties desire to amend certain provisions of the Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein set forth, and other good and valuable consideration the receipt, adequacy and sufficiency of which are hereby expressly acknowledged by the parties hereto, Seller and Purchaser do hereby covenant and agree as follows:

1. The "Feasibility Period" as defined in Section 7 of the Agreement shall be deemed to mean the period ending on July 27, 1998. July 27, 1998, shall be the "Feasibility Date" and July 30, 1998, shall be the "Closing Deadline", as said terms are defined in the Agreement.

2. Purchaser is in the process of obtaining an ALTA survey of the Property (the "Survey"). Purchaser anticipates the receipt of an appraisal (the "Appraisal") momentarily and an environmental report (the "Environmental Report" on July 20, 1998. Further, Purchaser has not received an executed tenant estoppel (the "Tenant Estoppel"). Other than items which may be disclosed by the Survey, Appraisal, Environmental Report, or Tenant Estoppel (all of which Purchaser reserves the right to review and have its lender review and make objections based thereon), Purchaser acknowledges that it has approved all of the Purchaser's approval items set forth in Section 8 of the agreement except for subparagraph 8(c) and 8(d) thereof.

3. Except as expressly modified by the terms and conditions hereof, the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by duly authorized representatives as of the day, month and year first above written.

"PURCHASER":

WELLS DEVELOPMENT CORPORATION, a Georgia corporation

By: /s/ Michael C. Berndt

Title: VP

"SELLER":

SPENCER FOUNTAIN VALLEY HOLDINGS, INC.

By:

John I. Kocmur, Vice President

EXHIBIT 10.23

PROMISSORY NOTE

FROM THE COURT JOINT VENTURE

TO

NATIONSBANK, N.A.

PROMISSORY NOTE

\$4,875,000.00

July 30, 1998

1. Payment Schedule and Maturity Date. FOR VALUE RECEIVED, the undersigned (herein called "Maker") hereby promises to pay to the order of NationsBank, N.A., a national banking association ("Lender"), without offset, in immediately available funds in lawful money of the United States of America, at NationsBank Plaza, 600 Peachtree Street, N.E. in the City of Atlanta, Fulton County, Georgia, the principal sum of FOUR MILLION EIGHT HUNDRED SEVENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$4,875,000.00) (or the unpaid balance of all principal advanced against this Note, if that amount is less) together with interest on the unpaid principal balance of this Note from day to day outstanding as hereinafter provided, as follows:

a. Primary Maturity Date. Unless duly extended as hereinafter provided, the final maturity of the indebtedness evidenced by this Note shall be July 30, 1999 (the "Primary Maturity Date").

b. Extended Maturity Date. Maker shall have the right and option (the "Extension Option") to extend the final maturity of the indebtedness evidenced by this Note from the Primary Maturity Date to January 30, 2000 (the "Extended Maturity Date"), upon the conditions that (a) Maker shall give to Lender, no earlier than May 16, 1999, and no later than June 30, 1999, written notice of the exercise by Maker of the Extension Option; (b) there shall not exist, either on the date of such notice (the "Notice Date") or on the Primary Maturity Date, any default under the Mortgage (hereinafter defined) or any other Loan Document (hereinafter defined); (c) there shall not have occurred, from and after the date of this Note, any material adverse change in the business or financial condition of Maker, Wells Development Corporation, a Georgia corporation, Wells Operating Partnership, L.P., a Delaware limited partnership, or Leo F. Wells, III, or any material adverse change in the condition or value of the Property (hereinafter defined); (d) Maker shall make a prepayment of principal in an amount (if any) sufficient to cause the outstanding principal balance of the indebtedness evidenced by this Note to be reduced, prior to the Primary Maturity Date, to an amount no greater than Four Million Three Hundred Seventy-Five Thousand and No/100 Dollars (\$4,375,000.00); and (e) Maker shall pay to Lender, simultaneously with the giving of written notice of Maker's exercise of the Extension Option, an additional origination fee in the amount of Six Thousand One Hundred and No/100 Dollars (\$6,100.00).

WELLS/ORANGE COUNTY ASSOCIATES

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c. Maturity Date. The terms "Maturity Date" and "the final maturity of the indebtedness evidenced by this Note" as used in this Note mean either the Primary Maturity Date, if the Extension Option is not duly exercised by Maker, or the Extended Maturity Date, if the Extension Option is duly exercised by Maker.

d. Interest Installments. All interest accruing hereunder from the date

hereof through the Maturity Date shall be due and payable in arrears commencing on September 1, 1998, and continuing on the first (1st) day of each succeeding calendar month thereafter through and including the first (1st) day of the calendar month in which the Maturity Date occurs.

e. Principal Installments. Commencing on September 1, 1998, and continuing on the first (1st) day of each succeeding calendar month thereafter through and including the first (1st) day of the calendar month in which the Maturity Date occurs, Maker shall pay to Lender equal consecutive monthly installments of principal in the amount of Eight Thousand Five Hundred Eighty-Seven and No/100 Dollars (\$8,587.00) each.

f. Final Payment of Principal and Interest. The entire outstanding principal balance of this Note together with all accrued and unpaid interest thereon shall be finally due and payable on the Maturity Date.

2. Security; Loan Documents. The security for this Note includes a Deed of Trust, Assignment, Security Agreement and Fixture Filing (which, as it may have been or may be amended, restated, modified or supplemented from time to time, is herein called the "Mortgage") of even date herewith from Maker to Lender, conveying and encumbering certain property in Orange County, California described therein (the "Property"). This Note, the Mortgage and any other documents now or hereafter securing, guaranteeing or executed in connection with the loan evidenced by this Note, are, as the same have been or may be amended, restated, modified or supplemented from time to time, herein sometimes called individually a "Loan Document" and together the "Loan Documents."

3. Interest Rate.

(a) Stated Rate. Subject to the further provisions of this Section 3, the unpaid principal balance of this Note from day to day outstanding which is not past due shall bear interest at a rate per annum equal to the lesser of (i) the Maximum Rate (hereinafter defined) or (ii) the Stated Rate (hereinafter defined) computed on the Annual Basis (hereinafter defined). The term "Stated Rate" as used in this Note means a variable rate per annum equal to either (i) the Prime Rate (hereinafter defined); or (ii) at the election of Maker, but subject to the terms and conditions set forth herein, the Variable Eurodollar Basis

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(hereinafter defined). The Stated Rate shall, unless otherwise specified herein, change with each change in the Prime Rate or Variable Eurodollar Rate, as the case may be, as of the date of any such change, without notice, subject always to the limitations set out in this Section 3; provided, however, that if on any day the Variable Rate shall exceed the maximum permitted by application of the Maximum Rate in effect on that day, the Variable Rate shall be limited to, but shall remain at and vary with, the maximum permitted by application of the Maximum Rate on that day and on each day thereafter until the total amount of interest accrued at the Variable Rate on the unpaid balance of this Note equals the total amount of interest which would have accrued if there were no limitation by the Maximum Rate, or until the earlier payment in full of this Note.

The term "Annual Basis" as used in this Note means computation of interest for the actual number of days elapsed and as if each year were composed of 360 days; however, use of the Annual Basis is subject always to limitation by the Maximum Rate and in no event shall any such computation result in an amount of interest in excess of the Maximum Amount (hereinafter defined). In any event, all interest at the Maximum Rate shall be computed on the Annual Basis of 365 days (366 in a leap year).

The term "Business Day" as used in this Note means any day on which the offices of Lender are open for the conduct of its banking business in Atlanta, Georgia

and also on which commercial banks are open for international business (including dealings in United States dollar deposits) in London, England.

The term "Eurodollar Borrowing" means any portion of the indebtedness evidenced by this Note which bears interest at the Variable Eurodollar Basis.

The term "Eurodollar Reserve Percentage" as used in this Note means the reserve percentage applicable from day to day under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or if more than one such percentage is so applicable, the daily average for such percentage for those days during which any such percentage shall be applicable) for determining the maximum reserve requirement (including, without limitation, any basic, marginal, supplemental or emergency reserve requirement) for Lender in respect of liabilities or assets consisting of or including "Eurocurrency Liabilities" as defined in Regulation D of the Board of Governors of the Federal Reserve Board as from time to time in effect, whether or not Lender has any Eurocurrency liabilities subject to such reserve requirement at that time. Eurodollar Borrowings shall be deemed to constitute Eurocurrency liabilities and as such shall be deemed subject to reserve requirements without benefits of credits for proration, exceptions or offsets that may be available from time to time to Lender. The Variable Eurodollar Basis shall be adjusted

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automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

The term "Maximum Rate" as used in this Note means the maximum nonusurious rate of interest per annum permitted by whichever of applicable United States federal law or the law of the State of Georgia permits the higher interest rate, including to the extent permitted by applicable law, any amendments thereof hereafter or any new law hereafter coming into effect to the extent a higher Maximum Rate is permitted thereby. The Maximum Rate shall be applied by taking into account all amounts characterized by applicable law as interest on the debt evidenced by this Note, so that the aggregate of all interest does not exceed the maximum nonusurious amount permitted by applicable law (the "Maximum Amount").

The term "Prime Rate" as used in this Note means, on any day, the rate of interest per annum then most recently established by Lender as its "prime rate." Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by Lender to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general.

The term "Variable Eurodollar Basis" as used in this Note means a per annum rate of interest (rounded upwards, if necessary, to the nearest whole one-sixteenth of 1%) determined pursuant to the following formula:

$$\text{Variable Eurodollar Basis} = \frac{[\text{Variable Eurodollar Rate}]}{[100\% - \text{Eurodollar Reserve Percentage}]}$$

PLUS two hundred twenty (220) basis points, after adjustment for insurance costs and other appropriate regulatory costs and adjustments.

The term "Variable Eurodollar Rate" as used in this Note means, as such rate changes each day, without notice, the rate per annum appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in United States dollars at approximately 11:00 a.m. (London time) for a thirty-day period, with the applicable Variable Eurodollar Rate for each day being the Variable Eurodollar Rate that appeared, as aforesaid, two Business Days prior to such day. If for any reason such rate is not available, the term

"Variable Eurodollar Rate" shall mean, as such rate changes each day, without notice, the rate per annum appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in United States dollars at approximately 11:00 a.m. (London time) for a thirty-day period, with the applicable Variable Eurodollar Rate for each day being

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the Variable Eurodollar Rate that appeared, as aforesaid, two Business Days prior to such day; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates.

(b) Election of Stated Rate. The Stated Rate as of the date hereof is the Variable Eurodollar Basis. Maker may elect to change the Stated Rate from the Prime Rate to the Variable Eurodollar Basis, or from the Variable Eurodollar Basis to the Prime Rate, once per calendar month, which election shall be effective on the first (1st) Business Day following receipt by Lender of written notice from Maker setting forth the rate elected. Any portion of the outstanding principal balance hereof which, prior to the Maturity Date, does not bear interest at the Variable Eurodollar Basis shall bear interest at the Prime Rate.

(c) Application of Maximum Rate. Notwithstanding anything herein to the contrary, if on any day the Stated Rate shall exceed the maximum permitted by application of the Maximum Rate in effect on that day, the Stated Rate shall be limited to, but shall remain at and vary with, the maximum permitted by application of the Maximum Rate on that day and on each day thereafter until the total amount of interest accrued at the Stated Rate on the unpaid balance of this Note equals the total amount of interest which would have accrued if there were no limitation by the Maximum Rate, or until the earlier payment in full of this Note.

(d) Suspension of Eurodollar Borrowings. If, at any time,

(i) Lender shall have reasonably determined (which determination shall be conclusive and binding) that by reason of circumstances affecting the London interbank market or other Eurodollar market, as applicable, adequate and reasonable means do not exist for ascertaining the Variable Eurodollar Basis, or

(ii) Lender shall have reasonably determined (which determination shall be conclusive and binding) that the Variable Eurodollar Basis will not adequately and fairly reflect the cost to Lender of any Eurodollar Borrowing,

then Lender shall forthwith give notice thereof to Maker, whereupon until Lender notifies Maker that the circumstances giving rise to such suspension no longer exist, the obligation of Lender to allow new Eurodollar Borrowings shall be suspended.

(e) Conversion to Prime Rate. If, after the date of this Note, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Lender (or any of its non-United States offices) with any request or directive (whether or not having the force of law) of any such authority, central bank

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or comparable agency shall make it unlawful or impossible for Lender to make, maintain or fund Eurodollar Borrowings, Lender shall forthwith give notice thereof to Maker, whereupon until Lender notifies Maker that the circumstances giving rise to such suspension no longer exist, the obligation of Lender to allow Eurodollar Borrowings shall be suspended. If Lender shall determine that it may not lawfully continue to maintain any outstanding Eurodollar Borrowing to maturity and shall so specify in such notice, such Eurodollar Borrowing shall be immediately converted to a borrowing at the Prime Rate.

(f) Additional Compensation To Lender. If, after the date of this Note, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Lender with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject Lender to any tax, duty or other direct charge with respect to Eurodollar Borrowings or this Note or shall change the basis of taxation of payments to Lender of the principal of or interest on Eurodollar Borrowings or any other amounts due under this Note in respect of Eurodollar Borrowings or its obligations to allow Eurodollar Borrowings (except for changes in the rate of tax on the overall net income of Lender imposed by the jurisdiction in which Lender's principal executive office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Eurodollar Borrowing any such requirement included in an applicable Eurodollar Reserve Percentage) against assets of, deposits with or for the account of, or credit extended by, Lender or shall impose on Lender or the interbank market for Eurodollar deposits any other condition affecting Eurodollar Borrowings, this Note or the obligation of Lender to allow Eurodollar Borrowings;

and the result of any of the foregoing is to increase the cost to Lender of allowing or maintaining Eurodollar Borrowings or to reduce the amount of any sum received or receivable by Lender under this Note with respect thereto, by an amount deemed by Lender, in its good faith judgment, to be material, then, within

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fifteen (15) days after demand by Lender, Maker shall pay to Lender such additional amount or amounts as will compensate Lender for such increased cost or reduction. Lender will promptly notify Maker of any event of which it has knowledge, occurring after the date hereof, which will entitle Lender to compensation pursuant to this paragraph. A certificate of Lender claiming compensation under this paragraph, setting forth the additional amount or amounts to be paid to it hereunder and explaining in reasonable detail the estimates, data and calculations of such amount, shall be conclusive and binding in the absence of manifest error. In determining such amount, Lender may use any reasonable averaging and attribution methods. In lieu of paying the compensation to Lender described in this paragraph, Maker may elect, promptly upon receiving notice from Lender of the event entitling Lender to such compensation, to have any Eurodollar Borrowing converted to a borrowing at the Prime Rate.

(g) Past Due Rate. From and after maturity (whether by acceleration or otherwise), any principal of, and to the extent permitted by applicable law, any interest on this Note, and any other sum payable hereunder, shall bear interest, payable on demand, at a rate per annum (the "Past Due Rate") equal to the lesser of (i) the Stated Rate plus four percent (4%) or (ii) the Maximum Rate.

(h) Late Charge. If any principal or interest is not paid when due, Maker shall pay, on demand, a late charge of four cents (\$.04) for each dollar of each installment which becomes past due for a period exceeding ten (10) days to help defray the added expense incurred in handling said delinquent installment, provided that in no event shall interest be due or payable in excess of the Maximum Rate.

4. Prepayment. Maker may prepay the principal balance of this Note, in full at any time or in part from time to time, provided that (i) Lender shall have actually received from Maker at least five (5) business days' prior written notice of Maker's intent to prepay, of the amount of principal which will be prepaid (the "Prepaid Principal") and of the date on which the prepayment will be made; (ii) the prepayment must not, in Lender's judgment, result in a breach or loss of rights under any commitment or agreement by any third party for payment or purchase of the loan evidenced by this Note or of the Property; (iii) each prepayment shall be in the amount of \$1,000.00 or a larger integral multiple of \$1,000.00 (unless the prepayment retires the outstanding balance of this Note in full); and (iv) each prepayment shall be in the amount of 100% of the Prepaid Principal, plus accrued unpaid interest thereon to the date of prepayment, plus any other sums which have become due to Lender under the Loan Documents on or before the date of prepayment but have not been paid. If this Note is prepaid in full, any commitment of Lender for further advances shall automatically terminate.

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5. Certain Provisions Regarding Payments. All payments made as scheduled on this Note shall be applied, to the extent thereof, to accrued but unpaid interest, unpaid principal, and any other sums due and unpaid to Lender under the Loan Documents, in such manner and order as Lender may elect in its discretion. All prepayments on this Note shall be applied, to the extent thereof, to accrued but unpaid interest on the amount prepaid, to the remaining principal installments, and any other sums due and unpaid to Lender under the Loan Documents, in such manner and order as Lender may elect in its discretion, including but not limited to application to principal installments in inverse order of maturity. Except to the extent that specific provisions are set forth in this Note or another Loan Document with respect to application of payments, all payments received by the holder hereof shall be applied, to the extent thereof, to the indebtedness secured by the Mortgage in such manner and order as Lender may elect in its discretion, any instructions from Maker or anyone else to the contrary notwithstanding. Remittances in payment of any part of the indebtedness other than in the required amount in immediately available U.S. funds shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by the holder hereof in immediately available U.S. funds and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by the holder hereof of any payment in an amount less than the amount then due on any indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a Default (hereinafter defined). Payments received after 2:00 o'clock p.m. Atlanta, Georgia time shall be deemed to be received on, and shall be posted as of, the following business day.

6. Defaults. It shall be a default ("Default") under this Note and each of the other Loan Documents if (a) any principal, interest or other amount of money due under this Note is not paid in full when due, regardless of how such amount may have become due; or (b) there shall occur any default or event of default under the Mortgage or any other Loan Document. Upon the occurrence of a Default, subject to the terms of Section 4.2 of the Mortgage, the holder hereof shall have the rights to declare the unpaid principal balance and accrued but unpaid interest on this Note at once due and payable (and upon such declaration, the same shall be at once due and payable), to foreclose any liens and security interests securing payment hereof and to exercise any of its other rights,

powers and remedies under this Note, under any other Loan Document, or at law or in equity.

7. Rights Cumulative. All of the rights, remedies, powers and privileges (together, "Rights") of the holder hereof provided for in this Note and in any other Loan Document are

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cumulative of each other and of any and all other Rights at law or in equity. The resort to any Right shall not prevent the concurrent or subsequent employment of any other appropriate Right. No single or partial exercise of any Right shall exhaust it, or preclude any other or further exercise thereof, and every Right may be exercised at any time and from time to time. No failure by the holder hereof to exercise, nor delay in exercising any Right, including but not limited to the right to accelerate the maturity of this Note, shall be construed as a waiver of any Default or as a waiver of any Right. Without limiting the generality of the foregoing provisions, the acceptance by the holder hereof from time to time of any payment under this Note which is past due or which is less than the payment in full of all amounts due and payable at the time of such payment, shall not (i) constitute a waiver of or impair or extinguish the right of the holder hereof to accelerate the maturity of this Note or to exercise any other Right at the time or at any subsequent time, or nullify any prior exercise of any such Right, or (ii) constitute a waiver of the requirement of punctual payment and performance or a novation in any respect.

8. Costs of Collection. If any holder of this Note retains an attorney in connection with any Default or at maturity or to collect, enforce or defend this Note or any other Loan Document in any lawsuit or in any probate, reorganization, bankruptcy or other proceeding, or if Maker sues any holder in connection with this Note or any other Loan Document and does not prevail, then Maker agrees to pay to each such holder, in addition to principal, interest and any other sums owing to Lender under the Loan Documents, all reasonable costs and expenses incurred by such holder in trying to collect this Note or in any such suit or proceeding, including reasonable attorneys' fees.

9. Controlling Agreement. All parties to the Loan Documents intend to comply with applicable usury law. All existing and future agreements regarding the debt evidenced by this Note are hereby limited and controlled by the provisions of this Section. In no event (including but not limited to prepayment, default, demand for payment, or acceleration of maturity) shall the interest taken, reserved, contracted for, charged or received under this Note or under any of the other Loan Documents or otherwise, exceed the Maximum Amount. If, from any possible construction of any document, interest would otherwise be payable in excess of the Maximum Amount, then, ipso facto, such document shall be reformed and the interest payable reduced to the Maximum Amount, without necessity of execution of any amendment or new document. If the holder hereof ever receives interest in an amount which apart from this provision would exceed the Maximum Amount, the excess shall, without penalty, be applied to the unpaid principal of this Note in inverse order of maturity of installments and not to the payment of interest, or be refunded to the payor, at the election of the holder hereof in its sole

WELLS/ORANGE COUNTY ASSOCIATES
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discretion or as required by applicable law. The holder hereof does not intend to charge or receive unearned interest on acceleration. All interest paid or agreed to be paid to the holder hereof shall be spread throughout the full term (including any renewal or extension) of the debt so that the amount of interest does not exceed the Maximum Amount.

10. General Provisions. Time is of the essence with respect to Maker's obligations under this Note. Maker and all sureties, endorsers, guarantors and any other party now or hereafter liable for the payment of this Note in whole or in part, hereby severally (i) waive demand, presentment for payment, notice of dishonor and of nonpayment, protest, notice of protest, notice of intent to accelerate, notice of acceleration and all other notices (except any notices which are specifically required by this Note or any other Loan Document), filing of suit and diligence in collecting this Note or enforcing any of the security herefor; (ii) agree to any substitution, subordination, exchange or release of any such security or the release of any party primarily or secondarily liable hereon; (iii) agree that the holder hereof shall not be required first to institute suit or exhaust its remedies hereon against Maker or others liable or to become liable hereon or to perfect or enforce its rights against them or any security herefor; (iv) consent to any extensions or postponements of time of payment of this Note for any period or periods of time and to any partial payments, before or after maturity, and to any other indulgences with respect hereto, without notice thereof to any of them; and (v) submit (and waive all rights to object) to non-exclusive personal jurisdiction in the State of Georgia, and venue in the county in which payment is to be made as specified in Section 1 of this Note, for the enforcement of any and all obligations under the Loan Documents.

Maker and all other parties to this Note severally waive any and all homestead and exemption rights which any of them or the family of any of them may have under or by virtue of the Constitution or laws of the United States of America or of any state as against this Note, any renewal hereof, or any indebtedness evidenced hereby. Maker and all other parties to this Note jointly and severally transfer, convey and assign to Lender or any other holder a sufficient amount of property or money set apart as exempt to pay the indebtedness evidenced hereby, or any renewal hereof and do hereby, jointly and severally, appoint Lender and any other holder the attorney-in-fact for each of them to claim any and all homestead exemptions allowed by law.

A determination that any provision of this Note is unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Note to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

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This Note may not be amended except in a writing specifically intended for the purpose and executed by the party against whom enforcement of the amendment is sought. The holder of this Note may, from time to time, sell or offer to sell the loan evidenced by this Note, or interests therein, to one or more assignees or participants and is hereby authorized to disseminate any information it now has or hereafter obtains pertaining to the loan evidenced by this Note, including, without limitation, any security for this Note and credit or other information on Maker, any of its principals and any guarantor of this Note, to any assignee or participant or prospective assignee or prospective participant, holder's affiliates, including NationsBanc Montgomery Securities LLC, any regulatory body having jurisdiction over the holder of this Note and to any other parties as necessary or appropriate in the holder of this Note's reasonable judgment. Maker shall execute, acknowledge and deliver any and all instruments reasonably requested by the holder of this Note in connection therewith and to the extent, if any, specified in any such assignment or participation, such companies, assignees or participants shall have the rights and benefits with respect to this Note and the other Loan Documents as such persons would have if such persons were Lender hereunder. Maker warrants and represents to Lender and all other holders of this Note that the loan evidenced by this Note is and will be for business or commercial purposes and not primarily for personal, family, or household use. The terms, provisions, covenants and conditions hereof shall be binding upon Maker and the

representatives, successors and assigns of Maker. Captions and headings in this Note are for convenience only and shall be disregarded in construing it. THIS NOTE, AND ITS VALIDITY, ENFORCEMENT AND INTERPRETATION, SHALL BE GOVERNED BY GEORGIA LAW (WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES) AND APPLICABLE UNITED STATES FEDERAL LAW.

THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

[Signatures Begin on Following Page]

WELLS/ORANGE COUNTY ASSOCIATES
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PAGE 11

IN WITNESS WHEREOF, Maker has duly executed and sealed this Note as of the date first above written.

MAKER:

Wells/Orange County Associates,
a Georgia joint venture

By: Wells Operating Partnership, L.P.,
a Delaware limited partnership,
Joint Venture Partner

By: Wells Real Estate Investment
Trust, Inc.,
a Maryland corporation,
General Partner

By: /s/ Brian M. Conlon

Name: Brian M. Conlon

Title: Executive Vice President

[CORPORATE SEAL]

By: Wells Development Corporation,
a Georgia corporation,
Joint Venture Partner

By: /s/ Brian M. Conlon

Name: Brian M. Conlon

Title: Executive Vice President

[CORPORATE SEAL]

EXHIBIT 10.24

DEED OF TRUST

BETWEEN THE CORT JOINT VENTURE

AND

NATIONSBANK, N.A.

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

James H. Keaten, Esq.
Troutman Sanders LLP
NationsBank Plaza - Suite 5200
600 Peachtree Street, N.E.
Atlanta, Georgia 30308-2216

INSTRUCTIONS TO RECORDER:

Index this document as

- (i) a deed of trust;
- (ii) an assignment of rents;
- (iii) a security agreement; and
- (iv) a fixture filing

=====

DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT
AND FIXTURE FILING

STATE OF GEORGIA

COUNTY OF FULTON

THIS DEED OF TRUST, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND
FIXTURE FILING (the "Security Instrument") is made and entered into as of the
30th day of July, 1998, by WELLS/ORANGE COUNTY ASSOCIATES, a Georgia joint
venture comprised of Wells Development Corporation, a Georgia corporation, and
Wells Operating Partnership, L.P., a Delaware limited partnership ("Borrower"),
in favor of CHICAGO TITLE COMPANY, with an address of 16969 Von Karman, Irvine,
California 92606 ("Trustee"), and NATIONSBANK, N.A., a national banking
corporation, together with its successors and assigns ("Lender").

ARTICLE 1 - CERTAIN DEFINITIONS; GRANTING CLAUSES; SECURED INDEBTEDNESS

Section 1.1. Certain Definitions and Reference Terms. In addition to
other terms defined herein, each of the following terms shall have the meaning
assigned to it:

"Promissory Note": Promissory Note dated of even date herewith made
by Borrower payable to the order of Lender in the principal face amount of FOUR
MILLION EIGHT HUNDRED SEVENTY-FIVE THOUSAND AND NO/100 DOLLARS (\$4,875,000.00),
bearing interest at a variable rate as therein provided, and finally maturing on
July 30, 1999, unless extended to January 30, 2000, pursuant to the terms of
said Note, which, by this reference, is made a part hereof.

Section 1.2. Property. The Borrower, in consideration of the
indebtedness herein recited, irrevocably grants, conveys

and assigns to the Trustee and the Trustee's successors and assigns, in trust, with power of sale, all of the following described land, real property interests, buildings, improvements, fixtures, furniture and appliances and other personal property: (a) the real estate (herein called the "Land") described in Exhibit A which is attached hereto and incorporated herein by reference, and (i) all improvements now or hereafter situated or to be situated on the Land (herein together called the "Improvements"); and (ii) all right, title and interest of Borrower, now owned or hereafter acquired, in and to (1) all streets, roads, alleys, easements, rights-of-way, licenses, rights of ingress and egress, vehicle parking rights and public places, existing or proposed, abutting, adjacent, used in connection with or pertaining to the Land or the Improvements; (2) any strips or gores between the Land and abutting or adjacent properties; (3) all options to purchase or lease the Land or the Improvements or any portion thereof or interest therein, and any greater estate in the Land or the Improvements; (4) all claims, actions and causes of action, both in law and in equity, with respect to the Property or the Improvements; and (5) all water and water rights, timber, crops and mineral interests on or pertaining to the Land (the Land, Improvements and other rights, titles and interests referred to in this clause (a) being herein sometimes collectively called the "Premises"); (b) all fixtures, equipment, systems, machinery, furniture, furnishings, appliances, inventory, goods, building and construction materials, supplies, and articles of personal property, of every kind and character, now owned or hereafter acquired by Borrower, which are now or hereafter attached to or situated in, on or about the Land or the Improvements, or used in or necessary to the complete and proper planning, development, use, occupancy or operation thereof, or acquired (whether delivered to the Land or stored elsewhere) for use or installation in or on the Land or the Improvements, and all renewals and replacements of, substitutions for and additions to the foregoing (the properties referred to in this clause (b) being herein sometimes collectively called the "Accessories," all of which are hereby declared to be permanent accessions to the Land); (c) all (i) plans and specifications for the Improvements; (ii) Borrower's rights, but not liability for any breach by Borrower, under all commitments (including any commitment for financing to pay any of the secured indebtedness, as defined below), insurance policies, contracts and agreements for the design, construction, operation or inspection of the Improvements and other contracts and general intangibles (including but not limited to trademarks, trade names, goodwill and symbols) related to the Premises or the Accessories or the operation thereof; (iii) deposits (including but not limited to Borrower's rights in tenants' security deposits, deposits with respect to utility services to the Premises, and any deposits or reserves hereunder

WELLS/ORANGE COUNTY ASSOCIATES
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or under any other Loan Document for taxes, insurance or otherwise), rebates or refunds of impact fees or other taxes, assessments or charges, money, accounts, instruments, documents, notes and chattel paper arising from or by virtue of any transactions related to the Premises or the Accessories; (iv) permits, licenses, franchises, certificates, development rights, commitments and rights for utilities, and other rights and privileges obtained in connection with the Premises or the Accessories; (v) leases, rents, royalties, bonuses, issues, profits, revenues and other benefits of the Premises and the Accessories (without derogation of Article 3 hereof); (vi) oil, gas and other hydrocarbons and other minerals produced from or allocated to the Land and all products processed or obtained therefrom, and the proceeds thereof; and (vii) engineering, accounting, title, legal, and other technical or business data concerning the Property which are in the possession of Borrower or in which Borrower can otherwise grant a security interest; and (d) all (i) proceeds of or arising from the properties, rights, titles and interests referred to above in this Section 1.2, including but not limited to proceeds of any sale, lease or other disposition thereof, proceeds of each policy of insurance relating thereto (including premium refunds), proceeds of the taking thereof or of any rights appurtenant thereto, including change of grade of streets, curb cuts or other rights of access, by eminent domain or transfer in lieu thereof for public or quasi-public use under any law, and proceeds arising out of any damage thereto;

(ii) all claims, actions and causes of action, both in law and in equity, with respect to the Property or the Improvements; and (iii) other interests of every kind and character which Borrower now has or hereafter acquires in, to or for the benefit of the properties, rights, titles and interests referred to above in this Section 1.2 and all property used or useful in connection therewith, including but not limited to rights of ingress and egress and remainders, reversions and reversionary rights or interests; and if the estate of Borrower in any of the property referred to above in this Section 1.2 is a leasehold estate, this conveyance shall include, and the lien and interest created hereby shall encumber and extend to, all other or additional title, estates, interests or rights which are now owned or may hereafter be acquired by Borrower in or to the property demised under the lease creating the leasehold estate; TO HAVE AND TO HOLD the foregoing rights, interests and properties, and all rights, estates, powers and privileges appurtenant thereto (herein collectively called the "Property"), to the use, benefit and behoof of Lender, forever, in fee simple subject to the Permitted Encumbrances (as hereafter defined).

Section 1.3. Security Interest. As additional collateral and further security for the indebtedness secured hereby, to the fullest extent permitted by applicable law,

WELLS/ORANGE COUNTY ASSOCIATES
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Borrower hereby assigns and grants to Lender a security interest in all of the Property which constitutes personal property or fixtures (herein sometimes collectively called the "Collateral"). In addition to its rights hereunder or otherwise, Lender shall have all of the rights of a secured party under the Uniform Commercial Code as adopted in the State of California, or under the Uniform Commercial Code in force in any other state to the extent the same is applicable law.

Section 1.4. Note, Loan Documents, Other Obligations. This Security Instrument is made to secure and enforce the payment and performance of the following promissory notes, obligations, indebtedness and liabilities and all renewals, extensions, supplements, increases, and modifications thereof in whole or in part from time to time: (a) the Promissory Note and all other notes given in substitution therefor or in modification, supplement, increase, renewal or extension thereof, in whole or in part (such note or notes, whether one or more, as from time to time renewed, extended, supplemented, increased or modified and all other notes given in substitution therefor, or in modification, renewal or extension thereof, in whole or in part, being hereinafter called the "Note"); (b) all indebtedness and other obligations owed by Borrower to Lender, or any affiliate of Lender, now or hereafter incurred or arising pursuant to or permitted by the provisions of the Note, this Security Instrument, the Environmental Indemnity Agreement (the "Environmental Agreement") of even date herewith between Borrower and Lender, or any other document now or hereafter evidencing, governing, guaranteeing, securing or otherwise executed in connection with the loan evidenced by the Note, including but not limited to any loan or credit agreement, tri-party financing agreement, purchase and sale agreement with respect to the Property or other agreement between Borrower and Lender, or among Borrower, Lender and any other party or parties, pertaining to the repayment or use of the proceeds of the loan evidenced by the Note (the Note, this Security Instrument, the Environmental Agreement and such other documents, as they or any of them may have been or may be from time to time renewed, extended, supplemented, increased or modified, being herein sometimes collectively called the "Loan Documents"); and (c) all other loans and future advances made by Lender to Borrower and all other debts, obligations and liabilities of Borrower of every kind and character now or hereafter existing in favor of Lender, however and whenever incurred, whether direct or indirect, primary or secondary, joint or several, fixed or contingent, secured or unsecured, and whether originally payable to Lender or to a third party and subsequently acquired by Lender; provided, however, and notwithstanding the foregoing provisions of this clause (c), this Security Instrument shall not secure any such other loan, advance, debt, obligation or liability with respect

to which Lender is by applicable law prohibited from obtaining a lien or security title on real estate nor shall this clause (c) operate or be effective to constitute or require any assumption or payment by any person, in any way, of any debt of any other person to the extent that the same would violate or exceed the limit provided in any applicable usury or other law. The indebtedness referred to in this Section 1.4 is hereinafter sometimes referred to as the "secured indebtedness" or the "indebtedness secured hereby."

ARTICLE 2 - Representations, Warranties and Covenants

Section 2.1. Borrower represents, warrants, and covenants as follows:

(a) Payment and Performance. Borrower will make due and punctual payment of the secured indebtedness. Borrower will timely and properly perform and comply with all of the covenants, agreements, and conditions imposed upon it by this Security Instrument and the other Loan Documents and will not permit a default to occur hereunder or thereunder. Time shall be of the essence in this Security Instrument.

(b) Title and Permitted Encumbrances. Borrower has, in Borrower's own right, and Borrower covenants to maintain, lawful, good and marketable fee simple title to the Property, is lawfully seized and possessed of the Property and every part thereof, and has the right to convey the same, free and clear of all liens, charges, claims, interests, and encumbrances except for (i) the matters, if any, set forth under the heading "Permitted Exceptions" in Exhibit B hereto, which are Permitted Exceptions only to the extent the same are valid and subsisting and affect the Property, (ii) the liens and security interests evidenced by this Security Instrument, (iii) other liens and security interests (if any) in favor of Lender (the matters described in the foregoing clauses (i), (ii) and (iii) being herein called the "Permitted Encumbrances"). Borrower, and Borrower's successors and assigns, will warrant and forever defend title to the Property, subject as aforesaid, to Lender and its successors and assigns, against the claims and demands of all persons claiming or to claim the same or any part thereof. Borrower will punctually pay, perform, observe and keep all covenants, obligations and conditions in or pursuant to any Permitted Encumbrance and will not modify or permit modification of any Permitted Encumbrance without the prior written consent of Lender. Inclusion of any matter as a Permitted Encumbrance does not constitute approval or waiver by Lender of any existing or future violation or other breach thereof by Borrower, by the Property or otherwise. If any right or interest of Lender in the Property or any part thereof shall be endangered or questioned or

shall be attacked directly or indirectly, Lender (whether or not named as the party to legal proceedings with respect thereto) is hereby authorized and empowered to take such steps as in its discretion may be proper for the defense of any such legal proceedings or the protection of such right or interest of Lender, including but not limited to the employment of independent counsel, the prosecution or defense of litigation, and the compromise or discharge of adverse claims. All expenditures so made of every kind and character shall be a demand obligation (which obligation Borrower hereby promises to pay) owing by Borrower to Lender, and Lender shall be subrogated to all rights of the person receiving such payment.

(c) Taxes and Other Impositions. Borrower will pay, or cause to be

paid, all taxes, assessments and other charges or levies imposed upon or against or with respect to the Property or the ownership, use, occupancy or enjoyment of any portion thereof, or any utility service thereto, as the same become due and payable, including but not limited to all ad valorem taxes assessed against the Property or any part thereof, and shall deliver promptly to Lender such evidence of the payment thereof as Lender may require.

(d) Insurance.

I. Required Insurance. Borrower shall obtain and maintain at Borrower's sole expense: (1) Lender title insurance issued to Lender covering the Premises as required by Lender; (2) all-risk insurance with respect to all insurable Property, against loss or damage by fire, lightning, windstorm, explosion, hail, tornado and such hazards as are presently included in so-called "all-risk" coverage and against such other insurable hazards as Lender may require, in an amount not less than 100% of the full replacement cost, including the cost of debris removal, without deduction for depreciation and sufficient to prevent Borrower and Lender from becoming a coinsurer, such insurance to be in builder's risk (non-reporting) form during and with respect to any construction on the Premises; (3) if and to the extent any portion of the Improvements is in a special flood hazard area, a flood insurance policy in an amount equal to the lesser of the principal face amount of the Note or the maximum amount available; (4) comprehensive general public liability insurance, on an "occurrence" basis, for the benefit of Borrower and Lender as named insureds; (5) statutory workers' compensation insurance with respect to any work on or about the Premises; and (6) such other insurance on the Property as may from time to time be required by Lender (including but not limited to rental loss or business interruption insurance, boiler and machinery insurance, earthquake insurance, and war risk insurance) and against other insurable hazards or casualties which at the time are commonly

WELLS/ORANGE COUNTY ASSOCIATES
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insured against in the case of premises similarly situated, due regard being given to the height, type, construction, location, use and occupancy of buildings and improvements. All insurance policies shall be issued and maintained by insurers, in amounts, with deductibles, and in form satisfactory to Lender, and shall require not less than thirty (30) days' prior written notice to Lender of any cancellation or change of coverage. All insurance policies maintained, or caused to be maintained, by Borrower with respect to the Property, except for public liability insurance, shall provide that each such policy shall be primary without right of contribution from any other insurance that may be carried by Borrower or Lender and that all of the provisions thereof, except the limits of liability, shall operate in the same manner as if there were a separate policy covering each insured. If any insurer which has issued a policy of title, hazard, liability or other insurance required pursuant to this Security Instrument or any other Loan Document becomes insolvent or the subject of any bankruptcy, receivership or similar proceeding or if in Lender's reasonable opinion the financial responsibility of such insurer is or becomes inadequate, Borrower shall, in each instance promptly upon the request of Lender and at Borrower's expense, obtain and deliver to Lender a like policy (or, if and to the extent permitted by Lender, a certificate of insurance) issued by another insurer, which insurer and policy meet the requirements of this Security Instrument or such other Loan Document, as the case may be. Without limiting the discretion of Lender with respect to required endorsements to insurance policies, all such policies for loss of or damage to the Property shall contain a standard Lender clause (without contribution) naming Lender as Lender with loss proceeds payable to Lender notwithstanding (i) any act, failure to act or negligence of or violation of any warranty, declaration or condition contained in any such policy by any named insured; (ii) the occupation or use of the Property for purposes more hazardous than permitted by the terms of any such policy; (iii) any foreclosure or other action by Lender under the Loan Documents; or (iv) any change in title to or ownership of the Property or any portion thereof, such proceeds to be held for application as provided in the

Loan Documents. The originals of each initial insurance policy (or to the extent permitted by Lender, a copy of the original policy and a satisfactory certificate of insurance) shall be delivered to Lender at the time of execution of this Security Instrument, with premiums fully paid, and each renewal or substitute policy (or certificate) shall be delivered to Lender, with premiums fully paid, at least ten (10) days before the termination of the policy it renews or replaces. Borrower shall pay all premiums on policies required hereunder as they become due and payable and promptly deliver to Lender evidence satisfactory to Lender of the timely payment thereof. If any loss occurs at any time when

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Borrower has failed to perform Borrower's covenants and agreements in this paragraph, Lender shall nevertheless be entitled to the benefit of all insurance covering the loss and held by or for Borrower, to the same extent as if it had been made payable to Lender. Upon any foreclosure hereof or transfer of title to the Property in extinguishment of the whole or any part of the secured indebtedness, all of Borrower's right, title and interest in and to the insurance policies referred to in this Section (including unearned premiums) and all proceeds payable thereunder shall thereupon vest in the purchaser at foreclosure or other such transferee, to the extent permissible under such policies. Lender shall have the right (but not the obligation) to make proof of loss for, settle and adjust any claim under, and receive the proceeds of, all insurance for loss of or damage to the Property, and the expenses incurred by Lender in the adjustment and collection of insurance proceeds shall be a part of the secured indebtedness and shall be due and payable to Lender on demand. Lender shall not be, under any circumstances, liable or responsible for failure to collect or exercise diligence in the collection of any of such proceeds or for the obtaining, maintaining or adequacy of any insurance or for failure to see to the proper application of any amount paid over to Borrower. Subject to the terms of Subsection II, below, any proceeds received by Lender shall, after deduction therefrom of all reasonable expenses actually incurred by Lender, including attorneys' fees, at Lender's option be (1) released to Borrower, or (2) applied (upon compliance with such terms and conditions as may be required by Lender) to repair or restoration, either partly or entirely, of the Property so damaged, or (3) applied to the payment of the secured indebtedness in such order and manner as Lender, in its sole but reasonable discretion, may elect, whether or not due. In any event, the unpaid portion of the secured indebtedness shall remain in full force and effect and the payment thereof shall not be excused. Borrower shall at all times comply with the requirements of the insurance policies required hereunder and of the issuers of such policies and of any board of fire underwriters or similar body as applicable to or affecting the Property.

II. Restoration Advances.

(i) Lender agrees that in the event that all or a portion of the Improvements shall be destroyed or damaged by fire, explosion, windstorm, hail or any other casualty against which insurance is required under this Security Instrument, Lender will elect to apply the insurance proceeds which remain after payment of the expenses of collection thereof as provided in Subsection I, above (called the "Proceeds" below in this Subsection), or so much thereof as is required, to restoration of the portion of the Premises damaged, as nearly as practicable to

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its value, character and condition immediately prior to such casualty (the "Restoration"), provided that all of the following conditions precedent are

satisfied in full not later than ninety (90) days after the date on which the casualty loss occurs:

A) no default shall have occurred and shall remain uncured following the expiration of any grace or cure period;

B) all tenants having present or future possessory rights under Leases (hereinafter defined), including without limitation the tenant under the that certain Standard Industrial/Commercial Single-Tenant Lease-Net (the "Cort Furniture Lease") dated October 25, 1988, by and between Spencer Fountain Valley Holdings, Inc., a California corporation, as Lessor, and Cort Furniture Rental Corporation, a New York corporation, as Lessee, the Lessor's interest thereunder having been assigned to Borrower, have agreed in a manner satisfactory to Lender that their Leases will continue in full force and effect and, if necessary, the time for taking or regaining possession of the demised premises under such Leases will be extended by the time necessary to complete the Restoration;

C) all parties having operating, management or franchise interests in, and arrangements concerning, the Property have agreed that they will continue their interests and arrangements for the contract terms then in effect following the Restoration;

D) all parties having commitments to provide financing with respect to the Property, to purchase Borrower's interest in full or in part in the Property or to purchase or pay the loan evidenced by the Note (collectively, "Commitment Providers") have agreed in a manner satisfactory to Lender that their commitments will continue in full force and effect and, if necessary, the expiration of such commitments will be extended by the time necessary to complete the Restoration;

E) Borrower has presented evidence satisfactory to Lender, and Lender has reasonably determined, that the Restoration can be accomplished within a reasonable period of time and in any event prior to the Maturity Date (as defined in the Note);

F) Borrower has delivered or caused to be delivered to Lender, and Lender has approved, complete final plans and specifications (the "Restoration Plans") for the work to be performed in connection with the Restoration (hereinafter

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called the "Restoration Work") prepared and sealed by an architect (the "Architect") acceptable to Lender, with evidence satisfactory to Lender of the approval of the Restoration Plans by all Commitment Providers and by all governmental authorities and all tenants under Leases whose approval is required;

G) Borrower has delivered or caused to be delivered to Lender a signed estimate approved in writing by the Architect, stating the entire cost of completing the Restoration Work;

H) Borrower has entered into, and has furnished to Lender a copy of, a fixed price construction contract satisfactory to Lender, with a contractor reasonably acceptable to Lender, bonded to the extent required by Lender, for the Restoration Work;

I) if Lender has determined that (i) the projected cost of the Restoration Work substantially in accordance with the Restoration Plans exceeds (ii) the available Proceeds held by Lender, then Borrower has deposited with Lender funds sufficient to cover the excess cost;

J) Borrower has furnished all insurance coverage required by Lender

pursuant to Subsection 2.1(d)(I), above; and

K) Lender has determined that it will not incur any liability to any person as a result of such use of the Proceeds.

If all of the foregoing conditions have not been satisfied within the time limit specified above, then Lender may, at its option, apply such Proceeds to the indebtedness secured hereby, whether or not due, in such order and manner as Lender elects.

(ii) To the extent that Lender elects to apply the Proceeds to the restoration or reconstruction of the Improvements, then disbursement of the Proceeds for Restoration or Restoration Work shall be subject to and shall be made in accordance with the customary practices of Lender governing the disbursement of construction loans. If Lender determines from time to time that (i) the estimated cost of the Restoration substantially in accordance with the Restoration Plans exceeds (ii) the available Proceeds held by Lender plus all other available funds deposited by Borrower with Lender for the purpose of the Restoration, then Borrower shall deposit additional funds with Lender to cover the excess cost before Lender shall be

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required to disburse any such Proceeds or other available funds for Restoration costs. Any such funds provided by Borrower to cover excess costs shall be used for the costs of Restoration prior to disbursement of any of the Proceeds for such costs.

(iii) Any such Proceeds and additional funds provided by Borrower which are held by Lender under this Subsection II shall be held by Lender in an account of Lender's selection until disbursed for Restoration or otherwise applied as herein provided. Lender's receipt and custody of such Proceeds or additional funds shall not constitute a repayment of any of the indebtedness secured hereby, unless and until such Proceeds or additional funds are actually applied against the indebtedness secured hereby in accordance with this Security Instrument. No disbursement of such Proceeds for Restoration costs shall constitute an advance of the loan evidenced by the Note or increase the principal amount of such loan. If surplus Proceeds remain after completion of the Restoration and payment of all costs therefor, then such surplus Proceeds shall be applied against the indebtedness secured hereby in such manner and order as Lender elects. If surplus funds then remain from additional funds provided by Borrower to cover excess costs of Restoration, then such surplus funds shall be returned to Borrower, provided that no uncured default shall exist hereunder.

(iv) In any event, upon the occurrence of a default at any time, and the expiration of any applicable grace or cure period without the curing thereof, Lender may (but has no obligation to) apply all or any portion of such Proceeds or additional funds provided by Borrower in Lender's possession to the payment of the indebtedness secured hereby, whether or not due, in such order and manner as Lender elects, and/or to the cure of any default without waiving the same.

(e) Reserve for Insurance, Taxes and Assessments. Upon request of Lender, to secure certain of Borrower's obligations in paragraphs (c) and (d) above, but not in lieu of such obligations, Borrower will deposit with Lender a sum equal to ad valorem taxes, assessments and charges (which charges for the purpose of this paragraph shall include without limitation any recurring charge which could result in a lien against the Property) against the Property for the current year and the premiums for such policies of insurance for the current year, all as estimated by Lender and prorated to the end of the calendar month following the month during which Lender's request is made, and thereafter will deposit with Lender, on each date when an installment of principal and/or interest is due on the Note, sufficient funds (as estimated from time to time by

Lender) to permit Lender to pay at least fifteen (15) days prior to the delinquency date thereof, the next maturing ad valorem taxes,

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assessments and charges and premiums for such policies of insurance. Lender shall have the right to rely upon tax information furnished by applicable taxing authorities in the payment of such taxes or assessments and shall have no obligation to make any protest of any such taxes or assessments. Any excess over the amounts required for such purposes shall be held by Lender for future use, applied to any secured indebtedness or refunded to Borrower, at Lender's option, and any deficiency in such funds so deposited shall be made up by Borrower upon demand of Lender. All such funds so deposited shall bear interest at the rate applicable to the account selected by Lender for such funds, may be mingled with the general funds of Lender and shall be applied by Lender toward the payment of such taxes, assessments, charges and premiums when statements therefor are presented to Lender by Borrower (which statements shall be presented by Borrower to Lender a reasonable time before the applicable amount is delinquent); provided, however, that, if a default shall have occurred hereunder, such funds may at Lender's option be applied to the payment of the secured indebtedness in the order determined by Lender in its sole discretion, and that Lender may (but shall have no obligation) at any time, in its discretion, apply all or any part of such funds toward the payment of any such taxes, assessments, charges or premiums which are past due, together with any penalties or late charges with respect thereto. The conveyance or transfer of Borrower's interest in the Property for any reason (including without limitation the foreclosure of a subordinate lien or security interest or a transfer by operation of law) shall constitute an assignment or transfer of Borrower's interest in and rights to such funds held by Lender under this paragraph but subject to the rights of Lender hereunder.

(f) Condemnation. Borrower shall notify Lender immediately of any threatened or pending proceeding for condemnation affecting the Property or arising out of damage to the Property, and Borrower shall, at Borrower's expense, diligently prosecute any such proceedings. Lender shall have the right (but not the obligation) to participate in any such proceeding and to be represented by counsel of its own choice. Lender shall be entitled to receive all sums which may be awarded or become payable to Borrower for the condemnation of the Property, or any part thereof, for public or quasi-public use, or by virtue of private sale in lieu thereof, and any sums which may be awarded or become payable to Borrower for injury or damage to the Property. Borrower shall, promptly upon request of Lender, execute such additional assignments and other documents as may be necessary from time to time to permit such participation and to enable Lender to collect and receipt for any such sums. All such sums are hereby assigned to Lender, and shall, after deduction therefrom of all reasonable expenses actually incurred by Lender,

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including attorneys' fees, at Lender's option be (1) released to Borrower, or (2) applied (upon compliance with such terms and conditions as may be required by Lender) to repair or restoration of the Property so affected, or (3) applied to the payment of the secured indebtedness in such order and manner as Lender, in its sole but reasonable discretion, may elect, whether or not due. In any event the unpaid portion of the secured indebtedness shall remain in full force and effect and the payment thereof shall not be excused. Lender shall not be, under any circumstances, liable or responsible for failure to collect or to exercise diligence in the collection of any such sum or for failure to see to the proper application of any amount paid over to Borrower. Lender is hereby authorized, in the name of Borrower, to execute and deliver valid acquittances

for, and to appeal from, any such award, judgment or decree. All costs and expenses (including but not limited to attorneys' fees) incurred by Lender in connection with any condemnation shall be a demand obligation owing by Borrower (which Borrower hereby promises to pay) to Lender pursuant to this Security Instrument.

(g) Compliance with Legal Requirements. The Property and the use, operation and maintenance thereof and all activities thereon do and shall at all times comply with all applicable Legal Requirements (defined below). The Property is not, and shall not be, dependent on any other property or premises or any interest therein other than the Property to fulfill any requirement of any Legal Requirement. Borrower shall not, by act or omission, permit any building or other improvement not subject to the lien and interest of this Security Instrument to rely on the Property or any interest therein to fulfill any requirement of any Legal Requirement. No part of the Property constitutes a nonconforming use under any zoning law or similar law or ordinance. Borrower has obtained and shall preserve in force all requisite zoning, utility, building, health, environmental and operating permits from the governmental authorities having jurisdiction over the Property. If Borrower receives a notice or claim from any person that the Property, or any use, activity, operation or maintenance thereof or thereon, is not in compliance with any Legal Requirement, Borrower will promptly furnish a copy of such notice or claim to Lender. Borrower has received no notice and has no knowledge of any such noncompliance. As used in this Security Instrument: (i) the term "Legal Requirement" means any Law (defined below), agreement, covenant, restriction, easement or condition (including, without limitation of the foregoing, any condition or requirement imposed by any insurance or surety company), as any of the same now exists or may be changed or amended or come into effect in the future; and (ii) the term "Law" means any federal, state or local law, statute, ordinance, code, rule, regulation, license, permit,

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authorization, decision, order, injunction or decree, domestic or foreign.

(h) Maintenance, Repair and Restoration. Borrower will keep the Property in first class order, repair, operating condition and appearance, causing all necessary repairs, renewals, replacements, additions and improvements to be promptly made, and will not allow any of the Property to be misused, abused or wasted or to deteriorate. Notwithstanding the foregoing, Borrower will not, without the prior written consent of Lender, which consent shall not be unreasonably withheld (i) remove from the Property any fixtures or personal property conveyed or encumbered by this Security Instrument except such as is replaced by Borrower by an article of equal suitability and value, owned by Borrower, free and clear of any lien or security interest (except that created by this Security Instrument), or (ii) make any structural alteration to the Property or any other alteration thereto which impairs the value thereof. If any act or occurrence of any kind or nature (including any condemnation or any casualty for which insurance was not obtained or obtainable) shall result in damage to or loss or destruction of the Property, Borrower shall give prompt notice thereof to Lender and Borrower shall promptly, at Borrower's sole cost and expense and regardless of whether insurance or condemnation proceeds (if any) shall be available or sufficient for the purpose, commence and continue diligently to completion to restore, repair, replace and rebuild the Property as nearly as possible to its value, condition and character immediately prior to the damage, loss or destruction.

(i) No Other Liens. Borrower will not, without the prior written consent of Lender, create, place or permit to be created or placed, or through any act or failure to act, acquiesce in the placing of, or allow to remain, any deed to secure debt, Security Instrument, voluntary or involuntary lien, whether statutory, constitutional or contractual, security title, interest, encumbrance or charge, or conditional sale or other title retention document, against or covering the Property, or any part thereof, other than the Permitted

Encumbrances, regardless of whether the same are expressly or otherwise subordinate to the lien or security interest created in this Security Instrument, and should any of the foregoing become attached hereafter in any manner to any part of the Property without the prior written consent of Lender, Borrower will cause the same to be promptly discharged and released. Borrower will own all parts of the Property and will not acquire any fixtures, equipment or other property forming a part of the Property pursuant to a lease, license, security agreement or similar agreement, whereby any party has or may obtain the right to repossess or remove same, without the prior written consent of

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Lender, which consent shall not be unreasonably withheld. If Lender consents to the voluntary grant by Borrower of any deed to secure debt, lien, security interest, or other encumbrance (hereinafter called "Subordinate Lien") conveying or encumbering any of the Property or if the foregoing prohibition is determined by a court of competent jurisdiction to be unenforceable as to a Subordinate Lien, any such Subordinate Lien shall contain express covenants to the effect that: (1) the Subordinate Lien is unconditionally subordinate to this Security Instrument and all Leases (hereinafter defined); (2) if any action (whether judicial or pursuant to a power of sale) shall be instituted to foreclose or otherwise enforce the Subordinate Lien, no tenant of any of the Leases (hereinafter defined) shall be named as a party defendant, and no action shall be taken that would terminate any occupancy or tenancy without the prior written consent of Lender; (3) Rents (hereinafter defined), if collected by or for the holder of the Subordinate Lien, shall be applied first to the payment of the secured indebtedness then due and expenses incurred in the ownership, operation and maintenance of the Property in such order as Lender may determine, prior to being applied to any indebtedness secured by the Subordinate Lien; (4) written notice of default under the Subordinate Lien and written notice of the commencement of any action (whether judicial or pursuant to a power of sale) to foreclose or otherwise enforce the Subordinate Lien or to seek the appointment of a receiver for all or any part of the Property shall be given to Lender with or immediately after the occurrence of any such default or commencement; and (5) neither the holder of the Subordinate Lien, nor any purchaser at foreclosure thereunder, nor anyone claiming by, through or under any of them shall succeed to any of Borrower's rights hereunder without the prior written consent of Lender.

(j) Operation of Property. Borrower will operate the Property in a good and workmanlike manner and in accordance with all Legal Requirements and will pay all fees or charges of any kind in connection therewith. Borrower will keep the Property occupied so as not to impair the insurance carried thereon. Borrower will not use or occupy or conduct any activity on, or allow the use or occupancy of or the conduct of any activity on, the Property in any manner which violates any Legal Requirement or which constitutes a public or private nuisance or which makes void, voidable or cancelable, or increases the premium of, any insurance then in force with respect thereto. Borrower will not initiate or permit any zoning reclassification of the Property or seek any variance under existing zoning ordinances applicable to the Property or use or permit the use of the Property in such a manner which would result in such use becoming a nonconforming use under applicable zoning ordinances or other Legal Requirement. Borrower will not impose any easement, restrictive

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covenant or encumbrance upon the Property, execute or file any subdivision plat or condominium declaration affecting the Property or consent to the annexation of the Property to any municipality, without the prior written consent of Lender, which consent shall not be unreasonably withheld. Borrower will not do

or suffer to be done any act whereby the value of any part of the Property may be lessened. Borrower will preserve, protect, renew, extend and retain all material rights and privileges granted for or applicable to the Property. Without the prior written consent of Lender pursuant to paragraph (u) of this Section 2.1, there shall be no drilling or exploration for or extraction, removal or production of any mineral, hydrocarbon, gas, natural element, compound or substance (including sand and gravel) from the surface or subsurface of the Land regardless of the depth thereof or the method of mining or extraction thereof. Borrower will cause all debts and liabilities of any character (including without limitation all debts and liabilities for labor, material and equipment and all debts and charges for utilities servicing the Property) incurred in the construction, maintenance, operation and development of the Property to be promptly paid.

(k) Financial Matters. Borrower is solvent after giving effect to all borrowings contemplated by the Loan Documents and no proceeding under any Debtor Relief Law (hereinafter defined) is pending (or, to Borrower's knowledge, threatened) by or against Borrower, or any affiliate of Borrower, as a debtor. All reports, statements, plans, budgets, applications, agreements and other data and information heretofore furnished or hereafter to be furnished by or on behalf of Borrower to Lender in connection with the loan or loans evidenced by the Loan Documents (including, without limitation, all financial statements and financial information) are and will be true, correct and complete in all material respects as of their respective dates and do not and will not omit to state any fact or circumstance necessary to make the statements contained therein not misleading. No material adverse change has occurred since the dates of such reports, statements and other data in the financial condition of Borrower or, to Borrower's knowledge, of any tenant under any lease described therein. For the purposes of this paragraph, "Borrower" shall also include any person liable directly or indirectly for the secured indebtedness or any part thereof and any joint venturer or general partner of Borrower.

(l) Status of Borrower; Suits and Claims; Loan Documents. Borrower is and will continue to be (i) duly organized, validly existing and in good standing under the laws of its state of organization, (ii) authorized to do business in, and in good standing in, each state in which the Property is

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located, and (iii) possessed of all requisite power and authority to carry on its business and to own and operate the Property. Each Loan Document executed by Borrower has been duly authorized, executed and delivered by Borrower, and the obligations thereunder and the performance thereof by Borrower in accordance with their terms are and will continue to be within Borrower's power and authority (without the necessity of joinder or consent of any other person), are not and will not be in contravention of any Legal Requirement or any other document or agreement to which Borrower or the Property is subject, and do not and will not result in the creation of any encumbrance against any assets or properties of Borrower, or any other person liable, directly or indirectly, for any of the secured indebtedness, except as expressly contemplated by the Loan Documents. There is no suit, action, claim, investigation, inquiry, proceeding or demand pending (or, to Borrower's knowledge, threatened) against Borrower or against any person liable directly or indirectly for the secured indebtedness or which affects the Property (including, without limitation, any which challenges or otherwise pertains to Borrower's title to the Property) or the validity, enforceability or priority of any of the Loan Documents. There is no judicial or administrative action, suit or proceeding pending (or, to Borrower's knowledge, threatened) against Borrower or against any other person liable directly or indirectly for the secured indebtedness, except as has been disclosed in writing to Lender in connection with the loan evidenced by the Note. The Loan Documents constitute legal, valid and binding obligations of Borrower (and of each guarantor, if any) enforceable in accordance with their terms, except as the enforceability thereof may be limited by Debtor Relief Laws (hereinafter defined) and except as the availability of certain remedies may be limited by

general principles of equity. Borrower is not a "foreign person" within the meaning of the Internal Revenue Code of 1986, as amended, Sections 1445 and 7701 (i.e. Borrower is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined therein and in any regulations promulgated thereunder). The loan evidenced by the Note is solely for business purposes, and is not for personal, family, household or agricultural purposes. Borrower will not cause or permit any change to be made in its name, identity, or corporate or partnership structure, unless Borrower shall have notified Lender of such change prior to the effective date of such change, and shall have first taken all action required by Lender for the purpose of further perfecting or protecting the lien and security interest of Lender in the Property. Borrower's principal place of business and chief executive office, and the place where Borrower keeps its books and records concerning the Property, has for the preceding four months been and will continue to be (unless Borrower notifies Lender of any change in writing prior to the date of such change)

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the address of Borrower set forth at the end of this Security Instrument.

(m) Certain Environmental Matters.

(i) Definitions. As used in this Security Instrument: (1) "Environmental Claim" means any investigative, enforcement, cleanup, removal, containment, remedial or other governmental or regulatory action at any time threatened, instituted or completed pursuant to any applicable Environmental Requirement against Borrower or against or with respect to the Property or any use or activity on the Property, and any claim at any time threatened or made by any person against Borrower or against or with respect to the Property or any use or activity on the Property, relating to damage, contribution, cost recovery, compensation, loss or injury resulting from any Hazardous Substance; (2) "Environmental Requirement" means any Legal Requirement which pertains to ground or air or water or noise pollution or contamination, underground or aboveground tanks, health or the environment, including without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended ("CERCLA"), the Resource Conservation and Recovery Act of 1976, as amended ("RCRA"), and all environmental laws, ordinances, regulations and rules of the State of California and each agency, instrumentality and subdivision thereof having jurisdiction over the Premises; and (3) "Hazardous Substance" means any substance, whether solid, liquid or gaseous: (a) which is listed, defined or regulated as a "hazardous substance", "hazardous waste" or "solid waste", or otherwise classified as hazardous or toxic, in or pursuant to any Environmental Requirement; or (b) which is or contains asbestos, radon, any polychlorinated biphenyl, urea formaldehyde foam insulation, or explosive or radioactive material; or (c) which causes or poses a threat to cause a contamination or nuisance on the Property or on any adjacent property or a hazard to the environment or to the health or safety of persons on the Property. As used in this paragraph (m), the word "on" when used with respect to the Property or adjacent property means "on, in, under, above or about".

(ii) Representations and Warranties. Borrower represents and warrants to Lender, without regard to whether Lender has or hereafter obtains any knowledge or report of the environmental condition of the Property, as follows: (1) during the period of Borrower's ownership of the Property, the Property has not been used for industrial or manufacturing purposes, for landfill, dumping or other waste disposal activity or operation, for generation, storage, use, sale, treatment, processing, recycling or disposal of any Hazardous Substance, or for any other use that would give rise to the release of any Hazardous Substance on the Property; (2) to the best of Borrower's

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knowledge after inquiry in accordance with good commercial or customary practices, no use of the Property described in clause (1) preceding occurred at any time prior to the period of Borrower's ownership of the Property nor did any such use on any adjacent property occur during or at any time prior to the period of Borrower's ownership of the Property, and there is no Hazardous Substance, storage tank (or similar vessel), sump or well on the Property; (3) Borrower has received no notice and has no knowledge of any Environmental Claim or any completed, pending, proposed or threatened investigation or inquiry concerning the presence or release of any Hazardous Substance on the Property or on any adjacent property or concerning whether any condition, use or activity on the Property or on any adjacent property is in violation of any Environmental Requirement; (4) the present conditions, uses and activities on the Property do not violate any Environmental Requirement and the use of the Property which Borrower (and each tenant and subtenant, if any) makes and intends to make of the Property complies and will comply with all applicable Environmental Requirements; (5) the Property is not currently on, and to the best of Borrower's knowledge after inquiry in accordance with good commercial or customary practices, has never been on, any federal or state "superfund" or "superlien" list; and (6) neither Borrower, nor to Borrower's knowledge any tenant or subtenant, has obtained or is required to obtain any permit or other authorization to construct, occupy, operate, use or conduct any activity on any of the Property by reason of any Environmental Requirement.

(iii) Violations. Borrower will not cause, commit, permit or allow to continue any violation of any Environmental Requirement by Borrower or by or with respect to the Property or any use or activity on the Property, or the attachment of any environmental lien to the Property. Borrower will not place, install, dispose of or release, or cause, permit or allow the placing, installation, disposal or release of, any Hazardous Substance or storage tank (or similar vessel) on the Property and will keep the Property free of any Hazardous Substance. Notwithstanding the foregoing provisions of this Subsection (iii), Borrower shall not be in default under this Subsection (iii) should Borrower store minimal quantities of substances on the Premises which technically could be considered Hazardous Substance, provided that: such substances are of a type and are held only in a quantity normally used in connection with the construction, occupancy or operation of comparable buildings (such as cleaning fluids, and supplies normally used in the day to day operation of business offices), such substances are being held, stored and used in complete and strict compliance with all applicable Environmental Requirements, and the indemnity in Section 7 of the Environmental Agreement shall always apply to such substances, and it shall be and continue to be the

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responsibility of Borrower to take all remedial actions required under and in accordance with Subsection (vi), below, in the event of any unlawful release of any such substance.

(iv) Notice to Lender. Borrower will promptly advise Lender in writing of any Environmental Claim or of the discovery of any Hazardous Substance on the Property, as soon as Borrower first obtains knowledge thereof, including a full description of the nature and extent of the Environmental Claim and/or Hazardous Substance and all relevant circumstances.

(v) Site Assessments and Information. If Lender shall ever have reason to believe that any Hazardous Substance affects the Property, or if any Environmental Claim is made or threatened, or if a default shall have occurred, Borrower will at its expense provide to Lender from time to time, in each case within 30 days of Lender's request, a report (including all drafts thereof if requested by Lender) of an environmental assessment of the Property made after the date of Lender's request and of such scope (including but not limited to the

taking of soil borings, air and groundwater samples and other above and below ground testing) as Lender may request and by a consulting firm acceptable to Lender. Borrower will cooperate with each consulting firm making any such assessment and will supply to the consulting firm, from time to time and promptly on request, all information available to Borrower to facilitate the completion of the assessment and report.

(vi) Remedial Actions. Without limitation of Lender's rights to declare a default and to exercise all remedies available by reason thereof, if any Hazardous Substance is discovered on the Property at any time and regardless of the cause, Borrower shall: (1) promptly at Borrower's sole risk and expense remove, treat and dispose of the Hazardous Substance in compliance with all applicable Environmental Requirements and solely under Borrower's name (or if removal is prohibited by any Environmental Requirement, take whatever action is required by applicable Environmental Requirements), in addition to taking such other action as is necessary to have the full use and benefit of the Property as contemplated by the Loan Documents, and provide Lender with satisfactory evidence thereof; and (2) if requested by Lender, provide to Lender within 30 days of Lender's request a bond, letter of credit or other financial assurance evidencing to Lender's satisfaction that all necessary funds are readily available to pay the costs and expenses of the actions required by clause (1) preceding and to discharge any assessments or liens established against the Property as a result of the presence of the Hazardous Substance on the Property.

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(n) Further Assurances. Borrower will, promptly on request of Lender, (i) correct any defect, error or omission which may be discovered in the contents, execution or acknowledgment of this Security Instrument or any other Loan Document; (ii) execute, acknowledge, deliver, procure and record and/or file such further documents (including, without limitation, further Security Instruments, security agreements, financing statements, continuation statements, and assignments of rents or leases) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Security Instrument and the other Loan Documents, to more fully identify and subject to the liens and interests hereof any property intended to be covered hereby (including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property) or as deemed advisable by Lender to protect the lien or the interest hereunder against the rights or interests of third persons; and (iii) provide such certificates, documents, reports, information, affidavits and other instruments and do such further acts as may be necessary, desirable or proper in the reasonable determination of Lender to enable Lender to comply with the requirements or requests of any agency having jurisdiction over Lender or any examiners of such agencies with respect to the indebtedness secured hereby, Borrower or the Property. Borrower shall pay all costs connected with any of the foregoing, which shall be a demand obligation owing by Borrower (which Borrower hereby promises to pay) to Lender pursuant to this Security Instrument.

(o) Fees and Expenses. Without limitation of any other provision of this Security Instrument or of any other Loan Document and to the extent not prohibited by applicable law, Borrower will pay, and will reimburse to Lender on demand to the extent paid by Lender: (i) all appraisal fees, filing and recording fees, taxes, brokerage fees and commissions, abstract fees, title search or examination fees, title policy and endorsement premiums and fees, uniform commercial code search fees, escrow fees, reasonable attorneys' fees, architect fees, construction consultant fees, environmental inspection fees, survey fees, and all other out-of-pocket costs and expenses of every character incurred by Borrower or Lender in connection with the preparation of the Loan Documents, the evaluation, closing and funding of the loan evidenced by the Loan Documents, and any and all amendments and supplements to this Security Instrument, the Note or any other Loan Documents or any approval, consent, waiver, release or other matter requested or required hereunder or thereunder, or otherwise attributable or chargeable to Borrower as owner of the Property;

and (ii) all costs and expenses, including reasonable attorneys' fees and expenses, incurred or expended in connection with the exercise of any right

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or remedy, or the enforcement of any obligation of Borrower, hereunder or under any other Loan Document.

(p) Indemnification.

(i) Borrower will indemnify and hold harmless Lender from and against, and reimburse Lender on demand for, any and all Indemnified Matters (defined below). For purposes of this paragraph (p), the term "Lender" shall include the directors, officers, partners, employees and agents of Lender, and any persons owned or controlled by, owning or controlling, or under common control or affiliated with Lender. Without limitation, the foregoing indemnities shall apply to each indemnified person with respect to matters which in whole or in part are caused by or arise out of the negligence of such (and/or any other) indemnified person. However, such indemnities shall not apply to a particular indemnified person to the extent that the subject of the indemnification is caused by or arises out of the gross negligence or willful misconduct of that indemnified person. Any amount to be paid under this paragraph (p) by Borrower to Lender shall be a demand obligation owing by Borrower (which Borrower hereby promises to pay) to Lender pursuant to this Security Instrument. Nothing in this paragraph, elsewhere in this Security Instrument or in any other Loan Document shall limit or impair any rights or remedies of Lender (including without limitation any rights of contribution or indemnification) against Borrower or any other person under any other provision of this Security Instrument, any other Loan Document, any other agreement or any applicable Legal Requirement.

(ii) As used herein, the term "Indemnified Matters" means any and all claims, demands, liabilities (including strict liability), losses, damages (including consequential damages), causes of action, judgments, penalties, costs and expenses (including without limitation, reasonable fees and expenses of attorneys and other professional consultants and experts, and of the investigation and defense of any claim, whether or not such claim is ultimately defeated, and the settlement of any claim or judgment including all value paid or given in settlement) of every kind, known or unknown, foreseeable or unforeseeable, which may be imposed upon, asserted against or incurred or paid by Lender at any time and from time to time, whenever imposed, asserted or incurred, because of, resulting from, in connection with, or arising out of any transaction, act, omission, event or circumstance in any way connected with the Property or with this Security Instrument or any other Loan Document, including but not limited to any bodily injury or death or property damage occurring in or upon or in the vicinity of the Property through any cause whatsoever at any time on or before the Release Date, any act performed or omitted to be performed hereunder or under

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any other Loan Document, any breach by Borrower of any representation, warranty, covenant, agreement or condition contained in this Security Instrument or in any other Loan Document, any default as defined herein or any claim under or with respect to any Lease (hereinafter defined) or arising under the Environmental Agreement. The term "Release Date" as used herein means the earlier of the following two dates: (i) the date on which the indebtedness and obligations secured hereby have been paid and performed in full and this Security Instrument has been cancelled and satisfied of record, or (ii) the date on which this Security Instrument is fully and finally foreclosed or a conveyance by deed in lieu of such foreclosure is fully and finally effective, and possession of the

Property has been given to the purchaser or grantee free of occupancy and claims to occupancy by Borrower and Borrower's heirs, devisees, representatives, successors and assigns; provided, that if such payment, performance, release, foreclosure or conveyance is challenged, in bankruptcy proceedings or otherwise, the Release Date shall be deemed not to have occurred until such challenge is rejected, dismissed or withdrawn with prejudice. The indemnities in this paragraph (p) shall not terminate upon the Release Date or upon the cancellation, satisfaction, foreclosure or other termination of this Security Instrument but will survive the Release Date, foreclosure of this Security Instrument or conveyance in lieu of foreclosure, the repayment of the secured indebtedness, the discharge, cancellation and satisfaction of this Security Instrument and the other Loan Documents, any bankruptcy or other debtor relief proceeding, and any other event whatsoever.

(q) Records and Financial Reports. Borrower will keep accurate books and records in accordance with sound accounting principles in which full, true and correct entries shall be promptly made with respect to the Property and the operation thereof, and will permit all such books and records to be inspected and copied, and the Property to be inspected and photographed, by Lender and its representatives during normal business hours and at any other reasonable times. Without limitation of other or additional requirements in any of the other Loan Documents, Borrower will furnish to Lender (i) current operating statements itemizing all income and expenses of the Property for each quarter (and for the fiscal year through the end of such quarter) as soon as reasonably practicable but in any event within fifteen (15) days after the end of such quarter and for the fiscal year of Borrower within sixty (60) days after the end thereof including also a projection of such operations for the next fiscal year; and (ii) a balance sheet (including disclosure of all contingent liabilities) and an income statement of Borrower, for each fiscal year of Borrower as soon as reasonably practicable following the end of such fiscal year, but

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in any event within ninety (90) days after the end thereof. Each financial statement submitted pursuant to this paragraph shall be prepared in accordance with generally accepted accounting principles, consistently applied, and be certified in writing as true and correct by a representative of Borrower acceptable to Lender. Borrower will furnish to Lender at Borrower's expense all evidence which Lender may from time to time reasonably request as to compliance with all provisions of the Loan Documents. Any inspection or audit of the Property or the books and records of Borrower, or the procuring of documents and financial and other information, by or on behalf of Lender shall be for Lender's protection only, and shall not constitute any assumption of responsibility to Borrower or anyone else with regard to the condition, construction, maintenance or operation of the Property nor Lender's approval of any certification given to Lender nor relieve Borrower of any of Borrower's obligations. Lender may from time to time assign or grant participations in the secured indebtedness and Borrower consents to the delivery by Lender to any acquirer or prospective acquirer of any interest or participation in or with respect to all or part of the secured indebtedness such information as Lender now or hereafter has relating to the Property, Borrower, any party obligated for payment of any part of the secured indebtedness, any tenant or guarantor under any lease affecting any part of the Property and any agent or guarantor under any management agreement affecting any part of the Property.

(r) Taxes on Note or Security Instrument. Borrower will promptly pay all income, franchise and other taxes owing by Borrower and any stamp taxes or other taxes (unless such payment by Borrower is prohibited by law) which may be required to be paid with respect to the Note, this Security Instrument or any other instrument evidencing or securing any of the secured indebtedness, excepting any amounts to be paid under the present California Security Instrument tax laws, which amounts shall be paid by Lender. In the event of the enactment after this date of any law of any governmental entity applicable to Lender, the Note, the Property or this Security Instrument deducting from the

value of property for the purpose of taxation any lien or interest thereon, or imposing upon Lender the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Borrower, or changing in any way the laws relating to the taxation of Security Instruments or security agreements or debts secured by Security Instruments or security agreements or the interest of the Lender or secured party in the property covered thereby, or the manner of collection of such taxes, so as to affect this Security Instrument or the indebtedness secured hereby or Lender, then, and in any such event, Borrower, upon demand by Lender, shall pay such taxes, assessments, charges or liens, or reimburse Lender

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therefor; provided, however, that if in the opinion of counsel for Lender (i) it might be unlawful to require Borrower to make such payment or (ii) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then and in such event, Lender may elect, by notice in writing given to Borrower, to declare all of the indebtedness secured hereby to be and become due and payable sixty (60) days from the giving of such notice.

(s) Statement Concerning Note or Security Instrument. Borrower shall at any time and from time to time furnish within seven (7) days of request by Lender a written statement in such form as may be required by Lender stating that (i) the Note, this Security Instrument and the other Loan Documents are valid and binding obligations of Borrower, enforceable against Borrower in accordance with their terms; (ii) the unpaid principal balance of the Note; (iii) the date to which interest on the Note is paid; (iv) the Note, this Security Instrument and the other Loan Documents have not been released, subordinated or modified; and (v) there are no offsets or defenses against the enforcement of the Note, this Security Instrument or any other Loan Document. If any of the foregoing statements are untrue, Borrower shall, alternatively, specify the reasons therefor.

(t) Annual Appraisal. Lender may at its option obtain at Borrower's expense, once in each year (or as otherwise reasonably requested by Lender) an appraisal of the Property or any part thereof prepared in accordance with written instructions from Lender by a third-party appraiser engaged directly by Lender. Each such appraiser and appraisal shall be satisfactory to Lender. The costs of each such appraisal shall be a part of the secured indebtedness and shall be payable by Borrower to Lender on demand (which obligation Borrower hereby promises to pay).

(u) Mineral Interests. Borrower agrees that the making of any oil, gas or mineral lease or the sale or conveyance of any mineral interest or right to explore for minerals under, through or upon the Property would impair the value of the Property as security for payment of the indebtedness secured hereby and that Borrower shall have no right, power or authority to lease the Property, or any part thereof, for oil, gas or other mineral purposes, or to grant, assign or convey any mineral interest of any nature, or the right to explore for oil, gas and other minerals, without first obtaining from Lender express written permission, which permission shall not be valid until recorded. Borrower further agrees that if Borrower shall make any such lease or attempt to grant any such mineral rights without such prior written permission, then Lender shall have the option, without notice, to declare the same to be a default

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hereunder and to declare the indebtedness secured hereby immediately due and payable. Whether or not Lender shall consent to such lease or grant of mineral rights, Lender shall receive the entire consideration to be paid for such lease

or grant of mineral rights, with the same to be applied upon the indebtedness secured hereby; provided, however, that the acceptance of such consideration shall in no way impair the lien of this Security Instrument on the Property, including all mineral rights.

(v) Year 2000 Compliance. Borrower has (i) initiated a review and assessment of all areas within its business and operations (including those affected by suppliers and vendors) that could be adversely affected by the "Year 2000 Problem" (that is, the risk that computer applications used by Borrower (or its suppliers and vendors) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999), (ii) developed a plan and timeline for addressing the Year 2000 Problem on a timely basis, and (iii) to date, implemented that plan in accordance with that timetable. Borrower reasonably believes that all computer applications (including those of its suppliers and vendors) that are material to its business and operations will on a timely basis be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 (that is, will be "Year 2000 Compliant"), except to the extent that a failure to do so could not reasonably be expected to cause a material adverse change in the financial condition, results of operations, business or properties of Borrower (a "Material Adverse Change"). Borrower will promptly notify Lender in the event that Borrower discovers or determines that any computer application (including those of its suppliers and vendors) that is material to its business and operations will not be Year 2000 Compliant on a timely basis, except to the extent that such failure could not reasonably be expected to cause a Material Adverse Change.

Section 2.2. Performance by Lender on Borrower's Behalf. Borrower agrees that, if Borrower fails to perform any act or to take any action which under any Loan Document Borrower is required to perform or take, or to pay any money which under any Loan Document Borrower is required to pay, and whether or not the failure then constitutes a default hereunder or thereunder, and whether or not there has occurred any default or defaults hereunder or the secured indebtedness has been accelerated, Lender, in Borrower's name or its own name, may, but shall not be obligated to, perform or cause to be performed such act or take such action or pay such money, and any expenses so incurred by Lender and any money so paid by Lender shall be a demand obligation owing by Borrower to Lender (which obligation Borrower hereby promises to pay), shall be a part of the indebtedness

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secured hereby, and Lender, upon making such payment, shall be subrogated to all of the rights of the person, entity or body politic receiving such payment. Lender and its designees shall have the right to enter upon the Property at any time and from time to time for any such purposes. No such payment or performance by Lender shall waive or cure any default or waive any right, remedy or recourse of Lender. Any such payment may be made by Lender in reliance on any statement, invoice or claim without inquiry into the validity or accuracy thereof. Each amount due and owing by Borrower to Lender pursuant to this Security Instrument shall bear interest, from the date such amount becomes due until paid, at the rate per annum provided in the Note for interest on past due principal owed on the Note but never in excess of the maximum nonusurious amount permitted by applicable law, which interest shall be payable to Lender on demand; and all such amounts, together with such interest thereon, shall automatically and without notice be a part of the indebtedness secured hereby. The amount and nature of any expense by Lender hereunder and the time when paid shall be fully established by the certificate of Lender or any of Lender's officers or agents.

Section 2.3. Absence of Obligations of Lender with Respect to Property. Notwithstanding anything in this Security Instrument to the contrary, including, without limitation, the definition of "Property" and/or the provisions of Article 3 hereof, (i) to the extent permitted by applicable law, the Property is composed of Borrower's rights, title and interests therein but

not Borrower's obligations, duties or liabilities pertaining thereto, (ii) Lender neither assumes nor shall have any obligations, duties or liabilities in connection with any portion of the items described in the definition of "Property" herein, either prior to or after obtaining title to such Property, whether by foreclosure sale, the granting of a deed in lieu of foreclosure or otherwise, and (iii) Lender may, at any time prior to or after the acquisition of title to any portion of the Property as above described, advise any party in writing as to the extent of Lender's interest therein and/or expressly disaffirm in writing any rights, interests, obligations, duties and/or liabilities with respect to such Property or matters related thereto. Without limiting the generality of the foregoing, it is understood and agreed that Lender shall have no obligations, duties or liabilities prior to or after acquisition of title to any portion of the Property, as lessee under any lease or purchaser or seller under any contract or option unless Lender elects otherwise by written notification.

ARTICLE 3 - Collateral Assignment of Leases and Rents

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Section 3.1. Assignment. As additional security for the indebtedness secured hereby, Borrower hereby assigns to Lender all Rents (hereinafter defined) and all of Borrower's rights in and under all Leases (hereinafter defined). Upon the occurrence of a default hereunder, Lender shall have the right, power and privilege (but shall be under no duty) to demand possession of the Rents, which demand shall to the fullest extent permitted by applicable law be sufficient action by Lender to entitle Lender to immediate and direct payment of the Rents (including delivery to Lender of Rents collected for the period in which the demand occurs and for any subsequent period), for application as provided in this Security Instrument, all without the necessity of any further action by Lender, including, without limitation, any action to obtain possession of the Land, Improvements or any other portion of the Property or any action for the appointment of a receiver. Borrower hereby authorizes and directs the tenants under the Leases to pay Rents to Lender upon written demand by Lender, without further consent of Borrower, without any obligation to determine whether a default has in fact occurred and regardless of whether Lender has taken possession of any portion of the Property, and the tenants may rely upon any written statement delivered by Lender to the tenants. Any such payment to Lender shall constitute payment to Borrower under the Leases, and Borrower hereby appoints Lender as Borrower's lawful attorney-in-fact for giving, and Lender is hereby empowered to give, acquittances to any tenants for such payments to Lender after a default. The assignment contained in this Section shall become null and void upon the release of this Security Instrument. As used herein: (i) "Lease" means each existing or future lease, sublease (to the extent of Borrower's rights thereunder), usufruct or other agreement under the terms of which any person has or acquires any right to occupy or use the Property, or any part thereof, or interest therein, and each existing or future guaranty of payment or performance thereunder, and all extensions, renewals, modifications and replacements of each such lease, sublease, usufruct, agreement or guaranty; and (ii) "Rents" means all of the rents, revenue, income, profits and proceeds derived and to be derived from the Property or arising from the use or enjoyment of any portion thereof or from any Lease, including but not limited to liquidated damages following default under any such Lease, all proceeds payable under any policy of insurance covering loss of rents resulting from untenability caused by damage to any part of the Property, all of Borrower's rights to recover monetary amounts from any tenant in bankruptcy including, without limitation, rights of recovery for use and occupancy and damage claims arising out of Lease defaults, including rejections, under any applicable Debtor Relief Law (as hereinafter defined), together with any sums of money that may now or at any time hereafter be or become due and payable to Borrower by virtue of any and all royalties,

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overriding royalties, bonuses, delay rentals and any other amount of any kind or character arising under any and all present and all future oil, gas, mineral and mining leases covering the Property or any part thereof, and all proceeds and other amounts paid or owing to Borrower under or pursuant to any and all contracts and bonds relating to the construction or renovation of the Property.

Section 3.2. Covenants, Representations and Warranties Concerning Leases and Rents. Borrower covenants, represents and warrants that: (i) Borrower has good title to, and is the owner of the entire landlord's interest in, the Leases and Rents hereby assigned and authority to assign them; (ii) all Leases are valid and enforceable, and in full force and effect, and are unmodified except as stated therein; (iii) neither Borrower nor any tenant in the Property is in default under its Lease (and no event has occurred which with the passage of time or notice or both would result in a default under its Lease) or is the subject of any bankruptcy, insolvency or similar proceeding; (iv) unless otherwise stated in a Permitted Encumbrance, no Rents or Leases have been or will be assigned, mortgaged, pledged or otherwise encumbered and no other person has or will acquire any right, title or interest in such Rents or Leases; (v) no Rents have been waived, released, discounted, set off or compromised; (vi) except as stated in the Leases, Borrower has not received any funds or deposits from any tenant for which credit has not already been made on account of accrued Rents; (vii) Borrower shall perform all of its obligations under the Leases and enforce the tenants' obligations under the Leases to the extent enforcement is prudent under the circumstances; (viii) Borrower will not, without the prior written consent of Lender, which consent shall not be unreasonably withheld, enter into any Lease after the date hereof, or waive, release, discount, set off, compromise, reduce or defer any Rent, receive or collect Rents more than one (1) month in advance, grant any rent-free period to any tenant, reduce any Lease term or waive, release or otherwise modify any other material obligation under any Lease, renew or extend any Lease except in accordance with a right of the tenant thereto in such Lease, approve or consent to an assignment of a Lease or a subletting of any part of the premises covered by a Lease, or settle or compromise any claim against a tenant under a Lease in bankruptcy or otherwise; (ix) Borrower will not, except in good faith where the tenant is in material default thereunder, terminate or consent to the cancellation or surrender of any Lease having an unexpired term of one year or more unless promptly after the cancellation or surrender a new Lease of such premises is made with a new tenant having a credit standing, in Lender's judgment, at least equivalent to that of the tenant whose Lease was cancelled, on substantially the same terms as the terminated or cancelled Lease; (x) Borrower will not execute any

Lease except in accordance with the Loan Documents and for actual occupancy by the tenant thereunder; (xi) Borrower shall give prompt notice to Lender, as soon as Borrower first obtains notice, of any claim, or the commencement of any action, by any tenant or subtenant under or with respect to a Lease regarding any claimed damage, default, diminution of or offset against Rent, cancellation of the Lease, or constructive eviction, excluding, however, notices of default under residential Leases, and Borrower shall defend, at Borrower's expense, any proceeding pertaining to any Lease, including, if Lender so requests, any such proceeding to which Lender is a party; (xii) Borrower shall as often as requested by Lender, within ten (10) days of each request, deliver to Lender a complete rent roll of the Property in such detail as Lender may require and financial statements of the tenants, subtenants and guarantors under the Leases to the extent available to Borrower, and deliver to such of the tenants and others obligated under the Leases specified by Lender written notice of the assignment in Section 3.1 hereof in form and content satisfactory to Lender; (xiii) promptly upon request by Lender, Borrower shall deliver to Lender executed originals of all Leases and copies of all records relating thereto;

(xiv) there shall be no merger of the leasehold estates, created by the Leases, with the fee estate of the Land without the prior written consent of Lender; and (xv) Lender may at any time and from time to time by specific written instrument intended for the purpose, unilaterally subordinate the lien of this Security Instrument to any Lease, without joinder or consent of, or notice to, Borrower, any tenant or any other person, and notice is hereby given to each tenant under a Lease of such right to subordinate. No such subordination shall constitute a subordination to any lien or other encumbrance, whenever arising, or improve the right of any junior lienholder; and nothing herein shall be construed as subordinating this Security Instrument to any Lease.

Section 3.3. No Liability of Lender. Lender's acceptance of this assignment shall not be deemed to constitute Lender a "Lender in possession," nor obligate Lender to appear in or defend any proceeding relating to any Lease or to the Property, or to take any action hereunder, expend any money, incur any expenses, or perform any obligation or liability under any Lease, or assume any obligation for any deposit delivered to Borrower by any tenant and not as such delivered to and accepted by Lender. Lender shall not be liable for any injury or damage to person or property in or about the Property, or for Lender's failure to collect or to exercise diligence in collecting Rents, but shall be accountable only for Rents that it shall actually receive. Neither the assignment of Leases and Rents nor enforcement of Lender's rights regarding Leases and Rents (including collection of Rents) nor possession of the Property by

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Lender nor Lender's consent to or approval of any Lease (nor all of the same), shall render Lender liable on any obligation under or with respect to any Lease or constitute affirmation of, or any subordination to, any Lease, occupancy, use or option. If Lender seeks or obtains any judicial relief regarding Rents or Leases, the same shall in no way prevent the concurrent or subsequent employment of any other appropriate rights or remedies nor shall same constitute an election of judicial relief for any foreclosure or any other purpose. Lender neither has nor assumes any obligations as lessor or landlord with respect to any Lease. The rights of Lender under this Article 3 shall be cumulative of all other rights of Lender under the Loan Documents or otherwise.

ARTICLE 4 - Default

Section 4.1. Events of Default. The occurrence of any one of the following shall be a default under this Security Instrument ("Default" or "default"):

(a) Failure to Pay Indebtedness. Any of the secured indebtedness is not paid when due, regardless of how such amount may have become due, and such failure is not cured within the applicable grace or cure period provided for in Section 4.2 of this Security Instrument.

(b) Nonperformance of Covenants. Any covenant, agreement or condition herein or in any other Loan Document (other than covenants otherwise addressed in another paragraph of this Section, such as covenants to pay the secured indebtedness) is not fully and timely performed, observed or kept, and such failure is not cured within the applicable grace or cure period provided for in Section 4.2 of this Security Instrument.

(c) Representations. Any statement, representation or warranty in any of the Loan Documents, or in any financial statement or any other writing heretofore or hereafter delivered to Lender in connection with the secured indebtedness is false, misleading or erroneous in any material respect on the date hereof or on the date as of which such statement, representation or warranty is made.

(d) Bankruptcy or Insolvency. The owner of the Property or any

person liable, directly or indirectly, for any of the secured indebtedness (or any general partner or joint venturer of such owner, if the owner is a general partnership or joint venture):

(1) (i) Executes an assignment for the benefit of creditors, or takes any action in furtherance thereof; or (ii) admits in writing its inability to pay, or fails to pay, its

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debts generally as they become due; or (iii) as a debtor, files a petition, case, proceeding or other action pursuant to, or voluntarily seeks the benefit or benefits of, Title 11 of the United States Code as now or hereafter in effect or any other law, domestic or foreign, as now or hereafter in effect relating to bankruptcy, insolvency, liquidation, receivership, reorganization, arrangement, composition, extension or adjustment of debts, or similar laws affecting the rights of creditors (Title 11 of the United States Code and such other laws being herein called "Debtor Relief Laws"), or takes any action in furtherance thereof; or (iv) seeks the appointment of a receiver, trustee, custodian or liquidator of the Property or any part thereof or of any significant portion of its other property; or

(2) Suffers the filing of a petition, case, proceeding or other action against it as a debtor under any Debtor Relief Law or seeking appointment of a receiver, trustee, custodian or liquidator of the Property or any part thereof or of any significant portion of its other property, and (i) admits, acquiesces in or fails to contest diligently the material allegations thereof, or (ii) the petition, case, proceeding or other action results in entry of any order for relief or order granting relief sought against it, or (iii) in a proceeding under the Federal Bankruptcy Code, the case is converted from one chapter to another, or (iv) fails to have the petition, case, proceeding or other action permanently dismissed or discharged on or before the earlier of trial thereon or sixty (60) days next following the date of its filing; or

(3) Conceals, removes, or permits to be concealed or removed, any part of its property, with intent to hinder, delay or defraud its creditors or any of them, or makes or suffers a transfer of any of its property which may be fraudulent under any bankruptcy, fraudulent conveyance or similar law; or makes any transfer of its property to or for the benefit of a creditor at a time when other creditors similarly situated have not been paid; or suffers or permits, while insolvent, any creditor to obtain a lien (other than as described in subparagraph (4) below) upon any of its property through legal proceedings which are not vacated and such lien discharged prior to enforcement thereof and in any event within sixty (60) days from the date thereof; or

(4) Fails to have discharged within a period of ten (10) days any attachment, sequestration, or similar writ levied upon any of its property; or

(5) Fails to pay immediately any final money judgment against it.

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(e) Transfer of the Property. There occurs any sale, lease, conveyance, assignment, pledge, encumbrance, or transfer of all or any part of the Property or any interest therein, voluntarily or involuntarily, whether by operation of law or otherwise, except: (i) sales or transfers of items of the Accessories which have become obsolete or worn beyond practical use and which have been replaced by adequate substitutes, owned by Borrower, having a value equal to or greater than the replaced items when new; and (ii) the grant, in the ordinary course of business, of a leasehold interest in a part of the

Improvements to a tenant for occupancy, not containing a right or option to purchase and not in contravention of any provision of this Security Instrument or of any other Loan Document. Lender may, in its sole discretion, waive a default under this paragraph, but it shall have no obligation to do so, and any waiver may be conditioned upon such one or more of the following (if any) which Lender may require: the grantee's integrity, reputation, character, creditworthiness and management ability being satisfactory to Lender in its sole judgment and such grantee's executing, prior to such sale or transfer, a written assumption agreement containing such terms as Lender may require, a principal paydown on the Note, an increase in the rate of interest payable under the Note, a transfer fee, a modification of the term of the Note, and any other modification of the Loan Documents which Lender may require.

(f) Transfer of Ownership of Borrower. There occurs any sale, pledge, encumbrance, assignment or transfer, voluntarily or involuntarily, whether by operation of law or otherwise, of any interest in Borrower, without the prior written consent of Lender.

(g) Grant of Easement, Etc. Without the prior written consent of Lender, which will not be unreasonably withheld, Borrower grants any easement or dedication, files any plat, condominium declaration, or restriction, or otherwise encumbers the Property, or seeks or permits any zoning reclassification or variance, unless such action is expressly permitted by the Loan Documents or does not affect the Property.

(h) Abandonment. The owner of the Property abandons any of the Property.

(i) Default Under Other Lien. A default or event of default occurs and is continuing under any lien, security interest or assignment covering the Property or any part thereof (whether or not Lender has consented, and without hereby implying Lender's consent, to any such lien, security interest or assignment not created hereunder), or the holder of any such lien, security interest or assignment declares a default or

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institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

(j) Destruction. The Property is so demolished, destroyed or damaged that, in the reasonable opinion of Lender, it cannot be restored or rebuilt with available funds to a profitable condition within a reasonable period of time and in any event prior to the final maturity date of the Note.

(k) Condemnation. (i) Any governmental authority shall require, or commence any proceeding for, the demolition of any building or structure comprising a part of the Premises, or (ii) there is commenced any proceeding to condemn or otherwise take pursuant to the power of eminent domain, or a contract for sale or a conveyance in lieu of such a taking is executed which provides for the transfer of, a material portion of the Premises, including but not limited to the taking (or transfer in lieu thereof) of any portion which would result in the blockage or substantial impairment of access or utility service to the Improvements or which would cause the Premises to fail to comply with any Legal Requirement.

(l) Liquidation, Etc. There occurs a liquidation, termination, dissolution, merger, consolidation or failure to maintain good standing in the State of Georgia (or in the case of an individual, the death or legal incapacity) of the owner of the Property or any person obligated to pay any part of the secured indebtedness.

(m) Material, Adverse Change. In Lender's reasonable opinion, the prospect of payment of all or any part of the secured indebtedness has been

impaired because of a material, adverse change in the financial condition, results of operations, business or properties of the owner of the Property or any person liable, directly or indirectly, for any of the secured indebtedness, or of any general partner or joint venturer thereof (if such owner or other person is a partnership or joint venture).

(n) Enforceability; Priority. Any Loan Document shall for any reason without Lender's specific written consent cease to be in full force and effect, or shall be declared null and void or unenforceable in whole or in part, or the validity or enforceability thereof, in whole or in part, shall be challenged or denied by any party thereto other than Lender; or the liens, interests, Security Instruments or security interests of Lender in any of the Property become unenforceable in whole or in part, or cease to be of the priority herein required, or the validity or enforceability thereof, in whole or in part, shall be

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challenged or denied by Borrower or any person obligated to pay any part of the secured indebtedness.

(o) Other Loan Documents; Cort Furniture Lease. A default or event of default occurs under any Loan Document, other than this Security Instrument, or a default or event of default occurs under the Cort Furniture Lease, and the same is not remedied within the applicable period of grace (if any) provided in such document.

Section 4.2. Notice and Cure. Lender agrees, by its acceptance of this Security Instrument, that notwithstanding anything to the contrary contained herein or in any of the other Loan Documents, upon the occurrence of any default of the type described in Subparagraphs (a) or (b) of Section 4.1 of this Security Instrument, Lender will not accelerate the maturity of the Note or the secured indebtedness and will not exercise any of its other rights and remedies hereunder or under the other Loan Documents until and unless Lender has first given notice of such default to Borrower, in the manner prescribed in Section 6.12 of this Security Instrument, and Borrower has failed to cure such default within the following periods of time:

(a) If such default is a default of the type described in Subparagraph (a) of Section 4.1 of this Security Instrument, Borrower shall have a period of ten (10) days from and after the effective date of such notice within which to cure such default; or

(b) If such default is a default of the type described in Subparagraph (b) of Section 4.1 of this Security Instrument, Borrower shall have a period of thirty (30) days from and after the effective date of such notice within which to cure such default.

After the occurrence of three (3) such defaults, and the giving of notice thereof by Lender, Lender shall not be obligated to give to Borrower any further notice of default or opportunity to cure the same. The agreements set forth in this Section 4.2 do not and shall not be deemed to prevent or prohibit Lender from withholding any advances of the secured indebtedness, following the occurrence of a default, until and unless such default shall have been cured.

If Lender shall fail to give such notice and right to cure to Borrower as provided herein, the sole and exclusive remedy of Borrower for such failure shall be to seek appropriate equitable relief to enforce the agreement to give such notice and right to cure and to have any acceleration of the maturity of the Note and the secured indebtedness postponed or revoked and foreclosure or other proceedings in connection therewith delayed or terminated pending or upon the curing of such default in the

manner and during the period of time permitted by such agreement, and Borrower shall have no right to damages or any other type of relief not herein specifically set out against Lender, all of which damages or other relief are hereby waived by Borrower. Nothing herein or in any of the other Loan Documents shall operate or be construed to add on or make cumulative any cure or grace periods specified in any of the Loan Documents.

ARTICLE 5 - Remedies

Section 5.1. Certain Remedies. If a default shall occur, Lender may (but shall have no obligation to) exercise any one or more of the following remedies, without additional notice (unless notice is required by applicable statute):

(a) Acceleration. Lender may at any time and from time to time declare any or all of the secured indebtedness immediately due and payable and such secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, notice of acceleration or of intention to accelerate or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower. Without limitation of the foregoing, upon the occurrence of a default described in clauses (i), (iii) or (iv) of subparagraph (1) of paragraph (d) of Section 4.1, hereof, all of the secured indebtedness shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of acceleration or intention to accelerate, or any other notice, declaration or act of any kind, all of which are hereby expressly waived by Borrower.

(b) Enforcement of Assignment of Rents. Prior or subsequent to taking possession of any portion of the Property or taking any action with respect to such possession, Lender may: (1) collect and/or sue for the Rents in Lender's own name, give receipts and releases therefor, and after deducting all expenses of collection, including attorneys' fees and expenses, apply the net proceeds thereof to the secured indebtedness in such manner and order as Lender may elect and/or to the operation and management of the Property, including the payment of management, brokerage and attorney's fees and expenses; and (2) require Borrower to transfer all security deposits and records thereof to Lender together with original counterparts of the Leases.

(c) Foreclosure.

(i) Method of Foreclosure. Lender, at Lender's option, may either: (1) accelerate the secured indebtedness, including all accrued interest, pursuant to paragraph (a) of this Section 5.1 and foreclose the lien of this Security Instrument by

judicial proceeding, or (2) declare the secured indebtedness immediately due and payable, without deduction, and foreclose this Security Instrument by the power of sale hereby granted.

(ii) Power of Sale. Should Lender elect to foreclose by exercise of the power of sale contained herein, Lender shall notify Trustee and shall, if required, deposit with Trustee the Note, the original or a certified copy of this Security Instrument, and such other documents, receipts and evidences of expenditures made and secured hereby as Trustee may require. Upon receipt of such notice from Lender, Trustee shall cause to be recorded and delivered to Borrower such notice as may then be required by law and by this Security Instrument. Trustee shall, without demand on Borrower, after lapse of such time

as may then be required by law and after recordation of such notice of default and after notice of sale has been given as required by law, sell the Property at the time and place of sale fixed by it in said notice of sale, either as a whole or in separate lots or parcels or items as Trustee shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to the purchaser or purchasers at such sale its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Borrower, Trustee or Lender, may purchase at such sale, and Borrower hereby covenants to warrant and defend the title of such purchaser or purchasers.

(iii) Foreclosure Sale; Proceeds. After deducting all costs, fees and expenses of Trustee and of this Security Instrument, including, without limitation, costs of evidence of title and actual and customary attorneys' fees of Trustee or Lender in connection with a sale as provided in subparagraph (i) above, Trustee shall apply the proceeds of such sale (a) first, to the payment of all sums expended by Lender under the terms of any of the Loan Documents and not yet repaid, together with interest on such sums at the Default Rate as set forth in the Note, (b) second, to the payment of all sums expended under the terms hereof not then repaid, with accrued interest at the rate of interest equal to the rate then in effect under the Note, or if the Note has been repaid, the rate that would have been in effect under the Note, (c) third, to the payment of all other sums then secured hereby, and (d) fourth, the remainder, if any, to the person or persons legally entitled thereto.

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(iv) Additional Remedies. Trustee and Lender shall have all powers, rights and remedies under applicable law whether or not specifically or generally granted or described in this Security Instrument. Nothing contained herein shall be construed to impair or to restrict such powers, rights and remedies or to preclude any procedures or process otherwise available to trustees or beneficiaries under deeds of trust in the State of California. Trustee and Lender, and each of them, shall be entitled to enforce the payment and performance of any indebtedness or obligations secured hereby and to exercise all rights and powers under this Security Instrument or under any other Loan Document or other agreement or any laws now or hereafter in force, notwithstanding the fact that some or all of the indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by Security Instrument, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Security Instrument nor its enforcement, whether by court action or pursuant to the power of sale or other powers contained herein, shall prejudice or in any manner affect Trustee's or Lender's right to realize upon or enforce any other rights or security now or hereafter held by Trustee or Lender. Trustee and Lender, and each of them, shall be entitled to enforce this Security Instrument and any other rights or security now or hereafter held by Lender or Trustee in such order and manner as they or either of them may in their absolute discretion determine. No remedy herein conferred upon or reserved to Trustee or Lender is intended to be exclusive of any other remedy contained herein or by law provided or permitted, but each shall be cumulative and in addition to every other remedy given hereunder or now or hereafter existing at law or in equity. Every power or remedy given by any of the Loan Documents to Trustee or Lender, or to which either of them may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Lender, and either of them may pursue inconsistent remedies. By exercising or by failing to exercise any right, option or election hereunder, Lender shall not be deemed to have waived any provision hereof or to have released Borrower from any of the obligations secured hereby unless such waiver or release is in writing and signed by Lender. The waiver by Lender of Borrower's failure to perform or observe any term, covenant or condition referred to or contained herein to be performed or observed by Borrower shall

not be deemed to be a waiver of such term, covenant or condition or of any subsequent failure of Borrower to perform or observe the same or any other such term, covenant or condition referred to or contained herein, and no custom or practice which may develop between Borrower and Lender during the term hereof shall be deemed a waiver of or in any way affect the right of Lender to insist upon the performance by Borrower of the

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obligations secured hereby in strict accordance with the terms hereof or of any other Loan Document.

(d) Uniform Commercial Code. Without limitation of Lender's rights of enforcement with respect to the Collateral or any part thereof in accordance with the procedures for foreclosure of real estate, Lender may exercise its rights of enforcement with respect to the Collateral or any part thereof under the Uniform Commercial Code as adopted in the State of California (or under the Uniform Commercial Code in force in any other state to the extent the same is applicable law) and in conjunction with, in addition to or in substitution for those rights and remedies: (1) Lender may enter upon Borrower's premises to take possession of, assemble and collect the Collateral or, to the extent and for those items of the Collateral permitted under applicable law, to render it unusable; (2) Lender may require Borrower to assemble the Collateral and make it available at a place Lender designates which is mutually convenient to allow Lender to take possession or dispose of the Collateral; (3) written notice mailed to Borrower as provided herein at least five (5) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; (4) any sale made pursuant to the provisions of this paragraph shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with and upon the same notice as required for the sale of the Property under power of sale as provided in paragraph (c) above in this Section 5.1; (5) in the event of a foreclosure sale, whether made by Lender under the terms hereof, or under judgment of a court, the Collateral and the other Property may, at the option of Lender, be sold as a whole; (6) it shall not be necessary that Lender take possession of the Collateral or any part thereof prior to the time that any sale pursuant to the provisions of this Section is conducted and it shall not be necessary that the Collateral or any part thereof be present at the location of such sale; (7) with respect to application of proceeds of disposition of the Collateral under Section 5.2 hereof, the costs and expenses incident to disposition shall include the reasonable expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like and the reasonable attorneys' fees and legal expenses incurred by Lender; (8) any and all statements of fact or other recitals made in any bill of sale or assignment or other instrument evidencing any foreclosure sale hereunder as to nonpayment of the secured indebtedness or as to the occurrence of any default, or as to Lender having declared all of such indebtedness to be due and payable, or as to notice of time, place and terms of sale and of the properties to be sold having been duly given, or as to any other act or thing having been duly done by Lender, shall be taken as prima facie evidence of the

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truth of the facts so stated and recited; and (9) Lender may appoint or delegate any one or more persons as agent to perform any act or acts necessary or incident to any sale held by Lender, including the sending of notices and the conduct of the sale, but in the name and on behalf of Lender.

(e) Right of Rescission. Lender may from time to time rescind any notice of default or notice of sale before any Trustee's sale in accordance with

the laws of the State of California. The exercise by Lender of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Lender to execute and deliver to Trustee, as above provided, other declarations or notices of default to satisfy the obligations of this Security Instrument or secured hereby, nor otherwise affect any provision, covenant or condition of any Loan Document or any of the rights, obligations or remedies of Trustee or Lender hereunder or thereunder.

(f) Full Reconveyance. Upon written request of Lender stating that all sums secured hereby have been paid, upon surrender to Trustee of the Note and the original or a certified copy of this Security Instrument for cancellation and retention, and upon payment of its fees, Trustee shall fully reconvey, without warranty, the entire remaining Property then held hereunder. The recitals in such reconveyance of any matters of facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

(g) Fixture Filing. This Security Instrument constitutes a fixture filing under the fixture filing provisions of the UCC, Sections 9-313 and 9-402(6) as enacted and under the equivalent statutes in the State of California, as amended or recodified from time to time.

(h) Border Zone Property. Borrower represents and warrants that the Property has not been designated as Border Zone Property under the provisions of California Health and Safety Code, Sections 25220 et seq. or any regulation adopted in accordance therewith, and there has been no occurrence or condition on any real property adjoining or in the vicinity of the Property that is reasonably likely to cause the Property or any part thereof to be designated as Border Zone Property.

(i) Entry on Property. Lender is authorized, prior or subsequent to the institution of any foreclosure proceedings, to the fullest extent permitted by applicable law, to enter upon the Property, or any part thereof, and to take possession of the Property and all books and records relating thereto, and to

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exercise without interference from Borrower any and all rights which Borrower has with respect to the management, possession, operation, protection or preservation of the Property. Lender shall not be deemed to have taken possession of the Property or any part thereof except upon the exercise of its right to do so, and then only to the extent evidenced by its demand and overt act specifically for such purpose. All costs, expenses and liabilities of every character incurred by Lender in managing, operating, maintaining, protecting or preserving the Property shall constitute a demand obligation of Borrower (which obligation Borrower hereby promises to pay) to Lender pursuant to this Security Instrument. If necessary to obtain the possession provided for above, Lender may invoke any and all legal remedies to dispossess Borrower. In connection with any action taken by Lender pursuant to this Section, Lender shall not be liable for any loss sustained by Borrower resulting from any failure to let the Property or any part thereof, or from any act or omission of Lender in managing the Property unless such loss is caused by the willful misconduct and bad faith of Lender, nor shall Lender be obligated to perform or discharge any obligation, duty or liability of Borrower arising under any lease or other agreement relating to the Property or arising under any Permitted Encumbrance or otherwise arising. Borrower hereby assents to, ratifies and confirms any and all actions of Lender with respect to the Property taken under this Section.

(J) Termination of Commitment to Lend. Lender may terminate any commitment or obligation to lend or disburse funds under any Loan Document.

Section 5.2. Intentionally Deleted.

Section 5.3. Lender as Purchaser. Lender shall have the right to become the purchaser at any sale held by Lender or substitute or successor or by any receiver or public officer or at any public sale, and Lender shall have the right to credit upon the amount of Lender's successful bid, to the extent necessary to satisfy such bid, all or any part of the secured indebtedness in such manner and order as Lender may elect.

Section 5.4. Remedies Cumulative. All rights and remedies provided for herein and in any other Loan Document are cumulative of each other and of any and all other rights and remedies existing at law or in equity, and Lender shall, in addition to the rights and remedies provided herein or in any other Loan Document, be entitled to avail itself of all such other rights and remedies as may now or hereafter exist at law or in equity for the collection of the secured indebtedness and the enforcement of the covenants herein and the foreclosure of the liens and interests evidenced hereby, and the resort to any right

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or remedy provided for hereunder or under any such other Loan Document or provided for by law or in equity shall not prevent the concurrent or subsequent employment of any other appropriate right or rights or remedy or remedies.

Section 5.5. Lender's Discretion as to Security. Lender may resort to any security given by this Security Instrument or to any other security now existing or hereafter given to secure the payment of the secured indebtedness, in whole or in part, and in such portions and in such order as may seem best to Lender in its sole and uncontrolled discretion, and any such action shall not in any way be considered as a waiver of any of the rights, benefits, liens or interests evidenced by this Security Instrument.

Section 5.6. Borrower's Waiver of Certain Rights. To the full extent Borrower may do so, Borrower agrees that Borrower will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any stay, extension or redemption, homestead, moratorium, reinstatement, marshaling or forbearance, and Borrower, for Borrower, Borrower's successors and assigns, and for any and all persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of redemption, stay of execution, reinstatement, notice of intention to mature or declare due the whole of the secured indebtedness, notice of election to mature or declare due the whole of the secured indebtedness and all rights to a marshaling of assets of Borrower, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the liens and/or security interests hereby created. Borrower shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatever to defeat, reduce or affect the right of Lender under the terms of this Security Instrument to a sale of the Property for the collection of the secured indebtedness without any prior or different resort for collection, or the right of Lender under the terms of this Security Instrument to the payment of the secured indebtedness out of the proceeds of sale of the Property in preference to every other claimant whatever. Borrower waives any right or remedy which Borrower may have or be able to assert, pursuant to any provision of applicable law, pertaining to the rights and remedies of sureties. If any law referred to in this Section and now in force, of which Borrower or Borrower's successors or assigns or any other persons claiming any interest in the Property might take advantage despite this Section, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the

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application of this Section. Appraisal of the Property is hereby expressly waived, or not, at the option of Lender, such option to be exercised at the time judgment is rendered in any foreclosure hereof, or at any time prior thereto.

Section 5.7. Delivery of Possession After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale, Borrower or Borrower's successors or assigns are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of either landlord or tenant, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; and to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will. In the event the tenant fails to surrender possession of said property upon demand, the purchaser shall be entitled to institute and maintain a summary action for possession of the property (such as an action for forcible detainer) in any court having jurisdiction.

Section 5.8. Withdrawal, Discontinuance or Abandonment of Proceedings. In the case Lender shall have proceeded to enforce any right, power or remedy under this Security Instrument by foreclosure, entry or otherwise or in the event that Lender shall have commenced advertising the intended exercise of the right of foreclosure provided hereunder, and such proceeding or advertisement shall be withdrawn, discontinued or abandoned for any reason, or shall be determined adversely to Lender, then, in every such case (i) Borrower and Lender shall be restored to their former positions and rights, (ii) all rights, powers and remedies of Lender shall continue as if no such proceeding had been taken, (iii) each and every default declared and remaining uncured prior to such withdrawal, discontinuance or abandonment shall and shall be deemed to be a continuing default, and (iv) neither this Security Instrument, the Note, the secured indebtedness nor any other instrument concerned therewith shall be or shall be deemed to have been reinstated or otherwise affected by such withdrawal, discontinuance or abandonment, and Borrower hereby expressly waives the benefit of any statute or rule of law which would produce a result contrary to or in conflict with the foregoing.

ARTICLE 6 - Miscellaneous

Section 6.1. Scope of Security Instrument. This Security Instrument is a Security Instrument, collateral

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assignment, security agreement and financing statement, and also covers proceeds and fixtures.

Section 6.2. Notice to Account Debtors. In addition to the rights granted elsewhere in this Security Instrument, Lender may at any time notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay Lender directly.

Section 6.3. Waiver by Lender. Lender may at any time and from time to time by a specific writing intended for the purpose: (a) waive compliance by Borrower with any covenant herein made by Borrower to the extent and in the manner specified in such writing; (b) consent to Borrower's doing any act which hereunder Borrower is prohibited from doing, or to Borrower's failing to do any act which hereunder Borrower is required to do, to the extent and in the manner specified in such writing; (c) release any part of the Property or any interest therein from the lien and security interest of this Security Instrument; or (d) release any party liable, either directly or indirectly, for the secured

indebtedness or for any covenant herein or in any other Loan Document, without impairing or releasing the liability of any other party. No such act shall in any way affect the rights or powers of Lender hereunder except to the extent specifically agreed to by Lender in such writing.

Section 6.4. No Impairment of Security. The lien, interest and other security rights of Lender hereunder or under any other Loan Document shall not be impaired by any indulgence, moratorium or release granted by Lender including, but not limited to, any renewal, extension or modification which Lender may grant with respect to any secured indebtedness, or any surrender, compromise, release, renewal, extension, exchange or substitution which Lender may grant in respect of the Property, or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any secured indebtedness. The taking of additional security by Lender shall not release or impair the lien, interest or other security rights of Lender hereunder or affect the liability of Borrower or of any endorser, guarantor or surety, or improve the right of any junior lienholder in the Property (without implying hereby Lender's consent to any junior lien).

Section 6.5. Acts Not Constituting Waiver by Lender. Lender may waive any default without waiving any other prior or subsequent default. Lender may remedy any default without waiving the default remedied. Neither failure by Lender to exercise, nor delay by Lender in exercising, nor discontinuance of the exercise of any right, power or remedy (including but not

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limited to the right to accelerate the maturity of the secured indebtedness or any part thereof) upon or after any default shall be construed as a waiver of such default or as a waiver of the right to exercise any such right, power or remedy at a later date. No single or partial exercise by Lender of any right, power or remedy hereunder shall exhaust the same or shall preclude any other or further exercise thereof, and every such right, power or remedy hereunder may be exercised at any time and from time to time. No modification or waiver of any provision hereof nor consent to any departure by Borrower therefrom shall in any event be effective unless the same shall be in writing and signed by Lender and then such waiver or consent shall be effective only in the specific instance, for the purpose for which given and to the extent therein specified. No notice to nor demand on Borrower in any case shall of itself entitle Borrower to any other or further notice or demand in similar or other circumstances. Remittances in payment of any part of the secured indebtedness other than in the required amount in immediately available U.S. funds shall not, regardless of any receipt or credit issued therefor, constitute payment until the required amount is actually received by Lender in immediately available U.S. funds and shall be made and accepted subject to the condition that any check or draft may be handled for collection in accordance with the practice of the collecting bank or banks. Acceptance by Lender of any payment in an amount less than the amount then due on any secured indebtedness shall be deemed an acceptance on account only and shall not in any way excuse the existence of a default hereunder.

Section 6.6. Borrower's Successors. If the ownership of the Property or any part thereof becomes vested in a person other than Borrower, Lender may, without notice to Borrower, deal with such successor or successors in interest with reference to this Security Instrument and to the indebtedness secured hereby in the same manner as with Borrower, without in any way vitiating or discharging Borrower's liability hereunder or for the payment of the indebtedness or performance of the obligations secured hereby. No transfer of the Property, no forbearance on the part of Lender, and no extension of the time for the payment of the indebtedness secured hereby given by Lender shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of Borrower hereunder for the payment of the indebtedness or performance of the obligations secured hereby or the liability of any other person hereunder for the payment of the indebtedness secured hereby. Borrower agrees that it shall be bound by any modification of this Security Instrument or

any of the other Loan Documents made by Lender and any subsequent owner of the Property, with or without notice to such Borrower, and no such modifications shall impair the obligations of such Borrower under this Security Instrument or any other Loan Document. Nothing in this Section or elsewhere in this Security

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Instrument shall be construed to imply Lender's consent to any transfer of the Property.

Section 6.7. Place of Payment; Forum. All secured indebtedness which may be owing hereunder at any time by Borrower shall be payable at the place designated in the Note (or if no such designation is made, at the address of Lender indicated at the end of this Security Instrument). Borrower hereby irrevocably submits generally and unconditionally for itself and in respect of its property to the non-exclusive jurisdiction of any Georgia state court or any United States federal court sitting in the county in which the secured indebtedness is payable, and to the non-exclusive jurisdiction of any state or United States federal court sitting in the state in which any of the Property is located, over any suit, action or proceeding arising out of or relating to this Security Instrument or the secured indebtedness. Borrower hereby agrees and consents that, in addition to any methods of service of process provided for under applicable law, all service of process in any such suit, action or proceeding in any Georgia state court or any United States federal court sitting in the county in which the secured indebtedness is payable may be made by certified or registered mail, return receipt requested, directed to Borrower at its address stated in this Security Instrument, or at a subsequent address of Borrower of which Lender received actual notice from Borrower in accordance with this Security Instrument, and service so made shall be complete five (5) days after the same shall have been so mailed.

Section 6.8. Subrogation to Existing Liens; Vendor's Lien. To the extent that proceeds of the Note are used to pay indebtedness secured by any outstanding lien, interest, charge or prior encumbrance against the Property, such proceeds have been advanced by Lender at Borrower's request, and Lender shall be subrogated to any and all rights, interests and liens owned by any owner or holder of such outstanding liens, security interests, charges or encumbrances, however remote, irrespective of whether said liens, interests, charges or encumbrances are released, and all of the same are recognized as valid and subsisting and are renewed and continued and merged herein to secure the secured indebtedness, but the terms and provisions of this Security Instrument shall govern and control the manner and terms of enforcement of the liens, security interests, charges and encumbrances to which Lender is subrogated hereunder. It is expressly understood that, in consideration of the payment of such indebtedness by Lender, Borrower hereby waives and releases all demands and causes of action for offsets and payments in connection with the said indebtedness. If all or any portion of the proceeds of the loan evidenced by the Note or of any other secured indebtedness has been advanced for the purpose of paying

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the purchase price for all or a part of the Property, no vendor's lien is waived; and Lender shall have, and is hereby granted, a vendor's lien on the Property as cumulative additional security for the secured indebtedness. Lender may foreclose under this Security Instrument or under the vendor's lien without waiving the other or may foreclose under both.

Section 6.9. Application of Payments to Certain Indebtedness. If any part of the secured indebtedness cannot be lawfully secured by this Security

Instrument or if any part of the Property cannot be lawfully subject to the lien and interest hereof to the full extent of such indebtedness, then all payments made shall be applied on said indebtedness first in discharge of that portion thereof which is not secured by this Security Instrument.

Section 6.10. Compliance with Usury Laws. It is the intent of Borrower and Lender and all other parties to the Loan Documents to conform to and contract in strict compliance with applicable usury law from time to time in effect. All agreements between Lender and Borrower (or any other party liable with respect to any indebtedness under the Loan Documents) are hereby limited by the provisions of this Section which shall override and control all such agreements, whether now existing or hereafter arising. In no way, nor in any event or contingency (including but not limited to prepayment, default, demand for payment, or acceleration of the maturity of any obligation), shall the interest taken, reserved, contracted for, charged, chargeable, or received under this Security Instrument, the Note or any other Loan Document or otherwise, exceed the maximum nonusurious amount permitted by applicable law (the "Maximum Amount"). If, from any possible construction of any document, interest would otherwise be payable in excess of the Maximum Amount, any such construction shall be subject to the provisions of this Section and such document shall ipso facto be automatically reformed and the interest payable shall be automatically reduced to the Maximum Amount, without the necessity of execution of any amendment or new document. If Lender shall ever receive anything of value which is characterized as interest under applicable law and which would apart from this provision be in excess of the Maximum Amount, an amount equal to the amount which would have been excessive interest shall, without penalty, be applied to the reduction of the principal amount owing on the secured indebtedness in the inverse order of its maturity and not to the payment of interest, or refunded to Borrower or the other payor thereof if and to the extent such amount which would have been excessive exceeds such unpaid principal. The right to accelerate maturity of the Note or any other secured indebtedness does not include the right to accelerate any interest which has not otherwise accrued on the

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date of such acceleration, and Lender does not intend to charge or receive any unearned interest in the event of acceleration. All interest paid or agreed to be paid to Lender shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full stated term (including any renewal or extension) of such indebtedness so that the amount of interest on account of such indebtedness does not exceed the Maximum Amount. As used in this Section, the term "applicable law" shall mean applicable laws of the State of Georgia, or the federal laws of the United States applicable to this transaction, whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

Section 6.11. Cancellation of Security Instrument. If all of the secured indebtedness be paid as the same becomes due and payable and all of the covenants, warranties, undertakings and agreements made in this Security Instrument are kept and performed, and all obligations, if any, of Lender for further advances have been terminated, then, and in that event only, this Security Instrument shall be cancelled by Lender in due form at Borrower's cost. Without limitation, all provisions herein for indemnity of Lender shall survive discharge of the secured indebtedness and any foreclosure, release or termination of this Security Instrument.

Section 6.12. Notices. All notices, requests, consents, demands and other communications required or which any party desires to give hereunder or under any other Loan Document shall be in writing and, unless otherwise specifically provided in such other Loan Document, shall be deemed sufficiently given or furnished if delivered by personal delivery, by courier, or by registered or certified United States mail, postage prepaid, addressed to the party to whom directed at the addresses specified at the end of this Security Instrument (unless changed by similar notice in writing given by the particular

party whose address is to be changed) or by telex, or facsimile. Any such notice or communication shall be deemed to have been given and to be effective either at the time of personal delivery or, in the case of courier or mail, as of the date of first attempted delivery at the address and in the manner provided herein, or, in the case of telex, when transmitted (answerback confirmed), or, in the case of facsimile, upon receipt. Notwithstanding the foregoing, no notice of change of address shall be effective except upon receipt. This Section shall not be construed in any way to affect or impair any waiver of notice or demand provided in any Loan Document or to require giving of notice or demand to or upon any person in any situation or for any reason.

Section 6.13. Invalidity of Certain Provisions. A determination that any provision of this Security Instrument is

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unenforceable or invalid shall not affect the enforceability or validity of any other provision and the determination that the application of any provision of this Security Instrument to any person or circumstance is illegal or unenforceable shall not affect the enforceability or validity of such provision as it may apply to other persons or circumstances.

Section 6.14. Gender; Titles; Construction. Within this Security Instrument, words of any gender shall be held and construed to include any other gender, and words in the singular number shall be held and construed to include the plural, unless the context otherwise requires. Titles appearing at the beginning of any subdivisions hereof are for convenience only, do not constitute any part of such subdivisions, and shall be disregarded in construing the language contained in such subdivisions. The use of the words "herein," "hereof," "hereunder" and other similar compounds of the word "here" shall refer to this entire Security Instrument and not to any particular Article, Section, paragraph or provision. The term "person" and words importing persons as used in this Security Instrument shall include firms, associations, partnerships (including limited partnerships), joint ventures, trusts, corporations and other legal entities, including public or governmental bodies, agencies or instrumentalities, as well as natural persons.

Section 6.15. Reporting Compliance. Borrower agrees to comply with any and all reporting requirements applicable to the transaction evidenced by the Note and secured by this Security Instrument which are set forth in any law, statute, ordinance, rule, regulation, order or determination of any governmental authority, including but not limited to The International Investment Survey Act of 1976, The Agricultural Foreign Investment Disclosure Act of 1978, The Foreign Investment in Real Property Tax Act of 1980 and the Tax Reform Act of 1984 and further agrees upon request of Lender to furnish Lender with evidence of such compliance.

Section 6.16. Lender's Consent. Except where otherwise expressly provided herein, in any instance hereunder where the approval, consent or the exercise of judgment of Lender is required or requested, (i) the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of Lender, and Lender shall not, for any reason or to any extent, be required to grant such approval or consent or exercise such judgment in any particular manner, regardless of the reasonableness of either the request or Lender's judgment, and (ii) no approval or consent of Lender shall be deemed to have been given except by a specific writing

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intended for the purpose and executed by an authorized representative of Lender.

Section 6.17. Borrower. Unless the context clearly indicates otherwise, as used in this Security Instrument, "Borrower" means the Borrower named in Section 1.1 hereof. Each signatory who signs on behalf of Borrower represents and warrants to Lender that this instrument is executed, acknowledged and delivered by Borrower's duly authorized representatives.

Section 6.18. Execution; Recording. This Security Instrument has been executed in several counterparts, all of which are identical, and all of which counterparts together shall constitute one and the same instrument. The date or dates reflected in the acknowledgments hereto indicate the date or dates of actual execution of this Security Instrument, but such execution is as of the date shown on the first page hereof, and for purposes of identification and reference the date of this Security Instrument shall be deemed to be the date reflected on the first page hereof. Borrower will cause this Security Instrument and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re-recorded and refiled in such manner and in such places as Lender shall reasonably request and will pay all such recording, filing, re-recording and re-filing taxes, fees and other charges.

Section 6.19. Successors and Assigns. The terms, provisions, covenants and conditions hereof shall be binding upon Borrower, and the successors and assigns of Borrower, and shall inure to the benefit of Lender and the successors and assigns of Lender and shall constitute covenants running with the Land. All references in this Security Instrument to Borrower shall be deemed to include all such successors and assigns of Borrower, and all references in this Security Instrument to Lender shall be deemed to include all such successors and assigns of Lender.

Section 6.20. Modification or Termination. The Loan Documents may only be modified or terminated by a written instrument or instruments intended for that purpose and executed by the party against which enforcement of the modification or termination is asserted. Any alleged modification or termination which is not so documented shall not be effective as to any party.

Section 6.21. No Partnership, Etc.. The relationship between Lender and Borrower is solely that of lender and borrower. Lender has no fiduciary or other special relationship with Borrower. Nothing contained in the Loan Documents is intended to create any partnership, joint venture, association or

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special relationship between Borrower and Lender or in any way make Lender a co-principal with Borrower with reference to the Property. All agreed contractual duties between Borrower and Lender are set forth herein and in the other Loan Documents and any additional implied covenants or duties are hereby disclaimed. Any inferences to the contrary of any of the foregoing are hereby expressly negated.

Section 6.22. Disclosure of Information. Lender may, from time to time, sell or offer to sell the Loan, or interests therein, to one or more assignees or participants and is hereby authorized to disseminate any information it now has or hereafter obtains pertaining to the Loan, including, without limitation, any security for the Loan and credit or other information on the Project, Borrower, any of its principals and any guarantor, to any assignee or participant or prospective assignee or prospective participant, to Security Instrument's affiliates, including without limitation NationsBanc Capital Markets, Inc., to any regulatory body having jurisdiction over Lender and to any other parties as necessary or appropriate in Lender's reasonable judgment. Borrower shall execute, acknowledge and deliver any and all instruments reasonably requested by Lender in connection therewith and to the extent, if any, specified in any such assignment or participation, such companies, assignees or participants shall have the rights and benefits with respect to the

Loan Documents as such persons would have if such persons were Lender hereunder.

Section 6.23. Applicable Law. The enforceability of this Security Instrument shall be governed by California law only for purposes of determining the following: (i) the applicable conflict of law rules in this Security Instrument and the other Loan Documents, (ii) whether this Security Instrument transfers or creates an interest in real property for security purposes or otherwise, (iii) the nature of an interest in real property that is transferred or created by this Security Instrument, (iv) the method for foreclosure of a lien on real property and the exercise of any other remedy with respect to the real property or the Rents or profits therefrom, (v) the nature of an interest in real property that results from foreclosure, and (vi) the manner and effect of recording or failing to record evidence of a transaction that transfers or creates an interest in real property. Except as expressly set out above, the enforceability of this Security Instrument and the other Loan Documents shall be governed by Georgia law.

Section 6.24. Effective as a Financing Statement. This Security Instrument shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Property and is to be filed for record in the

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real estate records of each county where any part of the Property (including said fixtures) is situated. This Security Instrument shall also be effective as a financing statement covering minerals or the like (including oil and gas) and accounts and is to be filed for record in the real estate records of each county where any part of the Property is situated. This Security Instrument shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing address of Borrower is the address of Borrower set forth at the end of this Security Instrument and the address of Lender from which information concerning the security interests hereunder may be obtained is the address of Lender set forth at the end of this Security Instrument. A carbon, photographic or other reproduction of this Security Instrument or of any financing statement relating to this Security Instrument shall be sufficient as a financing statement for any of the purposes referred to in this Section.

Section 6.25. Entire Agreement. The Loan Documents constitute the entire understanding and agreement between Borrower and Lender with respect to the transactions arising in connection with the indebtedness secured hereby and supersede all prior written or oral understandings and agreements between Borrower and Lender with respect to the matters addressed in the Loan Documents. Borrower hereby acknowledges that, except as incorporated in writing in the Loan Documents, there are not, and were not, and no persons are or were authorized by Lender to make, any representations, understandings, stipulations, agreements or promises, oral or written, with respect to the matters addressed in the Loan Documents.

THE WRITTEN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES

IN WITNESS WHEREOF, this Security Instrument has been executed and sealed by Borrower as of the date first written on page 1 hereof.

Borrower:

Wells/Orange County Associates,
a Georgia joint venture

By: Wells Operating Partnership, L.P.,
a Delaware limited partnership,

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Joint Venture Partner

By: Wells Real Estate Investment
Trust, Inc.,
a Maryland corporation,
General Partner

By: /s/ Brian M. Conlon

Name: Brian M. Conlon

Title: Executive Vice President

[CORPORATE SEAL]

By: Wells Development Corporation,
a Georgia corporation,
Joint Venture Partner

By: /s/ Brian M. Conlon

Name: Brian M. Conlon

Title: Executive Vice President

[CORPORATE SEAL]

The address and federal tax identification
number of Borrower are:

3885 Holcomb Bridge Road
Norcross, Georgia 30092

Federal Tax No. 58-2404574

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The address of Lender is (including county):

NationsBank, N.A.
NationsBank Plaza - 6th Floor
600 Peachtree Street, N.E.
Atlanta, Fulton County,
Georgia 30308

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ACKNOWLEDGMENT

STATE OF GEORGIA :
: ss
COUNTY OF FULTON :

Before me, a notary public in and for said County and State, on this 28th day of July, 1998, personally appeared Brian M. Conlon, to me known to be the identical person who subscribed the name of Wells/Orange County Associates, a Georgia joint venture ("Borrower"), to the foregoing instrument in his/her capacity as Executive Vice President of Wells Real Estate Investment Trust, Inc., a Maryland corporation, which is the General Partner of Wells Operating Partnership, L.P., a Delaware limited partnership, one of the Joint Venture Partners of Borrower, and in his/her capacity as Executive Vice President of Wells Development Corporation, a Georgia corporation, the other Joint Venture Partner of Borrower, and acknowledged to me that he/she executed the same as his/her free and voluntary act and deed and as the free act and voluntary deed of such Joint Venture Partners and of Borrower for the uses and purposes therein set forth.

/s/ W. L. O'Callaghan

NOTARY PUBLIC

My Commission Expires:

[SEAL]

[NOTARIAL SEAL]

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EXHIBIT 10.25

JOINT VENTURE AGREEMENT

OF

THE CORT JOINT VENTURE

JOINT VENTURE AGREEMENT

OF

WELLS/ORANGE COUNTY ASSOCIATES

THIS JOINT VENTURE AGREEMENT (the "Agreement") is made and entered into as of the 27th day of July, 1998, by and between WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership having Wells Real Estate Investment Trust, Inc., a Maryland corporation, as general partner ("Wells OP"), and WELLS DEVELOPMENT CORPORATION, a Georgia corporation ("Wells Development"). Each of the parties may also be referred to herein as a "Venturer" and together as the "Venturers."

W I T N E S S E T H :

WHEREAS, the Venturers desire to joint venture the acquisition, development, operation and sale of real properties according to the terms and conditions set forth herein;

NOW, THEREFORE, for and in consideration of the mutual covenants hereinafter set forth, the parties hereto covenant and agree as follows:

1. DEFINITIONS.

For the purposes of this Agreement, the following defined terms shall have the meanings ascribed thereto.

1.1 "Administrative Venturer" means the Entity responsible for the conduct of the ordinary and usual business of the Venture and the implementation of the decisions of the Venturers, all as is more fully set forth in Subsection 4.2 hereof. The initial Administrative Venturer shall be Wells OP.

1.2 "Agreed Value" means with respect to Contributed Property the fair market value of such property as of the date of contribution to the Venture as determined by the general partners of the Venturers.

1.3 "Approve," "Approved" or "Approval" means, as to the subject matter thereof and as the context may require, an express consent evidenced by and contained in a written statement signed by the approving Entity. A copy of each such written statement shall be kept at the office of the respective Venturer and shall be available for inspection by the other Venturer upon request.

1.4 "Bankrupt" or "Bankruptcy" means the occurrence of one or more of the following events:

(i) The appointment of a permanent or temporary receiver of the assets and properties of the Venture or a Venturer, and the failure to secure the removal thereof within 60 days after such appointment;

(ii) The adjudication of the Venture or a Venturer as bankrupt or the commission by the Venture or a Venturer of an act of bankruptcy;

(iii) The making by the Venture or a Venturer of an assignment for the benefit of creditors;

(iv) The levying upon or attachment by process of the assets and

properties of the Venture or a Venturer; or

(v) The use by the Venture or a Venturer, whether voluntary or involuntary, of any debt or relief proceedings under the present or future law of any state or of the United States.

1.5 "Capital Account" means a separate account maintained for each Venturer in a manner which complies with Treasury Regulation Section 1.704-1(b), as may be amended or revised from time to time.

1.6 "Capital Contributions" means the aggregate contributions to the capital of the Venture made by the Venturers as Capital Contributions pursuant to Subsection 3.1 hereof.

1.7 "Contributed Property" means the interest of each Venturer contributing property (excluding cash or cash equivalents) to the Venture in such property.

1.8 "Defaulting Venturer" means any Venturer failing to perform any of the obligations of such Venturer under this Agreement or violating the provisions of this Agreement.

1.9 "Distribution Percentage Interests" means collectively the interests in the income, gains, losses, deductions, credits, Net Cash Flow, Extraordinary Receipts, as determined by Subsection 3.2 hereof, as such may be adjusted from time to time as provided in this Agreement.

1.10 "Entity" means any person, corporation, partnership (general or limited), joint venture, association, joint stock company, trust or other business entity or organization.

1.11 "Extraordinary Receipts" means those funds of the Venture which are derived from (i) the net proceeds of any casualty insurance insuring any of the Properties or any portion thereof, to the extent not applied to the repair, restoration or replacement of the Properties or any portion thereof as may be Approved by the Venturers; (ii) the net proceeds of any condemnation, or any taking by eminent domain, or any transfer in lieu thereof, of any of the Properties, or any portion thereof, to the extent not applied to the repair, restoration or reconstruction of any remaining portion of the Properties as may be Approved by the Venturers; (iii) the net proceeds of any sale of any of the Properties, or any portion thereof; and (iv) the

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net proceeds of any indebtedness (or any refinancing of such indebtedness) secured in whole or in part by any of the Properties or any portion thereof.

1.12 "Fiscal Year" means the fiscal year of the Venture established under Subsection 3.4(c) hereof.

1.13 "I.R.C." means the Internal Revenue Code of 1986, as amended.

1.14 "Lease" means a lease or rental agreement now or hereafter existing between the Venture, as lessor or landlord (whether initially or by assignment) and an Entity.

1.15 "Leasing Agreements" means, collectively, those certain Leasing and Tenant Coordinating Agreements between the Venturers as "Owner" and Wells Management Company, Inc. as "Agent" therein, concerning the leasing of the Properties.

1.16 "Major Decisions" means any decision or action to (i) convey by the Venture substantially all the assets of the Venture; (ii) acquire any Property or an interest in a Property, except for the acquisition of that certain office building located at 10700 Spencer Avenue, Fountain Valley, Orange County, California leased to Cort Furniture Rental Corporation (the "Cort

Furniture Building"), which is hereby Approved by the Venturers; (iii) finance or borrow or execute any promissory note or other obligation (other than a Lease) or mortgage or other encumbrance in the name of or on behalf of the Venture, except for that certain loan from NationsBank, N.A. in the amount of approximately \$4,875,000 to finance the acquisition of the Cort Furniture Building to constitute a mortgage and encumbrance upon the Cort Furniture Building, which is hereby Approved by the Venturers; (iv) retain the services of a manager other than Wells Management Company, Inc.; (v) approve each construction and architectural contract and all architectural plans, specifications and drawings and all revisions or changes thereof in connection with the development and construction of any improvements for the Properties; (vi) reduce any portion of the insurance program for the Properties or the Venture; (vii) determine any fee or other amount to be paid to either Venturer or any affiliate of a Venturer; (viii) make any expenditure or incur any obligation by or on behalf of the Venture involving a sum in excess of \$15,000 for any transaction or group of similar transactions except for expenditures made and obligations incurred pursuant to and specifically set forth in a budget Approved by the Venturers; (ix) adjust, settle or compromise any claim, obligation, debt, demand, suit or judgment against the Venture or any Venturer in its capacity as a Venturer, or waive any breach of or default in any monetary or non-monetary obligation owed to the Venture, involving singly or in the aggregate an amount in excess of \$15,000, or in the initiation of any such claim or suit for the benefit of the Venture; (x) convey or sell any Properties or authorize the conveyance or sale of all Properties; (xi) admit any new Venturer to the Venture; (xii) cause the Venture to be admitted as a joint venturer to any other joint venture; and (xiii) make any other decision or action which by the provisions of this Agreement is required to be Approved by the Venturers or which in a material respect affects the Venture or any of the assets or operations thereof. All Major Decisions shall be made by the Venturers in a timely manner with

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due regard for the necessity of obtaining and evaluating the information necessary for making such Major Decisions.

1.17 "Management Agreements" means, collectively, those certain Management Agreements between the Venturers as "Owner" and Wells Management Company, Inc. as "Manager" therein, concerning the management of the Property.

1.18 "Manager" means Wells Management Company, Inc.

1.19 "Net Cash Flow" means for a given fiscal period, those funds of the Venture constituting the gross cash receipts of the Venture from the operation of the Properties (including interest and proceeds from business interruption or rent insurance) for such period exclusive of Capital Contributions by the Venturers and Extraordinary Receipts, which are available for distribution to the Venturers following (i) the payment of all operating, fixed cost and capital expenditures of the Venture, for which no reserves have been established, applicable to such period; (ii) the payment of all principal and interest with respect to any debt secured by any mortgage permitted by this Agreement; and (iii) the establishment by the Venturers of appropriate reserves for taxes, debt service, maintenance, repairs and other expenses and working capital requirements of the Venture including, without limitation, accruals for real estate taxes, insurance and other annual expense items (unless and to the extent the same are escrowed with a mortgagee).

1.20 "Nondefaulting Venturer" in the context wherein one or more Venturers become a Defaulting Venturer, means the remaining Venturers (provided the remaining Venturers are not also Defaulting Venturers).

1.21 "Notice" means a written advice or notification required or permitted by this Agreement, as more particularly provided in Subsection 8.1 hereof.

1.22 "Prime Rate" means the rate of interest announced from time to

time by NationsBank, N.A. as its prime rate. In the event the prime rate of NationsBank, N.A. is hereafter discontinued or becomes unascertainable, the Administrative Venturer shall designate a comparable reference rate to be the Prime Rate.

1.23 "Property" means any particular tract of land (and all rights and appurtenances incident thereto) owned or to be owned by the Venture or owned or to be owned by any joint venture, partnership, limited liability company or other entity in which the Venture owns an economic or beneficial interest and all improvements located, constructed or developed thereon or to be constructed or developed thereon.

1.24 "Properties" means, collectively, all Property of the Venture at any given time.

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1.25 "Purchasing Party" means the Venturer other than the Selling Party in the event of a proposed transfer described in Subsection 6.4 hereof.

1.26 "Selling Party" means the Venturer desiring to transfer its interest in a transaction described in Subsection 6.4 hereof.

1.27 "Venture" means the joint venture formed pursuant to the laws of the State of Georgia by this Agreement.

1.28 "Venturer" or "Venturers" means the party or parties to this Agreement and all permitted successors and assigns thereof.

1.29 Other terms defined in this Agreement:

Term	Section
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"Assignment"	6.1
"Right of First Refusal"	6.2
"Certification"	6.4(a)
"Accepting Venturer"	6.5(a)
"Dissenting Venturer"	6.5(a)

2. THE VENTURE.

2.1 Formation of Venture. The Venturers hereby enter into and form the Venture as a joint venture for the limited purposes and scope set forth herein. The rights and obligations of the Venturers and the status, administration and termination of the Venture shall be governed by the laws of the State of Georgia. The Venture is being formed for the sole purpose of acquiring, owning, developing, operating and eventually selling the Properties.

2.2 Purposes and Scope of Venture. Subject to the provisions of this Agreement, the activities of the Venture shall be limited strictly to the acquisition, ownership, financing, development, leasing, operation, sale and management of the Properties for the production of income and profit, either directly or through the ownership of joint ventures, partnerships, limited liability companies or other entities, including all activities reasonably necessary or desirable to accomplish such purposes, and shall not be extended by implication or otherwise unless Approved by all venturers. Nothing in this Agreement shall be deemed to restrict in any way the freedom of any Venturer to conduct any other business or activity whatsoever (including, without limitation, the acquisition, development, leasing, sale, operation and management of other real property) without any accountability to the Venture or any other Venturer, even if such business or activity competes with the business of the Venture, it being understood by each Venturer that the other Venturer may be interested directly or indirectly in various other businesses and undertakings not included in the Venture.

2.3 Name of Venture. The business and affairs of the Venture shall be conducted under the name "Wells/Orange County Associates" (or such other names as shall be approved by both Venturers), and such name shall be used at all times in connection with the business and affairs of the Venture. The Venturers shall execute any assumed or fictitious name certificate or certificates required by law to be filed in connection with the formation of the Venture and shall cause such certificate or certificates to be filed in the appropriate records.

2.4 Scope of Authority. Except as otherwise expressly and specifically provided in this Agreement, no Venturer shall have any authority to act for, or assume any obligations or responsibility on behalf of, any other Venturer or the Venture.

2.5 Principal Place of Business. The principal place of business and initial office of the Venture shall be located at 3885 Holcomb Bridge Road, Norcross, Georgia 30092, and may be relocated as may be from time to time Approved by the Venturers.

2.6 Representations, Warranties and Indemnity. In order to induce the other Venturer to enter into this Agreement, each Venturer does hereby make to each other Venturer the representations and warranties hereinafter set forth, and does hereby agree to indemnify and hold each other Venturer harmless from any and all loss, expense or liability any other Venturer may suffer as a result of any inaccuracy as of the date hereof in any representation and warranty set forth below:

(a) Authorization. The execution and delivery of this Agreement has been duly authorized by the agreements by which each Venturer was either created or currently governed.

(b) Claims. There is no claim, litigation, proceeding or governmental investigation pending, or, so far as is known to each Venturer, threatened, against or relating to each Venturer, or the transactions contemplated by this Agreement which does or would reasonably be expected materially and adversely to affect the ability of each Venturer to enter into this Agreement or to carry out its obligations hereunder, and there is not any basis for any such claim, litigation, proceeding or governmental investigation.

(c) Conflicts. Neither the consummation of the transactions contemplated by this Agreement to be performed, nor the fulfillment of the terms, conditions and provisions of this Agreement, conflict with or will result in the breach of any of the terms, conditions or provisions of, or constitute a default under, the agreements by which each Venturer was created or is currently governed or any material agreement, indenture, instrument or undertaking to which each Venturer is a party.

(d) Investment Objectives. The investment objectives of each Venturer with respect to the Properties and the objectives of the Venture are: (i) to maximize Net Cash Flow; (ii) to preserve, protect and return the Venturers' investment in the Venture; and (iii) to realize appreciation upon the sale of the Properties.

(e) Charges to the Venturer. Neither Venturer will be charged, directly or indirectly, more than once for the same services.

2.7 Term of Venture.

(a) Commencement. The Venture term shall begin on the date of this Agreement as set forth above and end upon dissolution of the Venture.

(b) Dissolution and Termination. Dissolution shall occur upon the occurrence of any of the events described in Section 7 of this Agreement. Upon dissolution, the assets shall be liquidated in due course and distributed as provided in Subsection 3.3(c)(i) hereof. The Venture shall continue until termination in accordance with the relevant dissolution and termination provisions of the Georgia Uniform Partnership Act.

3. FINANCIAL STRUCTURE.

3.1 Capital Contributions. The Venturers shall from time to time make Capital Contributions to the Venture in such amounts as are agreed to by the Venturers. In addition, Wells Development shall be obligated to transfer, assign and contribute, and hereby agrees to transfer, assign and contribute, to the Venture all of its right, title and interest, as purchaser, in and to its contract to acquire the Cort Furniture Building.

3.2 Distribution Percentage Interest. The Distribution Percentage Interest of each of the Venturers shall be equal to the percentage equivalent (rounded to the nearest one-hundredth of a percent) of a fraction, the numerator of which is the aggregate of all Capital Contributions (or the Agreed Value thereof) made by the Venturer pursuant to Subsection 3.1 hereof, and the denominator of which is the aggregate amount of all Capital Contributions (or the Agreed Value thereof) made by all of the Venturers pursuant to Subsection 3.1 hereof. Each Venturer's interest in the Venture shall always be proportional to its Capital Contributions.

Each Venturer (the "First Venturer") does hereby agree to indemnify and hold the other Venturer (the "Second Venturer") harmless from and against any claim, action, liability, loss, damage, cost or expense, including, without limitation, attorney's fees and expenses incurred by the Second Venturer by reason of (i) any act or omission of the First Venturer in connection with the operation of the Venture and the Properties, or (ii) the claims made by third parties to the extent that the Second Venturer's percentage share of the total liability, loss, damage, cost or expense incurred by the Venture and the Venturers in connection with such claims exceeds its Distribution Percentage Interest at the time such liability, loss, damage, cost or expense is suffered or incurred. Upon dissolution, each Venturer shall look solely to the assets of the Venture for the return of its investment, and if the Venture Property remaining after payment or discharge of the debts and liabilities of the Venture, including debts and liabilities owed to one or more of the Venturers, is insufficient to return the aggregate Capital Contributions of each Venturer, such Venturers shall have no recourse against the Venture or any other Venturer.

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3.3 Allocations and Distributions. Allocations for accounting purposes and for federal, state and local income tax purposes of each item of income, loss, deduction and gain, and distributions of Net Cash Flow and Extraordinary Receipts shall be allocated among the Venturers as follows:

(a) Allocation of Tax Items. For federal, state and local income tax purposes and for purposes of maintaining the Venturers' Capital Accounts, except as otherwise provided herein, each item of income, gain, loss and deduction of the Venture for each tax year shall be allocated to the Venturers in accordance with their Distribution Percentage Interests.

(b) Net Cash Flow. All distributions of Net Cash Flow shall be made to the Venturers in accordance with each such Venturer's Distribution Percentage Interest and shall be made at such intervals as may be approved by the Venturers, but in no event less frequently than quarterly.

(c) Extraordinary Receipts. Distributions of Extraordinary Receipts shall be made as follows:

(i) Distributions Not in Connection With Dissolution.

Distribution of Extraordinary Receipts not generated in connection with an event of dissolution shall be made as follows: first, to the establishment of any reserve approved by the Venturers; and second, to the Venturers based on their respective Distribution Percentage Interests.

(ii) Distributions in Connection With Dissolution.

Distribution of Extraordinary Receipts generated in connection with an event of dissolution (as well as the other assets of the Venture) shall be made as follows: first, to the payment of debts and liabilities of the Venture to creditors (including all mortgages, but excluding any other debts or liabilities to Venturers or affiliates of Venturers), and to the expenses of liquidation; second, to the establishment of such reserves as the Venturers may deem reasonably necessary for contingent or unforeseen liabilities or obligations of the Venture, which may be held in escrow for a reasonable period of time and then distributed pursuant to the remainder of this Subsection; third, to the repayment of any remaining debts and obligations of the Venture to the Venturers or affiliates of the Venturers; and fourth, to the Venturers in accordance with the positive balances in their respective Capital Accounts.

(d) Compliance with Section 704(c). To comply with Section 704(c) of the I.R.C., items of income, gain, loss, depreciation and cost recovery deductions attributable to Contributed Property shall be allocated for federal income tax purposes among the Venturers in the manner provided under Section 704(c) of the I.R.C. taking into account the variation, if any, between the Agreed Value of such Property and its adjusted tax basis at the time of contribution.

(e) Qualified Income Offset. Notwithstanding any provision to the contrary contained herein, in the event that any Venturer receives an adjustment, allocation or

distribution described in Treasury Regulations Sections 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which causes a deficit balance in such Venturer's Capital Account, such Venturer will be allocated items of income or gain (consisting of a pro rata portion of each item of partnership income, including gross income, and gain for such year) in an amount and manner sufficient to eliminate such deficit balance as quickly as possible, all in accordance with Treasury Regulations Section 1.704-1(b)(2)(ii)(d). (It is the intent of the Venturers that the foregoing provision constitute a "Qualified Income Offset," as defined in Treasury Regulations Section 1.704-1(b)(2)(ii)(d), and the foregoing provision shall in all events be interpreted so as to constitute a valid "Qualified Income Offset.")

3.4 Income Taxes and Accounting.

(a) Income Tax Returns. All income tax returns of the Venture shall be prepared on an accrual basis (except to the extent as may otherwise be Approved by all Venturers or be required by law, statute or regulation governing such tax and returns).

(b) Elections. Any provision of this Agreement to the contrary notwithstanding, solely for federal income tax purposes, each of the Venturers hereby recognizes that the Venture will be subject to all provisions of Subchapter K of Chapter 1 of Subtitle A of the I.R.C.; provided, however, that the filing of U.S. Partnership Returns of Income shall not be construed to extend the purposes of the Venture or expand the obligations or liabilities of the Venturers. The Venture shall file an election under Section 754 of the I.R.C. only in the event of a transfer or proposed transfer by any one or more Venturers of all or any part of their interest or interests in the Venture to any Entity. Such election shall be filed by the Venture upon the request of any Venturer made with respect to the income tax return for the period which includes the date of transfer of such interest in the Venture; such request shall be in writing and shall be made not less than 60 days prior to the initial date established by law for filing such income tax return.

(c) Fiscal Year. The Venture shall operate on a calendar year basis.

(d) Books of Account. The books of account of the Venture and the Venturer's Properties shall be kept and maintained at all times by the Administrative Venturer or the delegated representative thereof at the principal place of business of the Administrative Venturer. The books of account shall be maintained on an accrual basis, unless otherwise determined by the Administrative Venturer, in accordance with generally accepted accounting principles, consistently applied, and shall show all items of income and expense relating to the Venture and the Properties.

(e) Reports. The Administrative Venturer shall cause to be prepared at the expense of the Venture and furnished to each of the Venturers the information and data with respect to the Venture during the Fiscal Year as shall enable each Venturer on a timely basis to prepare or cause to be prepared the reports required under their respective partnership agreements to be made to their partners. In addition, within 60 days after the end of each Fiscal

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Year, the Administrative Venturer shall use its best efforts to cause to be prepared and to deliver to each Venturer a report setting forth in sufficient detail all such information and data with respect to business transactions effected by or involving the Venture during such Fiscal Year as shall enable the Venture and each Venturer to prepare its federal, state and local income tax returns on a timely basis in accordance with the laws, rules and regulations then prevailing. The Administrative Venturer shall cause to be prepared federal, state and local tax returns required of the Venture and submit such returns to the Venturers no later than 30 days prior to the date required for the filing thereof and shall file the same.

(f) Records. Any Venturer shall have the right at all reasonable times during usual business hours to audit, examine and make copies of the books of account of the Venture. Such right may be exercised through any agent or employee of such Venturer designated by such Venturer or by an independent certified public accountant designated by such Venturer. Any Venturer shall bear all expenses incurred in any examination or audit made for such Venturer's account.

(g) Audits. In the event that the Internal Revenue Service or any other governmental agency with jurisdiction shall conduct, commence or give notification of intent to conduct or commence any audit or other investigation of the books, records, tax returns or other affairs of the Venture, the Administrative Venturer shall immediately advise the Venturers thereof by Notice. The Administrative Venturer shall be the "tax matters partner," as that term is defined by I.R.C., if one is needed for the Venture.

3.5 Banking. Funds of the Venture shall be deposited in an account or accounts of a type, in form and name and in a bank or banks selected by the Administrative Venturer. No funds other than Venture funds shall be deposited in any such account. Withdrawals from bank accounts shall be made by the Administrative Venturer and by such other parties as may be designated by the Venturers.

4. MANAGEMENT.

4.1 Authority of Administrative Venturer. The overall management and control of the business and affairs of the Venture shall be vested in the Venturers, collectively, acting by and through the Administrative Venturer. The Administrative Venturer shall have responsibility for establishing the policies and operating procedures with respect to the business and affairs of the Venture and for making all decisions, except as otherwise provided herein and except Major Decisions, as to all matters which the Venture has authority to perform, as fully as if the Venturers were themselves making such decisions. All

decisions, other than Major Decisions, with respect to the management and control of the Venture made by the Administrative Venturer shall be binding on the Venture and all Venturers. The Administrative Venturer shall be responsible for performing, or for causing to be performed, all acts necessary to accomplish the purposes of the Venture. No act shall be taken, sum expended, decision made or obligation incurred by the Venture, or any Venturer, with respect to a matter within the scope of any of the Major Decisions, unless such matter has been Approved by all of the Venturers.

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Except as otherwise expressly provided for in this Agreement, documents executed by or behalf of the Venture shall be executed only with the Approval of the Administrative Venturer.

4.2 Administrative Venturer. The initial Administrative Venturer shall be Wells OP. The Administrative Venturer shall, at the expense of the Venture, discharge or cause the discharge of the duties of the Administrative Venturer unless and until (i) the Administrative Venturer resigns as the Administrative Venturer, or (ii) the Administrative Venturer becomes a Defaulting Venturer. In the event of an occurrence described in either clause (i) or (ii) of the immediately preceding sentence, the then current Administrative Venturer shall thereupon be relieved from any further performance of the functions of the Administrative Venturer under this Agreement and a replacement for the Administrative Venturer shall be appointed by a majority in interest of the other Venturers. In the event an Entity not a Venturer shall be appointed to be Administrative Venturer, such Entity shall discharge the functions of the Administrative Venturer under this Agreement but shall not be entitled to any of the rights, titles or interests of a Venturer. The breach or violation by the Administrative Venturer of any provision of this Subsection, or of any other duty or obligation imposed upon the Administrative Venturer by this Agreement, shall subject to the Administrative Venturer to the provisions of Subsection 4.4 hereof as a Defaulting Venturer (provided the Administrative Venturer is then also a Venturer) only if such breach or violation by the Administrative Venturer involves fraud, negligence or willful misconduct. Furthermore, the Administrative Venturer shall be liable to the Venture and to the Venturers for any breach or violation of the Administrative Venturer's duties and obligations under this Subsection only if such breach or violation involves fraud, negligence or willful misconduct.

(a) Records. The Administrative Venturer shall maintain or cause to be maintained at the expense of the Venture, books of account as described in Subsection 3.4(d) hereof.

(b) Property Taxes and Licenses. The Administrative Venturer shall cause to be filed each year timely ad valorem tax returns for the Properties.

(c) Leases. The Administrative Venturer is authorized to negotiate and execute Leases on behalf of the Venture without further Approval of the Venturers and is authorized to delegate this responsibility pursuant to a management agreement. Initially, this responsibility will be delegated to the Manager under the Management Agreements and Leasing Agreements by and between the Venturers and the Manager.

(d) Indemnity. The Venture shall indemnify and hold the Administrative Venturer harmless against all claims, actions, liability, loss, damage, cost or expense, including attorney's fees and expenses, by reason of any act or omission of the Administrative Venturer that is duly authorized and performed in accordance with the terms and provisions of this Agreement. However, any Entity which is both the Administrative Venturer and a Venturer shall be responsible as a Venturer, to the extent of the proportionate liability thereof, for such obligation for the Venture to so indemnify and hold harmless the

Administrative Venturer. The liability of the Venturers under this Subsection shall be several, and not joint, and shall be shared in proportion to the Distribution Percentage Interests of the Venturers.

4.3 Compensation of Venturers. No payment will be made by the Venture to any Venturer for the services of such Venturer or any affiliate, partner or employee of any Venturer, other than as provided in the Management Agreements and the Leasing Agreements.

4.4 Defaulting Venturer. If any Venturer fails to perform any of its obligations under this Agreement or violates the terms of this Agreement, such Venturer shall be a Defaulting Venturer and the Nondefaulting Venturer shall have the right to give such Defaulting Venturer a Notice specifically setting forth the nature of the default and stating that such Defaulting Venturer shall have a period of 15 days to pay any sums of money specified therein as due and owing to the Venture or to any Venturer, or 30 days (or such longer period as is specified in the next succeeding sentence) to cure any other default specified in such Notice. If the monies specified are not paid within such 15 day period or such Defaulting Venturer does not cure all other defaults within such 30 day period, or, if the defaults are not capable of being cured within such 30 day period, such Defaulting Venturer has not commenced in good faith the curing of such defaults within such 30 days period and does not thereafter prosecute to completion with diligence and continuity the curing thereof, the Nondefaulting Venturer shall have all rights provided in Subsections 4.4(a) through 4.4(c) below, in addition to any other rights it may have under the Georgia Uniform Partnership Act. If a Defaulting Venturer completely cures all of such defaults within the aforesaid cure periods, then such defaults shall be deemed no longer to exist and such Venturer shall be deemed no longer to constitute a Defaulting Venturer unless and until another default by such Venturer occurs. A Defaulting Venturer shall have no power or authority to bind the Venture or the Venturers but shall cooperate with and, to the extent requested, assist the Nondefaulting Venturers in every way possible.

(a) Equitable Relief. The Nondefaulting Venturer may bring any proceeding in the nature of injunction, specific performance or other equitable remedy, it being acknowledged by each of the Venturers that damages at law may be an inadequate remedy for a default or threatened breach of this Agreement.

(b) Damages. The Nondefaulting Venturer may bring any action at law by or on behalf of itself or the Venture as may be permitted in order to recover damages.

(c) Dissolution. The Nondefaulting Venturer may institute such proceedings as may be appropriate to secure an accounting and to dissolve, wind up and terminate the Venture.

(d) Additional Remedies. The rights and remedies of the Venturers under this Agreement shall not be mutually exclusive; that is, the exercise of one or more of the provisions hereof shall not preclude the exercise of any other provisions hereof, except as may

be expressly provided in this Agreement. Each of the Venturers confirms that damages at law may be an inadequate remedy for a breach or threatened breach of this Agreement and agrees that, in the event of a breach or threatened breach of any provision hereof, the respective rights and obligations hereunder shall be enforceable by specific performance, injunction or other equitable remedy, but nothing herein contained is intended to, nor shall it, limit or affect any right or rights at law or by statute or otherwise of any Venturer aggrieved as against any other Venturer for breach or threatened breach of any provisions of this Agreement, it being the intention of this Subsection to make clear the Agreement of the Venturers that the respective rights and obligations of the Venturers

under this Agreement shall be enforceable in equity as well as at law or otherwise.

4.5 Limitation on Authority. Notwithstanding any provision of this Agreement to the contrary, neither Venturer shall have the authority to take any action which, if taken singularly by such Venturer separate from the Venture, would be prohibited by such Venturer's

4.6 Holding Title as Nominee. With the consent of the other Venturers, any Venturer shall be authorized to hold title to a Property or Properties as agent or as nominee on behalf of the Venture.

5. INSURANCE.

5.1 Minimum Insurance Requirements. The Venture shall carry and maintain in force the insurance hereinafter described, the premiums for which shall be a cost and expense of the Venture.

(a) Liability Insurance. Comprehensive general liability insurance for the benefit of the Venture and the Venturers as named insureds against claims for "personal injury" liability.

(b) Other Insurance. Such other insurance as the Venturers may reasonably deem to be necessary or as may be required by any mortgagee of any Property of the Venture.

5.2 Insureds. All of the policies of insurance described in Subsection 5.1 shall name the Venture and each of the Venturers as named insureds, as their respective interests may appear. All such insurance shall be effected under policies issued by insurers and be in forms and for amounts Approved by both Venturers.

6. TRANSFERS AND OTHER DISPOSITIONS.

6.1 Prohibited Transfers. No Venturer may sell, transfer, assign, mortgage, pledge, hypothecate or otherwise dispose of, encumber or permit or suffer any encumbrance on (all referred to as "Assignment"), all or any part of the interest of such Venturer in the Venture or in the Properties (including, but not limited to, the right to receive any distributions under

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this Agreement) unless such an Assignment is Approved by all Venturers, provided that this restriction on Assignment shall not apply to the Assignment of units of partnership interests or beneficial interests in a Venturer. Any Assignment made in violation of this Section 6 shall be void.

6.2 Exceptions. The prohibition in Subsection 6.1 hereof shall not apply to: (a) an Assignment permitted under Subsection 6.4 hereof ("Right of First Refusal"); or (b) an Assignment of all or a part of its interest in the Venture by Wells Development to Wells Real Estate Fund X, L.P., Wells Real Estate Fund XI, L.P. or a joint venture between said Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P., which is hereby Approved by Wells OP.

6.3 Notice. Each Venturer shall promptly by Notice inform the other Venturer of the occurrence of any disposition not required to have been Approved by the other Venturer.

6.4 Right of First Refusal. If any Selling Party shall desire to transfer (for the purposes of this Subsection the terms "transfer" and "transferred" include any and all types of disposition) all or any portion of its interest in the Venture to any Entity, such Selling Party may consummate such transfer only if (i) such sale is a sale of Selling Party's interest in the Venture separate and distinct from any other property, (ii) the consideration payable is cash and/or note(s) and not an interest in other property, and (iii) the provisions and conditions of Subsections (a) through (d) hereof have been

complied with.

(a) Certification. The Selling Party shall deliver to the Purchasing Party a written certification ("Certification") reflecting (i) the name of the prospective transferee of the entire interest of the Selling Party in the Venture; (ii) the price for which, and the terms upon which, the Selling Party is willing to transfer and such prospective transferee is willing to buy the entire interest of the Selling Party in the Venture (which price and terms shall be based either upon preliminary discussions and negotiations, evidenced in a writing signed by the prospective transferee, between the Selling Party and such prospective transferee or upon a fully negotiated and executed purchase agreement, a copy of which shall be furnished to the Purchasing Party); and (iii) whether the Selling Party has any interest, financial or otherwise, in the prospective transferee and whether, to the best knowledge of the Selling Party, there exists any other contract or offer for the purchase of all or any portion of the Properties or of the Selling Party's interest in the Venture. Such Certification shall be accompanied by a request (in the form of a Notice) by the Selling Party to the Purchasing Party to either Approve such transfer and prospective transferee or to purchase the Selling Party's interest in the Venture for the price and upon the terms provided in such Certification. The Selling Party may transfer the interest of the Selling Party in the Venture only to such prospective transferee or to the Purchasing Party. The Purchasing Party must either approve such prospective transferee or purchase the interest of the Selling Party in the Venture.

(b) Purchasing Party's Rights. The Purchasing Party shall have the right either (i) to allow the Selling Party to transfer the interest of the Selling Party in the

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Venture for a price and upon terms no more favorable to the prospective transferee than those reflected, and to the prospective transferee named in the Certification, or (ii) to purchase the Selling Party's entire interest in the Venture at the price contained in the Certification and on the other terms and conditions of the Certification. The price for which, and the terms upon which, the Selling Party shall transfer its interest in the Venture shall, by way of illustration and not limitation, be deemed "more favorable" than those reflected in the Certification if (i) the total actual transfer price is lower than that set forth in such Certification, (ii) a lesser portion of the price is paid in cash at the time of the transfer than that set forth in such Certification, or (iii) the portion of the price not paid in cash at the time of the transfer is payable over a longer period of time, at a lower interest rate or with lower or less frequent periodic payments than those set forth in such Certification.

(c) Notice of Election. The Purchasing Party shall have a period of 60 days after receipt of the Selling Party's Certification specified in Subsection 6.4(a) hereof to serve upon the Selling Party a Notice which shall specify whether such Purchasing Party will Approve a transfer to such prospective transferee, or whether the Purchasing Party shall purchase the entire interest of the Selling Party as provided in Subsection 6.4(b) hereof. If the Purchasing Party fails to give such Notice within the allocated time, the Purchasing Party shall be deemed to have approved the transfer of the interest to such prospective transferee, and the Purchasing Party shall, if requested by the Selling Party, execute, acknowledge and deliver such documents, or cause the same to be executed, acknowledged and delivered, including without limitation, the rights and restrictions contained in this Section 6 with respect to further transfers. Any such new Venturer shall execute and deliver to the other Venturers such documents as the other Venturers may reasonably request confirming the assumption by such new Venturer of the obligations of the Selling Party under this Agreement. At the time of closing of a transfer to a third party transferee pursuant to this Subsection 6.4, the Purchasing Party shall execute and deliver to the Selling Party and such transferee a written estoppel certificate in recordable form pursuant to which the Purchasing Party shall certify and agree that to the best of the Purchasing Party's knowledge and belief the pending transfer is permitted pursuant to this Subsection (provided,

that to the best of the Purchasing Party's knowledge and belief such transfer is, in fact, permitted by this Subsection). In such estoppel certificate, the Purchasing Party shall waive any further right whatsoever to attempt to force a rescission or setting aside of such transfer; provided, however, the Purchasing Party shall expressly reserve any rights thereafter to pursue any action for damages against both the Selling Party and the transferee should the Purchasing Party thereafter determine that, contrary to the Purchasing Party's earlier best knowledge and belief, the transfer was in fact not consummated in strict accordance with the terms of this Section 6.

(d) Power of Attorney. In the event that either (i) the Purchasing Party shall have failed to respond, in the manner and within the time required by Subsection 6.4(c) hereof, to the Selling Party's Certification specified in Subsection 6.4(a) hereof, or (ii) the Purchasing Party shall have served upon the Selling Party a Notice specifying that the Purchasing Party has approved a transfer to a prospective transferee of the Selling Party as contemplated by Subsection 6.4(c) hereof, and the Purchasing Party shall have thereafter failed

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or refused, within ten days after receipt of a Notice from the other Venturer requesting same, to execute, acknowledge and deliver such documents, or cause the same to be done, as shall be required to effectuate a transfer of such interest in accordance with the Certification, then, and in either of such events, the Selling Party may execute, acknowledge and deliver such documents for, on behalf of and in the stead of the Purchasing Party, and such execution, acknowledgment and delivery by the Selling Party shall be for all purposes as effective against and binding upon the Purchasing Party as though such execution, acknowledgment and delivery had been by the Purchasing Party; provided, however, that no such documents executed by the Selling Party shall contain any undertaking on behalf of the Purchasing Party beyond the scope of the undertakings necessary for the Selling Party to effectuate such transfer. Each Venturer does hereby irrevocably constitute and appoint each other Venturer as the true and lawful attorney in fact of such Venture and the successors and assigns thereof, in the name, place and stead of such Venturer or the successors or assigns thereof, as the case may be, to execute, acknowledge and deliver such documents in the event such Venturer shall be the Purchasing Party under the circumstances contemplated by this Subsection 6.4(d). It is expressly understood, intended and agreed by each Venturer, for such Venturer and the successors and assigns thereof, that the grant of the power of attorney to each other Venturer pursuant to this Subsection 6.4(d) is coupled with an interest, is irrevocable and shall survive the death, termination or legal incompetency of such granting Venturer, as the case may be, or the assignment of the interest of such granting Venturer in the Venture, or the dissolution of the Venture.

6.5 Offer from Third Party to Purchase the Property.

(a) In the event that one of the Venturers receives a bona fide offer from an unrelated third party for the sale of all or substantially all of the Properties or last remaining Property owned by the Venture at the time of such offer, which offer such Venturer wishes to accept (the "Accepting Venturer"), but the other Venturer wishes to reject, the Venturer not desiring to sell the Property or Properties pursuant to said offer (the "Dissenting Venturer") must elect within thirty (30) days after receipt by the Dissenting Venturer of notice of said offer from the Accepting Venturer to either (i) purchase the Accepting Venturer's entire interest in the Venture on the same terms and conditions as the third party offer to purchase; or (ii) consent to the sale of the Properties or last remaining Property of the Venture pursuant to such third party offer. The Accepting Venturer shall deliver to the Dissenting Venturer a written notice (the "Notice") reflecting (i) the name and address of the person or entity desiring to purchase the Properties or last remaining Property of the Venture; (ii) the sales price to be paid by such person or entity; and (iii) shall include a copy of the third party offer. In the event that the Dissenting Venturer elects to purchase the Accepting Venturer's entire interest in the Venture, the purchase price payable for the

Accepting Partner's interest in the Venture shall be equal to the amount such Accepting Venturer would have received if the Property or Properties had been sold to such unrelated third party in accordance with the terms of its offer, after payment of all sales commissions and other fees and expenses which would have been due and payable upon the sale of said Property or Properties and the repayment of all debts of the Venture, if any.

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(b) As set forth above, the Dissenting Venturer shall have 30 days after receipt of the Notice in which to make its election. The election of the Dissenting Venturer shall be made by written notice to the Accepting Venturer. In the event that the Dissenting Venturer elects to purchase the Accepting Venturer's interest in the Venture pursuant to alternative (i) above, the Dissenting Venturer shall have an additional 30 days following the receipt of the Notice within which to close the purchase of the Accepting Venturer's interest in the Venture. The failure of the Dissenting Venturer to either elect to purchase the Accepting Venturer's interest in the Venture pursuant to subparagraph (a) (i) above within 30 days after the receipt by the Dissenting Venturer of the Notice, or the failure to close the purchase of the Accepting Venturer's interest in the Venture within the foregoing time period shall be conclusively deemed to constitute a consent to the sale of the Properties or last remaining Property of the Venturer pursuant to such third party offer.

(c) The closing of any purchase and sale under this Section 6.5 shall be held at the principal office of the Venturer or at such other place as shall be mutually agreed to by the Venturers within 30 days following the receipt by the Accepting Venturer of written notice that the Dissenting Venturer has exercised its option to purchase the Accepting Venturer's interest in the Venture. At the closing, an appropriate assignment of the Accepting Venturer's interest in the Venture, with covenants against Assignor's acts, together with such other instruments and documents as may be necessary or appropriate to effect the transfer of the Accepting Venturer's interest in the Venture, shall be executed and delivered. The Venturers shall also execute and deliver an amendment to this Agreement, if appropriate. The purchase price payable to the Accepting Venturer shall be paid at closing by wire transfer of immediately available federal funds. Effective the date of closing, the Accepting Venturer shall cease to be a member of the Venture, and the Accepting Venturer shall have no further rights, duties or obligations with respect to the Venture arising out of this Agreement. Subsequent to the closing date, the Accepting Venturer shall have no further interest in the Venture's capital, income, profits, losses, gains, allocations or distributions.

(d) Upon any default or breach of any provision of this Section 6.5, the nonbreaching party shall be entitled to sue such defaulting party and recover damages or enforce the terms hereof by specific performance.

(e) In the event that either (i) the Dissenting Venturer shall have failed to respond, in the manner and within the time required by Subsection 6.5(a) hereof, to the Accepting Venturer's Notice specified in Subsection 6.5(a) hereof, or (ii) the Dissenting Venturer shall have served upon the Accepting Venturer a notice specifying its intent to approve the transfer of the Properties or Property, and the Dissenting Venturer shall have thereafter failed or refused within ten (10) days after receipt of a notice from the Accepting Venturer requesting same to execute, acknowledge and deliver such documents, instruments and writings, or to cause the same to be done, as required to effectuate the contemplated sale of the Properties, or (iii) the Dissenting Venturer shall have failed to close the purchase of the Accepting Venturer's interest in the Venture within the time period set forth in Subsection 6.5(c) hereof, then, in such event, the Accepting Venturer may execute, acknowledge and deliver such

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documents, instruments and writings for, and on behalf of, and in the name, place and stead of, the Dissenting Venturer, and such execution, acknowledgment and delivery by such Accepting Venturer shall be for all purposes as effective against and binding upon the Venture and the Dissenting Venturer as if such execution, acknowledgment and delivery had been made by the Dissenting Venturer; provided, however, that no such documents executed by the Accepting Venturer pursuant to the terms hereof shall contain any undertaking on behalf of the Dissenting Venturer beyond the scope of the undertaking as necessary for the Accepting Venturer to effectuate the transfer and sale of the Properties of the Venture. Each Venturer does hereby irrevocably constitute and appoint each other Venturer as its true and lawful attorney-in-fact of such Venturer and its successors and assigns, in the name, place and stead of such Venturer or its successors or assigns, as the case may be, to execute, acknowledge and deliver any and all such deeds, assignments, documents, instruments and writings in the event such Venturer shall be the Dissenting Venturer under the circumstances contemplated by this Subsection 6.5(e). It is expressly understood, intended and agreed by each Venturer, for such Venturer and its successors and assigns, that the grant of the power of attorney to each other Venturer pursuant to this Subsection 6.5(e) is coupled with an interest, is irrevocable and shall survive the death, termination or legal incompetence of such granting Venturer, as the case may be, or the assignment of the interest of such granting Venturer in the Venture, or the dissolution of the Venture.

7. DISSOLUTION AND TERMINATION.

The Venture shall dissolve on December 31, 2028, or upon the occurrence of any of the following:

- (i) A decree of a court of competent jurisdiction declaring dissolution;
- (ii) Sale of all or substantially all of the assets of the Venture;
- (iii) The Venture or either Venturer is adjudicated insolvent or bankrupt;
- (iv) Termination of either of the Venturers; or
- (v) Unanimous consent of the Venturers.

Upon the occurrence of any of the events set forth in this Section 7, Notice thereof shall be given to all of the Venturers by the Administrative Venturer and the Administrative Venturer shall, as required by Subsection 2.7(b) hereof, proceed to terminate and wind up the Venture and shall distribute the Extraordinary Receipts (and the other assets of the Venture) resulting therefrom in accordance with Subsection 3.3(c) hereof.

8. MISCELLANEOUS PROVISIONS.

8.1 Notices. Notices given under this Agreement shall be in writing and shall be deemed to have been properly given or served by the deposit of such with the United States Postal Service, or any official successor thereto, designated as registered or certified mail, return receipt requested, bearing adequate postage and addressed as hereinafter provided. The time period in which a response to any such Notice must be given or any action taken with respect thereto, however, shall commence to run from the date of receipt on the return receipt of the Notice. Rejection or other refusal to accept or the inability to deliver because of changed address or status of which no Notice was given to the Administrative Venturer shall be deemed to be receipt of the Notice sent. In the event that registered or certified mail is not being accepted for prompt delivery, each Notice may then be served by personal service addressed as hereinafter provided. By giving to the other Venturer at least 30 days' Notice thereof, any Venturer shall have the right from time to time during the term of this Agreement to change his Notice address(es) and to specify as his Notice

address(es) any other address(es) within the continental United States of America. Each Notice to the Venturers shall be sent to the addresses set forth below (unless such Notice address is properly changed):

Wells Operating Partnership, L.P.
3885 Holcomb Bridge Road
Norcross, Georgia 30092

Wells Development Corporation
3885 Holcomb Bridge Road
Norcross, Georgia 30092

8.2 Governing Law. This Agreement and the obligations of the Venturers hereunder shall be interpreted, construed and enforced in accordance with the laws of the State of Georgia, including the Georgia Uniform Partnership Act.

8.3 Fees and Commissions. Except as may otherwise be provided herein, each Venturer hereby represents to each other Venturer that there are no claims for brokerage or other commissions or finder's or other similar fees in connection with the transactions contemplated by this Agreement insofar as such claims shall be based on arrangements or agreements made by or on behalf of the Venturer so representing, and each Venturer so representing hereby indemnifies and agrees to hold harmless each other Venturer from and against all liabilities, cost, damages and expenses from any such claims.

8.4 Waiver. No consent or waiver, express or implied, by any Venturer to or of any breach or default by any other Venturer in the performance by such other Venturer of the obligations thereof under this Agreement shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Venturer of the same or any other obligations of such other Venturer under this Agreement. Failure on the part of any Venturer to complain or any act or failure to act of any other Venturer or to declare any

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other Venturer in default, irrespective of how long such failure continues, shall not constitute a waiver of such Venturer of the rights thereof under this Agreement.

8.5 Severability. If any provision of this Agreement or the application thereof to any Entity or circumstances shall be invalid or unenforceable to any extent, the remainder of this Agreement and the application of such provisions to any other Entity or circumstance shall not be affected thereby and shall be enforced to the greatest extent permitted by law.

8.6 Status Reports. Recognizing that each Venturer may find it necessary from time to time to establish to third parties such as accountants, banks, mortgagees or the like, the then current status of performance hereunder, upon the written request of any other Venturer, made from time to time by Notice, each Venturer shall furnish promptly a written statement (in recordable form, if requested) on the status of any matter pertaining to this Agreement to the best of the knowledge and belief of the Venturer making such statement.

8.7 Entire Agreement - Amendment. This Agreement constitutes the entire agreement of the Venturers with respect to the subject matter hereof. Neither this Agreement nor any provision hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the Venturer against whom enforcement of the change, waiver, discharge or termination is sought. The execution of any amendment to this Agreement, or the execution of any other agreement or amendment thereto, by all Venturers shall establish that such execution was made in accordance with any applicable requirements for Approval.

8.8 Terminology. All personal pronouns used in this Agreement,

whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural; and the plural shall include the singular. Titles of Sections, Subsections and Paragraphs in this Agreement are for convenience only, and neither limit nor amplify the provisions of this Agreement, and all references in this Agreement to Sections, Subsections or Paragraphs shall refer to the Section, Subsection or Paragraph of this Agreement unless specific reference is made to another document or instrument.

8.9 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall comprise but a single instrument.

8.10 Successors and Assigns. Subject to the restrictions on transfers and encumbrances set forth herein, this Agreement shall inure to the benefit of and be binding upon the Venturers and their respective heirs, executors, legal representatives, successors and assigns. Whenever in this Agreement a reference to any Entity or Venturer is made, such reference shall be deemed to include a reference to the heirs, executors, legal representatives, successors and assigns of such Entity or Venturer.

IN WITNESS WHEREOF, the undersigned Venturers have executed this Joint Venture Agreement of Wells/Orange County Associates under seal as of the day and year first above written.

WELLS OPERATING PARTNERSHIP, L.P.
A Delaware Limited Partnership

By: Wells Real Estate Investment Trust, Inc.
A Maryland Corporation
(As General Partner)

Signed, sealed and delivered
in the presence of:

By: /s/ Leo F. Wells, III

Leo F. Wells, III
President

/s/ Michael C. Berndt

Unofficial Witness

/s/ Cheryl Redmond

Notary Public

CHERYL REDMOND
NOTARY PUBLIC
EXPIRES
GEORGIA
MAY 3, 2002
CHEROKEE COUNTY

WELLS DEVELOPMENT CORPORATION
A Georgia Corporation

Signed, sealed and delivered
in the presence of:

By: /s/ Leo F. Wells, III

Leo F. Wells, III
President

/s/ Michael C. Berndt

Unofficial Witness

/s/ Cheryl Redmond

Notary Public

CHERYL REDMOND
NOTARY PUBLIC
EXPIRES
GEORGIA
MAY 3, 2002
CHEROKEE COUNTY

EXHIBIT 10.26

AGREEMENT FOR THE PURCHASE AND SALE
OF JOINT VENTURE INTEREST
BETWEEN WELLS DEVELOPMENT CORPORATION
AND
THE FUND X-XI JOINT VENTURE

AGREEMENT FOR THE PURCHASE
AND SALE OF JOINT VENTURE INTEREST

THIS AGREEMENT, made and entered into as of the 30th day of July, 1998, by and between WELLS DEVELOPMENT CORPORATION, a Georgia corporation whose address is 3885 Holcomb Bridge Road, Norcross, Georgia 30092 ("Seller"), WELLS MANAGEMENT COMPANY, INC., whose address is 3885 Holcomb Bridge Road, Norcross, Georgia 30092 ("Guarantor") and FUND X AND FUND XI ASSOCIATES, a Georgia joint venture comprised of Wells Real Estate Fund X, L.P., a Georgia limited partnership, and Wells Real Estate Fund XI, L.P., a Georgia limited partnership, whose address is 3885 Holcomb Bridge Road, Norcross, Georgia 30092 (collectively, the "Purchaser").

W I T N E S S E T H:

Whereas, Seller has entered into that certain Purchase and Sale Agreement and Joint Escrow Instructions (the "Purchase Agreement") with Spencer Fountain Valley Holdings, Inc. dated as of June 12, 1998, as amended, relating to certain improved property situated in Fountain Valley, California and being more particularly described on Exhibit A hereto (the "Property"); and

WHEREAS, Seller intends to assign its rights under the Purchase Agreement to WELLS/ORANGE COUNTY ASSOCIATES, a Georgia joint venture between Seller and Wells Operating Partnership, L.P., a Delaware limited partnership (the "Joint Venture") and contribute the Earnest Money received by it hereunder in exchange for an interest in the Joint Venture (the "Joint Venture Interest"); and

Whereas, The Joint Venture will acquire the Property with the funds contributed by Seller and funds obtained through a loan in the amount of \$4,875,000 (the "Loan") from NationsBank, N.A.; and

WHEREAS, the property is subject to that certain Standard Industrial Lease-Net with Cort Furniture Rental Corporation (the "Lease") relating to the Property; and

WHEREAS, Seller desires to sell to Purchaser and Purchaser desires to acquire from Seller the Joint Venture Interest upon the terms and conditions hereinafter set forth; and

WHEREAS, Guarantor is an affiliate of Seller and will benefit from this transaction;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements herein set forth, the receipt, adequacy and sufficiency of which are hereby expressly acknowledged by the parties hereto, Seller and Purchaser do hereby covenant and agree as follows:

1. Agreement to Buy and Sell. Upon the terms and conditions set forth in this Agreement, and subject to acquisition of the Property by the Joint Venture pursuant to the Purchase Agreement, Purchaser agrees to buy from Seller and Seller agrees to sell to Purchaser the Joint Venture Interest.

2. Earnest Money. Within three (3) business days after the effective date of this Agreement, Purchaser shall deliver to Seller, Purchaser's check, in the amount of \$1,500,000 (said amount being herein referred to as the "Earnest Money"), which Earnest Money shall be held and disbursed pursuant to this Agreement. The Earnest Money, plus any other funds advanced by Purchaser to Seller, shall be applied as a credit to the Purchase Price (as hereinafter defined) or otherwise paid to Seller or refunded to Purchaser as provided herein. The parties hereto acknowledge that some or all of the Earnest Money shall be utilized by Seller to be contributed as a capital contribution to the Joint Venture with respect to Seller's Joint Venture Interest. Purchaser may but shall not be required to pay additional funds to Seller thereby increasing the Earnest Money and Purchase Price by an equivalent amount, in which event Seller shall contribute such funds to the Joint Venture in exchange for an increased ownership interest. Guarantor joins in the execution of this Agreement for the sole purpose of guaranteeing Seller's obligations to Purchaser hereunder regarding the repayment of the Earnest Money, which guaranty shall be evidenced by the execution and delivery of that certain Guarantee of Refund of Earnest Money in the form attached as Exhibit B hereto.

3. Purchase Price. Subject to adjustment and credits as otherwise specified in this Agreement, the purchase price (the "Purchase Price") to be paid

by Purchaser to Seller for the Joint Venture Interest shall be approximately \$1,500,000, the precise amount to be the amount contributed by Seller to the Joint Venture. It is the intent of the parties that Seller shall not make any profit or incur any loss in connection with this transaction and to that end, Seller agrees to cause the Joint Venture to hold in an interest bearing account for the benefit of Purchaser any cash distributions payable to Seller prior to Closing hereunder. The Purchase Price shall be paid by Purchaser to Seller at the Closing by cashier's check or by wire transfer of immediately available federal funds, less the amount of Earnest Money and subject to prorations, adjustments, and credits as otherwise specified in this Agreement.

4. Purchaser's Right of Inspection and Seller's Cooperation. From and after the date of this Agreement, Purchaser and its agents, engineers, or representatives, with Seller's reasonable, good faith cooperation, shall have the privilege of going upon the Property as needed to inspect, examine, test, and survey the Property at all reasonable times and from time to time. Such privilege shall include the right to make said tests, borings, and other tests to obtain information necessary to determine surface and subsurface conditions. Such privilege shall also include the right to make any other tests deemed reasonably necessary by Purchaser. Purchaser hereby indemnifies and holds Seller harmless from any liens, claims, liabilities, and damages incurred through the exercise of such privilege. The obligations of Purchaser under the preceding sentence shall survive any termination of this Agreement. Seller shall make available to Purchaser all work product in the possession of Seller relating to the Property, including surveys, site plans, environmental audits, soils tests, market studies, Seller's owner's title policy and all other information provided to Seller or obtained by Seller with respect to the Property.

5. Special Conditions to Closing. Notwithstanding any other provision to the contrary contained in this Agreement, Purchaser's obligations hereunder are expressly conditioned upon the following special conditions:

(a) The Joint Venture shall have paid-off the Loan in full prior to Closing and the Joint Venture shall own title to the Property debt-free at Closing;

(b) Purchaser shall have available to it at the date of Closing sufficient net proceeds available for investment in properties to fully fund the remainder of the Purchase Price;

(c) All of the representations and warranties set forth in paragraph 7 shall be true and correct in all material respects on the Date of Closing;

(d) The receipt by Purchaser of an appraisal reflecting the value of the Property owned by the Joint Venture as being not less than an amount equal to the quotient of (i) the Purchase Price divided by (ii) the percentage interest in distributions of the Joint Venture represented by the Joint Venture Interest.

(e) The receipt by Purchaser of evidence reasonably satisfactory to Purchaser that the Property is free of any Hazardous Materials;

(f) The receipt of evidence that Cort Furniture Rental Corporation continues to be occupying the Property as a tenant pursuant to the Lease paying rent on a current basis and that neither the Landlord nor the tenant are in default with respect to the Lease; and

(g) The receipt of any necessary consents for the admission of Purchaser as a Joint Venture partner in the Joint Venture.

In the event any of the conditions set forth above are not met on or prior to the date of Closing, Purchaser shall be entitled to terminate this Agreement upon written notice to Seller. If Purchaser elects to so terminate this Agreement, Seller shall be entitled to receive the sum of Twenty-Five Dollars (\$25.00) of the Earnest Money, and the balance of the Earnest Money shall be refunded to Purchaser, whereupon, except as expressly provided to the contrary in this Agreement, no party hereto shall have any other or further rights or obligations under this Agreement. Seller acknowledges that the sum of Twenty-Five Dollars (\$25.00) is good and adequate consideration for the termination rights granted to Purchaser hereunder.

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6. Closing and Closing Date. The consummation of the sale by Seller and the purchase by Purchaser of the Property (herein referred to as the "Closing") shall be held on or before the first anniversary of the date hereof, unless extended as hereinafter provided, at the offices of O'Callaghan & Stumm LLP, 127 Peachtree Street N.E., Suite 1330, Atlanta, Georgia 30303 or such other office as the parties may agree at such specific time and date as shall be designated by Purchaser in a written notice to Seller not less than three (3) business days prior to the date of Closing or absent such notice at 10:00 a.m. on the first anniversary of the date hereof. At Closing, Seller shall execute and deliver to Purchaser (a) an assignment of its Joint Venture Interest in form and substance reasonably satisfactory to Purchaser and (b) the consent of Wells Operating Partnership, L.P. to the transfer of the Joint Venture Interest, (c) an amendment to the Joint Venture Agreement of the Joint Venture providing for admission of Purchaser in the place of Seller, and (d) such other documents as may be reasonably required by Purchaser or Purchaser's counsel in order to effectuate the transaction contemplated hereunder. At Closing, Purchaser shall deliver to Seller the Purchase Price and shall execute and deliver to Seller a Closing Statement and such other documents as may be reasonably required by Seller or Seller's counsel in order to effectuate the transaction contemplated hereby. Purchaser shall have the right to extend the closing for two successive six month periods in the event Purchaser does not have sufficient funds available to close the transaction.

7. Representations and Warranties of Seller. Seller hereby makes the following representations and warranties to Purchaser, each of which shall be deemed material:

(a) Title and Authority. The Joint Venture shall at Closing be the owner of good and marketable fee simple record title to the Property subject only to those matters set forth on Exhibit C hereto (the "Permitted Encumbrances") and, if applicable, to one or more mortgages which shall be canceled and satisfied at no cost to Purchaser at or before the Closing, it being the intent of the parties that the Property free and clear of any liens, claims or encumbrances except the Permitted Encumbrances, at the time Purchaser acquires the Joint Venture Interest. Seller has the full right, power and authority to execute and deliver this

Agreement and to consummate the purchase and sale herein contemplated and to perform the covenants and agreement of Seller hereunder.

(b) No Litigation. There are no actions, suits, or proceedings pending, or, to the best of Seller's knowledge, threatened by any organization, person, individual, or governmental agency against Seller which would impair Seller's ability to convey the Joint Venture Interest pursuant to this Agreement or against the Property, nor does Seller know of any basis for such action.

(c) Pre-existing Right to Acquire. No person or entity has any right or option to acquire the Joint Venture Interest which will have any force or effect after the execution hereof, other than Purchaser.

(d) Ownership of Joint Venture Interest. Seller owns or shall at the time of Closing own beneficially and of record the Joint Venture Interest free and clear of all liens, claims, pledges, options, adverse claims and charges of any nature whatsoever.

8. Default. In the event Seller fails to comply with or perform any of the covenants, agreements or obligations to be performed by Seller under the terms and provisions of this Agreement, or in the event Seller's warranties and representations set forth in this Agreement are untrue or misleading, at Purchaser's option: (i) Purchaser shall be entitled to an immediate refund of all Earnest Money and to thereafter exercise any and all rights and remedies available to Purchaser at law or in equity; or (ii) Purchaser shall be entitled, upon giving written notice to Seller as herein provided, to terminate this Agreement. Upon any such termination, all Earnest Money shall be immediately returned to Purchaser and this Agreement and all rights and obligations created hereunder shall be of no further force or effect. In the event Purchaser fails to comply with or perform any of the covenants, agreements or obligations to be performed by Purchaser under the terms and provisions of this Agreement, Seller's sole and exclusive remedy for any such default shall be to terminate this Agreement and to receive \$100 of the Earnest Money as full liquidated damages for such default, the parties hereto acknowledging that it is impossible to more precisely estimate the damages to be suffered by Seller upon Purchaser's default, whereupon all rights and obligations created hereby shall terminate and be of no further force or effect whatsoever.

9. Assignment. Purchaser's rights and duties under this Agreement shall be freely transferable and assignable by Purchaser, either in full or in part, and in the event of any such transfer or assignment, Seller shall look solely to such transferee or assignee for the performance of all obligations, covenants, conditions, and agreements imposed upon Purchaser pursuant to the terms of this Agreement.

10. Broker's Commission. Seller shall and does hereby indemnify and hold harmless Purchaser from and against any claim for any real estate sales commission, finder's fees, or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Seller. Likewise,

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Purchaser shall and does hereby indemnify and hold harmless Seller from and against any claim for any real estate sales commission, finder's fees or like compensation in connection with the sale contemplated hereby and arising out of any act or agreement of Purchaser.

11. Notices. Any notices which may be permitted or required hereunder shall be in writing and sent or hand delivered to the addresses set forth herein, and shall be deemed to have been duly given as of the date and time the same are either personally delivered (if delivered by hand or by overnight courier) or, if mailed, on the third (3rd) business day following the date same is deposited with the United States Postal Service, postage prepaid, to be mailed by registered or certified United States mail, return receipt requested.

12. Time Periods. If the time period by which any right, option, or election provided under this Agreement must be exercised, or by which any act required hereunder must be performed, or by which the Closing must be held, expires on a Saturday, Sunday or holiday, then such time period shall be automatically extended through the close of business on the next regularly scheduled business day.

13. Survival of Provisions. All covenants, warranties, and agreements set forth in this Agreement shall survive the execution or delivery of any and all deeds and other documents at any time executed or delivered under, pursuant to or by reason of this Agreement, and shall survive the payment of all monies made under, pursuant to, or by reason of this Agreement.

14. Severability. This Agreement is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Agreement, or the application thereof to any person or circumstance, shall for any reason and to any extent be invalid or unenforceable, the remainder of this Agreement and the application of such provision to other persons or circumstances shall not be affected thereby but rather shall be enforced to the greatest extent permitted by law.

15. General Provisions. No failure of either party to exercise any power given hereunder or to insist upon strict compliance with any obligation specified herein, and no custom or practice at variance with the terms hereof, shall constitute a waiver of either party's right to demand exact compliance with the terms hereof. This Agreement contains the entire agreement of the parties hereto, and no prior representations, inducements, promises, or agreements, oral or otherwise, between the parties not embodied herein or in said Letter Agreement shall be of any force or effect. Any amendment to this Agreement shall not be binding upon Seller or Purchaser unless such amendment is in writing and executed by both. The provisions of this Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, legal representatives, successors, and assigns. Time is of the essence in this Agreement. This Agreement may be executed in multiple counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same agreement. The headings inserted at the beginning of each paragraph are for convenience only, and do not add to or subtract from the meaning of the contents of each paragraph. This Agreement shall be construed and interpreted under the laws of the State of Georgia. Except as otherwise provided herein, all rights, powers, and privileges conferred hereunder upon the parties shall be cumulative but not restrictive to those given by law. All personal pronouns used in this Agreement, whether used in the masculine, feminine, or neuter gender shall include all genders, and all references herein to the singular shall include the plural and vice versa. The parties do not intend and this Agreement shall not be deemed to create a joint venture, partnership, or any other relationship between Seller and Purchaser or the Joint Venture and Purchaser except that of contracting parties.

16. Effective Date. For purposes of the calculations of any time periods set forth in this Agreement, the effective date of this Agreement shall be deemed to be the latest of the dates set forth below, or the date this Agreement is last initialed, whichever is later.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by duly authorized representatives as of the day, month and year first above written.

"SELLER":

WELLS DEVELOPMENT CORPORATION, a Georgia corporation

By: /s/ Michael C. Berndt

Title: Vice President

Date: July 30, 1998

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"GUARANTOR":

WELLS MANAGEMENT COMPANY, INC.

By: /s/ Michael C. Berndt

Title: Vice President

Date: July 30, 1998

"PURCHASER":

FUND X AND FUND XI ASSOCIATES, a Georgia joint venture

By: WELLS REAL ESTATE FUND X, L.P.,
a Georgia limited partnership, as
administrative venturer

By: Wells Partners, L.P., a Georgia limited
partnership, general partner

By: Wells Capital, Inc., a
Georgia corporation
General Partner

By: /s/ Michael C. Berndt

Title: Vice President

Date: July 30, 1998

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EXHIBIT 23.2

CONSENT OF ARTHUR ANDERSON LLP

EXHIBIT 23.2

[LETTERHEAD OF ARTHUR ANDERSEN LLP]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this registration statement.

/s/ Arthur Andersen LLP

Atlanta, Georgia
August 14, 1998

EXHIBIT 24.1

POWER OF ATTORNEY

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Leo F. Wells, III and Brian M. Conlon, or either of them acting singly, as his true and lawful attorney-in-fact, for him and in his name, place and stead, to sign any and all post-effective amendments to this Registration Statement or any additional Registration Statement filed pursuant to Rule 462 and to cause the same to be filed with the Securities and Exchange Commission hereby granting to said attorneys-in-fact and each of them full power and authority to do and perform all and every act and thing whatsoever requisite or desirable to be done in and about the premises as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all acts and things that said attorneys-in-fact or either of them may do or cause to be done by virtue of these presents.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Power of Attorney has been signed below on May 7, 1998, by the following persons and in the capacities indicated.

Signatures -----	Title -----
/s/ Leo F. Wells, III ----- Leo F. Wells, III	President and Director (Principal Executive Officer)
/s/ Brian M. Conlon ----- Brian M. Conlon	Executive Vice President (Principal Financial and Accounting Officer) and Director
/s/ John L. Bell ----- John L. Bell	Director
/s/ Richard W. Carpenter ----- Richard W. Carpenter	Director
/s/ Walter W. Sessoms ----- Walter W. Sessoms	Director
/s/ Bud Carter ----- Bud Carter	Director
/s/ William H. Keogler, Jr. ----- William H. Keogler, Jr.	Director

/s/ Donald S. Moss Director

Donald S. Moss

/s/ Neil H. Strickland Director

Neil H. Strickland