As filed with the Securities and Exchange Commission on August 31, 2000

Registration No. 33-_____

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

_____

FORM S-11
REGISTRATION STATEMENT
Under
The Securities Act of 1933

_____

WELLS REAL ESTATE INVESTMENT TRUST, INC.
(Exact name of registrant as specified in governing instruments)

6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092
(770) 449-7800
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

Donald Kennicott, Esq.
Michael K. Rafter, Esq.
Holland & Knight LLP
One Atlantic Center, Suite 2000
1201 West Peachtree Street, N.W.
Atlanta, Georgia 30309-3400
(404) 817-8500
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Agent for Service)

_____

| Maryland | 58-2328421 |
|---|---|
| (State or other Jurisdiction of Incorporation) | 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. _____

Approximate date of commencement of proposed sale to the public: As soon as practicable following effectiveness of this Registration Statement.

_____

CALCULATION OF REGISTRATION FEE

| Title of Securities Being Registered | Amount Being Registered | Proposed Maximum Offering Price Per Share | Proposed Maximum Aggregate Offering Price | Amount of Registration Fee |
|---|---|---|---|---|
| Common Stock, $.01 par value | 135,000,000 | $ 10.00 | $1,350,000,000 | |
| Common Stock, $.01 par value(1) | 5,000,000 | $ 12.00 | $ 60,000,000 | $372,241 |
| Soliciting Dealer Warrants(2) | 5,000,000 | $0.0008 | $ 4,000 | |

(1) Represents shares which are issuable upon exercise of warrants issuable to Wells Investment Securities, Inc. (the Dealer Manager) or its assignees pursuant to that certain Warrant Purchase Agreement between the Registrant and the Dealer Manager.

(2) Represents warrants issuable to the Dealer Manager to purchase 5,000,000 shares pursuant to the Warrant Purchase Agreement.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

# WELLS REAL ESTATE INVESTMENT TRUST, INC.

## Up to 125,000,000 shares offered to the public

Wells Real Estate Investment Trust, Inc. (Wells REIT) is a real estate investment trust. We invest in commercial real estate properties primarily consisting of high grade office buildings which are leased to large corporate tenants. We currently own interests in __ office buildings located in __ states.

We are offering and selling to the public up to 125,000,000 shares for $10 per share and up to 10,000,000 shares to be issued pursuant to our dividend reinvestment plan at a purchase price of $10 per share. An additional 5,000,000 shares are being registered which are reserved for issuance at $12 per share to participating broker-dealers upon their exercise of warrants.

You must purchase at least 100 shares for $1,000.

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The most significant risks relating to your investment include the following:

. lack of a public trading market for the shares

. reliance on Wells Capital, Inc., our advisor, to select properties and conduct our operations

. authorization of substantial fees to the advisor and its affiliates

. borrowing - which increases the risk of loss of our investments

. conflicts of interest facing the advisor and its affiliates

You should see the complete discussion of the risk factors beginning on page __.

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The Offering:

. The shares will be offered on a best efforts basis to investors at $10 per

share.

- We will pay selling commissions to broker-dealers of 7% and a dealer manager fee for reimbursement of marketing expenses of 2.5% out of the offering proceeds raised.
- We will invest approximately 84% of the offering proceeds raised in real estate properties, and the balance will be used to pay fees and expenses.
- The offering will terminate on or before _____, 200__.

Neither the Securities and Exchange Commission, the Attorney General of the State of New York nor any other state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. It is a criminal offense if someone tells you otherwise.

The use of projections or forecasts in this offering is prohibited. No one is permitted to make any oral or written predictions about the cash benefits or tax consequences you will receive from your investment.

WELLS INVESTMENT SECURITIES, INC.
_____, 200__

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## Questions and Answers About this Offering

Below we have provided some of the more frequently asked questions and answers relating to an offering of this type. Please see the "Prospectus Summary" and the remainder of this prospectus for more detailed information about this offering.

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Q: What is a REIT?

A: In general, a REIT is a company that:

- pays dividends to investors of at least 90% of its taxable income;
- avoids the "double taxation" treatment of income that generally results from investments in a corporation because a REIT is not generally subject to federal corporate income taxes on its net income, provided certain income tax requirements are satisfied;
- combines the capital of many investors to acquire or provide financing for real estate properties; and
- offers the benefit of a diversified real estate portfolio under professional management.

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Q: What is Wells Real Estate Investment Trust, Inc.?

A: Our REIT is structured as a Maryland corporation formed in 1997 to acquire commercial real estate properties such as high grade office buildings and lease them on a triple-net basis to companies that typically have a net worth in excess of $100,000,000.

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Q: Who will choose which real estate properties to invest in?

A: Wells Capital, Inc. (Wells Capital) is our advisor and makes all of our investment decisions. In addition, our board of directors must approve all of our acquisitions.

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Q: Who is Wells Capital?

A: Wells Capital is a Georgia corporation formed in 1984. As of _____, 2000, Wells Capital had sponsored public real estate programs which have raised in excess of $_____ from approximately _____ investors and own and operate a total of __ commercial real estate properties.

Q: Does Wells Capital use any specific criteria when selecting a potential property acquisition?

A: Yes. Wells Capital generally seeks to acquire office buildings located in densely populated suburban markets leased to large corporations on a triple-net basis. Typically, our corporate tenants have net worths in excess of $100,000,000. Current tenants of public real estate programs



sponsored by Wells Capital include The Coca-Cola Company, Motorola, Fairchild Technologies, IBM, Lucent Technologies and PricewaterhouseCoopers.

Q. Do you currently own any real estate properties?

A. Yes. As of the date of this prospectus, our REIT has acquired and owns interests in 25 real estate properties.

We own the following properties directly:

| Tenant | Building Type | Location |
|---|---|---|
| Delphi Automotive Systems, Inc. | Office Building | Troy, Michigan |
| Avnet, Inc. | Office Building | Tempe, Arizona |
| Motorola, Inc. | Office Building | Tempe, Arizona |
| ASM Lithography, Inc. | Office and Warehouse Building | Tempe, Arizona |
| Dial Corporation | Office Building | Scottsdale, Arizona |
| Metris Direct, Inc. | Office Building | Tulsa, Oklahoma |
| Cinemark USA, Inc. and The Coca-Cola Company | Office Building | Plano, Texas |
| Marconi Data Systems, Inc. | Office, Assembly and Manufacturing Building | Wood Dale, Illinois |
| ABB Power Generation, Inc. | Office Building | Richmond, Virginia |
| Matsushita Avionics Systems Corporation | Office Building | Lake Forest, California |
| Pennsylvania Cellular Telephone Corp. | Office Building | Harrisburg, Pennsylvania |
| PricewaterhouseCoopers | Office Building | Tampa, Florida |

We own interests in the following real estate properties through joint ventures with affiliates:

| Tenant | Building Type | Location |
|---|---|---|
| Quest Software, Inc. | Office Building | Irvine, California |
| Siemens Automotive Corporation | Office Building | Troy, Michigan |

| | | |
|---|---|---|
| Gartner Group, Inc. | Office Building | Ft. Myers, Florida |
| Johnson Matthey, Inc. | Research and Development, Office and Warehouse Building | Tredyffrin Township, Pennsylvania |
| Sprint Communications Company L.P. | Office Building | Leawood, Kansas |
| EYBL CarTex, Inc. | Manufacturing and Office Building | Fountain Inn, South Carolina |
| Cort Furniture Rental Corporation | Office and Warehouse Building | Fountain Valley, California |
| Fairchild Technologies U.S.A., Inc. | Manufacturing and Office Building | Fremont, California |
| Iomega Corporation | Office Building | Ogden City, Utah |



| | | |
|---|---|---|
| ODS Technologies, L.P. and GAIAM, Inc. | Office Building | Broomfield, Colorado |
| Ohmeda, Inc. | Office Building | Louisville, Colorado |
| ABB Flakt, Inc. | Office Building | Knoxville, Tennessee |
| Lucent Technologies, Inc. | Office Building | Oklahoma City, Oklahoma |

If you want to read more detailed information about each of these properties, see the "Description of Properties" section of this prospectus.

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Q: Why do you acquire properties in joint ventures?

A: We acquire some of our properties in joint ventures in order to diversity our portfolio of properties in terms of geographic region, property type and industry group of our tenants.

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Q: What steps do you take to make sure you purchase environmentally compliant property?

A: We always obtain a Phase I environmental assessment of each property purchased. In addition, we generally obtain a representation from the seller that, to its knowledge, the property is not contaminated with hazardous materials.

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Q: What are the terms of your leases?

A: Our leases are "triple-net" leases, generally having terms of seven to ten years, many of which have renewal options for an additional five to ten years. "Triple-net" means that the tenant, not the Wells REIT, is responsible for repairs, maintenance, property taxes, utilities and insurance. We often enter into leases where we have responsibility for replacement of specific structural components of a property such as the roof of the building or the parking lot.

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Q: If I buy shares, will I receive dividends and how often?

A: We have been making and intend to continue to make dividend distributions on a quarterly basis to our shareholders. The amount of each dividend distribution is determined by the board of directors and typically depends on the amount of distributable funds, current and projected cash requirements, tax considerations and other factors. However, in order to remain qualified as a REIT, we must make distributions of at least 95% of our REIT taxable income each year for years prior to 2001 and 90% of our REIT taxable income for all future years beginning with the year 2001.

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Q: How do you calculate the payment of dividends to shareholders?

A: We calculate our quarterly dividends using daily record and declaration dates so your dividend benefits will begin to accrue immediately upon becoming a shareholder.



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Q: What have your dividend payments been since you began operations on June 5, 1998?

A: We have paid the following dividends since we began operations:

| Quarter | Amount | Annualized Percentage Return on an Investment of $10 per Share |
|---|---|---|
| 3/rd/ Qtr. 1998 | $0.15 per share | 6.00% |
| 4/th/ Qtr. 1998 | $0.16 per share | 6.50% |
| 1/st/ Qtr. 1999 | $0.17 per share | 7.00% |
| 2/nd/ Qtr. 1999 | $0.17 per share | 7.00% |
| 3/rd/ Qtr. 1999 | $0.17 per share | 7.00% |
| 4/th/ Qtr. 1999 | $0.17 per share | 7.00% |
| 1/st/ Qtr. 2000 | $0.17 per share | 7.00% |
| 2/nd/ Qtr. 2000 | $0.18 per share | 7.25% |
| 3/rd/ Qtr. 2000 | $0.19 per share | 7.50% |

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Q: May I reinvest the dividends I am supposed to receive in shares of the Wells REIT?

A: Yes. You may participate in our dividend reinvestment plan by checking the appropriate box on the Subscription Agreement or by filling out an enrollment form we will provide to you at your request. The purchase price for shares purchased under the dividend reinvestment plan is currently $10 per share.

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Q: Will the dividends I receive be taxable as ordinary income?

A: Yes and No. Generally, dividends that you receive, including dividends that

are reinvested pursuant to our dividend reinvestment plan, will be taxed as ordinary income to the extent they are from current or accumulated earnings and profits. We expect that some portion of your dividends will not be subject to tax in the year received due to the fact that depreciation expenses reduce taxable income but do not reduce cash available for distribution. Amounts not subject to tax immediately will reduce the tax basis of your investment. This, in effect, defers a portion of your tax until your investment is sold or the Wells REIT is liquidated, at which time you will be taxed at capital gains rates. However, because each investor's tax considerations are different, we suggest that you consult with your tax advisor. You should also review the section of the prospectus entitled "Federal Income Tax Considerations."

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Q: What will you do with the money raised in this offering?

A: We will use your investment proceeds to purchase commercial real estate such as high grade office buildings. We intend to invest a minimum of 84% of the proceeds from this offering to



acquire real estate properties, and remaining proceeds will be used to pay fees and expenses of this offering and acquisition-related expenses. The payment of these fees and expenses will not reduce your invested capital. Your initial invested capital amount will remain $10 per share, and your dividend yield will be based on your $10 per share investment.

Until we invest the proceeds of this offering in real estate, we will invest in short-term, highly liquid investments. These short-term investments will not earn as high of a return as we expect to earn on our real estate investments, and we cannot guarantee how long it will take to fully invest the proceeds in real estate.

We received approximately $132,181,919 in gross offering proceeds from the sale of 13,218,192 shares of common stock in our initial public offering, which commenced on January 30, 1998 and was terminated on December 20, 1999. Of the $132,181,919 raised in the initial offering, we invested a total of $111,032,812 in real estate properties. As of _____, 2000, we had received approximately $_____ in gross offering proceeds from the sale of _____ shares of common stock in our second offering, which commenced on December 20, 1999 and was terminated on _____, 200_. Of this additional $_____ raised in the second offering, we invested or expect to invest $_____ in real estate properties.

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Q: What kind of offering is this?

A: We are offering the public up to 125,000,000 shares of common stock on a best efforts basis.

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Q: How does a best efforts offering work?

A: When shares are offered to the public on a best efforts basis, the brokers participating in the offering are only required to use their best efforts to sell the shares and have no firm commitment or obligation to purchase any of the shares.

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Q: How long will this offering last?

A: The offering will not last beyond _____, 200__.

Q: Who can buy shares?

A: Anyone who receives this prospectus can buy shares provided that they have either (1) a net worth of at least $45,000 and an annual gross income of at least $45,000, or (2) a net worth of at least $150,000. For this purpose, net worth does not include your home, home furnishings and personal automobiles. These minimum levels may be higher in certain states, so you should carefully read the more detailed description in the "Suitability Standards" section of this prospectus.



Q: Is there any minimum investment required?

A: Yes. Generally, you must invest at least $1,000. Except in Maine, Minnesota and Washington, investors who already own our shares or who have purchased units from an affiliated Wells public real estate program can make purchases for less than the minimum investment. These minimum investment levels may be higher in certain states, so you should carefully read the more detailed description of the minimum investment requirements appearing later in the "Suitability Standards" section of this prospectus.

Q: How do I subscribe for shares?

A: If you choose to purchase shares in this offering, you will need to fill out a Subscription Agreement, like the one contained in this prospectus as Exhibit A, for a specific number of shares and pay for the shares at the time you subscribe. The purchase price will be placed into an account with Bank of America, N.A., where your funds will be held, along with those of other subscribers, until we withdraw funds for the acquisition of real estate properties or the payment of fees and expenses.

Q: If I buy shares in this offering, how may I later sell them?

A: At the time you purchase the shares, they will not be listed for trading on any national securities exchange or over-the-counter market. In fact, we expect that there will not be any public market for the shares when you purchase them, and we cannot be sure if one will ever develop. As a result, you may find it difficult to find a buyer for your shares and realize a return on your investment. You may sell your shares to any buyer unless such sale would cause the buyer to own more than 9.8% of the outstanding stock. See "Description of Shares Restriction on Ownership of Shares."

In addition, after you have held your shares for at least one year, you may be able to have your shares repurchased by the Company pursuant to our share repurchase program. See the "Description of Shares-Share Redemption Program" section of the prospectus.

If we have not listed the shares on a national securities exchange or over-the-counter market by January 30, 2008, our articles of incorporation require us to sell our properties and other assets and return the proceeds from these sales to our shareholders through distributions.

Q: What is the experience of your officers and directors?

A: Our management team has extensive previous experience investing in and managing commercial real estate. Below is a short description of the background of each of our directors. See the "Management Executive Officers and Directors" section on page __ of this prospectus for a more detailed description of the background and experience of each of our directors.



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- Leo F. Wells, III - President of the Wells REIT and founder of Wells Real Estate Funds in 1985 and has been involved in real estate sales, management and brokerage services for over 27 years;
- Douglas P. Williams - Executive Vice President, Secretary and Treasurer of Wells REIT and former accounting executive at OneSource, Inc., a supplier of janitorial and landscape services;
- John L. Bell - Former owner and Chairman of Bell-Mann, Inc., the largest flooring contractor in the Southeast;
- Richard W. Carpenter - President and a director of Realmark Holdings Corp., a residential and commercial real estate developer;
- Bud Carter - Former broadcast news director and anchorman and current Senior Vice President for the Executive Committee, an organization established to aid corporate presidents and CEOs;
- William H. Keogler, Jr. - Founder and former executive officer and director of Keogler, Morgan & Company, Inc., a full service brokerage firm;
- Donald S. Moss - Former executive officer of Avon Products, Inc.;
- Walter W. Sessoms - Former executive officer of BellSouth Telecommunications, Inc.; and
- Neil H. Strickland - Founder of Strickland General Agency, Inc., a property and casualty general insurance agency concentrating on commercial customers.

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Q: How does the Wells REIT own its real estate properties?

A: We own all of our real estate properties through an "UPREIT" called Wells Operating Partnership, L.P. (Wells OP). Wells OP was organized to own, operate and manage real properties on our behalf. We are the sole general partner of Wells OP.

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Q: What is an "UPREIT"?

A: UPREIT stands for "Umbrella Partnership Real Estate Investment Trust." We use this structure because a sale of property directly to the REIT would generally be fully taxable to the property owner. In an UPREIT structure, the seller of a property who desires to defer taxable gain on the sale of his property may transfer the property to the UPREIT in exchange for limited partnership units in the UPREIT and defer taxation of gain until the seller later exchanges his UPREIT units on a one-for-one basis for REIT shares. If the REIT shares are publicly traded, the former property owner will achieve liquidity for his investment. Using an UPREIT structure gives us an advantage in acquiring desired properties from persons who would not otherwise be able to sell such properties because of unfavorable tax results.

Q: Will I be notified of how my investment is doing?

A: You will receive periodic updates on the performance of your investment with us, including:

- Four detailed quarterly dividend reports;
- Three quarterly financial reports;
- An annual report; and
- An annual IRS Form 1099.

Q: When will I get my detailed tax information?

A: Your Form 1099 tax information will be mailed to you by January 31 of each year.

Q: Who can help answer my questions?

A: If you have more questions about the offering or if you would like additional copies of this prospectus, you should contact your registered representative or contact:

Investor Services Department
Wells Capital, Inc.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092
(800) 448-1010 or (770) 449-7800
www.wellsref.com



## Prospectus Summary

This summary highlights selected information contained elsewhere in this prospectus. It is not complete and does not contain all of the information that is important to your decision whether to invest in the Wells REIT. To understand this offering fully, you should read the entire prospectus carefully, including the "Risk Factors" section and the financial statements.

### Wells Real Estate Investment Trust, Inc.

Wells Real Estate Investment Trust, Inc. is a REIT that owns net leased commercial real estate properties. We currently own interests in __ commercial real estate properties located in __ states. Our office is located at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092. Our telephone number outside the State of Georgia is 800-448-1010 (770-449-7800 in Georgia). We refer to Wells Real Estate Investment Trust, Inc. as the Wells REIT in this prospectus.

### Our Advisor

Our advisor is Wells Capital, Inc., which is responsible for managing our affairs on a day-to-day basis and for identifying and making acquisitions on our

behalf. We refer to Wells Capital, Inc. as Wells Capital in this prospectus.

Our Management

The board of directors must approve each real property acquisition proposed by Wells Capital, as well as certain other matters set forth in our articles of incorporation. We have nine members on our board of directors. Seven of the directors are independent of Wells Capital and have responsibility for reviewing its performance. The directors are elected annually by the shareholders.

Our REIT Status

As a REIT, we generally are not subject to federal income tax on income that we distribute to our shareholders. Under the Internal Revenue Code, REITs are subject to numerous organizational and operational requirements, including a requirement that they distribute at least 95% of their taxable income for years prior to 2001 and at least 90% of their taxable income for all future years beginning with the year 2001. If we fail to qualify for taxation as a REIT in any year, our income will be taxed at regular corporate rates, and we may be precluded from qualifying for treatment as a REIT for the four year period following our failure to qualify. Even if we qualify as a REIT for federal income tax purposes, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income.

Summary Risk Factors

Following are the most significant risks relating to your investment:

- There is no public trading market for the shares, and we cannot assure you that one will ever develop. Until the shares are publicly traded, you will have a difficult time trying to sell your shares.

- You must rely on Wells Capital, our advisor, for the day-to-day management of our business and the selection of our real estate properties.



- To ensure that we continue to qualify as a REIT, our articles of incorporation prohibit any shareholder from owning more than 9.8% of our outstanding shares.

- We may not remain qualified as a REIT for federal income tax purposes, which would subject us to the payment of tax on our income at corporate rates and reduce the amount of funds available for payment of dividends to our shareholders.

- You will not have preemptive rights as a shareholder so any shares we issue in the future may dilute your interest in the Wells REIT.

- We will pay significant fees to Wells Capital and its affiliates.

- Real estate investments are subject to cyclical trends which are out of our control.

- You will not have an opportunity to evaluate all of the properties that will be in our portfolio prior to investing.

- Loans we obtain will be secured by some of our properties, which will put those properties at risk of forfeiture if we are unable to pay our debts.

- Our investment in vacant land to be developed may create 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.

. The vote of shareholders owning at least a majority of the shares will bind all of the shareholders as to certain matters such as the election of directors and amendment of our articles of incorporation.

. If we do not obtain listing of the shares on a national exchange by January 30, 2008, our articles of incorporation provide that we must sell all of our properties and distribute the net proceeds to our shareholders.

. Our advisor will face various conflicts of interest resulting from its activities with affiliated entities.

Before you invest in the Wells REIT, you should see the complete discussion of the "Risk Factors" beginning on page ___ of this prospectus.

Description of Properties

Please refer to the "Description of Properties" section of this prospectus for a description of the real estate properties we have purchased to date and the various real estate loans we have outstanding. Wells Capital is currently evaluating additional potential property acquisitions. When we either acquire a property or believe that there is a reasonable probability that we will acquire a particular property, we will provide a supplement to this prospectus to describe the property. You should not assume that we will actually acquire any property that we describe in a supplement as a reasonable probability acquisition because one or more contingencies to the purchase may prevent the acquisition.



Estimated Use of Proceeds of Offering

We anticipate that we will invest at least 84% of the proceeds of this offering in real estate properties. We will use the remainder of offering proceeds to pay selling commissions, fees and expenses relating to the selection and acquisition of properties and the costs of the offering.

Investment Objectives

Our investment objectives are:

. to maximize cash dividends paid to you;

. to preserve, protect and return your capital contribution;

. to realize growth in the value of our properties upon our ultimate sale of such properties; and

. to provide you with liquidity of your investment by listing the shares on a national exchange or, if we do not obtain listing of the shares by January 30, 2008, by selling our properties and distributing the cash to you.

We may only change these investment objectives upon a majority vote of the shareholders. See the "Investment Objectives and Criteria" section of this prospectus for a more complete description of our business and objectives.

Conflicts of Interest

Wells Capital, as our advisor, will experience conflicts of interest in connection with the management of our business affairs, including the following:

. Wells Capital will have to allocate its time between the Wells REIT and other real estate programs and activities in which it is involved;

. Wells Capital must determine which Wells program or other entity

should enter into a joint venture with the Wells REIT for the acquisition and operation of specific properties;

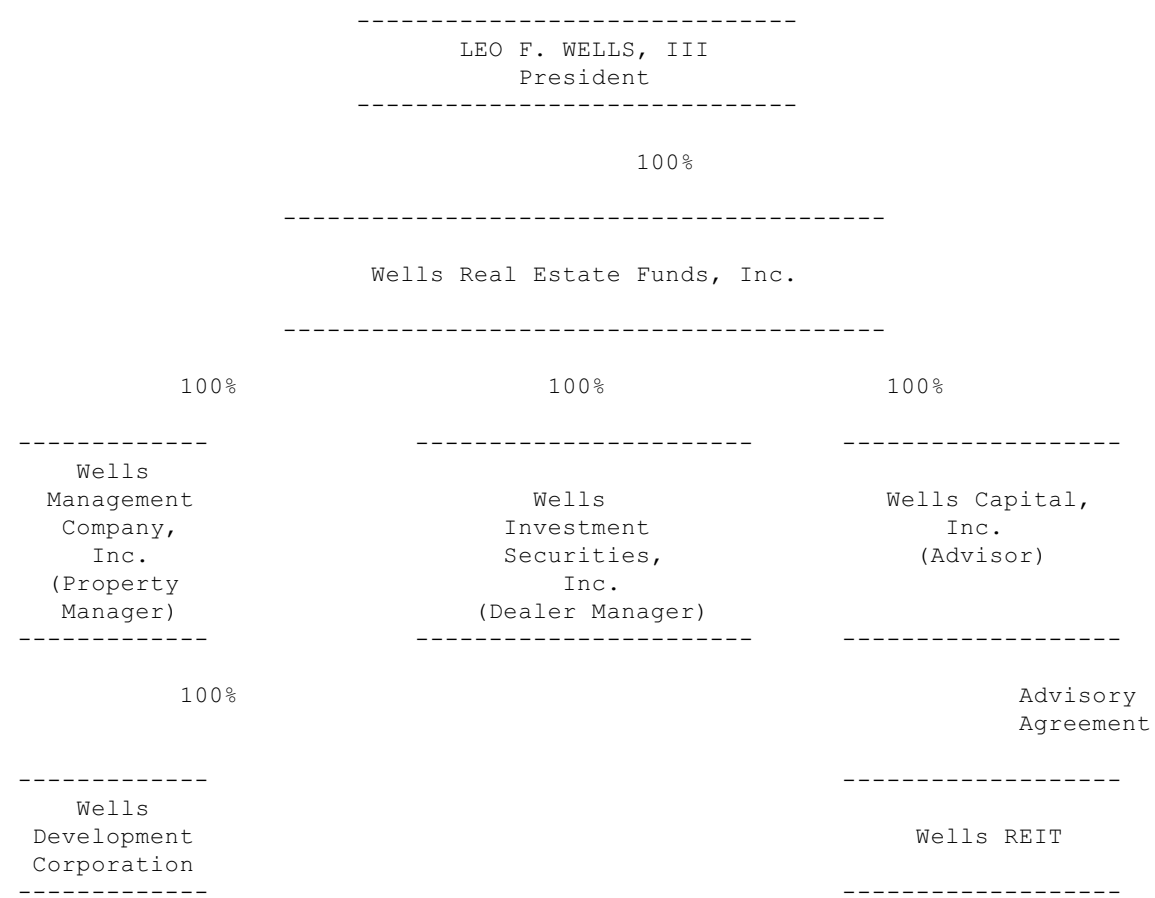
- Wells Capital may compete with other Wells programs for the same tenants in negotiating leases or in selling similar properties at the same time; and

- we will pay fees to Wells Capital and its affiliates in connection with transactions involving the purchase, management and sale of our properties regardless of the quality of the property acquired or the services provided to us.

See the "Conflicts of Interest" section of this prospectus on page ___ for a detailed discussion of the various conflicts of interest relating to your investment, as well as the procedures that we have established to resolve a number of these potential conflicts.



The following chart shows the ownership structure of the various Wells entities that are affiliated with Wells Capital.




Prior Offering Summary

Wells Capital and its affiliates have previously sponsored 13 publicly offered real estate limited partnerships and the Wells REIT on an unspecified property or "blind pool" basis. As of _____, 2000, they have raised approximately $_____ from approximately _____ investors in these 14 public real estate programs. The "Prior Performance Summary" on page ___ of this prospectus contains a discussion of the Wells programs sponsored to date. Certain statistical data relating to the Wells programs with investment objectives similar to ours is also provided in the "Prior Performance Tables" included at the end of this prospectus.

The Offering

We are offering up to 125,000,000 shares to the public at $10 per share. We are also offering up to 10,000,000 shares pursuant to our dividend reinvestment plan at $10 per share, and up to 5,000,000 shares to broker-dealers pursuant to warrants whereby participating broker-dealers will have the right to purchase one share for every 25 shares they sell in this offering. The exercise price for shares purchased pursuant to the warrants is $12 per share.



Terms of the Offering

We will begin selling shares in this offering upon the effective date of this prospectus and the offering will terminate on or before _____, 200__. However, we may terminate this offering at any time prior to such termination date. We will hold your investment proceeds in our account until we withdraw funds for the acquisition of real estate properties or the payment of fees and expenses. We generally admit shareholders to the Wells REIT on a daily basis.

Compensation to Wells Capital

Wells Capital and its affiliates will receive compensation and fees for services relating to this offering and the investment and management of our assets. The most significant items of compensation are included in the following table:

| Type of Compensation | Form of Compensation | Estimated $$ Amount for Maximum Offering (135,000,000 shares) |
|---|---|---|
| Offering Stage | | |
| Sales Commission | 7% of gross offering proceeds | $94,500,000 |
| Dealer Manager Fee | 2.5% of gross offering proceeds | $33,750,000 |
| Offering Expenses | 3% of gross offering proceeds | $18,600,000 |
| Acquisition and Development Stage | | |
| Acquisition and Advisory Fees | 3% of gross offering proceeds | $40,500,000 |
| Acquisition Expenses | .5% of gross offering proceeds | $ 6,750,000 |
| Operational Stage | | |
| Property Management Fees | 2.5% of gross revenues | N/A |
| Leasing Fees | 2% of gross revenues | N/A |
| Initial Lease-Up Fee for Newly Constructed Property | Competitive fee for geographic location of property based on a survey of brokers and agents (customarily equal to the first month's rent) | N/A |
| Real Estate Commission | 3% of sale price after investors receive a return of capital plus a 8% return on capital | N/A |
| Subordinated Participation in Net Sale Proceeds (Payable Only if the Wells REIT is not Listed on an exchange) | 10% of remaining amounts of net sale proceeds after return of capital plus payment to investors of an 8% cumulative non-compounded return on the capital contributed by investors | N/A |
| Subordinated Incentive Listing Fee (Payable only if the Wells REIT is listed on an exchange) | 10% of the amount by which the adjusted market value of the Wells REIT exceeds the aggregate capital | N/A |

There are many additional conditions and restrictions on the amount of compensation Wells Capital may receive. There are also some smaller items of compensation and expense reimbursements that Wells Capital may receive. For a more detailed explanation of these fees and expenses payable to Wells Capital and its affiliates, please see the "Management Compensation" section of this prospectus on page __.

Dividend Policy

In order to remain qualified as a REIT, we are required to distribute 95% of our annual taxable income to our shareholders in all years prior to 2001 and 90% of our annual taxable income for all future years beginning with the year 2001. We have paid dividends to our shareholders at least quarterly since the first quarter after we commenced operations on June 5, 1998. We calculate our quarterly dividends based upon daily record and dividend declaration dates so investors will be entitled to dividends immediately upon purchasing shares. We expect to pay dividends to you on a quarterly basis.

Listing

We anticipate listing our shares on a national securities exchange on or before January 30, 2008. In the event we do not obtain listing prior to that date, our articles of incorporation require us to begin the sale of our properties and liquidate our assets.

Dividend Reinvestment Plan

You may participate in our dividend reinvestment plan pursuant to which you may have the dividends you receive reinvested in shares of the Wells REIT. If you participate, you will be taxed on your share of our taxable income even though you will not receive the cash from your dividends. As a result, you may have a tax liability without receiving cash dividends to pay such liability. We may terminate the dividend reinvestment plan in our discretion at any time upon 10 days notice to you. (See "Description of Shares -- Dividend Reinvestment Plan.")

Share Redemption Program

We may use proceeds received from the sale of shares pursuant to our dividend reinvestment plan to redeem your shares. After you have held your shares for a minimum of one year, our share redemption program provides an opportunity for you to redeem your shares, subject to certain restrictions and limitations, for the lesser of (1) $10 per share, or (2) the price you actually paid for your shares. The board of directors reserves the right to reject any request for redemption of shares or to amend or terminate the share redemption program at any time. You will have no right to request redemption of your shares after the shares are listed on a national exchange. (See "Description of Shares -Share Redemption Program.")

Wells Operating Partnership, L.P.

We own all of our real estate properties through Wells Operating Partnership, L.P. (Wells OP), our operating partnership. We are the sole general partner of Wells OP. Wells Capital is currently the only limited partner based on its initial contribution of $200,000. Our ownership of properties in Wells OP is referred to as an "UPREIT." The UPREIT structure allows us to acquire real estate properties in exchange for limited partnership units in Wells OP. This structure will also allow sellers of properties to transfer their properties to Wells OP in exchange for units of Wells OP and defer gain recognition for tax purposes with respect to such transfers of properties. At present, we have no plans to acquire any specific

properties in exchange for units of Wells OP. The holders of units in Wells OP may have their units redeemed for cash under certain circumstances. (See "The Operating Partnership Agreement.")

ERISA Considerations

The section of this prospectus entitled "ERISA Considerations" describes the effect the purchase of shares will have on individual retirement accounts (IRAs) and retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), and/or the Internal Revenue Code. ERISA is a federal law that regulates the operation of certain tax-advantaged retirement plans. Any retirement plan trustee or individual considering purchasing shares for a retirement plan or an IRA should read this section of the prospectus very carefully.

Description of Shares

General
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Your investment will be recorded on our books only. We will not issue stock certificates. If you wish to transfer your shares, you will be required to send an executed transfer form to us. We will provide the required form to you upon request.

Shareholder Voting Rights and Limitations
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We hold annual meetings of our shareholders for the purpose of electing our directors or conducting other business matters that may be presented at such meetings. We may also call a special meeting of shareholders from time to time for the purpose of conducting certain matters. You are entitled to one vote for each share you own at any of these meetings.

Restriction on Share Ownership
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Our articles of incorporation contain a restriction on ownership of the shares that prevents one person from owning more than 9.8% of the outstanding shares. (See "Description of Shares -- Restriction on Ownership of Shares.") These restrictions are designed to enable us to comply with share accumulation restrictions imposed on REITs by the Internal Revenue Code.

For a more complete description of the shares, including restrictions on the ownership of shares, please see the "Description of Shares" section of this prospectus on page ___.



## Risk Factors

Your purchase of shares involves a number of risks. In addition to other risks discussed in this prospectus, you should specifically consider the following:

Investment Risks

Marketability Risk

There is no public trading market for your shares.

There is no current public market for the shares and, therefore, it will be difficult for you to sell your shares promptly. In addition, the price received for any shares sold is likely to be less than the proportionate value of the

real estate we own. Therefore, the shares should be purchased as a long-term investment only. See "Description of Shares - Share Redemption Program" for a description of our share redemption program.

Management Risks

You must rely on Wells Capital for selection of properties.

Our ability to achieve our investment objectives and to pay dividends is dependent upon the performance of Wells Capital, our advisor, in the acquisition of real estate properties, the selection of tenants and the determination of any financing arrangements. Except for the investments described in this prospectus, you will have no opportunity to evaluate the terms of transactions or other economic or financial data concerning our investments. You must rely entirely on the management ability of Wells Capital and the oversight of the board of directors.

We depend on key personnel.

Our success depends to a significant degree upon the continued contributions of Leo F. Wells, III, who would be difficult to replace. If he were to cease employment, our operating results could suffer. We also believe that our future success depends, in large part, upon our ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for such personnel is intense, and we cannot assure you that we will be successful in attracting and retaining such skilled personnel.

Conflicts of Interest Risks

Wells Capital will face conflicts of interest relating to time management.

Wells Capital and its affiliates are general partners and sponsors of other real estate programs having investment objectives and legal and financial obligations similar to the Wells REIT. Because Wells Capital and its affiliates have interests in other real estate programs and also engage in other business activities, they may have conflicts of interest in allocating their time between our business and these other activities. During times of intense activity in other programs and ventures, they may devote less time and resources to our business than is necessary or appropriate. (See "Conflicts of Interest.")



Wells Capital will face conflicts of interest relating to the purchase and leasing of properties.

We may be buying properties at the same time as one or more of the other Wells programs are buying properties. There is a risk that Wells Capital will choose a property that provides lower returns to us than a property purchased by another Wells program. We may acquire properties in geographic areas where other Wells programs own properties. If one of the Wells programs attracts a tenant that we are competing for, we could suffer a loss of revenue due to delays in locating another suitable tenant. (See "Conflicts of Interest.")

Wells Capital will face conflicts of interest relating to joint ventures with affiliates.

We have entered into joint ventures in the past and are likely to continue in the future to enter into joint ventures with other Wells programs for the acquisition, development or improvement of properties, including Wells Real Estate Fund XI, L.P. (Wells Fund XI), Wells Real Estate Fund XII, L.P. (Wells Fund XII) or Wells Real Estate Fund XIII, L.P. (Wells Fund XIII). We may also purchase and develop properties in joint ventures or in partnerships, co-tenancies or other co-ownership arrangements with the sellers of the properties, affiliates of the sellers, developers or other persons. Such investments may involve risks not otherwise present with an investment in real estate, including, for example:

- the possibility that our 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 or which become inconsistent with our business interests or goals; or

- that such co-venturer, co-tenant or partner may be in a position to take action contrary to our instructions or requests or contrary to our policies or objectives.

Actions by such a co-venturer, co-tenant or partner might have the result of subjecting the property to liabilities in excess of those contemplated and may have the effect of reducing your returns.

Affiliates of Wells Capital are currently sponsoring a public offering on behalf of Wells Fund XII and are currently in the process of registering a public offering on behalf of Wells Fund XIII, both of which are or will be unspecified property real estate programs. (See "Prior Performance Summary.") In the event that we enter into a joint venture with Wells Fund XII, Wells Fund XIII or any other Wells program or joint venture, we may face certain additional risks and potential conflicts of interest. For example, Wells Fund XII, Wells Fund XIII and the other Wells public limited partnerships will never have an active trading market. Therefore, if we become listed on a national exchange, we may no longer have similar goals and objectives with respect to the resale of properties in the future. In addition, in the event that the Wells REIT is not listed on a securities exchange by January 30, 2008, our organizational documents provide for an orderly liquidation of our assets. In the event of such liquidation, any joint venture between the Wells REIT and another Wells program may be required to sell its properties at such time. The Wells program we have entered into a joint venture with may not desire to sell the properties at that time. Although the terms of any joint venture agreement between the Wells REIT and another Wells program would grant the other Wells program a right of first refusal to buy such properties, it is unlikely that they would have sufficient funds to exercise the right of first refusal under these circumstances.

Under certain joint venture arrangements, neither co-venturer may have the power to control the venture, and an impasse could be reached regarding matters pertaining to the joint venture, which might have a negative influence on the joint venture and decrease potential returns to you. In the event that 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 us to sell our interest in any such joint venture or partnership or as a co-tenant in property. In addition, to the extent that our co-venturer, partner or co-tenant is an affiliate of Wells Capital, certain conflicts of interest will exist. (See "Conflicts of Interest -- Joint Ventures with Affiliates of Wells Capital.")

General Investment Risks

Maryland Corporation Law may prevent a business combination involving the Wells REIT.

Provisions of Maryland Corporation Law applicable to us prohibit business combinations with:

- any person who beneficially owns 10% or more of the voting power of outstanding shares;

- any of our affiliates 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 our outstanding shares (interested shareholder); or

. an affiliate of an interested shareholder.

These prohibitions last for five years after the most recent date on which the interested shareholder became an interested shareholder. Thereafter, any business combination must be recommended by our board of directors and approved by the affirmative vote of at least 80% of the votes entitled to be cast by holders of our outstanding shares and two-thirds of the votes entitled to be cast by holders of our shares other than shares held by the interested shareholder. These requirements could have the effect of inhibiting a change in control even if a change in control were in your best interest. These provisions of Maryland law do not apply, however, to business combinations that are approved or exempted by our board of directors prior to the time that someone becomes an interested shareholder.

A limit on the number of shares a person may own may discourage a takeover.

Our articles of incorporation restrict ownership by one person to no more than 9.8% of the outstanding shares. This restriction may discourage a change of control of the Wells REIT and may deter individuals or entities from making tender offers for shares, which offers might be financially attractive to shareholders or which may cause a change in the management of the Wells REIT. (See "Description of Shares -- Restriction on Ownership of Shares.")

You are bound by the majority vote on matters on which you are entitled to vote.

You may vote on certain matters at any annual or special meeting of shareholders, including the election of directors. However, you will be bound by the majority vote on matters requiring approval of a majority of the shareholders even if you do not vote with the majority on any such matter.

You are limited in your ability to sell your shares pursuant to the share redemption program.

Even though our share redemption program provides you with the opportunity to redeem your shares for $10 per share (or the price you paid for the shares, if lower than $10) after you have held them for a period of one year, you should be fully aware that our share redemption program contains certain restrictions and limitations. Shares will be redeemed on a first-come, first-served basis and will be limited to the lesser of (1) during any calendar year, one percent (1%) of the weighted average number of



shares outstanding during the prior calendar year, or (2) the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. In addition, the board of directors reserves the right to reject any request for redemption or to amend or terminate the share redemption program at any time. Therefore, in making a decision to purchase shares of the Wells REIT, you should not assume that you will be able to sell any of your shares back to us pursuant to our share redemption program. (See "Description of Shares - Share Redemption Program.")

We established the offering price on an arbitrary basis.

The board of directors has arbitrarily determined the selling price of the shares and such price bears no relationship to any established criteria for valuing issued or outstanding shares.

Your interest in the Wells REIT may be diluted if we issue additional shares.

Existing shareholders and potential investors in this offering do not have preemptive rights to any shares issued by the Wells REIT in the future.

Therefore, in the event that we (1) sell shares in this offering or sell additional shares in the future, including those issued pursuant to the dividend reinvestment plan, (2) sell securities that are convertible into shares, (3) issue shares in a private offering of securities to institutional investors, (4) issue shares of common stock upon the exercise of the options granted to our independent directors or employees of Wells Capital and Wells Management or the warrants issued and to be issued to participating broker-dealers or our independent directors, or (5) issue shares to sellers of properties acquired by us in connection with an exchange of limited partnership units from Wells OP, existing shareholders and investors purchasing shares in this offering may experience dilution of their equity investment in the Wells REIT.

Payment of fees to Wells Capital and its affiliates will reduce cash available for investment and distribution.

Wells Capital and its affiliates will perform services for us in connection with the offer and sale of the shares, the selection and acquisition of our properties, and the management and leasing of our properties. They will be paid substantial fees for these services, which will reduce the amount of cash available for investment in properties or distribution to shareholders. (See "Management Compensation.")

The availability and timing of cash dividends is uncertain.

We bear all expenses incurred in our operations, which are deducted from cash funds generated by operations prior to computing the amount of cash dividends to be distributed to the shareholders. In addition, our board of directors, in its discretion, may retain any portion of such funds for working capital. We cannot assure you that sufficient cash will be available to pay dividends to you.

We are uncertain of our sources for funding of future capital needs.

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 addition, we do not anticipate that we will maintain any permanent working capital reserves. Accordingly, in the event that we develop a need for additional capital in the future for the improvement of our properties or for any other reason, we have not identified any sources for such funding, and we cannot assure you that such sources of funding will be available to us for potential capital needs in the future.



Real Estate Risks

General Real Estate Risks

Your investment will be affected by adverse economic and regulatory changes.

We 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;
- changes in tax, real estate, environmental and zoning laws; and
- periods of high interest rates and tight money supply.

For these and other reasons, we cannot assure you that we will be profitable or

that we will realize growth in the value of our real estate properties.

A property that incurs a vacancy could be difficult to sell or re-lease.

A property may incur a vacancy either by the continued default of a tenant under its lease or the expiration of one of our leases. Many of our properties are specifically suited to the particular needs of our tenants. Therefore, we may have difficulty obtaining a new tenant for any vacant space we have in our properties. If the vacancy continues for a long period of time, we may suffer reduced revenues resulting in less cash dividends to be distributed to shareholders. In addition, the resale value of the property could be diminished because the market value of a particular property will depend principally upon the value of the leases of such property.

We are dependent on tenants for our revenue.

Most of our properties are occupied by a single tenant and, therefore, the success of our investments are materially dependant on the financial stability of our tenants. Lease payment defaults by tenants could cause us to reduce the amount of distributions to shareholders. A default of a tenant on its lease payments to us would cause us to lose the revenue from the property and cause us to have to find an alternative source of revenue to meet the mortgage payment and prevent a foreclosure if the property is subject to a mortgage. In the event of a default, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment and reletting our property. If a lease is terminated, there is no assurance that we will be able to lease the property for the rent previously received or sell the property without incurring a loss.

We may not have funding for future tenant improvements.

When a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract one or more new tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. Substantially all of our net offering proceeds will be invested in real estate properties, and we do not anticipate that we will maintain permanent working capital reserves. We also have no identified funding



source to provide funds which may be required in the future for tenant improvements and tenant refurbishments in order to attract new tenants. We cannot assure you that we will have any sources of funding available to us for such purposes in the future.

Uninsured losses relating to real property may adversely affect your returns.

Wells Capital will attempt to ensure that all of our properties are adequately insured to cover casualty losses. However, in the event that any of our properties incurs a casualty loss which is not fully covered by insurance, the value of our assets will be reduced by any such uninsured loss. In addition, we have no source of funding to repair or reconstruct the damaged property, and we cannot assure you that any such sources of funding will be available to us for such purposes in the future.

Development and construction of properties may result in delays and increased costs and risks.

We may invest some or all of the proceeds available for investment in the acquisition and development of properties upon which we will develop and construct improvements at a fixed contract price. We 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 us to rescind the purchase or the construction contract or to compel performance. Performance may also be

affected or delayed by conditions beyond the builder's control. Delays in completion of construction could also give tenants the right to terminate preconstruction leases for space at a newly developed project. We may incur additional risks when we make periodic progress payments or other advances to such builders prior to completion of construction. Factors such as those discussed above can result in increased costs of a project or loss of our investment. In addition, we will be subject to normal lease-up risks relating to newly constructed projects. Furthermore, we must rely upon projections of rental income and expenses and estimates of the fair market value of property upon completion of construction when agreeing upon a price to be paid for the property at the time of acquisition of the property. If our projections are inaccurate, we may pay too much for a property.

If we contract with Wells Development Corporation for newly developed property, we cannot guarantee that our earnest money deposit made to Wells Development Corporation will be fully refunded.

We may enter into one or more contracts, either directly or indirectly through joint ventures with affiliates, to acquire real property from Wells Development Corporation (Wells Development), an affiliate of Wells Capital. Properties acquired from Wells Development may be either existing income-producing properties or properties to be developed or under development. We anticipate that we will be obligated to pay a substantial earnest money deposit at the time of contracting to acquire such properties. In the case of properties to be developed by Wells Development, we anticipate we will be required to close the purchase of the property upon completion of the development of the property by Wells Development and the tenant taking possession of the property. At the time of contracting and the payment of the earnest money deposit by us, Wells Development typically will not have acquired title to any real property. Wells Development will only have a contract to acquire land, a development agreement to develop a building on the land and an agreement with a tenant to lease the property upon its completion. We may enter into such a contract with Wells Development even if at the time of contracting we have not yet raised sufficient proceeds in our offering to enable us to close the purchase of such property. However, we will not be required to close a purchase from Wells Development, and will be entitled to a refund of our earnest money, in the following circumstances:

- Wells Development fails to develop the property;



- the tenant fails to take possession under its lease for any reason; or
- we are unable to raise sufficient proceeds from our offering to pay the purchase price at closing.

The obligation of Wells Development to refund our earnest money is unsecured, and it is unlikely that we would be able to obtain a refund of such earnest money deposit from it under these circumstances since Wells Development is an entity without substantial assets or operations. Although Wells Development's obligation to refund the earnest money deposit to us under these circumstances will be guaranteed by Wells Management Company, Inc., an affiliated entity (Wells Management), Wells Management has no substantial assets other than contracts for property management and leasing services pursuant to which it receives substantial monthly fees. Therefore, we cannot assure you that Wells Management would be able to refund all of our earnest money deposit in a lump sum. If we were forced to collect our earnest money deposit by enforcing the guaranty of Wells Management, we will likely be required to accept installment payments over time payable out of the revenues of Wells Management's property management and leasing operations. We cannot assure you that we would be able to collect the entire amount of our earnest money deposit under such circumstances. (See "Investment Objectives and Criteria -- Acquisition of Properties from Wells Development Corporation.")

Competition for investments may increase costs and reduce returns.

We will experience competition for real property investments from individuals, corporations and bank and insurance company investment accounts, as well as other real estate investment trusts, real estate limited partnerships, and other entities engaged in real estate investment activities. Competition for investments may have the effect of increasing costs and reducing your returns.

Delays in acquisitions of properties may have adverse effects on your investment.

Delays we encounter in the selection, acquisition and development of properties could adversely affect your returns. Where properties are acquired prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in the distribution of cash dividends attributable to that particular property.

Uncertain market conditions and the broad discretion of Wells Capital relating to the future disposition of properties could adversely affect the return on your investment.

We generally will hold the various real properties in which we invest until such time as Wells Capital determines that a sale or other disposition appears to be advantageous to achieve our investment objectives or until it appears that such objectives will not be met. Otherwise, Wells Capital, subject to approval of the board, may exercise its discretion as to whether and when to sell a property, and we will have no obligation to sell properties at any particular time, except upon a liquidation of the Wells REIT if we do not list the shares by January 30, 2008. We cannot predict with any certainty the various market conditions affecting real estate investments which will exist at any particular time in the future. Due to the uncertainty of market conditions which may affect the future disposition of our properties, we cannot assure you that we will be able to sell our properties at a profit in the future. Accordingly, the extent to which you will receive cash distributions and realize potential appreciation on our real estate investments will be dependent upon fluctuating market conditions.



Discovery of previously undetected environmentally hazardous conditions may adversely affect our operating results.

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 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, and these restrictions may require expenditures. 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 our properties, we 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 Wells REIT and, consequently, amounts available for distribution to you.

Financing Risks

If we fail to make our debt payments, we could lose our investment in a property.

Loans obtained to fund property acquisitions will generally be secured by mortgages on some of our properties. If we are unable to make our debt payments as required, a lender could foreclose on the property or properties securing its

debt. This could cause us to lose part or all of our investment which in turn could cause the value of the shares and the dividends payable to shareholders to be reduced.

Lenders may require us to enter into restrictive covenants relating to our operations.

In connection with obtaining certain financing, a lender could impose restrictions on us which affect our ability to incur additional debt and our distribution and operating policies. Loan documents we enter into may contain customary negative covenants which may limit our ability to further mortgage the property, to discontinue insurance coverage, replace Wells Capital as our advisor or impose other limitations.

If we enter into financing arrangements involving balloon payment obligations, it may adversely affect our ability to pay dividends.

Some of our financing arrangements may require us to make a lump-sum or "balloon" payment at maturity. We may finance more properties in this manner. Our ability to make a balloon payment at maturity is uncertain and may depend upon our ability to obtain additional financing or our ability to sell the property. At the time the balloon payment is due, we may or may not be able to refinance the balloon payment on terms as favorable as the original loan or sell the property at a price sufficient to make the balloon payment. The effect of a refinancing or sale could affect the rate of return to shareholders and the projected time of disposition of our assets. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to pay the distributions that we are required to pay to maintain our qualification as a REIT.



Federal Income Tax Risks

Failure to qualify as a REIT could adversely affect our operations and our ability to make distributions.

If we fail to qualify as a REIT for any taxable year, we will be subject to federal income tax on our taxable income at corporate rates. In addition, we would generally be disqualified from treatment as a REIT for the four taxable years following the year of losing our REIT status. Losing our REIT status would reduce our net earnings available for investment or distribution to shareholders because of the additional tax liability. In addition, distributions to shareholders would no longer qualify for the distributions paid deduction and we would no longer be required to make distributions. We might be required to borrow funds or liquidate some investments in order to pay the applicable tax.

Qualification as a REIT is subject to the satisfaction of tax requirements and various factual matters and circumstances which are not entirely within our control. New legislation, regulations, administrative interpretations or court decisions could change the tax laws with respect to qualification as a REIT or the federal income tax consequences of being a REIT.

Legislative or regulatory action could adversely affect investors.

In recent years, numerous legislative, judicial and administrative changes have been made in the provisions of the federal income tax laws applicable to investments similar to an investment in shares of the Wells REIT. Additional changes to the tax law are likely to continue to occur in the future, and we cannot assure you that any such changes will not adversely affect the taxation of a shareholder. Any such changes could have an adverse effect on an investment in shares or on the market value or the resale potential of our properties. You are urged to consult with your own tax advisor with respect to the impact of recent legislation on your investment in shares and the status of legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares.

Retirement Plan Risks

There are special considerations that apply to pension or profit sharing trusts or IRAs investing in shares.

If you are investing the assets of a pension, profit sharing, 401(k), Keogh or other qualified retirement plan or the assets of an IRA in the Wells REIT, you should satisfy yourself that:

- your investment is consistent with your fiduciary obligations under ERISA and the Internal Revenue Code;
- your investment is made in accordance with the documents and instruments governing your plan or IRA, including your plan's investment policy;
- your investment satisfies the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA;
- your investment will not impair the liquidity of the plan or IRA;
- your investment will not produce "unrelated business taxable income" for the plan or IRA;



- you will be able to value the assets of the plan annually in accordance with ERISA requirements; and
- your investment will not constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Internal Revenue Code.

For a more complete discussion of the foregoing issues and other risks associated with an investment in shares by retirement plans, please see the "ERISA Considerations" section of this prospectus on page ___.

Suitability Standards

The shares we are offering are suitable only as a long-term investment for persons of adequate financial means. Initially, we do not expect to have a public market for the shares, which means that it may be difficult for you to sell your shares. You should not buy these shares if you need to sell them immediately or will need to sell them quickly in the future.

In consideration of these factors, we have established suitability standards for initial shareholders and subsequent transferees. These suitability standards require that a purchaser of shares have either:

- a net worth of at least $150,000; or
- a gross annual income of at least $45,000 and a net worth, excluding the value of a purchaser's home, furnishings and automobiles of at least $45,000.

The minimum purchase is 100 shares ($1,000), except in certain states as described below. You may not transfer less shares than the minimum purchase requirement. In addition, you may not transfer, fractionalize or subdivide your shares so as to retain less than the number of shares required for the minimum purchase. In order to satisfy the minimum purchase requirements for retirement plans, unless otherwise prohibited by state law, a husband and wife may jointly contribute funds from their separate IRAs, provided that each such contribution is made in increments of $100. You should note that an investment in shares of the Wells REIT will not, in itself, create a retirement plan and that, in order to create a retirement plan, you must comply with all applicable provisions of the Internal Revenue Code.

The minimum purchase for Maine, New York and North Carolina residents is

250 shares ($2,500), except for IRAs which must purchase a minimum of 100 shares ($1,000). The minimum purchase for Minnesota residents is 250 shares ($2,500), except for IRAs and other qualified retirement plans which must purchase a minimum of 200 shares ($2,000).

Except in the states of Maine, Minnesota, Nebraska and Washington, if you have satisfied the minimum purchase requirements and have purchased units in other Wells programs or units or shares in other public real estate programs, you may purchase less than the minimum number of shares set forth above, but in no event less than 2.5 shares ($25). After you have purchased the minimum investment, any additional purchase must be in increments of at least 2.5 shares ($25), except for (1) purchases made by residents of Maine and Minnesota, who must still meet the minimum investment requirements set forth above, and (2) purchases of shares pursuant to the dividend reinvestment plan of the Wells REIT or reinvestment plans of other public real estate programs, which may be in lesser amounts.

Several states have established suitability standards different from those we have established. Shares will be sold only to investors in these states who meet the special suitability standards set forth below.



Arizona, Iowa, Massachusetts, Missouri, North Carolina and Tennessee - Investors must have either (1) a net worth of at least $225,000 or (2) gross annual income of $60,000 and a net worth of at least $60,000.

Maine - Investors must have either (1) a net worth of at least $200,000, or (2) gross annual income of $50,000 and a net worth of at least $50,000.

Michigan, Ohio, Oregon and Pennsylvania - In addition to our suitability requirements, investors must have a net worth of at least ten times their investment in the Wells REIT.

Missouri - Investors must have either (1) a net worth of at least $250,000 or (2) gross annual income of $75,000 and a net worth of at least $75,000.

New Hampshire - Investors must have either (1) a net worth of at least $250,000, or (2) taxable income of $50,000 and a net worth of at least $125,000.

In the case of sales to fiduciary accounts, these suitability standards must be met by the fiduciary account, by the person who directly or indirectly supplied the funds for the purchase of the shares or by the beneficiary of the account. These suitability standards are intended to help ensure that, given the long-term nature of an investment in the Wells REIT, our investment objectives and the relative illiquidity of the shares, the shares are an appropriate investment for certain investors. Each selected dealer must make every reasonable effort to determine that the purchase of shares is a suitable and appropriate investment for each shareholder based on information provided by the shareholder in the Subscription Agreement. Each selected dealer is required to maintain for six years records of the information used to determine that an investment in the shares is suitable and appropriate for a shareholder.

## Estimated Use of Proceeds

The following tables set forth information about how we intend to use the proceeds raised in this offering assuming that we sell 62,000,000 shares and 135,000,000 shares, respectively, pursuant to this offering. Many of the figures set forth below represent management's best estimate since they cannot be precisely calculated at this time. We expect that at least 84% of the money you invest will be used to buy real estate, while the remaining up to 16% will be used for working capital and to pay expenses and fees including the payment of fees to Wells Capital, our advisor, and Wells Investment Securities, our Dealer Manager.

| | 62,000,000 Shares | | 135,000,000 Shares | |
|---|---|---|---|---|
| | Amount(1) | Percent | Amount(2) | Percent |
| Gross Offering Proceeds | $620,000,000 | 100% | $1,350,000,000 | 100.0% |
| Less Public Offering Expenses: | | | | |
| Selling Commissions and Dealer Manager Fee (3) | 58,900,000 | 9.5% | 128,250,000 | 9.5% |
| Organization and Offering Expenses (4) | 18,600,000 | 3.0% | 18,600,000 | 1.4% |
| Amount Available for Investment (5) | $542,500,000 | 87.5% | $1,203,150,000 | 89.1% |
| Acquisition and Development: | | | | |
| Acquisition and Advisory Fees (6) | 18,600,000 | 3.0% | 40,500,000 | 3.0% |
| Acquisition Expenses (7) | 3,100,000 | 0.5% | 6,750,000 | 0.5% |
| Initial Working Capital Reserve (8) | (8) | -- | (8) | -- |
| Amount Invested in Properties (5)(9) | $520,800,000 | 84.0% | $1,155,900,000 | 85.6% |



_____
(Footnotes to "Estimated Use of Proceeds")

1. Assumes that an aggregate of $620,000,000 will be raised in this offering for purposes of illustrating the percentage of estimated organization and offering expenses at two different sales levels. See Note 4 below.

2. Assumes the maximum offering is sold which includes 125,000,000 shares offered to the public at $10 per share and 10,000,000 shares offered pursuant to our dividend reinvestment plan at $10 per share. Excludes 5,000,000 shares to be issued upon exercise of the soliciting dealer warrants.

3. Includes selling commissions equal to 7% of aggregate gross offering proceeds which commissions may be reduced under certain circumstances and a dealer manager fee equal to 2.5% of aggregate gross offering proceeds, both of which are payable to the Dealer Manager, an affiliate of the advisor. The Dealer Manager, in its sole discretion, may reallow selling commissions of up to 7% of gross offering proceeds to other broker-dealers participating in this offering attributable to the units sold by them and may reallow out of its dealer manager fee up to 1.5% of gross offering proceeds in marketing fees and due diligence expenses to broker-dealers participating in this offering based on such factors as the volume of units sold by such participating broker-dealers, marketing support provided by such participating broker-dealers and bona fide conference fees incurred. The amount of selling commissions may often be reduced under certain circumstances for volume discounts. See the "Plan of Distribution" section of this prospectus for a description of such provisions.

4. Organization and offering expenses consist of reimbursement of actual legal, accounting, printing and other accountable offering expenses, including amounts to reimburse Wells Capital, our advisor, for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares and other marketing and organization costs, other than selling commissions and the dealer manager fee. Wells Capital and its affiliates will be responsible for the payment of organization and offering expenses, other than selling commissions and the dealer manager fee, to the extent they exceed 3% of gross offering proceeds without recourse against or reimbursement by the Wells REIT. We currently estimate that approximately $18,600,000 of organization and offering costs will be incurred if the maximum offering of 135,000,000 shares is sold.

5. 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 Wells REIT, may be invested in short-term, highly-liquid investments including government obligations, bank certificates of deposit, short-term debt obligations and interest-bearing accounts.

6. Acquisition and advisory fees are defined generally as fees and commissions paid by any party to any person in connection with the purchase, development or construction of properties. We will pay Wells Capital, as our advisor, acquisition and advisory fees up to a maximum amount of 3% of gross offering proceeds in connection with the acquisition of the real estate properties. Acquisition and advisory fees do not include acquisition expenses.

7. Acquisition expenses include legal fees and expenses, travel expenses, costs of appraisals, nonrefundable option payments on property not acquired, accounting fees and expenses, title insurance premiums and other closing costs and miscellaneous expenses relating to the selection, acquisition and development of real estate properties.



8. Because the vast majority of leases for the properties acquired by the Wells REIT will provide for tenant reimbursement of operating expenses, we do not anticipate that a permanent reserve for maintenance and repairs of real estate properties will be established. However, to the extent that the we have insufficient funds for such purposes, we may apply an amount of up to 1% of gross offering proceeds for maintenance and repairs of real estate properties. We also may, but are not required to, establish reserves from gross offering proceeds, out of cash flow generated by operating properties or out of nonliquidating net sale proceeds, defined generally to mean the net cash proceeds received by the Wells REIT from any sale or exchange of properties.

9. Includes amounts anticipated to be invested in properties net of fees and expenses. We estimate that approximately 84% of the proceeds received from the sale of shares will be used to acquire properties.

## Management

### General

We operate under the direction of our board of directors, the members of which are accountable to us and our shareholders as fiduciaries. The board is responsible for the management and control of our affairs. The board has retained Wells Capital to manage our day-to-day affairs and the acquisition and disposition of our investments, subject to the board's supervision.

Our articles of incorporation and bylaws provide that the number of directors of the Wells REIT may be established by a majority of the entire board of directors but may not be fewer than three nor more than fifteen. We currently have a total of nine directors. The articles of incorporation also provide that a majority of the directors must be independent directors. An "independent director" is a person who is not an officer or employee of the Wells REIT, Wells Capital or their affiliates and has not otherwise been affiliated with such entities for the previous two years. Of the nine current directors, seven of our directors are considered independent directors.

Proposed transactions are often discussed before being brought to a final board vote. During these discussions, independent directors often offer ideas for ways in which deals can be changed to make them acceptable and these suggestions are taken into consideration when structuring transactions. Each director will serve until the next annual meeting of shareholders or until his successor has been duly elected and qualified. Although the number of directors may be increased or decreased, 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 shareholders upon the affirmative vote of at least a majority of all the votes entitled to be cast at a meeting called for the purpose of the proposed removal. The notice of the meeting shall indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be

removed. The term "cause" as used in this context is a term used in the Maryland Corporation Law. Since the Maryland Corporation Law does not define the term "cause," shareholders may not know exactly what actions by a director may be grounds for removal.

Unless filled by a vote of the shareholders as permitted by Maryland Corporation Law, a vacancy created by an increase in the number of directors or the death, resignation, removal, adjudicated incompetence or other incapacity of a director shall be filled by a vote of a majority of the remaining directors and,



- in the case of a director who is not an independent director (affiliated director), by a vote of a majority of the remaining affiliated directors, or

- in the case of an independent director, by a vote of a majority of the remaining independent directors,

unless there are no remaining affiliated directors or independent directors, as the case may be. In such case a majority vote of the remaining directors shall be sufficient. If at any time there are no independent or affiliated directors in office, successor directors shall be elected by the shareholders. Each director will be bound by the articles of incorporation and the bylaws.

The directors are not required to devote all of their time to our business and are only required to devote the time to our affairs as their duties require. The directors will meet quarterly or more frequently if necessary. We do not expect that the directors will be required to devote a substantial portion of their time to discharge their duties as our directors. Consequently, in the exercise of their fiduciary responsibilities, the directors will be relying heavily on Wells Capital. The board is empowered to fix the compensation of all officers that it selects and may pay compensation to directors for services rendered to us in any other capacity.

Our general investment and borrowing policies are set forth in this prospectus. The directors may establish further written policies on investments and borrowings and shall monitor our administrative procedures, investment operations and performance to ensure that the policies are fulfilled and are in the best interest of the shareholders. We will follow the policies on investments and borrowings set forth in this prospectus unless and until they are modified by the directors.

The board is also responsible for reviewing our fees and expenses on at least an annual basis and with sufficient frequency to determine that the expenses incurred are in the best interest of the shareholders. In addition, a majority of the independent directors and a majority of directors not otherwise interested in the transaction must approve all transactions with Wells Capital or its affiliates. The independent directors will also be responsible for reviewing the performance of Wells Capital and determining that the compensation to be paid to Wells Capital is reasonable in relation to the nature and quality of services to be performed and that the provisions of the advisory agreement are being carried out. Specifically, the independent directors will consider factors such as:

- the amount of the fee paid to Wells Capital in relation to the size, composition and performance of our investments;

- the success of Wells Capital in generating appropriate investment opportunities;

- rates charged to other REITs and other investors by advisors performing similar services;

- additional revenues realized by Wells Capital and its affiliates through their relationship with us, whether we pay them or they are

paid by others with whom we do business;

- the quality and extent of service and advice furnished by Wells Capital and the performance of our investment portfolio; and

- the quality of our portfolio relative to the investments generated by Wells Capital for its other clients.



Neither the directors nor their affiliates will vote or consent to the voting of shares they now own or hereafter acquire on matters submitted to the shareholders regarding either (1) the removal of Wells Capital, any director or any affiliate; or (2) any transaction between us and Wells Capital, any director or any affiliate.

Executive Officers and Directors

We have provided below certain information about our executive officers and directors.

| Name | Position(s) | Age |
|---|---|---|
| Leo F. Wells, III | President and Director | 56 |
| Douglas P. Williams | Executive Vice President, Secretary, Treasurer and Director | 50 |
| John L. Bell/(1)/ | Director | 60 |
| Richard W. Carpenter/(1)/ | Director | 63 |
| Bud Carter/(1)/ | Director | 62 |
| William H. Keogler, Jr./(1)/ | Director | 55 |
| Donald S. Moss/(1)/ | Director | 64 |
| Walter W. Sessoms/(1)/ | Director | 66 |
| Neil H. Strickland/(1)/ | Director | 64 |

(1) Messrs. Bell, Carpenter, Carter, Keogler, Moss, Sessoms and Strickland also serve on our Audit Committee.

Leo F. Wells, III is the President and a director of the Wells REIT and the President, Treasurer and sole director of Wells Capital, our advisor. He is also the sole shareholder and sole director of Wells Real Estate Funds, Inc., the parent corporation of Wells Capital. 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 President, Treasurer and sole director of:

- Wells Management Company, Inc., our Property Manager;
- Wells Investment Securities, Inc., our Dealer Manager;
- Wells Advisors, Inc., a company he organized in 1991 to act as a non-bank custodian for IRAs; and
- Wells Development Corporation, a company he organized in 1997 to 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 (IAFP) and a registered NASD principal.

Mr. Wells has over 26 years of experience in real estate sales, management and brokerage services. In addition to being the President and a director of

the Wells REIT, 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. As of _____, 2000, these 26 real



estate limited partnerships represented investments totaling approximately $_____ from approximately _____ investors.

Douglas P. Williams is the Executive Vice President, Secretary, Treasurer and a director of the Wells REIT. He is also a Senior Vice President of Wells Capital, our advisor, and is also a Vice President of:

- Wells Investment Securities, Inc., our Dealer Manager;
- Wells Real Estate Funds, Inc.; and
- Wells Advisors, Inc.

Mr. Williams previously served as Vice President, Controller of OneSource, Inc., a leading supplier of janitorial and landscape services, from 1996 to 1999 where he was responsible for corporate-wide accounting activities and financial analysis. Mr. Williams was employed by ECC International Inc. ("ECC"), a supplier to the paper industry and to the paint, rubber and plastic industries, from 1982 to 1995. While at ECC, Mr. Williams served in a number of key accounting positions, including Corporate Accounting Manager, U.S. Operations, Division Controller, Americas Region and Corporate Controller, America/Pacific Division. Prior to joining ECC and for one year after leaving ECC, Mr. Williams was employed by Lithonia Lighting, a manufacturer of lighting fixtures, as a Cost and General Accounting Manager and Director of Planning and Control. Mr. Williams started his professional career as an auditor for KPMG Peat Marwick LLP.

Mr. Williams is a member of the American Institute of Certified Public Accountants and the Georgia Society of Certified Public Accountants. Mr. Williams received a bachelor of arts degree from Dartmouth College and a Masters of Business Administration degree from the Amos Tuck School of Graduate Business Administration at Dartmouth College.

John L. Bell was the owner and Chairman of Bell-Mann, Inc., the largest commercial flooring contractor in the Southeast 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 establishment and supervision of the United Kingdom Pension Fund, U.K.-American Properties, Inc. which was 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 storage companies Wyatt Energy, Inc. and Commonwealth Oil Refining Company, Inc., positions which he has held since 1995 and 1984, respectively.

Mr. Carpenter also serves as Vice Chairman of the Board of Directors of both First Liberty Financial Corp. and Liberty Savings Bank, F.S.B. and Chairman of the Audit Committee of First Liberty Financial Corp. 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 alumnus of the School of Business in 1973.

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 SunAmerica, Inc., a publicly traded New York Stock Exchange company. Mr. Keogler continued to serve as President and Chief Executive Officer of these 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. 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.

Walter W. Sessoms was employed by BellSouth Telecommunications, Inc. 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 lecturer at the University of Georgia.

Neil H. Strickland was employed by Loyalty Group Insurance (which subsequently merged with America Fore Loyalty 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 attended Georgia State University where he majored in business administration. He received his L.L.B. degree from Atlanta Law School.



Compensation of Directors

We pay our independent directors $500 per month plus $125 for each board meeting they attend. In addition, we have reserved 100,000 shares of common stock for future issuance upon the exercise of stock options granted to the

independent directors pursuant to our Independent Director Stock Option Plan and 500,000 shares for future issuance upon the exercise of warrants to be granted to the independent directors pursuant to our Independent Director Warrant Plan. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors. If a director also is an officer of the Wells REIT, we do not pay separate compensation for services rendered as a director.

Independent Director Stock Option Plan

We issued non-qualified stock options to purchase 2,500 shares (Initial Options) to each independent director pursuant to the Independent Director Stock Option Plan (Director Option Plan). In addition, we issued options to purchase 1,000 shares to each independent director in connection with the 2000 annual meeting of stockholders and will continue to issue options to purchase 1,000 shares (Subsequent Options) to each independent director then in office on the date of each annual stockholder's meeting. The Initial Options and the Subsequent Options are collectively referred to as the "Director Options." Director Options may not be granted at any time when the grant, along with grants to other independent directors, would exceed 10% of our issued and outstanding shares. As of _____, 2000, each independent director had been granted options to purchase a total of 3,500 shares under the Director Option Plan, of which 1,000 of those shares were exercisable. The exercise price for the Initial Options is $12.00 per share. The exercise price for the Subsequent Options is the greater of (1) $12.00 per share or (2) the fair market value of the shares on the date they are granted. Fair market value is defined generally to mean:

- the average closing price for the five consecutive trading days ending on such date if the shares are traded on a national exchange;
- the average of the high bid and low asked prices if the shares are quoted on NASDAQ;
- the average of the last 10 sales made pursuant to a public offering if there is a current public offering and no market maker for the shares;
- the average of the last 10 purchases (or fewer if less than 10 purchases) under our share redemption program if there is no current public offering; or
- the price per share under the dividend reinvestment plan if there are no purchases under the share redemption program.

One-fifth of the Initial Options were exercisable beginning on the date we granted them, one-fifth of the Initial Options became exercisable beginning in July 2000 and an additional one-fifth of the Initial Options will become exercisable on each anniversary of the date we granted them for a period of four years until 100% of the shares become exercisable. The Subsequent Options granted under the Plan will become exercisable on the second anniversary of the date we grant them.

A total of 100,000 shares have been authorized and reserved for issuance under the Director Option Plan. If the number of outstanding shares is changed into a different number or kind of shares or securities through a reorganization or merger in which the Wells REIT is the surviving entity, or through a combination, recapitalization or otherwise, an appropriate adjustment will be made in the number and



kind of shares that may be issued pursuant to exercise of the Director Options. A corresponding adjustment to the exercise price of the Wells REIT Options granted prior to any change will also be made. Any such adjustment, however, will not change the total payment, if any, applicable to the portion of the Director Options not exercised, but will change only the exercise price for each share.

Options granted under the Director Option Plan shall lapse on the first to occur of (1) the tenth anniversary of the date we grant them, (2) the removal for cause of the independent director as a member of the board of directors, or (3) three months following the date the independent director ceases to be a director for any reason other than death or disability, and may be exercised by payment of cash or through the delivery of common stock. Options granted under the Director Option Plan are generally exercisable in the case of death or disability for a period of one year after death or the disabling event. No Director Option issued may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

The independent directors may not sell pledge, assign or transfer their options other than by will or the laws of descent or distribution.

Upon the dissolution or liquidation of the Wells REIT, upon our reorganization, merger or consolidation with one or more corporations as a result of which we are not the surviving corporation or upon sale of all or substantially all of our properties, the Director Option Plan will terminate, and any outstanding Director Options will terminate and be forfeited. The board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives:

- for the assumption by the successor corporation of the Director Options granted or the replacement of the Director Options with options covering the stock of the successor corporation, or a parent or subsidiary of such corporation, with appropriate adjustments as to the number and kind of shares and exercise prices;

- for the continuance of the Director Option Plan and the Director Options by such successor corporation under the original terms; or

- for the payment in cash or shares of common stock in lieu of and in complete satisfaction of such options.

Independent Director Warrant Plan

The Independent Director Warrant Plan of the Wells REIT (Warrant Plan) provides for the issuance of warrants to purchase shares of our common stock (Warrants) to independent directors based on the number of shares of common stock that they purchase in the future. The purpose of the Warrant Plan is to encourage our independent directors to purchase shares of our common stock. The Warrant Plan The purpose of the Warrant Plan is to encourage our independent directors to purchase shares of our common stock. Beginning on the effective date of the Warrant Plan and continuing until the earlier to occur of (1) the termination of the Warrant Plan by action of the board of directors or otherwise or (2) 5:00 p.m. EST on the date of listing of our shares on a national securities exchange, each independent director will receive one Warrant for every 25 shares of common stock he purchases in the future. The exercise price of the Warrants will be $12.00 per share.

A total of 500,000 Warrants have been authorized and reserved for issuance under the Warrant Plan, each of which will be redeemable for one share of our common stock. Upon our dissolution or liquidation, or upon a reorganization, merger or consolidation, where we are not the surviving corporation, or upon our sale of all or substantially all of our properties, the Warrant Plan shall terminate,



and any outstanding Warrants shall terminate and be forfeited; provided, however, that holders of Warrants may exercise any Warrants that are otherwise exercisable immediately prior to the effective date of the dissolution, liquidation, consolidation or merger. Notwithstanding the above, the board of directors may provide in writing in connection with any such transaction for any or all of the following alternatives: (1) for the assumption by the successor corporation of the Warrants theretofore granted or the substitution by such

corporation for such Warrants of awards covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices; (2) for the continuance of the Warrant Plan by such successor corporation in which event the Warrant Plan and the Warrants shall continue in the manner and under the terms so provided; or (3) for the payment in cash or shares in lieu of and in complete satisfaction of such Warrants.

No Warrant may be sold, pledged, assigned or transferred by an independent director in any manner other than by will or the laws of descent or distribution. All Warrants exercised during the independent director's lifetime shall be exercised only by the independent director or his legal representative. Any transfer contrary to the Warrant Plan will nullify and render void the Warrant. Notwithstanding any other provisions of the Warrant Plan, Warrants granted under the Warrant Plan shall continue to be exercisable in the case of death or disability of the independent director for a period of one year after the death or disabling event, provided that the death or disabling event occurs while the person is an independent director. No Warrant issued may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

2000 Employee Stock Option Plan

The 2000 Employee Stock Option Plan of the Wells REIT (Employee Option Plan) is designed to enable Wells Capital and Wells Management to obtain or retain the services of employees considered essential to our long range success and the success of Wells Capital and Wells Management by offering such employees an opportunity to participate in the growth of the Wells REIT through ownership of our common stock.

The Employee Option Plan provides for the formation of a Compensation Committee consisting of two or more of our independent directors. The Compensation Committee shall conduct the general administration of the Employee Option Plan. The Compensation Committee is authorized to grant "non-qualified" stock options (Employee Options) to selected employees of Wells Capital and Wells Management based upon the recommendation of Wells Capital and subject to the absolute discretion of the Compensation Committee and applicable limitations of the Employee Option Plan. The exercise price for the Employee Options shall be the greater of (1) $11.00 per share or (2) the fair market value of the shares on the date the option is granted. A total of 750,000 shares have been authorized and reserved for issuance under the Employee Option Plan.

The Compensation Committee shall set the term of the Employee Options in its discretion, although no Employee Option shall have a term greater than five years from the later of (i) the date our shares become listed on a national securities exchange, or (ii) the date the Employee option is granted. The employee receiving Employee Options shall agree to remain in employment with its employer for a period of one year after the Employee Option is granted. The Compensation Committee shall set the period during which the right to exercise an option vests in the holder of the option. No Employee Option issued may be exercised, however, if such exercise would jeopardize our status as a REIT under the Internal Revenue Code. In addition, no option may be sold, pledged, assigned or transferred by an employee in any manner other than by will or the laws of descent or distribution.

In the event that the Compensation Committee determines that any dividend or other distribution, recapitalization, stock split, reorganization, merger, liquidation, dissolution, or sale, transfer, exchange or



other disposition of all or substantially all of our assets, or other similar corporate transaction or event, affects the shares such that an adjustment is determined by the Compensation Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Employee Option Plan or with respect to an Employee Option, then the Compensation Committee shall, in such manner as it may deem

equitable, adjust the number and kind of shares or the exercise price with respect to any option.

Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents

Our organizational documents limit the personal liability of our directors and officers for monetary damages to the fullest extent permitted under current Maryland Corporation Law. We also maintain a directors and officers liability insurance policy. Maryland Corporation Law allows directors and officers to be indemnified against judgments, penalties, fines, settlements and expenses actually incurred in a proceeding unless the following can be established:

- an act or omission of the director or officer was material to the cause of action adjudicated in the proceeding, and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his act or omission was unlawful.

Any indemnification or any agreement to hold harmless is recoverable only out of our assets and not from the shareholders. Indemnification could reduce the legal remedies available to us and the shareholders against the indemnified individuals, however.

This provision does not reduce the exposure of directors and officers to liability under federal or state securities laws, nor does it limit the shareholder's ability to obtain injunctive relief or other equitable remedies for a violation of a director's or an officer's duties to us or our shareholders, although the equitable remedies may not be an effective remedy in some circumstances.

In spite of the above provisions of Maryland Corporation Law, our articles of incorporation provide that the directors, Wells Capital and its affiliates will be indemnified by us for losses arising from our operation only if all of the following conditions are met:

- the directors, Wells Capital or its affiliates have determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests;
- the directors, Wells Capital or its affiliates were acting on our behalf or performing services for us;
- in the case of affiliated directors, Wells Capital or its affiliates, the liability or loss was not the result of negligence or misconduct by the party seeking indemnification;
- in the case of independent directors, the liability or loss was not the result of gross negligence or willful misconduct by the party seeking indemnification; and



- the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from the shareholders.

We have agreed to indemnify and hold harmless Wells Capital and its affiliates performing services for us from specific claims and liabilities arising out of the performance of its obligations under the advisory agreement. As a result, we and our shareholders may be entitled to a more limited right of action than they would otherwise have if these indemnification rights were not included in the advisory agreement.

The general effect to investors of any arrangement under which any of our controlling persons, directors or officers are insured or indemnified against liability is a potential reduction in distributions resulting from our payment of premiums associated with insurance. In addition, indemnification could reduce the legal remedies available to the Wells REIT and our shareholders against the officers and directors.

The Securities and Exchange Commission takes the position that indemnification against liabilities arising under the Securities Act of 1933 is against public policy and unenforceable. Indemnification of the directors, officers, Wells Capital or its affiliates will not be allowed for liabilities arising from or out of a violation of state or federal securities laws, unless one or more of the following conditions are met:

- there has been a successful adjudication On the merits of each count involving alleged securities law violations;

- such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction; or

- a court of competent jurisdiction approves a settlement of the claims against the 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 Securities and Exchange Commission and of the published position of any state securities regulatory authority in which the securities were offered as to indemnification for violations of securities laws.

Indemnification will be allowed for settlements and related expenses of lawsuits alleging securities laws violations and for expenses incurred in successfully defending any lawsuits, provided that a court either:

- approves the settlement and finds that indemnification of the settlement and related costs should be made; or

- dismisses with prejudice or there is a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnitee and a court approves the indemnification.



The Advisor

The advisor of the Wells REIT is Wells Capital. Some of our officers and directors are also officers and directors of Wells Capital. Wells Capital has contractual responsibility to the Wells REIT and its stockholders pursuant to the advisory agreement.

The directors and executive officers of Wells Capital are as follows:

| Name | Age | Position |
|---|---|---|
| Leo F. Wells, III | 56 | President, Treasurer and sole director |
| Douglas P. Williams | 50 | Senior Vice President and Assistant Secretary |
| Stephen G. Franklin | 53 | Senior Vice President |
| Kim R. Comer | 45 | Vice President |
| Linda L. Carson | 56 | Vice President |

The backgrounds of Messrs. Wells and Williams are described in the "Management -- Executive Officers and Directors" section of this prospectus. Below is a brief description of the other executive officers of Wells Capital.

Stephen G. Franklin, Ph.D. is a Senior Vice President of Wells Capital, our advisor. Mr. Franklin is responsible for _____. Mr. Franklin also serves as Vice President of Wells Real Estate Funds, Inc. Prior to joining

Wells Capital, Mr. Franklin served as President of Global Access Learning, an international executive education and management development firm. From 1997 to 1999, Mr. Franklin served as President, Chief Academic Officer and Director of EduTrek International, a publicly traded provider of international post-secondary education that owns the American InterContinental University, with campuses in Atlanta, Ft. Lauderdale, Los Angeles, Washington, D.C., London and Dubai. While at EduTrek, he was instrumental in developing the Masters and Bachelors of Information Technology, International MBA and Adult Evening BBA programs. Prior to joining EduTrek, Mr. Franklin was Associate Dean of the Goizueta Business School at Emory University and a former tenured Associate Professor of Business Administration. He served on the founding Executive MBA faculty, and has taught graduate, undergraduate and executive courses in Management and Organizational Behavior, Human Resources Management and Entrepreneurship. He is also co-founder and Director of the Center for Healthcare Leadership in the Emory University School of Medicine. Mr. Franklin was a frequent guest lecturer at universities throughout North America, Europe and South Africa.

In 1984, Mr. Franklin took a sabbatical from Emory University and became Executive Vice President and a principal shareholder of Financial Service Corporation ("FSC"), an independent financial planning broker-dealer. Mr. Franklin and the other shareholders of FSC later sold their interests in FSC to Mutual of New York Life Insurance Company.



Kim R. Comer rejoined Wells Capital as National Vice President of Marketing in April 1997 after working for Wells Capital in similar capacities from January 1992 through September 1995. Mr. Comer currently serves as Vice President of Investor Services. In prior positions with Wells Capital, he served as Vice President of Marketing for the southeast and northeast regions. Mr. Comer has over ten years experience in the securities industry and is a registered representative and financial principal with the NASD. Additionally, he has substantial financial experience 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.

Linda L. Carson is a Vice President of Wells Capital, our advisor. She is primarily responsible for fund, property and corporate accounting, SEC reporting and coordination of all audits by the independent public accountants. Ms. Carson also serves as Secretary of Wells Investment Securities, Inc., our Dealer Manager. Ms. Carson joined Wells Capital in 1989 as Staff Accountant, became Controller in 1991 and assumed her current position in 1996. Prior to joining Wells Capital, 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 also a member of the National Society of Accountants.

Wells Capital 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 Wells REIT.

Wells Capital currently owns 20,000 limited partnership units in Wells OP, our operating partnership, for which it contributed $200,000. Wells Capital may not sell these units while the advisory agreement is in effect, although it has the right to transfer such units to an affiliate. (See "The Operating Partnership Agreement.")

The Advisory Agreement

Many of the services to be performed by Wells Capital in managing our day-to-day activities are summarized below. This summary is provided to illustrate the material functions which Wells Capital will perform for us as our advisor and it is not intended to include all of the services which may be provided to us by third parties. Under the terms of the advisory agreement, Wells Capital undertakes to use its best

efforts to present to us investment opportunities consistent with our investment policies and objectives as adopted by the board of directors. In its performance of this undertaking, Wells Capital, either directly or indirectly by engaging an affiliate, shall, subject to the authority of the board:

- find, present and recommend to us real estate investment opportunities consistent with our investment policies and objectives;
- structure the terms and conditions of transactions pursuant to which acquisitions of properties will be made;
- acquire properties on our behalf in compliance with our investment objectives and policies;
- arrange for financing and refinancing of properties; and
- enter into leases and service contracts for the properties acquired.

The term of the current advisory agreement ends on January 30, 2001 and may be renewed for an unlimited number of successive one year periods. Additionally, the advisory agreement may be terminated:

- immediately by us for "cause" or upon the bankruptcy of Wells Capital or a material breach of the advisory agreement by Wells Capital;
- without cause by a majority of the independent directors of the Wells REIT or a majority of the directors of Wells Capital upon 60 days' written notice; or
- immediately with "good reason" by Wells Capital.

"Good reason" is defined in the advisory agreement to mean either:

- any failure by us to obtain a satisfactory agreement from our successor to assume and agree to perform our obligations under the advisory agreement; or
- any material breach of the advisory agreement of any nature whatsoever by us.

"Cause" is defined in the advisory agreement to mean fraud, criminal conduct, willful misconduct or willful or negligent breach of fiduciary duty by Wells Capital or a breach of the advisory agreement by Wells Capital.

Wells Capital and its affiliates expect to engage in other business ventures and, as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the advisory agreement, Wells Capital must devote sufficient resources to the administration of the Wells REIT to discharge its obligations. Wells Capital may assign the advisory agreement to an affiliate upon approval of a majority of the independent directors. We may assign or transfer the advisory agreement to a successor entity.

Wells Capital may not make any acquisition of property or financing of such acquisition on our behalf without the prior approval of a majority of our independent directors. The actual terms and conditions of transactions involving investments in properties shall be determined in the sole discretion of Wells Capital, subject at all times to such board approval.



We will reimburse Wells Capital for all of the costs it incurs in connection with the services it provides to us, including, but not limited to:

- organization and offering expenses in an amount up to 3% of gross offering proceeds, which include actual legal, accounting, printing and expenses attributable to preparing the SEC registration statement, qualification of the shares for sale in the states and filing fees incurred by Wells Capital, as well as reimbursement for marketing, salaries and direct expenses of its employees while engaged in registering and marketing the shares and other marketing and organization costs, other than selling commissions and the dealer manager fee.

- the annual cost of goods and materials used by us and obtained from entities not affiliated with Wells Capital, including brokerage fees paid in connection with the purchase and sale of securities;

- administrative services including personnel costs; provided, however, that no reimbursement shall be made for costs of personnel to the extent that personnel are used in transactions for which Wells Capital receives a separate fee; and

- 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 competitive rates charged by unaffiliated persons providing similar services.

Wells Capital must reimburse us at least annually for reimbursements paid to Wells Capital in any year to the extent that such reimbursements to Wells Capital cause our operating expenses to exceed the greater of (1) 2% of our average invested assets, which generally consists of the average book value of our real estate properties before reserves for depreciation or bad debts, or (2) 25% of our net income, which is defined as our total revenues less total expenses for any given period excluding reserves for depreciation and bad debt. Such operating expenses do not include amounts payable out of capital contributions which are capitalized for tax and accounting purposes such as the acquisition and advisory fees payable to Wells Capital. To the extent that operating expenses payable or reimbursable by us exceed this limit and the independent directors determine that the excess expenses were justified based on unusual and nonrecurring factors which they deem sufficient, Wells Capital may be reimbursed in future years for the full amount of the excess expenses, or any portion thereof, but only to the extent the reimbursement would not cause our operating expenses to exceed the limitation in any year. Within 60 days after the end of any of our fiscal quarters for which total operating expenses for the 12 months then ended exceed the limitation, there shall be sent to the shareholders a written disclosure, together with an explanation of the factors the independent directors considered in arriving at the conclusion that the excess expenses were justified.

Wells Capital and its affiliates will be paid fees in connection with services provided to us. (See "Management Compensation.") In the event the advisory agreement is terminated, Wells Capital will be paid all accrued and unpaid fees and expense reimbursements, and any subordinated acquisition fees earned prior to the termination. We will not reimburse Wells Capital or its affiliates for services for which Wells Capital or its affiliates are entitled to compensation in the form of a separate fee.



Shareholdings

Wells Capital currently owns 20,000 limited partnership units of Wells OP, our operating partnership, which constitutes 100% of the limited partner units outstanding. Wells Capital may not sell any of these units during the period it serves as our advisor. Wells Capital also owns 100 shares of the Wells REIT, which it acquired upon the initial formation of the Wells REIT. Any resale of the shares that Wells Capital currently owns and the resale of any shares which may be acquired by our affiliates are subject to the provisions of Rule 144 promulgated under the Securities Act of 1933, which rule limits the number of shares that may be sold at any one time and the manner of such resale. Although

Wells Capital and its affiliates are not prohibited from acquiring additional shares, Wells Capital has no options or warrants to acquire any additional shares and has no current plans to acquire additional shares. Wells Capital has agreed to abstain from voting any shares it now owns or hereafter acquires in any vote for the election of directors or any vote regarding the approval or termination of any contract with Wells Capital or any of its affiliates.

Affiliated Companies

Property Manager

Our properties will be managed and leased initially by Wells Management Company, Inc. (Wells Management), our Property Manager. Wells Real Estate Funds, Inc. is the sole shareholder of Wells Management, and Mr. Wells is the President, Treasurer and sole director of Wells Management. (See "Conflicts of Interest.") The other principal officers of Wells Management are as follows:

| Name | Positions |
|---|---|
| M. Scott Meadows | Senior Vice President and Secretary |
| Michael C. Berndt | Vice President and Chief Investment Officer |
| Michael L. Watson | Vice President |

Wells Management is engaged in the business of real estate management. It was organized and commenced active operations in 1983 to lease and manage real estate projects which Wells Capital and its affiliates operate or in which they own an interest. As of _____, 2000, Wells Management was managing in excess of _____ square feet of office buildings and shopping centers. We will pay Wells Management property management and leasing fees not exceeding the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).

In the event that Wells Management assists a tenant with tenant improvements, a separate fee may be charged to the tenant and paid by the tenant. This fee will not exceed 5% of the cost of the tenant improvements.



Wells Management derives all of its income from its property management and leasing operations. For the fiscal year ended December 31, 1999, Wells Management reported $1,983,066 in gross operating revenues and $400,937 in net income.

Wells Management will hire, direct and establish policies for employees who will have direct responsibility for each property's operations, including resident managers and assistant managers, as well as building and maintenance personnel. Some or all of the other employees may be employed on a part-time basis and may also be employed by one or more of the following:

- Wells Capital;
- Wells Management;
- partnerships organized by Wells Management and its affiliates; and
- other persons or entities owning properties managed by Wells

Management.

Wells Management will also direct the purchase of equipment and supplies and will supervise all maintenance activity.

The management fees to be paid to Wells Management will cover, without additional expense to the Wells REIT, the property manager's general overhead costs such as its expenses for rent and utilities.

The principal office of Wells Management is located at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092.

Dealer Manager

Wells Investment Securities, Inc. (Wells Investment Securities), the Dealer Manager, is a member firm of the National Association of Securities Dealers, Inc. (NASD). Wells Investment Securities was organized in May 1984 for the purpose of participating in and facilitating the distribution of securities of Wells programs.

Wells Investment Securities will provide certain wholesaling, sales promotional and marketing assistance services to the Wells REIT in connection with the distribution of the shares offered pursuant to this prospectus. It may also sell a limited number of shares at the retail level. (See "Plan of Distribution.")

Wells Real Estate Funds, Inc. is the sole shareholder of Wells Investment Securities, and Mr. Wells is the President, Treasurer and sole director of Wells Investment Securities. (See "Conflicts of Interest.")

IRA Custodian

Wells Advisors, Inc. (Wells Advisors) was organized in 1991 for the purpose of acting as a non-bank custodian for IRAs investing in the securities of Wells real estate programs. Wells Advisors currently charges no fees for such services. Wells Advisors was approved by the Internal Revenue Service to act as a qualified non-bank custodian for IRAs on March 20, 1992. In circumstances where Wells Advisors acts as an IRA custodian, the authority of Wells Advisors is limited to holding limited partnership units or REIT shares on behalf of the beneficiary of the IRA and making distributions or reinvestments in such units or shares solely at the direction of the beneficiary of the IRA. Well Advisors



is not authorized to vote any of such units or shares held in any IRA except in accordance with the written instructions of the beneficiary of the IRA. Mr. Wells is the President and sole director and owns 50% of the common stock and all of the preferred stock of Wells Advisors. As of _____, 2000, Wells Advisors was acting as the IRA custodian for in excess of $50,000,000 in Wells real estate program investments.

Management Decisions

The primary responsibility for the management decisions of Wells Capital, our advisor, including the selection of our investments and the negotiation for these investments, will reside in Leo F. Wells, III. Wells Capital seeks to invest in commercial properties that satisfy our investment objectives, typically office buildings in which the major tenant is a company with a net worth of in excess of $100,000,000. The board of directors must approve all acquisitions of real estate properties.

Management Compensation

The following table summarizes and discloses all of the compensation and fees, including reimbursement of expenses, to be paid by the Wells REIT to Wells Capital and its affiliates.

| Form of Compensation and and Entity Receiving | Determination of Amount | Estimated Maximum Dollar Amount(1) |
|---|---|---|
| | Organizational and Offering Stage | |
| Selling Commissions - Wells Investment Securities | Up to 7% of gross offering proceeds before reallowance of commissions earned by participating broker-dealers. Wells Investment Securities, our Dealer Manager, intends to reallow 100% of commissions earned to participating broker-dealers. | $94,500,000 |
| Dealer Manager Fee - Wells Investment Securities | Up to 2.5% of gross offering proceeds before reallowance to participating broker-dealers. Wells Investment Securities, in its sole discretion, may reallow a portion of its dealer manager fee of up to 1.5% of the gross Offering proceeds to be paid to such participating broker-dealers as a marketing fee and due diligence expense reimbursement, based on such factors as the volume of shares sold by such participating broker-dealers, marketing support and bona fide conference fees incurred. | $33,750,000 |



| | | |
|---|---|---|
| Reimbursement of Organization and Offering Expenses - Wells Capital or its Affiliates | Up to 3% of gross offering proceeds. All organization and offering expenses (excluding selling commissions and the dealer manager fee) will be advanced by Wells Capital or its affiliates and reimbursed by the Wells REIT up to 3% of gross offering proceeds. We currently estimate that approximately $18,600,000 of organization and offering costs will be incurred if the maximum offering of 135,000,000 shares is sold. | $18,600,000 |
| | Acquisition and Development Stage | |
| Acquisition and Advisory Fees - Wells Capital or its Affiliates (2) | Up to 3% of gross offering proceeds for the review and evaluation of potential real property acquisitions. | $40,500,000 |
| Reimbursement of Acquisition Expenses - Wells Capital or its Affiliates (2) | Up to .5% of gross offering proceeds for reimbursement of expenses related to real property acquisitions, such as legal fees, travel expenses, property appraisals, title insurance premium expenses and other closing costs. | $ 6,750,000 |
| | Operational Stage | |
| Property Management and Leasing Fees - Wells Management | For the management and leasing of our properties, we will pay Wells Management, our Property Manager, property management fees equal to 2.5% of gross revenues and easing fees equal to 2% of gross revenues; provided, however, that aggregate property management and leasing fees payable to Wells Management shall not exceed the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agent sin such area (customarily equal to the first month's rent). | Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time. |

| | | |
|---|---|---|
| Real Estate Commissions - Wells Capital or its Affiliates | In connection with the sale of properties, 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 size, type and location of the property, or (B) 3% of the gross sales price of each property, subordinated to distributions to Investors from sale proceeds of an amount which, together with prior distributions to the investors, will equal (1) 100% of their capital contributions plus (2) an 8% annual cumulative, noncompounded return on their net capital contributions. | Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time. |
| Subordinated Participation in Net Sale Proceeds - Wells Capital (3) | After investors have received a return of their net capital contributions and an 8% per year cumulative, noncompounded return, then Wells Capital is entitled to receive 10% of remaining net sales proceeds. | Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time. |
| Subordinated Incentive Listing Fee - Wells Capital (4)(5) | Upon listing, a fee equal to 10% of the amount by which (1) the market value of the outstanding stock of the Wells REIT plus distributions paid by the Wells REIT prior to listing, exceeds (2) the sum of the total amount of capital raised from investors and the amount cash flow necessary to generate an 8% per year cumulative, noncompounded return to investors.<br><br>The Wells REIT may not reimburse any entity for operating expenses in excess of the greater of 2% of our average invested assets or 25% of our net income for the year. | Actual amounts are dependent upon results of operations and therefore cannot be determined at the present time. |

_____

(Footnotes to "Management Compensation")

1. The estimated maximum dollar amounts are based on the sale of a maximum of 125,000,000 shares to the public at $10 per share and the sale of 10,000,000 shares at $10 per share pursuant to our dividend reinvestment plan.

2. Notwithstanding the method by which we calculate the payment of acquisition fees and expenses, as described in the table, the total of all such acquisition fees and acquisition expenses shall not exceed, in the aggregate, an amount equal to 6% of the contract price of all of the properties which we will purchase, as required by the NASAA Guidelines.

3. The subordinated participation in net sale proceeds and the subordinated incentive listing fee to be received by Wells Capital are mutually exclusive of each other. In the event that the Wells REIT becomes listed and Wells Capital receives the subordinated incentive listing fee prior to its



receipt of the subordinated participation in net sale proceeds, Wells Capital shall not be entitled to any such participation in net sale proceeds.

4. If at any time the shares become listed on a national securities exchange or included for quotation on Nasdaq, we will negotiate in good faith with Wells Capital a fee structure appropriate for an entity with a perpetual life. A majority of the independent directors must approve the new fee structure negotiated with Wells Capital. In negotiating a new fee structure, the independent directors shall consider all of the factors they deem relevant, including but not limited to:

- the size of the advisory fee in relation to the size, composition and profitability of our portfolio;

- the success of Wells Capital in generating opportunities that meet our investment objectives;

- the rates charged to other REITs and to investors other than REITs by advisors performing similar services;

- additional revenues realized by Wells Capital through their relationship with us;

- the quality and extent of service and advice furnished by Wells Capital;

- the performance of our investment portfolio, including income, conservation or appreciation of capital, frequency of problem investments and competence in dealing with distress situations; and

- the quality of our portfolio in relationship to the investments generated by Wells Capital for the account of other clients.

The board, including a majority of the independent directors, may not approve a new fee structure that is, in its judgment, more favorable to Wells Capital than the current fee structure.

5. The market value of the outstanding stock of the Wells REIT will be calculated based on the average market value of the shares issued and outstanding at listing over the 30 trading days beginning 180 days after the shares are first listed on a stock exchange.

We have the option to pay the listing fee in the form of stock, cash, a promissory note or any combination thereof. In the event the subordinated incentive listing fee is paid to Wells Capital as a result of the listing of the shares, we will not be required to pay Wells Capital any further subordinated participation in net sales proceeds.

In addition, Wells Capital and its affiliates will be reimbursed only for the actual cost of goods, services and materials used for or by the Wells REIT. Wells Capital may be reimbursed for the administrative services necessary to the prudent operation of the Wells REIT provided that the reimbursement shall be at the lower of the advisor's actual cost or the amount the Wells REIT would be required to pay to independent parties for comparable administrative services in the same geographic location. We will not reimburse Wells Capital or its affiliates for services for which they are entitled to compensation by way of a separate fee. Excluded from allowable reimbursement shall be: (1) rent or depreciation, utilities, capital equipment, other administrative items; and (2) salaries, fringe benefits, travel expenses and other administrative items incurred by or allocated to any controlling persons of Wells Capital or its affiliates.



Since Wells Capital and its affiliates are entitled to differing levels of compensation for undertaking different transactions on behalf of the Wells REIT such as the property management fees for operating the properties and the subordinated participation in net sale proceeds, the advisor has the ability to affect the nature of the compensation it receives by undertaking different transactions. However, Wells Capital is obligated to exercise good faith and integrity in all its dealings with respect to our affairs pursuant to the advisory agreement. (See "Management -- The Advisory Agreement.") Because these fees or expenses are payable only with respect to certain transactions or services, they may not be recovered by Wells Capital or its affiliates by reclassifying them under a different category.

## Stock Ownership

The following table shows, as of _____, 2000, the amount of our common stock beneficially owned (unless otherwise indicated) by (1) any person who is known by us to be the beneficial owner of more than 5% of the outstanding shares of common stock, (2) our directors, (3) our executive officers, and (4) all of our directors and executive officers as a group.

| | Shares Beneficially Owned | |
|---|---|---|
| | Shares | Percentage |
| Name and Address of Beneficial Owner | | |
| Leo F. Wells, III (1)<br>6200 The Corners Parkway, Suite 250<br>Norcross, GA 30092 | 344 | * |
| Douglas P. Williams (1)<br>6200 The Corners Parkway, Suite 250<br>Norcross, GA 30092 | 100 | * |
| John L. Bell (2)<br>800 Mt. Vernon Highway, Suite 230<br>Atlanta, GA 30328 | 1,000 | * |
| Richard W. Carpenter (2)<br>Realmark Holdings Corporation<br>P.O. Box 421669 (30342)<br>5570 Glenridge Drive<br>Atlanta, GA 30342 | 1,000 | * |
| Bud Carter (2)<br>The Executive Committee<br>100 Mount Shasta Lane<br>Alpharetta, GA 30022-5440 | 1,000 | * |
| William H. Keogler, Jr. (2)<br>469 Atlanta Country Club Drive<br>Marietta, GA 30067 | 1,000 | * |
| Donald S. Moss (2)<br>114 Summerour Vale<br>Duluth, GA 30097 | 12,150 | * |
| Walter W. Sessoms (2)<br>5995 River Chase Circle NW<br>Atlanta, GA 30328 | 2,075 | * |



| | Shares Beneficially Owned | |
|---|---|---|
| | Shares | Percentage |
| Neil H. Strickland (2)<br>Strickland General Agency, Inc.<br>3109 Crossing Park<br>P.O. Box 129<br>Norcross, GA 30091 | 1,000 | * |
| Northern Trust Co., Custodian for<br>Wayne County Employees'<br>Retirement System<br>Attn: Laura Santiago<br>P.O. Box 92996<br>Chicago, IL 60675 | 2,156,921 | ____% |
| Luzerne County Employees Retirement<br>Plan and Trust Dated 1/1/42<br>Attn: Retirement Office | 1,009,902 | ____% |

| | | |
|---|---|---|
| North River & West Jackson Street<br>Courthouse Annex<br>Wilkes-Barre, PA 18711 | | |
| Police & Fireman Retirement System<br>City of Detroit<br>Attn: _____<br>908 Coleman A. Young Municipal Center<br>Detroit, MI 48226 | 2,083,333 | ____% |
| All directors and executive officers as a group /(1)(3)/ | 19,668 | * |

* Less than 1% of the outstanding common stock.

(1) Includes 100 shares owned by Wells Capital, which is a wholly-owned subsidiary of Wells Real Estate Funds, Inc. Messrs. Wells and Williams are both control persons of Wells Capital, and Mr. Wells is a control person of Wells Real Estate Funds, Inc. Mr. Williams disclaims beneficial ownership of the shares owned by Wells Capital.

(2) Includes options to purchase up to 1,000 shares of common stock, which are exercisable within 60 days of _____, 2000.

(3) Includes options to purchase an aggregate up to 7,000 shares of common stock, which are exercisable within 60 days of _____, 2000.

## Conflicts of Interest

We are subject to various conflicts of interest arising out of our relationship with Wells Capital, our advisor, and its affiliates, including conflicts related to the arrangements pursuant to which Wells Capital and its affiliates will be compensated by the Wells REIT. (See "Management Compensation.")

The independent directors have an obligation to function on our behalf in all situations in which a conflict of interest may arise and will have a fiduciary obligation to act on behalf of the shareholders. These conflicts include, but are not limited to, the following:



### Interests in Real Estate Programs

Wells Capital and its affiliates are general partners of other Wells programs, including partnerships which have investment objectives similar to those of the Wells REIT, and we expect that they will organize other such partnerships in the future. Wells Capital and such affiliates have legal and financial obligations with respect to these partnerships which are similar to their obligations to the Wells REIT. As general partners, they may have contingent liability for the obligations of such partnerships as well as those of the Wells REIT which, if such obligations were enforced against them, could result in substantial reduction of their net worth.

Wells Capital and its affiliates are currently sponsoring a real estate program known as Wells Real Estate Fund XII, L.P. The registration statement of Wells Real Estate Fund XII, L.P. was declared effective by the Securities and Exchange Commission on March 22, 1999 for the offer and sale to the public of up to 7,000,000 units of limited partnership interest at a price of $10.00 per unit.

As described in the "Prior Performance Summary," Wells Capital and its affiliates have sponsored the following 13 other public real estate programs with substantially identical investment objectives as those of the Wells REIT:

1. Wells Real Estate Fund I (Wells Fund I),
2. Wells Real Estate Fund II (Wells Fund II),
3. Wells Real Estate Fund II-OW (Wells Fund II-OW),

4. Wells Real Estate Fund III, L.P. (Wells Fund III),
5. Wells Real Estate Fund IV, L.P. (Wells Fund IV),
6. Wells Real Estate Fund V, L.P. (Wells Fund V),
7. Wells Real Estate Fund VI, L.P. (Wells Fund VI),
8. Wells Real Estate Fund VII, L.P. (Wells Fund VII),
9. Wells Real Estate Fund VIII, L.P. (Wells Fund VIII),
10. Wells Real Estate Fund IX, L.P. (Wells Fund IX),
11. Wells Real Estate Fund X, L.P. (Wells Fund X),
12. Wells Real Estate Fund XI, L.P. (Wells Fund XI), and
13. Wells Real Estate Fund XII, L.P. (Wells Fund XII)

In the event that the Wells REIT, or any other Wells program or other entity formed or managed by Wells Capital or its affiliates is in the market for similar properties, Wells Capital will review the investment portfolio of each such affiliated entity prior to making a decision as to which Wells program will purchase such properties. (See "Certain Conflict Resolution Procedures.")

Wells Capital may acquire, for its own account or for private placement, properties which it deems not suitable for purchase by the Wells REIT, whether because of the greater degree of risk, the complexity of structuring inherent in such transactions, financing considerations or for other reasons, including properties with potential for attractive investment returns.

Other Activities of Wells Capital and its Affiliates

We rely on Wells Capital for the day-to-day operation of our business. As a result of its interests in other Wells programs and the fact that it has also engaged and will continue to engage in other business activities, Wells Capital and its affiliates will have conflicts of interest in allocating their time between the Wells REIT and other Wells programs and activities in which they are involved. (See "Risk Factors -- Investment Risks.") However, Wells Capital believes that it and its affiliates have sufficient personnel to discharge fully their responsibilities to all of the Wells programs and ventures in which they are involved.



Wells Capital or any of its affiliates may temporarily enter into contracts relating to investment in properties to be assigned to the Wells REIT prior to closing or may purchase property in their own name and temporarily hold title for the Wells REIT provided that such property is purchased by the Wells REIT at a price no greater than the cost of such property, including acquisition and carrying costs, to Wells Capital or the affiliate. Further, Wells Capital or such affiliate may not have held title to any such property on our behalf for more than 12 months prior to the commencement of this offering; Wells Capital or its affiliates shall not sell property to the Wells REIT if the cost of the property exceeds the funds reasonably anticipated to be available for the Wells REIT to purchase any such property; and all profits and losses during the period any such property is held by the Wells REIT or its affiliates will accrue to the Wells REIT. In no event may the Wells REIT:

- loan funds to Wells Capital or any of its affiliates; or

- enter into agreements with Wells Capital or its affiliates for the provision of insurance covering the Wells REIT or any of our properties.

Competition

Conflicts of interest will exist to the extent that we may acquire properties in the same geographic areas where properties owned by other Wells programs are located. In such a case, a conflict could arise in the leasing of properties in the event that the Wells REIT and another Wells program were to compete for the same tenants in negotiating leases, or a conflict could arise in connection with the resale of properties in the event that the Wells REIT and another Wells program were to attempt to sell similar properties at the same time. Conflicts of interest may also exist at such time as the Wells REIT or

our affiliates managing property on our behalf seek to employ developers, contractors or building managers as well as under other circumstances. Wells Capital 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, Wells Capital will seek to reduce conflicts which may arise with respect to properties available for sale or rent by making prospective purchasers or tenants aware of all such properties. However, these conflicts cannot be fully avoided in that Wells Capital may establish differing compensation arrangements for employees at different properties or differing terms for resales or leasing of the various properties.

Affiliated Dealer Manager

Since Wells Investment Securities, our Dealer Manager, is an affiliate of Wells Capital, we 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 we anticipate that properties we acquire will be managed and leased by Wells Management, our Property Manager, we will not have the benefit of independent property management. (See "Management -- Affiliated Companies.")



Lack of Separate Representation

Holland & Knight LLP is counsel to the Wells REIT, Wells Capital, Wells Investment Securities and their affiliates in connection with this offering and may in the future act as counsel to the Wells REIT, Wells Capital, Wells Investment Securities 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 Wells REIT and Wells Capital, Wells Investment Securities or any of their affiliates, separate counsel for such matters will be retained as and when appropriate.

Joint Ventures with Affiliates of Wells Capital

We have entered into joint ventures with other Wells programs to acquire and own properties and are likely to enter into one or more joint venture agreements with other Wells programs for the acquisition, development or improvement of properties. (See "Investment Objectives and Criteria -- Joint Venture Investments.") Wells Capital and its affiliates may have conflicts of interest in determining which Wells program should enter into any particular joint venture agreement. The co-venturer may have economic or business interests or goals which are or which may become inconsistent with our business interests or goals. In addition, should any such joint venture be consummated, Wells Capital may face a conflict in structuring the terms of the relationship between our interests and the interest of the affiliated co-venturer and in managing the joint venture. Since Wells Capital and its affiliates will control both the Wells REIT 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. (See "Risk Factors -- Investment Risks.")

Receipt of Fees and Other Compensation by Wells Capital and its Affiliates

A transaction involving the purchase and sale of properties may result in the receipt of commissions, fees and other compensation by Wells Capital and its affiliates, including acquisition and advisory fees, the dealer manager fee, property management and leasing fees, real estate brokerage commissions, and participation in nonliquidating net sale proceeds. However, the fees and compensation payable to Wells Capital and its affiliates relating to the sale of properties are subordinated to the return to the shareholders of their capital

contributions plus cumulative returns on such capital. Subject to oversight by the board of directors, Wells Capital has considerable discretion with respect to all decisions relating to the terms and timing of all transactions. Therefore, Wells Capital may have conflicts of interest concerning certain actions taken on our behalf, particularly due to the fact that such fees will generally be payable to Wells Capital and its affiliates regardless of the quality of the properties acquired or the services provided to the Wells REIT. (See "Management Compensation.")

Every transaction we enter into with Wells Capital or its affiliates is subject to an inherent conflict of interest. The board may encounter conflicts of interest in enforcing our rights against any affiliate in the event of a default by or disagreement with an affiliate or in invoking powers, rights or options pursuant to any agreement between us and any affiliate. A majority of the independent directors who are otherwise disinterested in the transaction must approve each transaction between us and Wells Capital or any of its affiliates as being fair and reasonable to us and on terms and conditions no less favorable to us than those available from unaffiliated third parties.



Certain Conflict Resolution Procedures

In order to reduce or eliminate certain potential conflicts of interest, our articles of incorporation contain a number of restrictions relating to (1) transactions we enter into with Wells Capital and its affiliates, (2) certain future offerings, and (3) allocation of properties among affiliated entities. These restrictions include, among others, the following:

- We will not accept goods or services from Wells Capital or its affiliates unless a majority of the directors, including a majority of the independent directors, not otherwise interested in the transactions approve such transactions as fair and reasonable to the Wells REIT and on terms and conditions not less favorable to the Wells REIT than those available from unaffiliated third parties.

- We will not purchase or lease properties in which Wells Capital or its affiliates has an interest without a 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 Wells REIT and at a price to the Wells REIT no greater than the cost of the property to Wells Capital or its affiliates unless there is substantial justification for any amount that exceeds such cost and such excess amount is determined to be reasonable. In no event will we acquire any such property at an amount in excess of its appraised value. We will not sell or lease properties to Wells Capital or its affiliates or to our directors unless a majority of the directors, including a majority of the independent directors, not otherwise interested in the transaction determine the transaction is fair and reasonable to the Wells REIT.

- We will not make any loans to Wells Capital or its affiliates or to our directors. In addition, Wells Capital and its affiliates will not make loans to us or to joint ventures in which we are a joint venture partner for the purpose of acquiring properties. Any loans made to us by Wells Capital or its affiliates or to our directors for other purposes must be approved by a majority of the directors, including a majority of the independent directors, not otherwise interested in the transaction as fair, competitive and commercially reasonable, and no less favorable to the Wells REIT than comparable loans between unaffiliated parties. Wells Capital and its affiliates shall be entitled to reimbursement, at cost, for actual expenses incurred by them on behalf of the Wells REIT or joint ventures in which we are a joint venture partner, subject to the limitation on reimbursement of operating expenses to the extent that they exceed the greater of 2% of our average invested assets or 25% of our net income, as described in

the "Management -- The Advisory Agreement" section of this prospectus.

- In the event that an investment opportunity becomes available which is suitable, under all of the factors considered by Wells Capital, for the Wells REIT and one or more other public or private entities affiliated with Wells Capital and its affiliates, then the entity which has had the longest period of time elapse since it was offered an investment opportunity will first be offered such investment opportunity. In determining whether or not an investment opportunity is suitable for more than one program, Wells Capital, subject to approval by the board of directors, shall examine, among others, the following factors:

  - the cash requirements of each program;



  - the effect of the acquisition both on diversification of each program's investments by type of commercial property and geographic area, and on diversification of the tenants of its properties;

  - the policy of each program relating to leverage of properties;

  - the anticipated cash flow of each program;

  - the income tax effects of the purchase of each program;

  - the size of the investment; and

  - 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 our board of directors and Wells Capital, to be more appropriate for a program other than the program that committed to make the investment, Wells Capital may determine that another program affiliated with Wells Capital or its affiliates will make the investment. Our board of directors has a duty to ensure that the method used by Wells Capital for the allocation of the acquisition of properties by two or more affiliated programs seeking to acquire similar types of properties shall be reasonable.

## Investment Objectives and Criteria

### General

We invest in commercial real estate properties, including properties which are under development or construction, are newly constructed or have been constructed and have operating histories. Our investment objectives are:

- to maximize cash dividends paid to you;

- to preserve, protect and return your capital contributions; and

- to realize growth in the value of our properties upon our ultimate sale of such properties; and

- to provide you with liquidity of your investment by listing the shares on a national exchange or, if we do not obtain listing of the shares by January 30, 2008, by selling our properties and distributing the net proceeds from such sales to you.

We cannot assure you that we will attain these objectives or that our capital will not decrease. We may not change our investment objectives, except upon approval of shareholders holding a majority of the shares.

Decisions relating to the purchase or sale of properties will be made by Wells Capital, as our advisor, subject to approval by the board of directors. See "Management" for a description of the background and experience of the directors and executive officers.



Acquisition and Investment Policies

We will seek to invest substantially all of the offering proceeds available for investment in the acquisition of high grade commercial office buildings, which are newly constructed, under construction, or which have been previously constructed and have operating histories. We are not limited to such investments, however. We may invest in other commercial properties such as shopping centers, business and industrial parks, manufacturing facilities and warehouse and distribution facilities. We will attempt to acquire commercial 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 our standards of creditworthiness. (See "Terms of Leases and Tenant Creditworthiness.") The trend of Wells Capital and its affiliates in the most recently sponsored Wells programs has been to invest primarily in office buildings located in densely populated suburban markets. (See "Description of Properties" and "Prior Performance Summary.")

We will seek to invest in properties that will satisfy the primary objective of providing dividend distributions to shareholders. However, because a significant factor in the valuation of income-producing real properties is their potential for future income, we anticipate that the majority of properties we acquire will have both the potential for growth in value and providing dividend distributions to shareholders. To the extent feasible, we will strive to invest in a diversified portfolio of properties, in terms of geography, type of property and industry group of our tenants, that will satisfy our investment objectives of maximizing cash available for distribution as dividends, preserving our capital and realizing growth in value upon the ultimate sale of our properties.

We anticipate that a minimum of 84% of the proceeds from the sale of shares will be used to acquire real estate properties and the balance will be used to pay various fees and expenses. (See "Estimated Use of Proceeds.")

We will not invest more than 10% of the net offering proceeds available for investment in properties in unimproved or non-income producing properties. 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 real estate generally will take the form of fee title or of a long-term leasehold estate. We will acquire such interests either directly in Wells OP (See "The Operating Partnership Agreement") or indirectly through limited liability companies or through investments in joint ventures, general partnerships, co-tenancies or other co-ownership arrangements with the developers of the properties, affiliates of Wells Capital or other persons. (See "Joint Venture Investments" below.) In addition, we may purchase properties and lease them back to the sellers of such properties. While we will use our best efforts to structure any such sale-leaseback transaction such that the lease will be characterized as a "true lease" so that we will be treated as the owner of the property for federal income tax purposes, we cannot assure you that the IRS 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. (See "Federal Income Tax Considerations -- Sale-Leaseback Transactions.")

Although we are not limited as to the geographic area where we may conduct our operations, we intend to invest in properties located in the United States.

We are not specifically limited in the number or size of properties we may acquire or on the percentage of net proceeds of this offering which we may

invest in a single property. The number and mix of properties we acquire will depend upon real estate and market conditions and other circumstances existing at the time we are acquiring our properties and the amount of the proceeds we raise in this offering.



In making investment decisions for us, Wells Capital will consider relevant real estate 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, Wells Capital will have substantial discretion with respect to the selection of specific investments.

Our 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 to such liens and encumbrances as are acceptable to Wells Capital;
- audited financial statements covering recent operations of properties having operating histories unless such statements are not required to be filed with the Securities and Exchange Commission and delivered to shareholders; and
- title and liability insurance policies.

We will not close the purchase of any property unless and until we obtain an environmental assessment, a minimum of a Phase I review, for each property purchased and are generally satisfied with the environmental status of the property.

We 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 Wells REIT 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, we 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 estate properties, we 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;
- changes in tax, real estate, environmental and zoning laws;
- periods of high interest rates and tight money supply which may make the sale of properties more difficult;

- tenant turnover; and

- general overbuilding or excess supply in the market area.

Development and Construction of Properties

We may invest substantially all of the proceeds available for investment in properties on which improvements are to be constructed or completed although we may not invest in excess of 10% of the offering proceeds available for investment 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, completion of properties under construction shall be guaranteed at the price contracted either by an adequate completion bond or performance bond. Wells Capital 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 as an alternative to a completion bond or performance bond. Development of real estate properties is subject to risks relating to a builder's ability to control construction costs or to build in conformity with plans, specifications and timetables. (See "Risk Factors -- Real Estate Risks.")

We may directly employ one or more project managers to plan, supervise and implement the development of any unimproved properties which we may acquire. Such persons would be compensated directly by the Wells REIT.

Acquisition of Properties from Wells Development Corporation

We may acquire properties, directly or through joint ventures with affiliated entities, from Wells Development Corporation (Wells Development), a corporation formed by Wells Management as a wholly owned subsidiary for the purposes of (1) acquiring existing income-producing commercial real estate properties, and (2) acquiring land, developing commercial real properties, securing tenants for such properties, and selling such properties upon completion to the Wells REIT or other Wells programs. In the case of properties to be developed by Wells Development and sold to the Wells REIT, we anticipate that Wells Development will:

- acquire a parcel of land;

- enter into contracts for the construction and development of a commercial building thereon;

- enter into an agreement with one or more tenants to lease all or a majority of the property upon its completion; and

- secure a financing commitment from a commercial bank or other institutional lender to finance the acquisition and development of the property.

Contracts between Wells Development and the Wells REIT will generally provide for the Wells REIT to acquire the developed property upon its completion and upon the tenant taking possession under its lease.

We will be required to pay a substantial sum to Wells Development at the time of entering into the contract as a refundable earnest money deposit to be credited against the purchase price at closing, which Wells Development will apply to the cost of acquiring the land and initial development costs. We



expect that the earnest money deposit will represent approximately twenty to thirty percent (20-30%) of the purchase price of the developed property set

forth in the purchase contract.

In the case of properties we acquire from Wells Development that have already been developed, Wells Development will be required to obtain an appraisal for the property prior to our contracting with them, and the purchase price we will pay under the purchase contract will not exceed the fair market value of the property as determined by the appraisal. In the case of properties we acquire from Wells Development which have not yet been constructed at the time of contracting, Wells Development will be required to obtain an independent "as built" appraisal for the property prior to our contracting with them, and the purchase price we will pay under the purchase contract will not exceed the anticipated fair market value of the developed property as determined by the appraisal.

We anticipate that Wells Development will use the earnest money deposit received from the Wells REIT upon execution of a purchase contract as partial payment for the cost of the acquisition of the land and construction expenditures. Wells Development will borrow the remaining funds necessary to complete the development of the property from an independent commercial bank or other institutional lender by pledging the real property, development contracts, leases and all other contract rights relating to the project as security for such borrowing. Our contract with Wells Development will require it to deliver to us at closing title to the property, as well as an assignment of leases. Wells Development will hold the title to the property on a temporary basis only for the purpose of facilitating the acquisition and development of the property prior to its resale to the Wells REIT and other affiliates of Wells Capital.

We may enter into a contract to acquire property from Wells Development notwithstanding the fact that at the time of contracting, we have not yet raised sufficient proceeds to enable us to pay the full amount of the purchase price at closing. We anticipate that we will be able to raise sufficient additional proceeds from the offering during the period between execution of the contract and the date provided in the contract for closing. In the case of properties to be developed by Wells Development, the contract will likely provide that the closing will occur immediately following the completion of the development by Wells Development. However, the contract may also provide that we may elect to close the purchase of the property before the development has been completed, in which case we would obtain an assignment of the construction and development contracts from Wells Development and would complete the construction either directly or through a joint venture with an affiliate. Any contract between the Wells REIT, directly or indirectly through a joint venture with an affiliate, and Wells Development for the purchase of property to be developed by Wells Development will provide that we will be obligated to purchase the property only if:

- Wells Development completes the development of the improvements in accordance with the specifications of the contract, and an approved tenant takes possession of the building under a lease satisfactory to our advisor; and

- we have sufficient proceeds available for investment in properties at closing to pay the balance of the purchase price remaining after payment of the earnest money deposit.

Wells Capital will not cause the Wells REIT to enter into a contract to acquire property from Wells Development if it does not reasonably anticipate that funds will be available to purchase the property at the time of closing. If we enter into a contract to acquire property from Wells Development and, at the time for closing, are unable to purchase the property because we do not have sufficient proceeds available for investment, we will not be required to close the purchase of the property and will be entitled to a refund of our earnest money deposit from Wells Development. Because Wells Development is an entity without substantial assets or operations, however, Wells Development's obligation to refund our earnest money deposit will be guaranteed by Wells Management. See

the "Management -- Affiliated Companies" section of this prospectus for a description of Wells Management.

If Wells Management is required to make good on its guaranty, we may not be able to obtain the earnest money deposit from Wells Management in a lump sum since Wells Management's only significant assets are its contracts for property management and leasing services, in which case we would more than likely be required to accept installment payments over some period of time out of Wells Management's operating revenues. (See "Risk Factors -- Real Estate Risks.")

Terms of Leases and Tenant Creditworthiness

The terms and conditions of any lease we enter into with our tenants may vary substantially from those we describe in this prospectus. However, we expect that a majority of our leases will be what is generally referred to as "triple net" leases. A "triple net" lease provides that the tenant will be required to pay or reimburse the Wells REIT for all real estate taxes, sales and use taxes, special assessments, utilities, insurance and building repairs, and other building operation and management costs, in addition to making its lease payments.

Wells Capital has developed specific standards for determining the creditworthiness of potential tenants of our properties. While authorized to enter into leases with any type of tenant, we anticipate that a majority of our tenants will be large corporations or other entities which have 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. As of _____, 2000, approximately ___% of the aggregate gross rental income of the Wells REIT was derived from tenants having a net worth of at least $100,000,000 or whose lease obligations are guaranteed by another corporation having a net worth of at least $100,000,000.

In an attempt to limit or avoid speculative purchases, to the extent possible, Wells Capital will seek to secure, on our behalf, leases with tenants at or prior to the closing of acquisitions of our properties.

We anticipate that tenant improvements required to be funded by the landlord in connection with newly acquired properties will be funded from our offering proceeds. However, at such time as a tenant at one of our properties does not renew its lease or otherwise vacates its space in one of our buildings, it is likely that, in order to attract new tenants, we will be required to expend substantial funds for tenant improvements and tenant refurbishments to the vacated space. Since we do not anticipate maintaining permanent working capital reserves, we may not have access to funds required in the future for tenant improvements and tenant refurbishments in order to attract new tenants to lease vacated space. (See "Risk Factors -- Real Estate Risks.")

Joint Venture Investments

We have entered into joint ventures in the past, and are likely in the future to enter into joint ventures with affiliated entities for the acquisition, development or improvement of properties for the purpose of diversifying our portfolio of assets. (See "Description of Properties -- Joint Ventures with Affiliates.") In this connection, we will likely enter into joint ventures with Wells Fund XII, Wells Fund XIII or other Wells programs. Wells Capital also has the authority to cause us 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 real properties. (See "Conflicts of Interest.") In determining whether to invest in a particular joint venture, Wells Capital will evaluate the real property which such joint venture owns or is being formed to own under the same criteria described elsewhere in



this prospectus for the selection of real estate property investments of the

Wells REIT. (See generally "Investment Objectives and Criteria.")

At such time as Wells Capital believes that a reasonable probability exists that we will enter into a joint venture with another Wells program for the acquisition or development of a specific property, this prospectus will be supplemented to disclose the terms of such proposed investment transaction. Based upon Wells Capital's experience, in connection with the development of a property which is currently owned by a Wells program, this would normally occur upon the signing of legally binding purchase agreement for the acquisition of a specific property or leases with one or more major tenants for occupancy at a particular property and the satisfaction of all major contingencies contained in such purchase agreement, but may occur before or after any such time, depending upon the particular circumstances surrounding each potential investment. You should not rely upon such initial disclosure of any proposed transaction as an assurance that we will ultimately consummate the proposed transaction or that the information we provide in any supplement to this prospectus concerning any proposed transaction will not change after the date of the supplement.

We intend to enter into joint ventures with other Wells programs for the acquisition of properties, but we may only do so provided that:

- a majority of our directors, including a majority of the independent directors, approve the transaction as being fair and reasonable to the Wells REIT;

- the investment by the Wells REIT and such affiliate are on substantially the same terms and conditions; and

- we 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.

In the event that the co-venturer were to elect to sell property held in any such joint venture, however, we may not have sufficient funds to exercise our 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 joint ventures with other Wells programs will result in certain conflicts of interest. (See "Conflicts of Interest -- Joint Ventures with Affiliates of Wells Capital.")

Borrowing Policies

While we strive for diversification, the number of different properties we can acquire will be affected by the amount of funds available to us. See "Description of Properties -- Real Estate Loans" for a description of our existing loans and the outstanding loan balances.

Our ability to increase our diversification through borrowing could be adversely impacted by banks and other lending institutions reducing the amount of funds available for loans secured by real estate. When interest rates on mortgage loans are high or financing is otherwise unavailable on a timely basis, we may purchase certain properties for cash with the intention of obtaining a mortgage loan for a portion of the purchase price at a later time.

There is no limitation on the amount we may invest in any single improved property or on the amount we can borrow for the purchase of any property. The NASAA Guidelines only limit our borrowing to 75% of the value of all properties unless any excess borrowing is approved by a majority of



the independent directors and is disclosed to shareholders in our next quarterly report. However, under our articles of incorporation, we have a self-imposed limitation on borrowing which precludes us from borrowing in the aggregate in excess of 50% of the value of all of our properties. As of _____, 2000,

we had an aggregate debt leverage ratio of ___% of the value of our properties.

By operating on a leveraged basis, we will have more funds available for investment in properties. This will allow us to make more investments than would otherwise be possible, resulting in a more diversified portfolio. Although our liability for the repayment of indebtedness is expected to be limited to the value of the property securing the liability and the rents or profits derived therefrom, our use of leveraging increases the risk of default on the mortgage payments and a resulting foreclosure of a particular property. (See "Risk Factors -- Real Estate Risks.") To the extent that we do not obtain mortgage loans on our properties, our ability to acquire additional properties will be restricted. Wells Capital will use its best efforts to obtain financing on the most favorable terms available to us. Lenders may have recourse to assets not securing the repayment of the indebtedness.

Wells Capital will refinance properties during the term of a loan only in limited circumstances, such as when a decline in interest rates makes it beneficial to prepay an existing mortgage, when an existing mortgage matures or if an attractive investment becomes available and the proceeds from the refinancing can be used to purchase such investment. The benefits of the refinancing may include an increased cash flow resulting from reduced debt service requirements, an increase in dividend distributions from proceeds of the refinancing, if any, and/or an increase in property ownership if some refinancing proceeds are reinvested in real estate.

We may not borrow money from any of our directors or from Wells Capital and its affiliates for the purpose of acquiring real properties. Any loans by such parties for other purposes must be approved by a majority of the directors, including a majority of the independent directors, not otherwise interested in the transaction as fair, competitive and commercially reasonable and no less favorable to the Wells REIT than comparable loans between unaffiliated parties.

Disposition Policies

We intend to hold each property we acquire for an extended period. However, circumstances might arise which could result in the early sale of some properties. A property may be sold before the end of the expected holding period if:

- the tenant has involuntarily liquidated;
- in the judgment of Wells Capital, the value of a property might decline substantially;
- an opportunity has arisen to improve other properties;
- we can increase cash flow through the disposition of the property;
- the tenant is in default under the lease; or
- in our judgment, the sale of the property is in our best interests.

The determination of whether a particular property should be sold or otherwise disposed of will be made after consideration of relevant factors, including prevailing economic conditions, with a view to achieving maximum capital appreciation. We cannot assure you that this objective will be realized. The selling price of a property which is net leased will be determined in large part by the amount of rent



payable under the lease. If a tenant has a repurchase option at a formula price, we may be limited in realizing any appreciation. In connection with our sales of properties we may lend the purchaser all or a portion of the purchase price. In these instances, our taxable income may exceed the cash received in the sale. (See "Federal Income Considerations -- Failure to Qualify as a REIT.") The terms of payment will be affected by custom in the area in which the property being

sold is located and the then prevailing economic conditions.

If our shares are not listed for trading on a national securities exchange or included for quotation on Nasdaq by January 30, 2008, our articles of incorporation require us to begin the sale of all of our properties and distribute the net sale proceeds to you in liquidation of the Wells REIT. In making the decision to apply for listing of our shares, the directors will try to determine whether listing our shares or liquidating our assets will result in greater value for the shareholders. It cannot be determined at this time the circumstances, if any, under which the directors will agree to list our shares. Even if our shares are not listed or included for quotation, we are under no obligation to actually sell our portfolio within this period since the precise timing will depend on real estate and financial markets, economic conditions of the areas in which the properties are located and federal income tax effects on shareholders which may prevail in the future. Furthermore, we cannot assure you that we will be able to liquidate our assets, and it should be noted that we will continue in existence until all properties are sold and our other assets are liquidated.

Investment Limitations

Our articles of incorporation place numerous limitations on us with respect to the manner in which we may invest our funds. These limitations cannot be changed unless our articles of incorporation are amended, which requires the approval of the shareholders. Unless the articles are amended, we will not:

- invest in commodities or commodity futures contracts, except for futures contracts when used solely for the purpose of hedging in connection with our ordinary business of investing in real estate assets and mortgages;

- invest in real estate contracts of sale, otherwise known as land sale contracts, unless the contract is in recordable form and is appropriately recorded in the chain of title;

- make or invest in mortgage loans except in connection with a sale or other disposition of a property;

- make or invest in mortgage loans unless an appraisal is obtained concerning the underlying property except for those mortgage loans insured or guaranteed by a government or government agency. Mortgage debt on any property shall not exceed such property's appraised value. In cases where the board of directors determines, and in all cases in which the transaction is with any of our directors or Wells Capital and its affiliates, such appraisal shall be obtained from an independent appraiser. We will maintain such appraisal in our records for at least five years and it will be available for your inspection and duplication. We will also obtain a mortgagee's or owner's title insurance policy as to the priority of the mortgage;

- make or invest in mortgage loans that are subordinate to any mortgage or equity interest of any of our directors, Wells Capital or its affiliates;



- make or invest in mortgage loans, including construction loans, on any one property if the aggregate amount of all mortgage loans on such property would exceed an amount equal to 85% of the appraised value of such property as determined by appraisal unless substantial justification exists because of the presence of other underwriting criteria;

- invest in junior debt secured by a mortgage on real property which is subordinate to the lien or other senior debt except where the amount of such junior debt plus any senior debt exceeds 90% of the appraised value of such property, if after giving effect thereto, the value of

all such mortgage loans of the Wells REIT would not then exceed 25% of our net assets, which shall mean our total assets less our total liabilities;

- borrow in excess of 50% of the aggregate value of all properties owned by us, provided that we may borrow in excess of 50% of the value of an individual property;

- engage in any short sale or borrow on an unsecured basis, if the borrowing will result in asset coverage of less than 300%. "Asset coverage," for the purpose of this clause, means the ratio which the value of our total assets, less all liabilities and indebtedness for unsecured borrowings, bears to the aggregate amount of all of our unsecured borrowings;

- make investments in unimproved property or indebtedness secured by a deed of trust or mortgage loans on unimproved property in excess of 10% of our total assets;

- issue equity securities on a deferred payment basis or other similar arrangement;

- issue debt securities in the absence of adequate cash flow to cover debt service;

- issue equity securities which are non-voting or assessable;

- issue "redeemable securities" as defined in Section 2(a)(32) of the Investment Company Act of 1940;

- grant warrants or options to purchase shares to officers or affiliated directors or to Wells Capital or its affiliates except on the same terms as the options or warrants are sold to the general public and the amount of the options or warrants does not exceed an amount equal to 10% of the outstanding shares on the date of grant of the warrants and options;

- engage in trading, as compared with investment activities, or engage in the business of underwriting or the agency distribution of securities issued by other persons;

- invest more than 5% of the value of our assets in the securities of any one issuer if the investment would cause us to fail to qualify as a REIT;

- invest in securities representing more than 10% of the outstanding voting securities of any one issuer if the investment would cause us to fail to qualify as a REIT; or

- lend money to Wells Capital or its affiliates.

Wells Capital will continually review our investment activity to attempt to ensure that we do not come within the application of the Investment Company Act of 1940. Among other things, Wells Capital will attempt to monitor the proportion of our portfolio that is placed in various investments so that we do not come within the definition of an "investment company" under the act. If at any time the character of



our investments could cause us to be deemed an investment company for purposes of the Investment Company Act of 1940, we will take the necessary action to ensure that we are not deemed to be an "investment company."

Change in Investment Objectives and Limitations

Our articles of incorporation require that the independent directors review

our investment policies at least annually to determine that the policies we are following are in the best interest of the shareholders. Each determination and the basis therefor shall be set forth in our minutes. The methods of implementing our investment policies also may vary as new investment techniques are developed. The methods of implementing our investment objectives and policies, except as otherwise provided in the organizational documents, may be altered by a majority of the directors, including a majority of the independent directors, without the approval of the shareholders.

## Description of Properties

### General

As of _____, 2000, we had purchased interests in __ real estate properties located in __ states, all of which are leased to tenants on a triple-net basis. The cost of each of the properties will be depreciated for tax purposes over a 40 year period on a straight-line basis. We believe all of the properties are adequately covered by insurance and are suitable for their intended purposes. The following table provides certain additional information about these properties.

| Tenant | Property Location | % Owned | Purchase Price | Square Feet | Annual Rent | Lease Expiration |
|---|---|---|---|---|---|---|
| Quest Software, Inc. | Irvine, CA | ___% | $ 7,193,000 | 65,006 | $ 1,287,119 | 12/2003 |
| Delphi Automotive Systems, LLC | Troy, MI | 100% | $19,800,000 | 107,152 | $ 1,848,372 | 04/2007 |
| Avnet, Inc. | Tempe, AZ | 100% | $13,250,000 | 132,070 | $ 1,516,164 | 04/2010 |
| Siemens Automotive Corp. | Troy, MI | 50% | $14,265,000 | 77,054 | $ 1,309,918 | 08/2010 |
| Motorola, Inc. | Tempe, AZ | 100% | $16,000,000 | 133,225 | $ 1,843,834 | 08/2005 |
| ASM Lithography, Inc. | Tempe, AZ | 100% | $17,355,000 | 95,133 | $ 1,927,788 | 06/2013 |
| Dial Corp. | Scottsdale, AZ | 100% | $14,250,000 | 129,689 | $ 1,387,672 | 08/2008 |
| Metris Direct, Inc. | Tulsa, OK | 100% | $12,700,000 | 101,100 | $ 1,187,925 | 01/2010 |
| Cinemark USA, Inc./ The Coca Cola Co. | Plano, TX | 100% | $21,800,000 | 66,024/ 52,084 | $ 1,366,491/ $ 1,250,016 | 12/2009/ 11/2006 |
| The Gartner Group, Inc. | Ft. Myers, FL | 57% | $ 8,320,000 | 62,400 | $ 790,642 | 12/2008 |



| Tenant | Property Location | % Owned | Purchase Price | Square Feet | Annual Rent | Lease Expiration |
|---|---|---|---|---|---|---|
| Marconi Data Systems, Inc. | Wood Dale, IL | 100% | $32,630,940 | 250,354 | $ 2,838,952 | 11/2011 |
| Johnson Matthey, Inc. | Tredyffrin Township, PA | 57% | $ 8,000,000 | 130,000 | $ 789,750 | 6/2007 |
| ABB Power Generation, Inc. | Richmond, VA | 100% | $11,400,000 | 102,000 | $ 1,183,731 | 7/2007 |
| Sprint Communications Company, L.P. | Leawood, KA | 57% | $9,9500,000 | 68,900 | $ 999,048 | 5/2007 |
| EYBL Cartex, Inc. | Greenville, SC | 57% | $ 5,085,000 | 169,510 | $ 508,530 | 2/2008 |
| Matsushita Avionics Systems Corporation | Lake Forest, CA | 100% | $18,400,000 | 150,000 | $ 1,830,000 | 1/2007 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Pennsylvania Cellular Telephone Corp. | Harrisburg, PA | 100% | $12,291,200 | 81,859 | $ 1,416,221 | 11/2007 |
| Pricewaterhouse-Coopers, LLP | Tampa, FL | 100% | $21,127,854 | 130,091 | $ 1,915,741 | 12/2008 |
| Cort Furniture Rental Corporation | Fountain Valley, CA | 43.7% | $ 6,400,000 | 52,000 | $ 758,964 | 10/2003 |
| Fairchild Technologies U.S.A., Inc. | Fremont, CA | 77.5% | $ 8,900,000 | 58,424 | $ 842,062 | 11/2004 |
| Iomega Corporation | Ogden City, UT | 3.7% | $ 5,025,000 | 108,000 | $ 480,000 | 07/2006 |
| ODS Technologies, L.P. and GAIAM, Inc. | Broomfield, CO | 3.7% | $ 8,275,000 | 51,974 | $ 839,400 | 10/2001 |
| Ohmeda, Inc. | Louisville, CO | 3.7% | $10,325,000 | 106,750 | $ 1,004,520 | 01/2005 |
| ABB Flakt, Inc. | Knoxville, TN | 3.7% | $ 7,900,000 | 87,000 | $ 881,150 | 12/2007 |
| Lucent Technologies, Inc. | Oklahoma City, OK | 3.7% | $ 5,504,276 | 55,017 | $ 508,383 | 01/2008 |



Joint Ventures with Affiliates

The Wells Fund VIII-Fund IX-REIT Joint Venture

Wells OP entered into a Joint Venture Agreement with the Fund VIII-IX Joint Venture known as the Wells Fund VIII-Fund IX-REIT Joint Venture (VIII-IX-REIT Joint Venture) for the purpose of the ownership, leasing, operation, sale and management of the Bake Parkway Building. The investment objectives of Wells Fund VIII and Wells Fund IX are substantially identical to our investment objectives.

The Bake Parkway Building was originally purchased by the Fund VIII-IX Joint Venture in January 1997. On June 9, 2000, the Fund VIII-IX Joint Venture entered into a lease for the Bake Parkway Building with Quest Software, Inc. and subsequently contributed the Bake Parkway Building to the VIII-IX-REIT Joint Venture as its capital contribution at an agreed upon value of $7,612,733. Wells OP is anticipated to contribute a total of approximately $1,250,000 as its capital contribution to the VIII-IX-REIT Joint Venture to fund the necessary tenant improvements required under the lease with Quest Software, Inc., leasing commissions and costs and expenses associated with the transfer of the Bake Parkway Building to the VIII-IX-REIT Joint Venture.

The VIII-IX-REIT Joint Venture Agreement provides that all income, loss, profit, net cash flow, resale gain and sale proceeds of the VIII-IX-REIT Joint Venture are to be allocated and distributed between Wells OP, Wells Fund VIII and Wells Fund IX based upon their respective capital contributions to the joint venture. As of _____, 2000, the joint venture partners of the VIII-IX-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

| Joint Venture Partner | Capital Contribution | Equity Interest |
|---|---|---|
| Wells OP | $_____ | _____% |
| Wells Fund VIII | $ _____ | _____% |
| Wells Fund IX | $ _____ | _____% |

The Wells Fund XII-REIT Joint Venture

Wells Fund XII and Wells OP entered into a Joint Venture Partnership Agreement for the purpose of acquiring, owning, leasing, operating and managing real properties. The joint venture partnership is known as the Wells Fund XII-REIT Joint Venture Partnership (XII-REIT Joint Venture). The investment

objectives of Wells Fund XII are substantially identical to our investment objectives.

The XII-REIT Joint Venture Agreement provides that all income, loss, profit, net cash flow, resale gain and sale proceeds of the XII-REIT Joint Venture are to be allocated and distributed between Wells OP and Wells Fund XII based upon their respective capital contributions to the joint venture. As of _____, 2000, the joint venture partners of the XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

| Joint Venture Partner | Capital Contribution | Equity Interest |
|---|---|---|
| Wells OP | $_____ | _____% |
| Wells Fund XII | $_____ | _____% |

The XII-REIT Joint Venture owns the Siemens Building, which is described below.

The Wells Fund XI-Fund XII-REIT Joint Venture

Wells OP entered into an Amended and Restated Joint Venture Partnership Agreement with Wells Fund XI and Wells Fund XII for the purpose of the acquisition, ownership, development, leasing,



operation, sale and management of real properties known as The XI-XII-REIT Joint Venture (XI-XII-REIT Joint Venture). The XI-XII-REIT Joint Venture was originally formed on May 1, 1999 between Wells OP and Wells Fund XI. On June 21, 1999, Wells Fund XII was admitted to the XI-XII-REIT Joint Venture as a joint venture partner. The investment objectives of Wells Fund XI and Wells Fund XII are substantially identical to our investment objectives.

The XI-XII-REIT Joint Venture Agreement provides that all income, profit, loss, cash flow, resale gain, resale loss and sale proceeds of the XI-XII-REIT Joint Venture will be allocated and distributed among Wells OP, Wells Fund XI and Wells Fund XII based on their respective capital contributions to the joint venture. As of _____, 2000, the joint venture partners of the XI-XII-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

| Joint Venture Partner | Capital Contribution | Equity Interest |
|---|---|---|
| Wells OP | $17,641,211 | 56.77% |
| Wells Fund XI | $ 8,131,351 | 26.17% |
| Wells Fund XII | $ 5,300,000 | 17.06% |

The XI-XII-REIT Joint Venture owns the EYBL CarTex Building, the Sprint Building, the Johnson Matthey Building and the Gartner Building, which are described below.

The Fund IX, Fund X, Fund XI and REIT Joint Venture

Wells OP entered into an Amended and Restated Joint Venture Agreement with Wells Fund IX, Wells Fund X and Wells Fund XI, known as The Fund IX, Fund X, Fund XI and REIT Joint Venture (IX-X-XI-REIT Joint Venture) for the purpose of the acquisition, ownership, development, leasing, operation, sale and management of real properties. The IX-X-XI-REIT 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. On June 11, 1998, Wells OP and Wells Fund XI were admitted as joint venture partners to the IX-X-XI-REIT Joint Venture. The investment objectives of Wells Fund IX, Wells Fund X and Wells Fund XI are substantially identical to our investment objectives.

The IX-X-XI-REIT Joint Venture Agreement provides that all income, profit, loss, cash flow, resale gain, resale loss and sale proceeds of the IX-X-XI-REIT Joint Venture will be allocated and distributed among Wells OP, Wells Fund IX, Wells Fund X and Wells Fund XI based on their respective capital contributions to the IX-X-XI-REIT Joint Venture. As of _____ _____, 2000, the joint venture partners of the IX-X-XI-REIT Joint Venture had made the following contributions and held the following equity percentage interests:

| Joint Venture Partner | Capital Contribution | Equity Interest |
|---|---|---|
| Wells OP | $ 1,421,466 | 3.74% |
| Wells Fund IX | $14,833,708 | 39.00% |
| Wells Fund X | $18,420,162 | 48.43% |
| Wells Fund XI | $ 3,357,436 | 8.83% |

The IX-X-XI-REIT Joint Venture owns the Lucent Building, the ABB Knoxville Building, the Ohmeda Building, the Interlocken Building and the Iomega Building, which are described below.



The Cort Joint Venture

Wells OP entered into a Joint Venture Agreement with the Fund X-XI Joint Venture known as Wells/Orange County Associates (Cort Joint Venture) for the purpose of the acquisition, ownership, leasing, operation, sale and management of real properties, including, but not limited to, the Cort Furniture Building.

As of _____, 2000, Wells OP had made total capital contributions to the Cort Joint Venture of $_____ and held an equity percentage interest in the Cort Joint Venture of ____%, and the Fund X-XI Joint Venture made total capital contributions to the Cort Joint Venture of $_____ and held an equity percentage interest in the Cort Joint Venture of ____%.

The Fremont Joint Venture

Wells OP entered into a Joint Venture Agreement known as Wells/Fremont Associates (Fremont Joint Venture) with Fund X and Fund XI Associates (Fund X-XI Joint Venture), a joint venture between Wells Fund X and Wells Fund XI. The purpose of the Fremont Joint Venture is the acquisition, ownership, leasing, operation, sale and management of real properties, including, but not limited to, the Fairchild Building.

As of _____, 2000, Wells OP had made total capital contributions to the Fremont Joint Venture of $_____ and held an equity percentage interest in the Fremont Joint Venture of ____%, and the Fund X-XI Joint Venture had made total capital contributions to the Fremont Joint Venture of $_____ and held an equity percentage interest in the Fremont Joint Venture of ____%.

General Provisions

Wells OP is acting as the initial Administrative Venturer of the VIII-IX-REIT Joint Venture, the XII-REIT Joint Venture, the XI-XII-REIT Joint Venture, the IX-X-XI-REIT Joint Venture, the Cort Joint Venture and the Fremont 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 the other joint venture partners will be required for any major decision or any action which materially affects these joint ventures or their real property investments.

The XII-REIT Joint Venture Agreement, the XI-XII-REIT Joint Venture Agreement and the IX-X-XI-REIT Joint Venture Agreement each allow any joint venture partner to make a buy/sell election upon receipt by any other joint venture partner of a bona fide third-party offer to purchase all or substantially all of the properties or the last remaining property of the respective joint venture. Upon receipt of notice of such third-party offer, each joint venture partner must elect within 30 days after receipt of the notice to either (1) purchase the entire interest of each venture partner that wishes to accept the offer on the same terms and conditions as the third-party offer to purchase, or (2) consent to the sale of the properties or last remaining property pursuant to such third-party offer.

The Bake Parkway Building

The Bake Parkway Building is a two story office building containing approximately 65,006 rentable square feet on a 4.4 acre tract of land in Irvine, California. Construction of the Bake Parkway Building was completed in 1984 and the building was refurbished in 1996. The VIII-IX Joint Venture purchased the Bake Parkway Building on January 10, 1997 for a purchase price of $7,193,000. On July 1, 2000, the VIII-IX Joint Venture contributed the Bake Parkway Building to the VIII-IX-REIT Joint



Venture and was credited with making a capital contribution to the joint venture in the amount of $7,612,733.

The Bake Parkway Building is currently leased to Quest Software, Inc. (Quest). Quest is a publicly traded corporation that provides software database management and disaster recovery services for its clients. Quest was established in April 1987 to develop and market software products to help insure uninterrupted, high performance access to enterprise and custom computing applications and databases. Quest has organized their product offerings to target application development and deployment, performance and availability, and information delivery needs of the Oracle and other open systems markets. Quest has grown to more than 1,000 people worldwide and has more than 5,000 installed customer sites.

The initial term of the lease is forty-two (42) months which commenced on June 9, 2000 and expires on December 31, 2003. The base rent payable for the initial six months of the lease is $653,400. The annual base rent payable for the remaining portion of the initial lease term is $1,287,119. Quest has the right to extend the lease for two additional one year periods of time at an annual base rent of $1,365,126.

The Delphi Building

The Delphi Building is a three story office building containing approximately 107,152 rentable square feet on a 5.52 acre tract of land. Wells OP purchased the Delphi Building on June 29, 2000 for a purchase price of $19,800,000. Construction of the Delphi Building was completed in May 2000.

The Delphi Building is located in Troy, Oakland County, Michigan, in the heart of what is generally called "Automation Alley."

The Delphi Building is leased to Delphi Automotive Systems LLC (Delphi LLC). Delphi LLC is a wholly owned subsidiary of Delphi Automotive Systems Corporation (Delphi), formally the Automotive Components Group of General Motors, which was spun from General Motors in May 1999. Delphi is the world's largest automotive components supplier and sells its products to almost every major manufacturer of light vehicles in the world.

The initial term of the Delphi lease is seven years which commenced on May 1, 2000 and expires on April 30, 2007. Delphi LLC has the right to extend the Delphi lease for two additional five year periods of time at 95% of the then current fair market rental rate. The base rent payable for the initial lease term is as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|
| Year 1 | $1,848,372 | $154,031 |
| Year 2 | $1,901,948 | $158,496 |
| Year 3 | $1,955,524 | $162,960 |
| Year 4 | $2,009,100 | $167,425 |
| Year 5 | $2,062,676 | $171,890 |
| Year 6 | $2,116,252 | $176,354 |
| Year 7 | $2,169,828 | $180,819 |

The Avnet Building

The Avnet Building is a two story office building containing approximately 132,070 rentable square feet on a 9.63 acre tract of land located in Tempe, Arizona. Wells OP purchased the Avnet



Building on June 12, 2000 for a purchase price of $13,250,000. Construction of the Avnet Building was completed in April 2000.

The Avnet Building is located on a 9.63 acre tract of land within the Arizona State University Research Park. The land upon which the Avnet Building is situated is subject to a long-term ground lease with Price-Elliott Research Park, Inc.

The Avnet Building is leased to Avnet, Inc. (Avnet). Avnet is a Fortune 300 company and one of the world's largest industrial distributors of electronic components and computer products, including microprocessors, semi conductors and electromechanical devices, serving customers in sixty countries. Additionally, Avnet distributes a variety of computer products to consumers and resellers. Avnet sells products of more than one hundred of the world's leading component manufacturers to customers around the world.

The initial term of the Avnet lease is ten years which commenced on May 1, 2000 and expires on April 30, 2010. Avnet has the right to extend the Avnet lease for two additional five year periods of time. The yearly rent payable for the first three years of each extension period will be at the current fair market rental rate at the end of the preceding term. The yearly rent payable for the fourth and fifth years of each extension period will be the current fair market rental rate at the end of the preceding term multiplied by a factor of 1.093.

The base rent payable for the initial lease term is as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|
| Years 1-3 | $1,516,164 | $126,347 |
| Years 4-6 | $1,657,479 | $138,123 |

| | | |
|---|---|---|
| Years 7-10 | $1,812,000 | $151,000 |

Avnet has a right of first refusal to purchase the Avnet Building if attempts to sell the Avnet Building during the term of the Avnet lease.

Avnet also has an expansion option which allows Avnet the ability to expand the Avnet Building during the term of the Avnet lease. Wells OP has the option to undertake the expansion or allow Avnet to undertake the expansion at its own expense, subject to certain terms and conditions.

The Avnet ground lease commenced on April 5, 1999 and expires on September 30, 2083. The ground lease payments required pursuant to the Avnet ground lease are as follows:

| Lease Years | Annual Rent |
|---|---|
| Years 1 to 10 | $230,777 |
| Years 11 to 20 | $302,108 |
| Years 21 to 30 | $390,223 |
| Years 31 to 40 | 10% of fair market value of land in year 30 |
| Years 41 to 50 | Rent from year 45 plus 3% per year increase |
| Years 51 to 60 | Rent from year 55 plus 3% per year increase |
| Years 61 to 70 | 10% of fair market value of land in Year 65 |
| Years 71 to 85 | Rent from year 75 plus 3% per year increase |

Wells OP has the right to terminate the Avnet ground lease prior to the expiration of the 30th year.

The Siemens Building



The Siemens Building is a three story office building containing approximately 77,054 rentable square feet on a 5.3 acre tract of land located in Troy, Michigan. The XII-REIT Joint Venture purchased the Siemens Building on May 10, 2000 for a purchase price of $14,265,000. The Siemens Building is located at 4685 Investment Drive in Troy Michigan in the heart of "Automation Alley."

The Siemens Building is leased to Siemens Automotive Corporation (Siemens). Siemens is a subsidiary of Siemens Corporation USA, a domestic corporation which conducts the American operations of Siemens AG, the world's second largest manufacturer of electronic capital goods. Siemens, part of the worldwide Automotive Systems Group of Siemens AG, is a supplier of advanced electronic and electrical products and systems to automobile manufacturers.

The initial term of the Siemens lease is ten years which commenced on March 3, 2000 and expires on August 31, 2010. Siemens has the right to extend the Siemens lease for two additional five year periods of time at 95% of the then current fair market rental rate. The base rent payable for the initial lease term is as follows:

| Lease Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 1 | $1,309,918 | $109,160 |

| | | |
|---|---|---|
| Year 2 | $1,342,281 | $111,857 |
| Year 3 | $1,374,643 | $114,554 |
| Year 4 | $1,407,006 | $117,251 |
| Year 5 | $1,439,369 | $119,947 |
| Year 6 | $1,471,731 | $122,644 |
| Year 7 | $1,504,094 | $125,341 |
| Year 8 | $1,536,457 | $128,038 |
| Year 9 | $1,568,819 | $130,735 |
| Year 10 and first 6 months of Year 11 | $1,601,182 | $133,432 |

Siemens has a one-time right to cancel the Siemens lease effective after the 90th month of the lease term if Siemens (a) provides written notice of such cancellation on or before the last day of the 78th month, and (b) pays a cancellation fee to the XII-REIT Joint Venture currently calculated to be approximately $1,234,160.

The Motorola Building

The Motorola Building is a two story office building containing approximately 133,225 rentable square feet in Tempe, Arizona. Wells OP purchased the Motorola Building on March 29, 2000 for a purchase price of $16,000,000. Construction of the Motorola Building was completed in July 1998. The Motorola Building is located on a 12.44 acre tract of land at 8075 South River Parkway within the Arizona State University Research Park. The land upon which the Motorola Building is situated is subject to a long-term ground lease with Price-Elliott Research Park, Inc.

The purchase of the Motorola Building was partially financed with $5,000,000 in loan proceeds provided by Ryan Companies US, Inc. as seller financing in connection with the purchase of the Motorola Building (Motorola Loan). The Motorola Loan, which is more particularly described in the "Real Estate Loans" section of the prospectus, is secured by a first mortgage against the Motorola Building.

The Motorola Building is leased to Motorola, Inc. (Motorola). The Motorola Building is occupied by Motorola's Satellite Communications Division (SATCOM). SATCOM is a worldwide developer and manufacturer of space and ground communications equipment and systems. SATCOM is the prime



contractor for the Iridium System and is primarily engaged in computer design and development functions.

The initial term of the Motorola lease is seven years which commenced on August 17, 1998 and expires on August 31, 2005. Motorola has the right to extend the Motorola lease for four additional five-year periods of time at the then prevailing market rental rate. The rent payable under the Motorola lease, out of which Wells OP will be required to make the ground lease payments described below, is as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|
| Years 1 to 4 | $1,843,834 | $153,653 |

| | | |
|---|---|---|
| Years 5 to 7 | $2,054,329 | $171,194 |

Motorola has an expansion option which allows Motorola the ability to expand the building between 21,000 and 40,000 rentable square feet with additional parking spaces to be constructed by Wells OP. Motorola must exercise its expansion right before August 17, 2001. In the event that Motorola exercises its expansion option, the rent on the expansion space will be calculated based upon a 10.5% return on costs of the expansion, including construction costs, and Wells OP will be entitled to a development fee in an amount equal to 8% of the cost of the construction of the expansion building shell.

The Motorola ground lease commenced November 19, 1997 and expires on December 31, 2082. The ground lease payments required pursuant to the Motorola ground lease are as follows:

| Lease Years | Annual Rent |
|---|---|
| Years 1 to 15 | $243,825 |
| Years 16 to 25 | $357,240 |
| Years 26 to 35 | $466,015 |
| Years 36 to 45 | 10% of Fair Market Value of Land in year 35 |
| Years 46 to 55 | Rent from year 45 plus 3% per year increase |
| Years 56 to 65 | Rent from year 55 plus 3% per year increase |
| Years 66 to 75 | 10% of Fair Market Value in year 65 |
| Years 76 to 85 | Rent from year 75 plus 3% per year increase |

Wells OP has the right to terminate the Motorola ground lease prior to the expiration of the 30th year and prior to the expiration of each subsequent 10-year period thereafter.

The ASML Building

The ASML Building is a two story office and warehouse building containing approximately 95,133 rentable square feet located in Tempe, Arizona. Wells OP purchased the ASML Building on March 29, 2000 for a purchase price of $17,355,000. Construction on the ASML Building was completed in June 1995.

The ASML Building is subject to a first priority mortgage interest in favor of SouthTrust securing the SouthTrust Line of Credit, which is more particularly described in the "Real Estate Loans" section of the prospectus.

The ASML Building is located on a 9.51 acre tract of land at 8555 South River Parkway within the Arizona State University Research Park. The land upon which the ASML Building is situated is subject to a long-term ground lease with Price-Elliott Research Park, Inc.



The ASML Building is leased to ASM Lithography, Inc. (ASML). ASML is a wholly-owned subsidiary of ASM Lithography Holdings NV (ASML Holdings), a Dutch multi-national corporation that supplies lithography systems used for printing integrated circuit designs onto very thin disks of silicon, commonly referred to as wafers. These systems are supplied to integrated circuit manufacturers throughout the United States, Asia, and Western Europe. ASML Holdings is 24% owned by Philips Electronics and has strategic partnerships with a number of major companies including Lucent Technologies, Applied Materials, Samsung, Hyundai and Motorola.

The initial term of the ASML lease is fifteen years which commenced on June 4, 1998 and expires on June 30, 2013. The base rent payable for the ASML Building, out of which Wells OP will be required to make the ground lease payments described below, is as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|
| 1 to 5 | $1,927,788 | $160,649 |
| 6 to 10 | $2,130,124 | $177,510 |
| 11 to 15 | $2,354,021 | $196,168 |

ASML has an expansion option which allows ASML the ability to expand the building into at least an additional 30,000 rentable square feet, to be constructed by Wells OP. If the expansion option exercised is for less than 30,000 square feet, Wells OP may reject the exercise at its sole discretion. In the event that ASML exercises its expansion option after the first five years of the initial lease term, such lease term will be extended to 10 years from the date of such expansion.

The ASML ground lease commenced on August 22, 1997 and expires on December 31, 2082. The ground lease payments required pursuant to the ASML ground lease are as follows:

| Lease Years | Annual Rent |
|---|---|
| Years 1 to 15 | $186,368 |
| Years 16 to 25 | $273,340 |
| Years 26 to 35 | $356,170 |
| Years 36 to 45 | 10% of Fair Market Value of Land in year 35 |
| Years 46 to 55 | Rent from year 45 plus 3% per year increase |
| Years 56 to 65 | Rent from year 55 plus 3% per year increase |
| Years 66 to 75 | 10% of Fair Market Value in Year 65 |
| Years 76 to 85 | Rent from year 75 plus 3% per year increase |

Wells OP has the right to terminate the ASML ground lease prior to the expiration of the 30/th/ year, and prior to the expiration of each subsequent ten-year period thereafter.

The Dial Building

The Dial Building is a two story office building containing approximately 129,689 rentable square feet located in Scottsdale, Arizona. Wells OP purchased the Dial Building on March 29, 2000 for a purchase price of $14,250,000.

Construction of the Dial Building was completed in 1997.

The Dial Building is subject to a first priority mortgage interest in favor of SouthTrust securing the SouthTrust Line of Credit, which is more particularly described in the "Real Estate Loans" section of the prospectus.



The Dial Building is located at 15501 N. Dial Boulevard within the Scottsdale Airpark Development in the City of Scottsdale which is eight miles northeast of the center of Phoenix and is an integral part of metropolitan Phoenix.

The Dial Building is leased to Dial Corporation (Dial). Dial currently has its headquarters in the Dial Building and is one of the leading consumer product manufacturers in the United States. Dial's brands include Dial soap, Purex detergents, Renuzit air fresheners, Armour canned meats, and a variety of other leading consumer products.

The initial term of the Dial lease is eleven years which commenced on August 14, 1997 and expires on August 31, 2008. Dial has the right to extend the Dial lease for two additional five year periods of time at 95% of the then current fair market rental rate. The annual rent payable for the initial term of the Dial lease is $1,387,672.

The Metris Building

The Metris Building is a three story office building containing approximately 101,100 rentable square feet located in Tulsa, Oklahoma. Wells OP purchased the Metris Building on February 11, 2000 for a purchase price of $12,740,000. Construction of the Metris Building was completed on January 14, 2000.

Wells OP borrowed $8,000,000 from an existing revolving credit facility (Metris Loan) at the time it purchased the Metris Building. The Metris Loan, which is more particularly described in the "Real Estate Loans" section of the prospectus, is secured by a first mortgage against the Metris Building.

The Metris Building is located on a 14.6 acre tract of land located at 4848 South 129/th/ East Avenue in the Silos Corporate Center, a prominent 126 acre mixed-use park owned by State Farm Insurance Companies. The site is about 11 miles southeast of the Tulsa Commercial Business District and is bordered by the Broken Arrow Expressway, the primary east-west thoroughfare linking the suburb of Broken Arrow to downtown Tulsa.

The Metris Building is leased to Metris Direct, Inc. (Metris). Metris is a principal subsidiary of Metris Companies Inc. (Metris Companies), a publicly traded company on the New York Stock Exchange and guarantor of the Metris lease. Metris Companies is an information-based direct marketer of consumer credit products and fee-based services primarily to moderate income consumers. Metris Companies' consumer credit products are primarily unsecured credit cards issued by its subsidiary, Direct Merchants Credit Card Bank. The company's customers and prospects include individuals for whom credit bureau information is available and existing customers of a former affiliate, Fingerhut Corporation.

The initial term of the Metris lease is ten years which commenced on February 1, 2000 and expires on January 31, 2010. Metris has the right to extend the Metris lease for two additional five year periods of time. The base rent payable for the Metris lease is as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|

| | | |
|---|---|---|
| Years 1 to 5 | $1,187,925.00 | $ 98,993.75 |
| Years 6 to 10 | $1,306,717.50 | $108,893.13 |

The monthly base rent payable for the renewal terms of the Metris lease shall be equal to the then current market rate based on the then existing rates for comparable space of equivalent quality in suburban Tulsa, Oklahoma taking into account location, quality, age of the office building, size of premises and any other relevant term or condition in making such fair market value rental rate determination as of twelve (12) months prior to commencement of the renewal term. If the parties are



unable to agree upon the market rate within eleven (11) months prior to commencement of the renewal term, the market rate shall then be determined by arbitration.

The Cinemark Building

The Cinemark Building is a five-story office building containing approximately 118,108 rentable square feet located in Plano, Texas. Wells OP purchased the Cinemark Building on December 21, 1999 for a purchase price of $21,800,000. Construction of the Cinemark Building was completed in September 1999.

The Cinemark Building is subject to a first priority mortgage interest in favor of SouthTrust securing the SouthTrust Line of Credit, which is more particularly described in the "Real Estate Loans" section of the prospectus.

The Cinemark Building is located on a 3.52-acre tract of land located at 3900 Dallas Parkway in Plano, Texas. The site is in a good location with quick access to and visibility from the toll road. The City of Plano is located approximately 20 miles north of downtown Dallas and is the largest city in Collin County with a population of nearly 200,000 people.

The entire 118,108 rentable square feet of the Cinemark Building is currently leased to two tenants. Cinemark USA, Inc. (Cinemark) occupies 66,024 rentable square feet of the Cinemark Building, and The Coca-Cola Company (Coca-Cola) occupies the remaining 52,084 rentable square feet of the Cinemark Building.

Cinemark, a privately owned company, is one of the largest motion picture exhibitors in North and South America. Cinemark currently operates in excess of 2,575 screens in 32 states within the United States and internationally in countries such as Argentina, Brazil, Canada, Chile, Costa Rica, Ecuador, El Salvador, Honduras, Nicaragua, Mexico and Peru.

The initial term of the Cinemark lease is ten years which commenced on December 21, 1999 and expires on December 20, 2009. Cinemark has the right to extend the Cinemark lease for two additional five year periods of time. The base rent payable for the Cinemark lease and first renewal term is as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|
| Years 1 to 7 | $1,366,491.25 | $113,874.27 |
| Years 8 to 10 | $1,481,737.50 | $123,478.13 |

| | | |
|---|---|---|
| Years 11 to 15 | $1,567,349.00 | $130,612.42 |

The monthly base rent payable for the second renewal term of the Cinemark lease shall be equal to 95% of the then current market rate based on the then existing rates for comparable space of equivalent quality in Plano, Texas taking into account location, quality, age of the office building, size of premises and any other relevant term or condition in making such fair market value rental rate determination. If the parties are unable to agree upon the market rate within 15 business days after receipt of the renewal notice, each party shall appoint a real estate appraiser to determine the market rate. If the two appraisers cannot agree upon the market rate within 15 days of the commencement of their deliberation, they shall appoint a third appraiser. The market rate shall then be determined by the agreement of any two of the appraisers or the average of the two closest rates if two appraisers cannot agree.

Cinemark shall have a right of first refusal to lease any of the remaining rentable area of the Cinemark Building which subsequently becomes vacant and in which Wells OP receives or makes an acceptable offer or proposal to lease such vacant space to a bona fide third party. Wells OP shall offer to



Cinemark in writing the right to include the vacant space under its lease at the rental rate set forth in the third party offer. Cinemark shall then have 15 days to exercise this right of first refusal.

Coca-Cola is the global soft-drink industry leader with world headquarters in Atlanta, Georgia. Coca-Cola manufactures and sells syrups, concentrates and beverage bases for Coca-Cola, the company's flagship brand, and over 160 other soft drink brands in nearly 200 countries around the world.

The initial term of the Coca-Cola lease is seven years which commenced on December 1, 1999 and expires on November 30, 2006. The base rent payable for the Coca-Cola lease term is as follows:

| Lease Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 1 | $1,250,016 | $104,168.00 |
| Year 2 | $1,302,100 | $108,508.33 |
| Year 3 | $1,354,184 | $112,848.66 |
| Year 4 | $1,406,268 | $117,189.00 |
| Year 5 | $1,458,352 | $121,529.33 |
| Year 6 | $1,510,436 | $125,869.66 |
| Year 7 | $1,562,520 | $130,210.00 |

Coca-Cola has the right to extend the lease for two additional five year periods of time upon 240 days advance notice prior to the end of the term. Within 30 days of the delivery of the renewal notice by Coca-Cola, Wells OP shall deliver a rental notice to Coca-Cola stating the base rent payable during the renewal term, which base rent shall be based upon the prevailing rental rates for space of similar quality, size, utility, location, length of renewal term and credit standing of the tenant. Coca-Cola must then notify Wells OP of

its intent to renew the lease on such terms within 30 days of delivery of the rental notice by Wells OP.

The Gartner Building

The Gartner Building is a two story office building containing approximately 62,400 rentable square feet located in Fort Myers, Florida. The XI-XII-REIT Joint Venture purchased the Gartner Building on September 20, 1999 for a purchase price of $8,320,000. Construction of the Gartner Building was completed in 1998.

The site is a 4.9 acre tract of land within the Gateway development at 12600 Gateway Boulevard. Gateway is a mixed use development with over 3,000 acres planned for residential purposes and over 800 acres planned for commercial purposes. Sony Electronics and Ford Motor Credit Company are two of the commercial tenants in this development.

The Gartner Building is currently leased to The Gartner Group, Inc. (Gartner). The Gartner Building will be occupied by Gartner's Financial Services Division. Gartner, which was founded in 1979, is one of the world's leading independent providers of research and analysis related to information and technology solutions. Gartner serves as a consultant to business clients for their information technology purchasing decisions. Gartner has over 80 locations worldwide and over 12,000 clients.

The initial term of the Gartner lease is ten years which commenced on February 1, 1998 and expires on January 31, 2008. Gartner has the right to extend the lease for two additional five year periods of time. The base rent payable for the remainder of the lease term is as follows:



| Lease Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 3 | $790,642 | $65,886.83 |
| Year 4 | $810,408 | $67,534.00 |
| Year 5 | $830,668 | $69,222.35 |
| Year 6 | $851,435 | $70,952.89 |
| Year 7 | $872,721 | $72,726.74 |
| Year 8 | $894,539 | $74,544.92 |
| Year 9 | $916,902 | $76,408.54 |
| Year 10 | $939,825 | $78,318.71 |

The monthly base rent payable for each extended term of the lease will be equal to the lesser of (i) the prior rate increased by 2.5%, or (ii) 95% of the then current market rate which is calculated as a full-service rental rate less anticipated annual operating expenses on a rentable square foot basis charged for space of comparable location, size and conditions in comparable office buildings in the Fort Myers area.

Gartner also has two expansion options for additional buildings under the Gartner lease. The two option plans are described in the lease as the "Small Option Building" and the "Large Option Building".

The "Small Option Building" and the "Large Option Building" expansion options allow Gartner the ability to expand into separate, free standing facilities of 30,000 to 32,000 rentable square feet and 60,000 to 75,000 rentable square feet respectively. Gartner may exercise its rights for either expansion option by providing notice in writing to the joint venture on or before February 15, 2002. In the event that Gartner exercises either expansion option, the parties shall enter into a separate lease within 30 days of such notice by Gartner with a guaranteed ten year lease term and yearly base rent to be determined by mutual agreement of the parties.

The Marconi Building

The Marconi Building (formerly known as the Viedojet Building) is a two story office, assembly and manufacturing building containing approximately 250,354 rentable square located in Wood Dale, Illinois. Wells OP purchased the Marconi Building on September 10, 1999 for a purchase price of $32,630,940. Construction of the Marconi Building was completed in 1991.

The site is a 15.3 acre tract of land located within the Chancellory Business Park which is adjacent to the western entrance to O'Hare International Airport. The site is also situated very convenient to most of Chicago's major interstates, including the Elgin/O'Hare Expressway which, when finished, will extend along Thorndale Road adjacent to the main entrance to the Chancellory Business Park. The Chancellory Business Park consists of good quality office, manufacturing and warehouse buildings mostly occupied by national tenants such as Sony, Mitsubishi, NEC Minolta and United Airlines.

The Marconi Building is leased to Marconi Data Systems, Inc. (formerly known as Videojet Systems International, Inc. since a December 1999 name change). Marconi Data Systems, Inc. (Marconi) is the world's leading producer of state-of-the-art industrial ink jet marking and coding products. Marconi manufactures and distributes industrial ink jet printers, digital imaging systems, laser coding systems, inks and fluids to customers worldwide. The Marconi lease is guaranteed by GEC Incorporated, a Delaware corporation which is a wholly-owned subsidiary of Marconi, p.l.c. (formerly known as General Electric Company, p.l.c.), a publicly traded United Kingdom corporation that ranks among the largest electronic system and equipment manufacturers in the world.



The initial term of the Marconi lease is 20 years which commenced in November 1991 and expires in November 2011. Marconi has the right to extend the Marconi lease for one additional five year period of time. The base rent payable for the remainder of the lease term is as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|
| Year 9 to 10 | $2,838,952 | $236,579.33 |
| Years 11 to 20 | $3,376,746 | $281,395.50 |
| Extension Term | $4,667,439 | $388,953.25 |

The Johnson Matthey Building

The Johnson Matthey Building is a 130,000 square foot research and development, office and warehouse building. The XI-XII-REIT Joint Venture purchased the Johnson Matthey Building on August 17, 1999 for a purchase price of $8,000,000. The Johnson Matthey Building was first constructed in 1973 as a

multi-tenant facility and it was subsequently converted into a single-tenant facility in 1998.

The site consists of a 10.0 acre tract of land located at 434-436 Devon Park Drive in Tredyffrin Township, Chester County, Pennsylvania. The site is located along the Route 202 "high tech" corridor close to King of Prussia and is considered a suburb of Philadelphia. The site is within five minutes of Route 422, the Pennsylvania Turnpike and Interstate 76.

The Johnson Matthey Building is currently leased to Johnson Matthey, Inc. (Johnson Matthey). Johnson Matthey is a wholly owned subsidiary of Johnson Matthey, PLC of the United Kingdom, a world leader in advanced materials technology. Johnson Matthey, PLC applies the latest technology to add value to precious metals and other specialized materials. Johnson Matthey, PLC is a publicly traded company that is over 175 years old, has operations in 38 countries and employs 12,000 people.

Johnson Matthey is one of the parent company's primary operating companies in the U.S. and includes the Catalytic Systems Division (CSD). The CSD is the world's leading supplier of catalytic converters for automotive exhaust emission and air pollution control. In addition, Johnson Matthey is the largest U.S. supplier of diesel catalytic converters, which enable customers to meet constantly tightening regulatory requirements.

The lease term of the Johnson Matthey lease is ten years which commenced in July 1998 and expires in June 2007. Johnson Matthey has the right to extend the lease for two additional three year periods of time. The base rent payable under the Johnson Matthey lease for the remainder of the lease term is as follows:

| Lease Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 3 | $789,750 | $65,812.50 |
| Year 4 | $809,250 | $67,437.50 |
| Year 5 | $828,750 | $69,062.50 |
| Year 6 | $854,750 | $71,229.17 |
| Year 7 | $874,250 | $72,854.17 |
| Year 8 | $897,000 | $74,750.00 |
| Year 9 | $916,500 | $76,375.00 |
| Year 10 | $939,250 | $78,270.84 |

The monthly base rent payable for each extension term will be equal to the fair market rent taking into consideration rental rates for comparable industrial and research and development properties in the



local market area. If the parties cannot agree upon the fair market rent, the matter shall be submitted to arbitration.

Johnson Matthey has a right of first refusal to purchase the Johnson Matthey Building in the event that the XI-XII-REIT Joint Venture desires to sell the building to an unrelated third-party. The XI-XII-REIT Joint Venture must give Johnson Matthey written notice of its intent to sell the Johnson Matthey

Building, and Johnson Matthey will have ten days from the date of such notice to provide written notice of its intent to purchase the building. If Johnson Matthey exercises its right of first refusal, it must purchase the Johnson Matthey Building on the same terms contained in the offer.

The ABB Richmond Building

The ABB Richmond Building is a four story brick office building containing 102,000 gross square feet located in Midlothian, Virginia. Wells REIT, LLC - VA I (Wells LLC VA), a limited liability company wholly owned by Wells OP, purchased a 7.49 acre tract of land on July 22, 1999 for a purchase price of $936,250. Wells LLC VA completed construction of the ABB Richmond Building on _____, 2000 at an aggregate cost of approximately $11,400,000, including the cost of the land.

Wells OP obtained a construction loan (ABB Richmond Loan) from SouthTrust Bank, N.A. in the maximum principal amount of $9,280,000, the proceeds of which was used to fund the development and construction of the ABB Richmond Building. The ABB Richmond Loan, which is more specifically detailed in the "Real Estate Loans" section of the Prospectus, will be secured by a pledge of the real estate, the ABB Richmond lease and a $4,000,000 letter of credit issued by Unibank.

The ABB Richmond Building is part of a 250-acre office park in the Clover Hill District of Chesterfield County, one of the fastest growing counties in Virginia. Midlothian is located approximately nine miles southwest of the Richmond central business district.

The ABB Richmond Building is leased to ABB Power Generation, Inc. (ABB Power). ABB Power is a subsidiary of Asea Brown Boveri, Inc., a large multi-national engineering and construction company headquartered in Switzerland.

The ABB Richmond lease is credit enhanced by a letter of credit in the amount of $4 million issued by Unibank, a large Danish bank with offices in New York, for the account of Asea Brown Boveri, Inc., the parent company.

The initial term of the ABB Richmond lease is seven years which commenced on July 24, 2000 and expires on July 23, 2007. ABB Power has the right to extend the lease for two additional five year periods of time. Each extension option must be exercised by giving notice to the landlord at least 12 months prior to the expiration of the then-current lease term. The base rent payable under the ABB Richmond lease will be as follows:

| Lease Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 1 | $1,183,731 | $ 98,644.26 |
| Year 2 | $1,213,324 | $101,110.37 |
| Year 3 | $1,243,657 | $103,638.08 |
| Year 4 | $1,274,748 | $106,229.04 |
| Year 5 | $1,306,618 | $108,884.80 |
| Year 6 | $1,339.283 | $111,606.90 |
| Year 7 | $1,372,765 | $114,397.11 |



The monthly base rent payable for each extended term of the ABB Richmond lease will be equal to the "Market Rate" for new leases of office space in that

portion of the Richmond, Virginia market that is located south of the James River and west of I-95 for space similar to the premises. In the event the parties are unable to agree upon the Market Rate, then each party shall appoint a real estate appraiser. If the appraisers are unable to agree upon the Market Rate, they shall appoint a third appraiser and each shall make a determination of the Market Rate. The appraisal that is farthest from the middle appraisal shall be disregarded and the remaining two appraisals shall be averaged to establish the Market Rate.

ABB Power has a one-time option to terminate the ABB Richmond lease as to a portion of the premises containing between 12,500 and 13,000 rentable square feet as of the third anniversary of the rental commencement date. If ABB Power elects to exercise this termination option, ABB Power is required to pay a termination fee equal to eight times the sum of the next due installments of rent plus the unamortized portions of the base improvement allowance, additional allowance and broker commission, each being amortized in equal monthly installments of principal and interest over the initial term of the lease at a rate of ten percent (10%) per annum. ABB Power must give notice of its intent to exercise such option to terminate at least seven months in advance of the third anniversary; provided, however, that ABB Power may pay a penalty, as stipulated in the lease, to provide less than seven months notice.

In the event that ABB Power exercises its termination option as of the third anniversary of the rental commencement date, ABB Power has a one-time option to terminate the ABB Richmond lease as to a portion of the premises containing between 12,500 and 13,000 rentable square feet as of the fifth anniversary of the rental commencement date. If ABB Power elects to exercise this termination option, ABB Power is required to pay a termination fee equal to six times the sum of the next due installments of rent plus the unamortized portions of the base improvement allowance, additional allowance and broker commission, each being amortized in equal monthly installments of principal and interest over the initial term of the lease at a rate of ten percent (10%) per annum. ABB Power must give notice of its intent to exercise such option to terminate at least seven months in advance of the fifth anniversary; provided, however, that ABB Power may pay a penalty, as stipulated in the lease, to provide less than seven months notice.

In the event that ABB Power does not exercise its termination option as of the third anniversary of the rental commencement date, ABB Power has a one-time option to terminate the ABB Richmond lease as to a portion of the premises containing between 24,500 and 25,500 rentable square feet as of the fifth anniversary of the rental commencement date. If ABB Power elects to exercise this termination option, ABB Power is required to pay a termination fee equal to six times the sum of the next due installments of rent plus the unamortized portions of the base improvement allowance, additional allowance and broker commission, each being amortized in equal monthly installments of principal and interest over the initial term of the lease at a rate of ten percent (10%) per annum. ABB Power must give notice of its intent to exercise such option to terminate at least nine months in advance of the fifth anniversary; provided, however, that ABB Power may pay a penalty, as stipulated in the lease, to provide less than seven months notice.

The Sprint Building

The Sprint Building is a three story office building with approximately 68,900 rentable square feet. The XI-XII-REIT Joint Venture purchased the Sprint Building on July 2, 1999 for a purchase price of $9,500,000. Construction of the Sprint Building was completed in 1992.

The Sprint Building is located on a 7.1 acre tract of land located adjacent to the Leawood Country Club in Leawood, Kansas near the affluent Overland Park suburb of Kansas City. The site is within



walking distance of Ward Parkway Mall and is convenient to downtown Kansas City and I-435, the interstate loop around Kansas City.

The Sprint Building is leased to Sprint Communications Company L.P. (Sprint). Sprint is the nation's third largest long distance phone company, which operates on an all-digital long distance telecommunications network using state-of-the-art fiber optic and electronic technology. Sprint provides domestic and international voice, video and data communications services as well as integration management and support services for computer networks.

The initial term of the Sprint lease is ten years which commenced on May 19, 1997 and expires in May 2007, subject to Sprint's right to extend the lease for two additional five year periods of time. The monthly base rent payable under the Sprint lease is $83,254 through May 18, 2002 and $91,867 for the remainder of the lease term. The monthly base rent payable for each extended term of the Sprint lease will be equal to 95% of the then current market rate for comparable office buildings in the suburban south Kansas City, Missouri and south Johnson County, Kansas areas. If the parties are unable to agree upon the current market rate within 30 days of the date negotiations begin, the current market rate shall be determined by three licensed real estate brokers, one of which will be selected by Sprint, one of which will be selected by the XI-XII-REIT Joint Venture and the final appraiser will be selected by the two appraisers previously selected.

The Sprint lease contains a termination option which may be exercised by Sprint effective as of May 18, 2004 provided that Sprint has not exercised either expansion option, as described below. Sprint must provide notice to the XI-XII-REIT Joint Venture of its intent to exercise its termination option on or before August 21, 2003. If Sprint exercises its termination option, it will be required to pay the joint venture a termination payment equal to $6.53 per square foot, or $450,199.

Sprint also has an expansion option for an additional 20,000 square feet of office space which may be exercised in two expansion phases. Sprint's expansion rights involve building on unfinished ground level space that is currently used as covered parking within the existing building footprint and shell. At each exercise of an expansion option, the remaining lease term will be extended to be a minimum of an additional five years from the date of the completion of such expansion space.

Sprint must give written notice to the XI-XII-REIT Joint Venture of its election to exercise each expansion option at least 270 days prior to the date Sprint will require delivery of the expansion space.

If Sprint exercises either expansion option, the XI-XII-REIT Joint Venture will be required to construct the expansion improvements in accordance with the specific drawings and plans attached as an exhibit to the Sprint lease. The joint venture will be required to fund the expansion improvements and to fund to Sprint a tenant finish allowance of $10 per square foot for the expansion space.

The base rental per square foot for the expansion space shall be determined by the XI-XII-REIT Joint Venture taking into consideration the value of the joint venture's work related to such expansion space and the base rental rate increase per square foot applicable at the end of year five of the lease term. The expansion space base rental rate shall be presented to Sprint no later than 45 days after delivery to the XI-XII-REIT Joint Venture of each expansion notice. In no event shall such rental rate be greater than the base rental rate for the Sprint Building as of the date of the expansion space commencement date.



The EYBL CarTex Building

The EYBL CarTex Building is a manufacturing and office building consisting of a total of 169,510 square feet located in Greenville, South Carolina. The XI-XII-REIT Joint Venture purchased the EYBL CarTex Building on May 18, 1999 for a purchase price of $5,085,000. Construction of the EYBL CarTex Building was originally completed in the early 1980s and an addition was completed in 1989.

The EYBL CarTex Building is located on an 11.9 acre tract of land at 111 SouthChase Boulevard in the SouthChase Industrial Park, which is located adjacent to I-385 in southwest Greenville, South Carolina.

The EYBL CarTex Building is leased to EYBL CarTex, Inc. (EYBL CarTex). EYBL CarTex produces automotive textiles for BMW, Mercedes, GM Bali, VW Mexico and Golf A4. EYBL CarTex is a wholly-owned subsidiary of EYBL International, AG, Krems/Austria. EYBL International is the world's largest producer of circular knit textile products and loop pile plushes for the automotive industry. It has plants in Austria, Germany, Hungary, Slovakia, Brazil and the United States.

The initial term of the EYBL CarTex lease is ten years which commenced on March 1, 1998 and expires in February 2008, subject to EYBL CarTex's right to extend the lease for two additional five year periods of time. The base rent payable under the EYBL CarTex lease for the remainder of the lease term shall be as follows:

| Lease Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 3 | $508,530 | $42,378 |
| Year 4 | $508,530 | $42,378 |
| Year 5 | $550,908 | $45,909 |
| Year 6 | $550,908 | $45,909 |
| Year 7 | $593,285 | $49,440 |
| Year 8 | $593,285 | $49,440 |
| Year 9 | $610,236 | $50,853 |
| Year 10 | $610,236 | $50,853 |

The monthly base rent payable for each extended term of the lease will be equal to the fair market rent as submitted by the landlord. If the tenant does not agree to the proposed rent by the landlord for the extension term, tenant may require the fair market rent be determined by three appraisers, one of which will be selected by the tenant, one by the landlord and the final appraiser shall be selected by the first two appraisers.

Under the lease, EYBL CarTex has an option to purchase the EYBL CarTex Building at the expiration of the initial lease term by giving notice to the landlord by March 1, 2007. Within 30 days after landlord receives notice of tenant's intent to exercise its purchase option, landlord shall submit a proposed purchase price for the EYBL CarTex Building based upon its good faith estimate of the fair market value of the building. If tenant does not agree to the purchase price, tenant may require that the purchase price be established by three appraisers, one of which will be selected by the tenant, one of which will be selected by the landlord and the final appraiser shall be selected by the first two appraisers. In no event, however, will the purchase price under the purchase option be less than $5,500,000.



The Matsushita Building

The Matsushita Building is a two story office building containing 150,000 rentable square feet. Wells OP purchased an 8.8-acre tract of land on March 15, 1999, for a purchase price of $4,450,230. Wells OP completed construction of the Matsushita Building on January 4, 2000 at an aggregate cost of approximately $18,400,000, including the cost of the land.

Wells OP obtained a construction loan (Matsushita Loan) from Bank of America, N.A. in the maximum principal amount of $15,375,000, the proceeds of which was used to fund the development and construction of the Matsushita Building. The Matsushita Loan, which is more specifically detailed in the "Real Estate Loans" section of the Prospectus, is secured by a first priority mortgage against the Matsushita Building.

The site is located in the Pacific Commercentre, which is a 33 acre master-planned business park positioned near the Irvine Spectrum in the heart of Southern California's Technology Coast. Pacific Commercentre is a nine building complex featuring office, technology, and light manufacturing uses, and is located in the city of Lake Forest in Southern Orange County.

The Matsushita Building is leased to Matsushita Avionics Systems Corporation (Matsushita Avionics). Matsushita Avionics is a wholly owned subsidiary of Matsushita Electric Corporation of America (Matsushita Electric). Matsushita Avionics manufactures and sells audio-visual products to the airline industry for passenger use in airplanes. Matsushita Electric is a wholly-owned subsidiary of Matsushita Electric Industrial Co., Ltd. (Matsushita Industrial), a Japanese company which is the world's largest consumer electronics manufacturer. Matsushita Electric has guaranteed the obligations of Matsushita Avionics under the Matsushita lease.

The initial term of the Matsushita Lease is seven years which commenced on January 4, 2000 and expires in January 2007. Matsushita Avionics has the option to extend the initial term of the Matsushita Lease for two successive five-year periods. Each extension option must be exercised not more than 19 months and not less than 15 months prior to the expiration of the then current lease term. The base rent payable under the Matsushita lease shall be as follows:

| Lease Years | Annual Rent | Monthly Rent |
|---|---|---|
| Years 1-2 | $1,830,000 | $152,500 |
| Years 3-4 | $1,947,120 | $162,260 |
| Years 5-6 | $2,064,240 | $172,020 |
| Year 7 | $2,181,360 | $181,780 |

The monthly base rent payable during the option term shall be ninety-five percent (95%) of the stated rental rate at which, as of the commencement of the option term, tenants are leasing non-expansion, non-affiliated, non-sublease, non-encumbered, non-equity space comparable in size, location and quality to the Matsushita project for a term of five years in the Lake Forest and Irvine area of Southern California. The monthly base rent during the option term shall be adjusted upward during the option term at the beginning of the 24/th/ and 48/th/ month of each option term by an amount equal to six percent (6%) of the monthly base rent payable immediately preceding such period. Within 30 days of tenant providing written notice of its intent to exercise a renewal option, Wells OP shall deliver to Matsushita Avionics notice containing the proposed rent for the option term. If, after reasonable good faith efforts, landlord and tenant are unable to agree upon the option rent before the 13/th/ month prior to the expiration of the appropriate lease term, option rent shall be determined by arbitration.



The AT&T Building

The AT&T Building (formerly known as the Vanguard Building) is a four story office building containing approximately 81,859 rentable square feet located in Harrisburg, Pennsylvania. Wells OP purchased the AT&T Building on February 4, 1999 for a purchase price of $12,291,200. Construction of the AT&T Building was completed in November 1998.

Wells OP obtained a loan from Bank of America, N.A. (BOA Loan) in connection with its original purchase of the AT&T Building. The BOA Loan, which is more particularly described in the "Real Estate Loans" section of the prospectus, is secured in part by a first mortgage against the AT&T Building.

The AT&T Building is located on 10.5 acres of land in Commerce Park, which is located in the Lower Paxton Township, a planned business park, at the intersection of Progress Avenue and Interstate Drive just off of the Progress Avenue exit of Interstate 81.

The AT&T Building is leased to Pennsylvania Cellular Telephone Corp. (Pennsylvania Telephone), a subsidiary of Vanguard Cellular Systems, Inc. (Vanguard Cellular), and the obligations of Pennsylvania Telephone under the Vanguard Cellular lease are guaranteed by Vanguard Cellular. Vanguard Cellular is an independent operator of cellular telephone systems in the United States with over 664,000 subscribers located in 26 markets in the Mid-Atlantic, Ohio Valley and New England regions of the United States. Vanguard Cellular markets its wireless products and services under the name CellularOne, a nationally recognized brand name partially owned by Vanguard Cellular. Vanguard Cellular operates primarily in suburban and rural areas that are close in proximity to major urban areas, which it believes affords several advantages over its traditional urban competitors, including (1) greater network capacity, (2) greater roaming revenue opportunities, (3) lower distribution costs, and (4) higher barriers to entry by competitors.

On May 3, 1999, Vanguard Cellular was merged with and became a wholly-owned subsidiary of AT&T Corp.

The initial term of the Vanguard Cellular lease is ten years which commenced on November 16, 1998 and expires in November 2007. Vanguard has the option to extend the initial term of the Vanguard Cellular lease for three additional five year periods and one additional four year and 11 month period. Each extension option must be exercised by giving written notice to the landlord at least 12 months prior to the expiration date of the then current lease term. The following table summarizes the annual base rent payable during the remainder of the initial term of the Vanguard Cellular lease:

| Lease Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 3 | $1,416,221 | $118,018.38 |
| Year 4 | $1,442,116 | $120,176.32 |
| Year 5 | $1,468,529 | $122,377.41 |
| Year 6 | $1,374,011 | $114,500.91 |
| Year 7 | $1,401,491 | $116,790.93 |
| Year 8 | $1,429,521 | $119,126.74 |
| Year 9 | $1,458,111 | $121,509.28 |
| Year 10 | $1,487,274 | $123,939.47 |

The annual base rent for each extended term under the lease will be equal to 93% of the "fair market rent" determined either (1) as agreed upon by the parties, or (2) as determined by appraisal pursuant to the terms and conditions of the Vanguard Cellular lease. The fair market rent shall be



multiplied by the "fair market escalator" (which represents the yearly rate of increases in the fair market rent for the entire renewal term), if any. If the

fair market rent is to be determined by appraisal, both the landlord and the tenant shall designate an independent appraiser, and both appraisers shall mutually designate a third appraiser. After their appointment, the appraisers shall determine the fair market rent and the fair market escalator by submitting independent appraisals. The fair market rent and fair market escalator shall be deemed to be the middle appraisal of the three submitted.

In addition, the Vanguard Cellular lease contains an option to expand the premises to create additional office space of not less than 40,000 gross square feet and not more than 90,000 gross square feet, as well as additional parking to accommodate such office space. If Pennsylvania Telephone exercises its option for the expansion improvements, Wells OP will be obligated to expend the funds necessary to construct the expansion improvements. Pennsylvania Telephone may exercise its expansion option by delivering written notice to Wells OP at any time before the last business day of the 96th month of the initial term of the Vanguard Cellular lease.

Within 60 days after Wells OP's receipt of the expansion notice, Wells OP shall consult with Pennsylvania Telephone concerning Pennsylvania Telephone's specific requirements with regard to the expansion improvements and, within such 60 day period, Wells OP shall notify Pennsylvania Telephone in writing of the total estimated expansion costs to be incurred in planning and constructing the expansion improvements. Within 60 days after Pennsylvania Telephone receives Wells OP's written notification of the costs for the expansion improvements, Pennsylvania Telephone shall notify Wells OP in writing either (1) that Pennsylvania Telephone authorizes Wells OP to proceed with the construction of the expansion improvements, (2) that Pennsylvania Telephone intends to submit revised specifications within 60 days to reduce the estimated costs of the expansion improvements to an amount satisfactory to Pennsylvania Telephone, or (3) that Pennsylvania Telephone elects not to expand the premises. If Pennsylvania Telephone fails to deliver its notice to proceed within the above mentioned 60 day period, then Pennsylvania Telephone shall be deemed to have elected not to expand.

If Pennsylvania Telephone delivers its notice to proceed with the expansion improvements, Pennsylvania Telephone shall be deemed to have exercised its option for such full or partial renewal terms such that, as of the date of substantial completion of the expansion improvements, the remaining lease term shall be ten years from such date of substantial completion. Pennsylvania Telephone shall continue to have the right to exercise its option for any of the renewal terms discussed above which remain beyond the ten year additional term; provided that, if the remaining portion of a renewal term after the ten year extension shall be less than one year, then the ten year term shall be further extended to include the remaining portion of the renewal term which is less than one year.

The annual base rent for the expansion improvements for the first twelve months shall be equal to the product of (a) the expansion costs, multiplied by (b) a factor of 1.07, multiplied by (c) the greater of (X) 10.50%, or (Y) an annual interest rate equal to 375 basis points in excess of the ten year United States Treasury Note Rate then most recently announced by the United States Treasury as of the commencement date of the expansion improvements. Thereafter, the annual base rent for the expansion improvements shall be increased annually by the lesser of (1) 5%, or (2) 75% of the percentage by which the United States, Bureau of Labor Statistics, Consumer Price Index for All Items - All Urban Wage Earners and Clerical Workers for the Philadelphia Area published nearest to the expiration date of each 12 month period subsequent to the expansion commencement date is greater than the CPI Index most recently published prior to the commencement date.



The PwC Building

The PwC Building is a four story office building containing approximately 130,090 rentable square feet located in Tampa, Florida. Wells OP purchased the PwC Building on December 31, 1998 for a purchase price of $21,127,854.

Construction of the PwC Building was completed in 1998.

Wells OP purchased the PwC Building subject to a loan from SouthTrust Bank, N.A. (SouthTrust Loan). The SouthTrust Loan, which is more particularly described in the "Real Estate Loans" section of the prospectus, is secured by a first mortgage against the PwC Building.

The PwC Building is located on approximately 9 acres of land located in Sunforest Business Park between Eisenhower Boulevard and George Road approximately 1,250 feet south of West Hillsborough Avenue. The Sunforest Business Park is located in the Westshore Business District, which is a suburban business center surrounding Tampa International Airport.

The PwC Building is leased to PricewaterhouseCoopers (PwC). PwC provides a full range of business advisory services to leading global, national and local companies and to public institutions. These services include audit, accounting and tax advice; management, information technology and human resource consulting; financial advisory services including mergers and acquisitions, business recovery, project finance and litigation support; business process outsourcing services; and legal advice through a global network of affiliated law firms. PwC employs more than 140,000 people in 152 countries.

The initial term of the PwC lease is ten years which commenced on December 28, 1998 and expires in December 2008, subject to PwC's right to extend the lease for two additional five year periods of time. The annual base rent payable under the PwC lease is $1,915,741 ($14.73 per square foot) payable in equal monthly installments of $159,645.09 during the first year of the initial lease term. The base rent escalates at the rate of 3% per year throughout the ten year lease term. In addition, PwC is required to pay a "reserve" of $13,009 ($.10 per square foot) as additional rent.

The annual base rent for each renewal term under the lease will be equal to the greater of (a) ninety percent (90%) of the "market rent rate" for such space multiplied by the rentable area of the leased premises, or (b) one hundred percent (100%) of the base rent paid during the last lease year of the initial term, or the then current renewal term, as the case may be. If the base rent for the first lease year under the renewal term is determined pursuant to clause (a) above, then the base rent for each lease year of such renewal term after the first lease year shall be one hundred three percent (103%) of the base rent for the immediately preceding lease year. If the base rent for the first lease year of a renewal term is determined pursuant to clause (b) above, then there shall be no escalation of the base rent until such time that the total base rent paid during the renewal term is equal to the total base rent that would have been paid during such renewal term if the base rent had been determined pursuant to clause (a) above; and thereafter, the base rent for each subsequent lease year of such renewal term shall be one hundred three percent (103%) of the base rent for the immediately preceding lease year.

The "market rent rate" under the PwC lease shall be determined by agreement of the parties within 30 days after the date on which PwC delivers its notice of renewal. If Wells OP and PwC are unable to reach agreement on the market rent rate within said 30 day period, then each party shall simultaneously submit to the other in a sealed envelope its good faith estimate of the market rent rate within seven days of expiration of the 30 day period. If the higher of such estimates is not more than one hundred five percent (105%) of the lower of such estimates then the market rent rate shall be the average of the two estimates. Otherwise, within five days either party may request in writing to resolve the dispute by arbitration. The "market rate rent" shall be based upon the fair market rent then being charged



by landlords under new leases of office space in the Westshore Business District for similar space in a building of comparable quality with comparable amenities.

In addition, the PwC lease contains an option to expand the premises to include a second three or four story building with an amount of square feet up

to a total of 132,000 square feet which, if exercised by PwC, will require Wells OP to expend funds necessary to construct the expansion building. PwC may exercise its expansion option by delivering written notice to Wells OP at any time between the 60th day after the rental commencement date and the expiration of the initial term of the lease. If PwC for any reason fails to deliver the expansion notice on or prior to the last day of the initial term, the expansion option shall automatically expire. Upon PwC's delivery of the expansion notice and commencement of construction of the improvements by Wells OP, the term of the lease shall automatically be extended for an additional period of ten years from the date of substantial completion of the expansion building, without further action by either PwC or Wells OP. During the first five lease years of the initial term, Wells OP shall be obligated to construct the expansion building if PwC delivers the expansion notice. Wells OP and PwC have agreed that Wells OP shall not be required to construct the expansion building, however, if PwC delivers the expansion notice after the end of the fifth lease year and, following delivery of such expansion notice, Wells OP determines not to construct the expansion building based upon the base rent it would receive for the expansion building. If Wells OP notifies PwC in writing of such determination within 30 days after Wells OP's receipt of the expansion notice, PwC shall have the right to exercise its option to purchase the PwC building.

If PwC elects to exercise its expansion option, in addition to the construction of a second building which is of a quality equal to or better than the PwC building, Wells OP will be required to expand the parking garage such that a sufficient number of parking spaces, at least equal to four parking spaces per 1,000 square feet of rentable area, is maintained. Wells OP agrees to fund the cost of the design, development and construction of the expansion building up to a maximum of $150.00 per square foot of rentable area, as increased by increases in the Consumer Price Index between the rental commencement date and the date of expansion notice. PwC shall be responsible for the payment of any costs of the expansion building in excess of the maximum expansion cost.

The base rent per square foot of rentable area payable for the expansion building in the first lease year of such building shall be an amount equal to the product of (a) the expansion building cost per square foot of rentable area multiplied by (b) the sum of 300 basis points plus the weekly average yield on United States Treasury Obligations, amortized on an annual basis over a period of 20 years. The base rent for each subsequent lease year shall be one hundred three percent (103%) of the base rent for the immediately preceding lease year.

In the event that PwC elects to exercise its expansion option and Wells OP determines not to proceed with the construction of the expansion building as described above, or if Wells OP is otherwise required to construct the expansion building and fails to do so in a timely basis pursuant to the PwC lease, PwC may exercise its purchase option by giving Wells OP written notice of such exercise within 30 days after either such event. If PwC properly exercises its purchase option, PwC must simultaneously deliver a deposit in the amount of $50,000. The purchase price for the PwC Building pursuant to the purchase option shall be equal to (a) the average of the monthly base rent for each month remaining in the initial term as of the closing date on the Purchase Option multiplied by 12, and (b) such average annual base rent shall be multiplied by 11.



The Cort Furniture Building

The Cort Furniture Building is a one story office, showroom and warehouse building with 52,000 rentable square feet located in Fountain Valley, California. The Cort Joint Venture purchased the Cort Furniture Building on July 31, 1998 for a purchase price of $6,400,000. Construction of the Cort Furniture Building was completed in 1975.

The Cort Furniture Building is located on two parcels of land totaling approximately 3.6 acres at 10700 Spencer Street on the southeast corner of Spencer Avenue and Mt. Langley Street adjacent on the south side to Interstate 405.

The Cort Furniture Building is leased to Cort Furniture Rental Corporation (Cort). Cort uses the Cort Furniture Building as its regional corporate headquarters with an attached clearance showroom and warehouse storage areas. 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 and includes 119 rental showrooms. The obligations of Cort under the Cort Furniture lease are guaranteed by Cort Business Services.

The initial term of the Cort lease is 15 years which commenced on November 1, 1988 and expires in October 2003. Cort has an option to extend the Cort lease for an additional five year period of time. The monthly base rent payable under the Cort 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 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.

The Fairchild Building

The Fairchild Building is a two story manufacturing and office building with 58,424 rentable square feet located in Fremont, Alameda County, California. The Fremont Joint Venture purchased the Fairchild Building on July 21, 1998 for a purchase price of $8,900,000. Construction of the Fairchild Building was completed in 1985.

The Fairchild Building is located on approximately 3 acres at 47320 Kato Road on the corner of Kato Road and Auburn Road in the City of Fremont, California.

The Fairchild Building is leased to Fairchild Technologies U.S.A., Inc. (Fairchild). 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 (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 obligations of Fairchild under the Fairchild lease are guaranteed by Fairchild Corp.

The initial term of the Fairchild lease is seven years which commenced on December 1, 1997 and expires in November 2004, subject to Fairchild's right to extend the Fairchild lease for an additional five year period. The base rent payable under the remainder of the Fairchild lease is as follows:

| Year | Annual Rent | Monthly Rent |
|---|---|---|

| | | |
|---|---|---|
| Year 4 | $867,324 | $72,277 |
| Year 5 | $893,340 | $74,445 |
| Year 6 | $920,136 | $76,678 |
| Year 7 | $947,736 | $78,978 |

The 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.

The Iomega Building

The Iomega Building is a warehouse and office building with 108,000 rentable square feet located in Ogden City, Utah. Wells Fund X originally purchased the Iomega Building on April 1, 1998 for a purchase price of $5,025,000 and contributed the Iomega Building to the IX-X-XI-REIT Joint Venture on July 1, 1998.

The Iomega Building is located on an approximately 8 acre tract of land at 2976 South Commerce Way in the Ogden Commercial and Industrial Park, which is one mile north of Roy City, one mile northwest of Riverdale City and three miles southwest of the Ogden central business district.

The Iomega Building is leased to Iomega Corporation (Iomega). 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.

The initial term of the Iomega lease is ten years which commenced on August 1, 1996 and expires in July 2006. In March 1999, the IX-X-XI-REIT Joint Venture acquired an adjacent parcel of land and constructed additional parking at the site at an aggregate cost of $_____. As a result, Iomega increased its monthly base rent and extended the term of its lease until April 30, 2009. The Iomega lease contains no further extension provisions. Iomega's world headquarters are located within one mile of the Iomega Building. The monthly base rent payable under the Iomega lease is $54,989.41. On March 1, 2003 and July 1, 2006, 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 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 year, compounded annually, on a cumulative basis from the beginning of the lease term.



The Interlocken Building

The Interlocken Building is a three story multi-tenant office building with 51,974 rentable square feet located in Broomfield, Colorado. The IX-X-XI-REIT Joint Venture purchased the Interlocken Building on March 20, 1998 for a purchase price of $8,275,000. Construction of the Interlocken Building was completed in December 1996.

The Interlocken Building is located on a 5.1 acre tract of land in the Interlocken Business Park on Highway 36, the Boulder-Denver Turnpike, which is the main thoroughfare between Boulder and Denver. The Interlocken Building is located approximately eight miles southeast of Boulder and approximately 15 miles northwest of Denver. The Interlocken Building is currently leased as follows:

| Floor | Tenant | Rentable Sq. Ft. |
|---|---|---|
| 1 | Multiple | 15,599 |
| 2 | ODS Technologies, L.P. | 17,146 |
| 3 | GAIAM, Inc. | 19,229 |

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 GAIAM, Inc. (GAIAM). GAIAM, formerly known as Transecom, Inc., 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. GAIAM was founded in 1988 and currently employs approximately 60 people.

The GAIAM lease currently expires in October 2001, subject to GAIAM's right to extend for one additional term of five years upon 180 days' notice. The monthly base rent payable under the GAIAM lease is approximately $26,150 for the initial term of the lease. In accordance with the GAIAM lease, Golden Rule, Inc., an affiliate of GAIAM, occupies 6,621 rentable square feet of the third floor. GAIAM guarantees the entire payment due under the GAIAM lease. GAIAM also leases 1,510 rentable square feet on the first floor. The base rent payable for this space is as follows:

| Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 1 | $25,200 | $2,100 |
| Year 2 | $25,800 | $2,150 |
| Year 3 | $26,400 | $2,200 |

GAIAM currently subleases 2,910 rentable square feet on the first floor from TECWorks, Inc./Enterprise Bank. The monthly base rent payable for this space is $4,001.

The entire second floor of the Interlocken Building containing 17,146 rentable square feet (34% of total rentable square feet) is currently under lease to ODS Technologies, L.P. (ODS). 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 ODS lease expires in September 2003, subject to ODS's right to extend for one additional term of three years upon 180 days' notice. The base rent payable under the ODS lease is as follows:

| Year | Annual Rent | Monthly Rent |
|---|---|---|
| Year 1 | $271,200 | $22,600 |
| Year 2 | $277,200 | $23,100 |
| Year 3 | $282,600 | $23,550 |
| Year 4 | $288,600 | $24,050 |

| | | |
|---|---|---|
| Year 5 | $294,600 | $24,550 |

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.

The first floor of the Interlocken Building containing 15,599 rentable square feet is occupied by several tenants, in addition to GAIAM, whose leases expire in 2002. The aggregate monthly base rent payable under these leases for 2000 is approximately $20,308.

The Ohmeda Building

The Ohmeda Building is a two story office building with approximately 106,750 rentable square feet located in Louisville, Colorado. The IX-X-XI-REIT Joint Venture purchased the Ohmeda Building on February 13, 1998 for a purchase price of $10,325,000. Construction of the Ohmeda Building was completed in January 1988.

The Ohmeda Building is located on a 15 acre tract of land in the Centennial Valley Business Park approximately five miles southeast of Boulder and approximately 17 miles northwest of Denver. The Ohmeda Building is situated near Highway 36, which is the main thoroughfare between Boulder and Denver.

The Ohmeda Building is leased to Ohmeda, Inc. (Ohmeda). 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.

On April 13, 1998, Instrumentarium Corporation, a Finnish company, acquired the division of Ohmeda that occupies the Ohmeda Building. Instrumentarium is an international health care company concentrating on selected fields of medical technology manufacturing, marketing and distribution.

The Ohmeda lease currently expires in January 2005, subject to (1) Ohmeda's right to effectuate an early termination of the Ohmeda lease under the terms and conditions described below, and (2) Ohmeda's right to extend the Ohmeda Lease for two additional five year periods of time. The base rent payable under the Ohmeda lease is as follows:

| Years | Annual Rent | Monthly Rent |
|---|---|---|
| Years 1-5 | $1,004,520 | $83,710 |
| Year 6 | $1,054,692 | $87,891 |
| Year 7 | $1,107,000 | $92,250 |



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 IX-X-XI-REIT 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 30 days of notice of such difference.

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 IX-X-XI-REIT Joint Venture to expend funds necessary to acquire additional land, if necessary, and to construct the expansion space. Ohmeda's option to expand the premises is subject to deliverance of at least four months' prior written notice to the IX-X-XI-REIT Joint Venture. During the four months subsequent to the notice of Ohmeda's intention to expand the premises, Ohmeda and the IX-X-XI-REIT 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 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 IX-X-XI-REIT Joint Venture on its project costs and any retrofit expenses with respect to the existing premises incurred by landlord over the new, ten 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 ten year primary lease term, shall be based on a combined rental rate equal to the sum of (1) the base rental payable by Ohmeda during lease year number seven for the existing premises, plus (2) 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 ABB Knoxville Building

The ABB Knoxville Building is a three story multi-tenant steel-framed office building containing approximately 84,404 square feet located in Knoxville, Tennessee. Wells Fund IX purchased the land and constructed the ABB Knoxville Building. Wells Fund IX contributed the ABB Knoxville Building to the IX-X-XI-REIT Joint Venture on March 26, 1997 and was credited with making a $7,900,000 capital contribution. Construction of the ABB Knoxville Building was completed in December 1997.



The ABB Knoxville Building is located on approximately 5.6 acres 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 ABB Knoxville Building is currently leased to ABB Flakt, Inc. (ABB). ABB 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 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.

As security for ABB's obligations under its lease, ABB has provided to the IX-X-XI-REIT Joint Venture an irrevocable standby letter of credit in accordance with the terms and conditions set forth in the ABB lease. 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, at which time it will be reduced by $1,000,000 each year until the end of the lease term.

The initial term of the ABB lease is nine years and 11 months which commenced on January 1, 1998 and expires in December 2007. The annual base rent payable under the ABB lease is $_____ payable in equal monthly installments of $_____ during the first five years of the initial lease term, and $_____ payable in equal monthly installments of $_____ during the last four years and 11 months of the initial lease term.

The IX-X-XI-REIT Joint Venture has agreed to provide ABB on the fifth anniversary of the rental commencement date a redecoration allowance of an amount equal to (1) $5.00 per square foot of useable area of the premises leased which has been leased and occupied by ABB for at least three consecutive years ending with such fifth anniversary reduced by (2) $177,000.

ABB has a one-time option to terminate the ABB lease as of the seventh anniversary of the rental commencement date which is exercisable by written notice to the IX-X-XI-REIT Joint Venture at least 12 months in advance of such seventh anniversary. If ABB elects to exercise this termination option, ABB is required to pay to the IX-X-XI-REIT Joint Venture, on or before 90 days prior to the seventh anniversary of the rental commencement date, a termination payment intended to compensate the IX-X-XI-REIT 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 15 months of monthly base rental payments. We currently anticipate that the termination payment required to be paid by ABB in the event it exercises its option to terminate the ABB lease on the seventh anniversary would be approximately $1,800,000 based upon certain assumptions.

The Lucent Building

The Lucent Building is 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 by Wells Development. The Lucent Building was purchased by the IX-X-XI-REIT Joint Venture on June 24, 1998 for a purchase price of $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 IX-X-XI-REIT Joint Venture. Construction of the Lucent Building was completed in January 1998.

The Lucent Building is located on approximately 5.3 acres located in the Quail Springs Office Park, 1400 Hertz Quail Springs Parkway, in the northwest sector of Oklahoma City.

The Lucent Building is leased to Lucent Technologies Inc. (Lucent Technologies). Lucent Technologies is a telecommunications company which was spun off by AT&T in April 1996. Lucent Technologies, which is traded on the New York Stock Exchange, 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.

The initial term of the Lucent lease is ten years which commenced on January 5, 1998 and expires in January 2008. Lucent Technologies has the option to extend the initial term of the Lucent lease for two additional five year periods. 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, Lucent Technologies also has a one-time option to terminate the Lucent lease on the seventh anniversary of the rental commencement date, which is exercisable by written notice to the landlord at least 12 months in advance of such seventh 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 a 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 18 months of monthly rental payments. We currently anticipate 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 seventh anniversary, would be approximately $1,339,000 upon certain assumptions.

Property Management Fees

Wells Management, our Property Manager, has been retained to manage and lease all of the properties currently owned by the IX-X-XI-REIT Joint Venture and the VIII-IX-REIT Joint Venture. While Wells Fund XI and the Wells REIT are authorized to pay aggregate management and leasing fees to Wells Management in the amount of 4.5% of gross revenues, Wells Fund VIII, 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. Accordingly, a portion of the gross revenues of these joint ventures will be subject to a 6% management and leasing fee and a portion of gross revenues will be subject to a 4.5% management and leasing fee based upon the respective ownership percentages in the joint ventures.

Wells Management has been retained to manage and lease each of the remaining buildings for fees not exceeding the lesser of: (A) 4.5% of gross revenues, or (B) 0.6% of the net asset value of the properties (excluding vacant properties) owned by the Wells REIT, calculated on an annual basis. For purposes of this calculation, net asset value shall be defined as the excess of (1) the aggregate of the fair



market value of all properties owned by the Wells REIT (excluding vacant properties), over (2) the aggregate outstanding debt of the Wells REIT (excluding debts having maturities of one year or less). In addition, we may pay Wells Management a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm's length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area (customarily equal to the first month's rent).

Wells Management received a one-time initial lease-up fee equal to the first month's rent for the leasing of the ABB Knoxville Building and the Lucent Building. In addition, Wells Management will receive a one-time initial lease-up fee equal to the first month's rent for the leasing of the Matsushita Building and the ABB Richmond Building.

Real Estate Loans

The SouthTrust Loan

Wells OP has established a revolving credit facility from SouthTrust Bank, N.A. (SouthTrust Loan) whereby SouthTrust agreed to loan up to $15.2 million to Wells OP in connection with its purchase of real properties. The SouthTrust Loan was originally obtained in connection with the acquisition of the PwC Building. The SouthTrust Loan requires monthly payments of interest only and matures on December 31, 2000. The interest rate on the SouthTrust Loan is an annual variable rate equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate on the SouthTrust Loan is _____% per annum. The SouthTrust Loan is secured by a first mortgage against the PwC Building located in Tampa, Florida, which was purchased by Wells OP on December 31, 1998. As of _____ __, 2000, the outstanding principal balance of the SouthTrust Loan was $_____.

The SouthTrust Line of Credit

Wells OP has established a line of credit from SouthTrust Bank, N.A. (SouthTrust Line of Credit) whereby SouthTrust agreed to loan up to $35 million to Wells OP in connection with its purchase of real properties. The SouthTrust Line of Credit requires monthly payments of interest only and matures on June 10, 2002. The interest rate on the SouthTrust Line of Credit is an annual variable rate equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate on the SouthTrust Line of Credit is _____% per annum. The SouthTrust Line of Credit is secured by first mortgages against the Cinemark Building, the Dial Building and the ASML Building. As of _____, 2000, the outstanding principal balance of the SouthTrust Line of Credit was $_____.

The BOA Loan

Wells OP originally obtained a loan in the amount of $6,425,000 from Bank of America, N.A. (BOA Loan), to fund a portion of the purchase price of the AT&T Building located in Harrisburg, Pennsylvania. On November 23, 1999, the BOA Loan was converted to a revolving credit loan in the maximum principal amount of $9,825,000 for the acquisition of real properties by Wells OP. On February 24, 2000, the credit limit of the BOA Loan was increased further to $26,725,000. The BOA Loan requires monthly payments of interest only and matures on February 1, 2001. The interest rate on the BOA Loan is a variable rate per annum equal to the London InterBank Offered Rate for a thirty day period plus 200 basis points. The current interest rate on the BOA Loan is _____% per annum. The BOA Loan is secured by first mortgages against both the AT&T Building and the Marconi Building. As of _____ __, 2000, the outstanding principal balance of the BOA Loan was $_____.



The Motorola Loan

Wells OP obtained $5,000,000 in financing from Ryan Companies US, Inc. in connection with the purchase of the Motorola Building (Motorola Loan). The Motorola Loan requires monthly payments of interest only and matures on April 1, 2001. The interest rate on the Motorola Loan is 9.00% per annum, and is secured by a first mortgage against the Motorola Building. As of _____, 2000, the outstanding principal balance of the Motorola Loan was $_____.

The Metris Loan

Wells OP assumed a loan (Metris Loan) with Richter-Schroeder Company, Inc. in connection with its purchase of the Metris Building. Wells OP extended the Metris Loan which matures on February 11, 2003. The Metris Loan requires monthly payments of interest only. The interest rate on the Metris Loan is an annual variable rate equal to the LIBOR for a thirty day period plus 175 basis points. The current interest rate on the Metris Loan is ___% per annum. The Metris Loan

is secured by a first mortgage against the Metris Building. As of _____, 2000, the outstanding principal balance of the Metris Loan is $_____.

The Matsushita Loan

Wells OP obtained the Matsushita Loan from Bank of America, N.A. in the maximum principal amount of $15,375,000, the proceeds of which were used to fund the development and construction of the Matsushita Building. The Matsushita Loan matures on May 9, 2001. The interest rate on the Matsushita loan is a variable rate equal to either (1) the Bank of America "prime rate," or (2) at the option of Wells OP, the rate per annum appearing on Telerate Page 3750 as the London Inter Bank Offered Rate for a 30 day period, plus 200 basis points. Wells OP is making monthly installments of principal in the amount of $10,703 plus accrued and unpaid interest until maturity. On the maturity date, the entire outstanding principal balance plus any accrued but unpaid interest shall be due and payable. The Matsushita Loan is secured by a first mortgage against the Matsushita Building. As of _____, 2000, the outstanding principal balance of the Matsushita Loan was $_____.

The ABB Richmond Loan

Wells LLC VA obtained the ABB Richmond Loan from SouthTrust Bank, N.A. in the maximum principal amount of $9,280,000, the proceeds of which were used to fund the development and construction of the ABB Richmond Building. The ABB Richmond Loan matures on July 10, 2002. The interest rate on the ABB Richmond Loan is 225 basis points over the London Inter Bank Offered Rate. The loan is secured by a pledge of the real estate, the ABB Richmond lease and a $4,000,000 letter of credit issued by Unibank. As of _____, 2000, the outstanding principal balance of the ABB Richmond Loan was $_____.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our accompanying financial statements and the notes thereto.

This section and other sections of the prospectus contain forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934, including discussion and analysis of the financial condition of the Wells REIT, anticipated capital expenditures required to complete certain projects, amounts of cash distributions anticipated to be



distributed to shareholders in the future and certain other matters. Readers of this prospectus should be aware that there are various factors that could cause actual results to differ materially from any forward-looking statement made in this prospectus, which include changes in general economic conditions, changes in real estate conditions, construction costs which may exceed estimates, construction delays, increases in interest rates, lease-up risks, inability to obtain new tenants upon the expiration of existing leases, lack of availability of financing and the potential need to fund tenant improvements or other capital expenditures out of operating cash flow.

Liquidity and Capital Resources

We began active operations on June 5, 1998, when we received and accepted subscriptions for 125,000 shares pursuant to our initial public offering, which commenced on January 30, 1998. We terminated our initial public offering on December 19, 1999, and on December 20, 1999, we commenced a follow-on public offering of up to 22,200,000 shares of common stock at $10 per share. As of December 31, 1999, we had raised an aggregate of $134,710,850 in offering proceeds through the sale of 13,471,085 shares. As of December 31, 1999, we had paid $4,714,880 in acquisition and advisory fees and acquisition expenses, $16,838,857 in selling commissions and organizational and offering expenses, and $112,287,969 in capital contributions to Wells OP for investments in joint

ventures and acquisitions of real properties. As of December 31, 1999, we were holding net offering proceeds of approximately $869,144 available for investment in additional properties.

Between December 31, 1999, and June 30, 2000, we raised an additional $82,993,823 in offering proceeds through the sale of an additional 8,299,383 shares. Accordingly, as of June 30, 2000, we had raised a total of $217,704,678 in offering proceeds through the sale of 21,770,468 shares of common stock. As of June 30, 2000, we had paid a total of $7,613,708 in acquisition and advisory fees and acquisition expenses, had paid a total of $27,191,814 in selling commissions and organizational and offering expenses, had made capital contributions of $179,502,869 to Wells OP for investments in joint ventures and acquisitions of real property, had utilized $170,163 for the redemption of stock pursuant to our share redemption program, and was holding net offering proceeds of $3,226,124 available for investment in additional properties.

Cash and cash equivalents at June 30, 2000 and 1999 were $6,315,188 and $19,449,957, respectively. The decrease in cash and cash equivalents resulted primarily from raising additional capital which was more than offset by increased investments in real property acquisitions.

Operating cash flows are expected to increase as additional properties are added to our investment portfolio. Dividends to be distributed to the shareholders are determined by the board of directors and are dependent upon a number of factors relating to the Wells REIT, including funds available for payment of dividends, financial condition, capital expenditure requirements and annual distribution requirements in order to maintain our status as a REIT under the Internal Revenue Code.

As of June 30, 2000, we had acquired interests in 24 real estate properties. These properties are generating sufficient cash flow to cover our operating expenses and pay quarterly dividends. Dividends declared for the second quarter of 2000 and the second quarter of 1999 totaled $0.181 and $0.175 per share, respectively, which were declared on a daily record date basis in the amount of $0.1991 and $0.1902, respectively, per share payable to the shareholders of record at the close of business of each day during the quarter.

On February 18, 1999, Wells OP entered into a Rental Income Guaranty Agreement with Fund VIII and Fund IX Associates, a Georgia joint venture partnership between Wells Real Estate Fund VIII, L.P. and Wells Real Estate Fund IX, L.P. (VIII-IX Joint Venture), whereby Wells OP



guaranteed the VIII-IX Joint Venture that it would receive rental income on the Bake Parkway Building previously leased to Matsushita Avionics at least equal to the rental and building expenses that the VIII-IX Joint Venture would have received over the remaining term of its original lease with Matsushita Avionics. Matsushita Avionics vacated the Bake Parkway Building in December 1999, with the existing lease term ending in September 2003. On June 15, 2000, the VIII-IX-REIT Joint Venture was formed between Wells OP and the VIII-IX Joint Venture for purposes of owning and operating the Bake Parkway Building. On July 1, 2000, the VIII-IX Joint Venture transferred the Bake Parkway Building to the VIII-IX-REIT Joint Venture as its capital contribution. (See "Description of Properties - Joint Ventures with Affiliates.") Under the Rental Income Guaranty Agreement, Wells OP also guaranteed that, if a joint venture such as the VIII-IX-REIT Joint Venture was ever formed by the parties for the ownership and operation of the Bake Parkway Building, Wells OP would guaranty to the VIII-IX Joint Venture that it would receive monthly cash flow distributions from such joint venture at least equal to the rent and building expenses guaranteed under the Rental Income Guaranty Agreement. Currently the Bake Parkway Building is leased by Quest Software, Inc. (Quest) pursuant to a forty-two (42) month lease that expires on December 31, 2003. (See "Description of Properties - The Bake Parkway Building.")

Wells OP had paid approximately $_____ in rental income guaranty payments to the VIII-IX Joint Venture through _____, 2000, but has since ceased

making such payments since the Bake Parkway Building is now fully leased to Quest. Our maximum liability exposure to the VIII-IX Joint Venture for rental income and building expenses potentially payable under this Rental Income Guaranty Agreement of approximately $3,000,000 was taken into account in the economic analysis performed in making the determination to go forward with the development of the Matsushita Building. Although the lease of the Bake Parkway Building by Quest has, at least temporarily, relieved Wells OP of its obligations under the Rental Income Guaranty Agreement, we cannot, at this time, determine the amount of any future liability if Quest defaults or otherwise fails to make the required payments under its lease. Wells OP continues to guaranty payment under the Rental Income Guaranty Agreement and, consequently, continues to bear some risk, even though their risk has been somewhat minimized by the lease with Quest. Any payment made to the VIII-IX Joint Venture under the Rental Income Guaranty Agreement will be made from the operating cash flow of Wells OP and may reduce the amount of cash available for payment of dividends.

Cash Flows From Operating Activities

Net cash provided by operating activities increased from $112,955 for the six months ended June 30, 1999, to $3,060,467 for the six months ended June 30, 2000. The increase in net cash provided by operating activities was due primarily to the purchase of additional properties in late 1999 and 2000.

Cash Flows From Investing Activities

The increase in net cash used in investing activities from $23,857,111 for the six months ended June 30, 1999 to $109,152,779 for the six months ended June 30, 2000 was due primarily to the raising of additional capital and funds that have been invested in real property acquisitions.

Cash Flows From Financing Activities

The increase in net cash provided by financing activities from $35,214,710 for the six months ended June 30, 1999 to $109,477,696 for the six months ended June 30, 2000 was due primarily to the raising of additional capital and the corresponding increase in funds borrowed to purchase additional properties. We raised $82,993,823 in offering proceeds for the six months ended June 30, 2000, as compared to $46,164,450 for the six months ended June 30, 1999. In addition, we received loan proceeds



from financing secured by properties of $66,170,746 and repaid notes payable in the amount of $24,357,450.

Results of Operations

As of June 30, 2000, our real estate properties were 100% occupied by tenants. Gross revenues for the six months ended June 30, 1999 and for the six months ended June 30, 2000 were $2,192,938 and $9,148,027, respectively. This increase was due to the purchase of additional properties during 1999 and 2000. The purchase of interests in additional properties also resulted in an increase in operating expenses, management and leasing fees, and depreciation expense. Our net income increased to $3,212,309 for the first six months of 2000 as compared to $995,413 for the first six months of 1999.

Subsequent Events

On July 1, 2000, the VIII-IX Joint Venture contributed its interest in the Bake Parkway Building to the VIII-IX-REIT Joint Venture. (See "Description of Properties - Joint Ventures with Affiliates" and "Description of Properties - The Bake Parkway Building.")

Property Operations

As of June 30, 2000, we have provided the following operational information relating to our real estate properties:

The ABB Building/The IX-X-XI-REIT Joint Venture

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $291,417 | $261,987 | $606,582 | $522,079 |
| Interest income | 15,976 | 16,681 | 33,704 | 31,741 |
| | 307,393 | 278,668 | 640,286 | 553,820 |
| Expenses: | | | | |
| Depreciation | 98,454 | 134,100 | 196,908 | 268,200 |
| Management and leasing expenses | 23,395 | 29,504 | 75,955 | 61,406 |
| Other operating expenses | (9,264) | 25,829 | (42,634) | 3,707 |
| | 112,585 | 189,433 | 230,229 | 333,313 |
| Net income | $194,808 | $ 89,235 | $410,057 | $220,507 |
| Occupied percentage | 100% | 98.28% | 100% | 98.28% |
| Our ownership percentage | 3.72% | 3.74% | 3.72% | 3.74% |
| Cash distributed to the Wells REIT | $ 10,905 | $ 8,419 | $ 22,439 | $ 18,409 |
| Net income allocated to the Wells REIT | $ 7,242 | $ 3,336 | $ 15,250 | $ 8,322 |

Rental income increased in 2000, over 1999, due primarily to the increased occupancy level of the property. Total expenses decreased due to a decrease in depreciation expense resulting from accelerated depreciation in 1999 on tenant improvements for a short-term lease for 23,092 square feet. Other operating expenses are negative due to an offset of tenant reimbursements in operating costs, as well as management and leasing fee reimbursements. Tenants are billed an estimated amount for the current year common area maintenance which is then reconciled the following year and the difference



billed to the tenant. Net income and cash distributions increased in 2000 over 1999 due to a combination of increased rental income and decreased operating expenses.

Our ownership interest in the IX-X-XI-REIT Joint Venture decreased slightly due to additional capital contributions in the first and second quarters of 2000 by Wells Fund IX and Wells Fund X, respectively, to the IX-X-XI-REIT Joint Venture for funding of capital improvements.

The Ohmeda Building/The IX-X-XI-REIT Joint Venture

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $256,828 | $256,829 | $513,657 | $513,657 |
| Expenses: | | | | |
| Depreciation | 81,576 | 81,576 | 163,152 | 163,152 |
| Management and leasing expenses | 11,829 | 12,058 | 28,830 | 23,675 |
| Other operating expenses | 53,401 | (4,450) | 80,995 | (4,087) |
| | 146,806 | 89,184 | 272,977 | 182,740 |
| Net income | $110,022 | $167,645 | $240,680 | $330,917 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 3.72% | 3.74% | 3.72% | 3.74% |
| Cash distributed to the Wells REIT | $ 6,912 | $ 9,104 | $ 14,597 | $ 18,188 |
| Net income allocated to the Wells REIT | $ 4,092 | $ 6,268 | $ 8,953 | $ 12,469 |

Net income decreased in 2000, as compared to 1999, due to an overall increase in expenses. Operating expenses increased significantly due, in part, to a significant rise in real estate taxes, which stemmed from the revaluation of the property by Boulder County authorities in 1999. A later reduction in taxes due to an appeal in 2000 was offset by a common area maintenance credit to the tenant.



The Interlocken Building/The IX-X-XI-REIT Joint Venture

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $222,255 | $207,758 | $428,444 | $414,279 |
| Expenses: | | | | |
| Depreciation | 71,670 | 71,670 | 143,340 | 143,340 |
| Management and leasing expenses | 35,810 | 17,755 | 56,717 | 35,619 |
| Other operating costs | (35,614) | 12,884 | (52,534) | 10,633 |
| | 71,866 | 102,309 | 147,523 | 189,592 |
| Net income | $150,389 | $105,449 | $280,921 | $224,687 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 3.72% | 3.74% | 3.72% | 3.74% |
| Cash distributed to the Wells REIT | $ 8,305 | $ 6,566 | $ 15,879 | $ 13,752 |
| Net income allocated to the Wells REIT | $ 5,591 | $ 3,942 | $ 10,447 | $ 8,463 |

Rental income increased due to a tenant occupying additional space previously leased to another tenant at a lower rate. Other operating expenses are negative due to an offset of tenant reimbursements in operating costs, as well as management and leasing fee reimbursement. Tenants are billed an estimated amount for current year common area maintenance which is then reconciled the following year and the difference billed to the tenants. Due to these common area maintenance reimbursements, management and leasing fees increased since these fees are charged only on actual receipts received.

Cash distributions and net income allocated to the Wells REIT for the quarter ended June 30, 2000 increased in 2000 over 1999 due to an increase in net income.

The Lucent Building/The IX-X-XI-REIT Joint Venture

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $145,752 | $145,752 | $291,504 | $291,504 |
| Expenses: | | | | |
| Depreciation | 45,801 | 45,801 | 91,602 | 91,602 |
| Management and leasing expenses | 5,370 | 5,370 | 10,740 | 10,739 |
| Other operating expenses | 4,538 | 9,184 | 8,019 | 12,198 |
| | 55,709 | 60,355 | 110,361 | 114,539 |
| Net income | $ 90,043 | $ 85,397 | $181,143 | $176,965 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 3.72% | 3.74% | 3.72% | 3.74% |
| Cash distributed to the Wells REIT | $ 4,622 | $ 4,475 | $ 9,324 | $ 9,256 |
| Net income allocated to the Wells REIT | $ 3,347 | $ 3,193 | $ 6,737 | $ 6,672 |

Rental income, depreciation, and management and leasing expenses remained stable in 2000, as compared to 1999, while other operating expenses were slightly lower, due primarily to a one-time charge for consulting fees in 1999 which did not occur in 2000.

The Iomega Building/The IX-X-XI-REIT Joint Venture

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $168,250 | $123,873 | $336,500 | $247,746 |
| Expenses: | | | | |
| Depreciation | 55,062 | 48,495 | 110,124 | 96,990 |
| Management and leasing expenses | 7,280 | 3,735 | 14,560 | 9,338 |
| Other operating expenses | 5,219 | 4,238 | 10,367 | 2,525 |
| | 67,561 | 56,468 | 135,051 | 108,853 |
| Net income | $100,689 | $ 67,405 | $201,449 | $138,893 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 3.72% | 3.74% | 3.72% | 3.74% |
| Cash distributed to the Wells REIT | $ 5,610 | $ 4,188 | $ 11,228 | $ 8,599 |
| Net income allocated to the Wells REIT | $ 3,743 | $ 2,520 | $ 7,492 | $ 5,236 |

Rental income increased in 2000, as compared to 1999, due to the completion of the parking lot complex in the second quarter of 1999. Total expenses increased in 2000, over 1999, due to an increase in depreciation and real estate tax expenses relating to the new parking lot. Cash distributions increased in 2000, over 1999, due primarily to the increase in net income.

The Cort Building/The Cort Joint Venture

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $198,886 | $198,886 | $397,771 | $397,771 |
| Expenses: | | | | |
| Depreciation | 46,641 | 46,641 | 93,282 | 93,282 |
| Management and leasing expenses | 7,590 | 7,590 | 15,180 | 15,180 |
| Other operating expenses | (7,241) | 5,281 | 3,930 | 13,453 |
| | 46,990 | 59,512 | 112,392 | 121,915 |
| Net income | $151,896 | $139,374 | $285,379 | $275,856 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 43.7% | 43.7% | 43.7% | 43.7% |
| Cash distributed to the Wells REIT | $ 82,705 | $ 77,237 | $157,370 | $153,211 |
| Net income allocated to the Wells REIT | $ 66,329 | $ 60,861 | $124,617 | $120,459 |

Rental income, depreciation, and management and leasing expenses remained stable in 2000, as compared to 1999, while other operating expenses are lower due to common area maintenance (CAM) reimbursements billed in 2000 to the tenants. No CAM billing was charged to the tenant in 1999.

Tenants are billed an estimated amount for common area maintenance which is then reconciled the following year, and the difference is billed to the tenant.

The Fairchild Building/The Fremont Joint Venture

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $225,195 | $225,211 | $450,390 | $450,421 |
| Expenses: | | | | |
| Depreciation | 71,382 | 71,382 | 142,764 | 142,764 |
| Management and leasing expenses | 9,175 | 9,343 | 18,350 | 18,667 |
| Other operating expenses | 2,842 | 6,315 | 6,612 | 7,315 |
| | 83,399 | 87,040 | 167,726 | 168,746 |
| Net income | $141,796 | $138,171 | $282,664 | $281,675 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 77.5% | 77.5% | 77.5% | 77.5% |
| Cash distributed to the Wells REIT | $159,128 | $151,707 | $317,537 | $307,547 |
| Net income allocated to the Wells REIT | $109,897 | $107,087 | $219,076 | $218,309 |

Rental income, net income and cash distributions to the Wells REIT remained stable in 2000, as compared to 1999.

The PwC Building

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $552,298 | $552,298 | $1,104,596 | $1,104,340 |
| Expenses: | | | | |
| Depreciation | 206,037 | 205,251 | 412,074 | 411,021 |
| Management and leasing expenses | 39,437 | 32,263 | 78,382 | 73,535 |
| Other operating expenses | (69,651) | 46,214 | (105,680) | 181,217 |
| | 175,823 | 283,728 | 384,776 | 665,773 |
| Net income | $376,475 | $268,570 | $ 719,820 | $ 438,567 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 100% | 100% | 100% | 100% |
| Cash distributed to the Wells REIT | $527,849 | $407,917 | $1,024,078 | $ 717,780 |
| Net income allocated to the Wells REIT | $376,475 | $268,570 | $ 719,820 | $ 438,567 |

Rental income has remained stable. Other operating expenses are negative due to increased CMA billings in 2000. Management and leasing fee reimbursement is also included in other operating expenses. Tenants are billed an estimated amount for current year common area maintenance which is then reconciled the following year, and the difference billed to the tenants.



The AT&T Building

| | Six Months | Five Months |
|---|---|---|

| | Three Months Ended | | Ended | Ended |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| Revenues: | | | | |
| Rental income | $340,833 | $300,533 | $681,665 | $474,674 |
| Expenses: | | | | |
| Depreciation | 120,744 | 120,750 | 241,488 | 201,222 |
| Management and leasing expenses | 15,338 | 5,130 | 30,676 | 8,550 |
| Other operating expenses | (764) | 8,762 | 6,110 | 9,569 |
| Interest expense | 3,210 | 111,652 | 6,416 | 178,576 |
| | 138,528 | 246,294 | 284,690 | 397,917 |
| Net income | $202,305 | $ 54,239 | $396,975 | $ 76,757 |
| Occupied percentage | 100% | 100% | 100% | 100% |
| Our ownership percentage | 100% | 100% | 100% | 100% |
| Cash distributed to the Wells REIT | $314,185 | $247,143 | $638,599 | $279,185 |
| Net income allocated to the Wells REIT | $202,305 | $ 54,239 | $396,975 | $ 76,757 |

Rental income increased for the three months ended June 30, 2000, as compared to the three months ended June 30, 1999, due to an understatement of straight line rent in 1999. Interest expense has decreased in 2000 due to a substantial decrease in the note payable related to this property.

Since the AT&T Building was purchased in February 1999, comparable income and expenses figures for the prior year are available for only five months.

The EYBL CarTex Building/The XI-XII-REIT Joint Venture

| | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2000 | Two Months Ended June 30, 1999 |
|---|---|---|---|
| Revenues: | | | |
| Rental income | $140,089 | $280,178 | $70,126 |
| Expenses: | | | |
| Depreciation | 49,900 | 99,801 | 33,268 |
| Management and leasing expenses | 5,496 | 11,217 | 10,849 |
| Other operating expenses | 9,174 | 19,014 | 0 |
| | 64,570 | 130,032 | 44,117 |
| Net income | $ 75,519 | $150,146 | $26,009 |
| Occupied percentage | 100% | 100% | 100% |
| Our ownership percentage | 56.8% | 56.8% | 70.1% |
| Cash distributed to the Wells REIT | $ 65,979 | $122,907 | $35,515 |
| Net income allocated to the Wells REIT | $ 42,866 | $ 85,227 | $18,248 |

Since the EYBL CarTex Building was purchased in May of 1999, comparable income and expense figures for the prior year are available for only two months. Since acquisition of the property by



the XI-XII-REIT, the property has remained 100% occupied and no significant changes have occurred to its operations.

Our ownership interest in the XI-XII-REIT Joint Venture decreased due to the admittance of Wells Fund XII to the XI-REIT Joint Venture on June 21, 1999.

The Sprint Building/The XI-XII-REIT Joint Venture

| | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $265,997 | $531,994 |
| Expenses: | | |
| Depreciation | 81,778 | 163,557 |
| Management and leasing expenses | 11,240 | 22,479 |
| Other operating expenses | 4,334 | 10,658 |
| | 97,352 | 196,694 |
| Net income | $168,645 | $335,300 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 56.8% | 56.8% |
| Cash distributed to the Wells REIT | $132,933 | $264,736 |
| Net income allocated to the Wells REIT | $ 95,729 | $190,327 |

Since the Sprint Building was purchased in July 1999, comparative income and expense figures are not available for the prior year. Since acquisition of the property by the XI-XII-REIT Joint Venture, the property has remained 100% occupied and no significant changes have occurred to its operations.

The Johnson Matthey Building/The XI-XII-REIT Joint Venture

| | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $214,474 | $428,948 |
| Expenses: | | |
| Depreciation | 63,868 | 127,737 |
| Management and leasing expenses | 8,884 | 17,769 |
| Other operating expenses | 5,252 | 10,129 |
| | 78,004 | 155,635 |
| Net income | $136,470 | $273,313 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 56.8% | 56.8% |
| Cash distributed to the Wells REIT | $104,047 | $208,307 |
| Net income allocated to the Wells REIT | $ 77,464 | $155,140 |

Since the Johnson Matthey Building was purchased in August 1999, comparative income and expense figures are not available for the prior year. Since acquisition of the property by the XI-XII-REIT



Joint Venture, the property has remained 100% occupied and no significant changes have occurred to its operations.

The Gartner Building/The XI-XII-REIT Joint Venture

| | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $216,567 | $420,808 |
| Expenses: | | |
| Depreciation | 77,622 | 155,245 |
| Management and leasing expenses | 9,086 | 19,248 |
| Other operating expenses | (4,482) | (19,793) |
| | 82,226 | 154,700 |
| Net income | $134,341 | $266,108 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 56.8% | 56.8% |
| Cash distributed to the Wells REIT | $109,577 | $217,708 |
| Net income allocated to the Wells REIT | $ 76,256 | $151,051 |

Other operating expenses are negative due to an offset of tenant reimbursements in operating costs both for the first quarter of 2000 as well as the fourth quarter of 1999. Since the building was purchased in September of 1999, we were not able to estimate the amount to be billed for 1999 until the first quarter of 2000. Since the Gartner Building was purchased in September 1999, comparative income and expense figures are not available for the prior year.

The Marconi Building

| | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $817,819 | $1,635,638 |
| Expenses: | | |
| Depreciation | 293,352 | 586,704 |
| Management and leasing expenses | 35,509 | 72,962 |
| Other operating expenses | 5,860 | 12,495 |
| | 334,721 | 672,161 |
| Net income | $483,098 | $ 963,477 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 100% | 100% |
| Cash distributed to the Wells REIT | $671,940 | $1,343,105 |
| Net income allocated to the Wells REIT | $483,098 | $ 963,477 |

Since the Marconi Building was purchased in September 1999, comparable income and expense figures for the prior year are not available.



The Matsushita Building

| | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2000 |
|---|---|---|

| | | |
|---|---|---|
| Revenues: | | |
| Rental income | $492,420 | $1,017,029 |
| Expenses: | | |
| Depreciation | 254,757 | 509,514 |
| Management and leasing expenses | 46,815 | 90,918 |
| Other operating expenses | 17,365 | 34,680 |
| | 318,937 | 635,112 |
| Net income | $173,483 | $ 381,917 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 100% | 100% |
| Cash distributed to the Wells REIT | $442,307 | $ 715,556 |
| Net income generated to the Wells REIT | $173,483 | $ 381,917 |

On January 4, 2000, Matsushita Avionics occupied 100% of the Matsushita Building. As of June 30, 2000, Wells OP had spent approximately $18,000,000 towards the construction of the Matsushita Building. The Matsushita Building is substantially complete, and the aggregate of all costs and expenses to be incurred by Wells OP with respect to the acquisition and construction of the Matsushita Building is not expected to exceed the budget of $18,400,000. Since the Matsushita Building opened in January 2000, comparable income and expense figures for the prior year are not available.

The Cinemark Building

| | Three Months Ended June 30, 2000 | Six Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $701,262 | $1,402,866 |
| Expenses: | | |
| Depreciation | 212,310 | 424,586 |
| Management and leasing expenses | 29,340 | 62,040 |
| Other operating expenses | 142,265 | 307,855 |
| | 383,915 | 794,481 |
| Net income | $317,347 | $ 608,385 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 100% | 100% |
| Cash distributed to the Wells REIT | $482,521 | $ 938,437 |
| Net income allocated to the Wells REIT | $317,347 | $ 608,385 |

Since the Cinemark Building was purchased in December 1999, comparable income and expense figures for the prior year are not available.



The Metris Building

| | Three Months Ended June 30, 2000 | Five Months Ended June 30, 2000 |
|---|---|---|

| | | |
|---|---|---|
| Revenues: | | |
| Rental income | $309,552 | $482,044 |
| Expenses: | | |
| Depreciation | 120,376 | 197,506 |
| Management and leasing expenses | 13,364 | 20,737 |
| Other operating expenses | 4,162 | 7,078 |
| | 137,902 | 225,321 |
| Net income | $171,650 | $256,723 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 100% | 100% |
| Cash distributed to the Wells REIT | $281,123 | $435,798 |
| Net income allocated to the Wells REIT | $171,650 | $256,723 |

Since the Metris Building was purchased in February 2000, comparable income and expense figures for the prior year are not available.

The Dial Building

| | Three Months Ended June 30, 2000 | Four Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $346,918 | $358,109 |
| Expenses: | | |
| Depreciation | 126,609 | 130,503 |
| Management and leasing expenses | 16,412 | 16,412 |
| Other operating expenses | 12,941 | 12,941 |
| | 155,962 | 159,856 |
| Net income | $190,956 | $198,253 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 100% | 100% |
| Cash distributed to the Wells REIT | $330,885 | $342,076 |
| Net income allocated to the Wells REIT | $190,956 | $198,253 |

Since the Dial Building was purchased in March 2000, comparable income and expense figures for the prior year are not available.



The ASML Building

| | Three Months Ended June 30, 2000 | Four Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $586,875 | $602,422 |
| Expenses: | | |
| Depreciation | 191,157 | 197,436 |
| Management and leasing expenses | 28,322 | 28,322 |
| Other operating expenses | 54,667 | 56,170 |

| | | |
|---|---|---|
| | 274,146 | 281,928 |
| Net income | $312,729 | $320,494 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 100% | 100% |
| Cash distributed to the Wells REIT | $420,231 | $434,275 |
| Net income allocated to the Wells REIT | $312,729 | $320,494 |

Since the ASML Building was purchased in March 2000, comparable income and expense figures for the prior year are not available.

The Motorola Building

| | Three Months Ended June 30, 2000 | Four Months Ended June 30, 2000 |
|---|---|---|
| Revenues: | | |
| Rental income | $485,834 | $500,704 |
| Expenses: | | |
| Depreciation | 176,250 | 182,039 |
| Management and leasing expenses | 21,698 | 21,698 |
| Other operating expenses | 64,688 | 66,655 |
| | 262,636 | 270,392 |
| Net income | $223,198 | $230,312 |
| Occupied percentage | 100% | 100% |
| Our ownership percentage | 100% | 100% |
| Cash distributed to the Wells REIT | $385,066 | $397,969 |
| Net income allocated to the Wells REIT | $223,198 | $230,312 |

Since the Motorola Building was purchased in March 2000, comparable income and expense figures for the prior year are not available.



The Siemens Building/The XII-REIT Joint Venture

| | Two Months Ended June 30, 2000 |
|---|---|
| Revenues: | |
| Rental income | $222,575 |
| Expenses: | |
| Depreciation | 69,334 |
| Management and leasing expenses | 3,284 |
| Operating costs, net of reimbursements | 227 |
| | 72,845 |
| Net income | $149,730 |
| Occupied percentage | 100% |
| Our ownership percentage | 50% |
| Cash distributed to the Wells REIT | $ 93,319 |
| Net income allocated to the Wells REIT | $ 74,865 |

Since the Siemens Building was purchased in May 2000, comparative income and expense figures are not available for the prior year.

The Avnet Building

| | One Month Ended June 30, 2000 |
|---|---|
| Revenues: | |
| Rental income | $90,588 |
| Expenses: | |
| Depreciation | 44,238 |
| Other operating expenses | 12,431 |
| | 56,669 |
| Net income | $33,919 |
| Occupied percentage | 100% |
| Our ownership percentage | 100% |
| Cash distributed to the Wells REIT | $67,589 |
| Net income allocated to the Wells REIT | $33,919 |

Since the Avnet Building was purchased in June 2000, comparable income and expense figures for the prior year are not available.



The Delphi Building

| | One Month Ended June 30, 2000 |
|---|---|
| Revenues: | |
| Rental income | $16,742 |
| Expenses: | |
| Depreciation | 3,235 |
| Other operating expenses | 7,132 |
| | 10,367 |
| Net income | $ 6,375 |
| Occupied percentage | 100% |
| Our ownership percentage | 100% |
| Cash distributed to the Wells REIT | $ 3,576 |
| Net income allocated to the Wells REIT | $ 6,375 |

Since the Delphi Building was purchased in June 2000, comparable income and expense figures for the prior year are not available.

Inflation

The real estate market has not been affected significantly by inflation in the past three years due to the relatively low inflation rate. There are provisions in a majority of our tenant leases to protect us from the impact of inflation. These leases contain common area maintenance charges, real estate tax and insurance reimbursements on a per square foot basis, or in some cases, annual reimbursement of operating expenses above a certain per square foot

allowance. These provisions should reduce our exposure to increases in costs and operating expenses resulting from inflation.

Year 2000 Matters Update

Wells Capital and its affiliates did not experience any significant malfunctions or errors in operating or business systems when the date changed from 1999 to 2000. Based on operations since January 1, 2000, Wells Capital and its affiliates does not expect any significant impact on ongoing business as a result of the "Year 2000 matter." However, it is possible that the full impact of the date change, which was of concern due to computer programs that use two digits instead of four digits to define years, has not been fully recognized. For example, it is possible that Year 2000 or similar problems may occur with revenue systems, payroll systems or financial closings at month, quarter or year end. Wells Capital and its affiliates believes that any such problems are likely to be minor and correctable. In addition, Wells Capital and its affiliates could still be negatively affected if customers or suppliers are adversely affected by Year 2000 or similar issues. Wells Capital and its affiliates is currently not aware of any significant Year 2000 or similar problems that customers or suppliers have experienced.

Wells Capital and its affiliates expended approximately $300,000 on Year 2000 readiness efforts, a substantial portion of which was for communications equipment and application software.



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 Wells REIT should not assume that they will experience returns, if any, comparable to those experienced by investors in such prior real estate programs.

Of the 13 publicly offered real estate limited partnerships in which Leo F. Wells, III has served as a general partner, 12 of such limited partnerships have completed their respective offerings. These 12 limited partnerships and the year in which each of their offerings was completed are:

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. (1998).

In addition to the foregoing real estate limited partnerships, Wells Capital and its affiliates sponsored the initial public offering of shares of common stock of the Wells REIT. The initial public offering began on January 30, 1998 and was terminated on December 19, 1999. We received gross proceeds of approximately $132,181,919 from the sale of approximately 13,218,192 shares from our initial public offering.

Wells Capital and its affiliates sponsored a second public offering of shares of common stock of the Wells REIT. The second public offering began on December 20, 1999 and was terminated on _____, 2000. As of _____, 2000, we had received gross proceeds of approximately $_____ from the sale of approximately _____ shares from our second public offering.

Wells Capital and its affiliates are currently also sponsoring a public

offering of 7,000,000 units on behalf of Wells Real Estate Fund XII, L.P., a public limited partnership. Wells Fund XII began its offering on March 22, 1999, and as of _____, 2000, Wells Fund XII had raised $_____ from _____ investors.

The Prior Performance Tables included in the back of this prospectus set forth information as of the dates indicated regarding certain of these Wells programs as to (1) experience in raising and investing funds (Table I); (2) compensation to sponsor (Table II); and (3) 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 Wells programs have sold any of their properties.

In addition to the real estate programs sponsored by Wells Capital and its affiliates discussed above, they are also sponsoring an index mutual fund which invests in various REIT stocks known as the Wells S&P REIT Index Fund (REIT Fund). The REIT Fund is a mutual fund which seeks to provide investment results corresponding to the performance of the S&P REIT Index by investing in the REIT



stocks included in the S&P REIT Index. The REIT Fund began its offering on January 12, 1998, and as of _____, 2000, the REIT Fund had raised $_____ from _____ investors.

Publicly Offered Unspecified Real Estate Programs

Wells Capital and its affiliates have previously sponsored the above listed 12 publicly offered real estate limited partnerships and are currently sponsoring Wells Fund XII offered on an unspecified property or "blind pool" basis. The total amount of funds raised from investors in the offerings of these 13 publicly offered limited partnerships, as of _____, 2000, was approximately $_____, and the total number of investors in such programs was approximately _____.

The investment objectives of each of the other Wells programs are substantially identical to the investment objectives of the Wells REIT. 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, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X and Wells Fund XI available for investment in real properties have been invested in properties. For the fiscal year ended December 31, 1999, approximately 65% of the aggregate gross rental income of the 12 publicly offered programs listed above was derived from tenants which are corporations, each of which 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.

Because of the cyclical nature of the real estate market, decreases in net income of the public partnerships could occur at any time in the future when economic conditions decline. None of the Wells programs has liquidated or sold any of its real properties to date and, accordingly, no assurance can be made that Wells 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 previously sponsored Wells programs, as of December 31, 1999, was $370,247,877 of which $332,000 (or approximately .09%) had not yet been expended on the development of certain of the projects which are still under construction. Of the aggregate amount, approximately 82% was or will be spent on acquiring or developing office buildings, and approximately 18% was or will be spent on acquiring or developing shopping centers. Of the aggregate amount, approximately 9% was or will be spent on new properties, 58% on existing or used properties and 33% 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 Wells REIT and the 12 Wells programs listed above as of _____, 2000:

| Type of Property | New | Used | Construction |
|---|---|---|---|
| Office Buildings | ___% | ___% | ___% |
| Shopping Centers | ___% | ___% | ___% |

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 Units, and $10,642,000 of the gross proceeds were attributable to sales of Class B 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:

- a three story medical office building in Atlanta, Georgia;
- two commercial office buildings in Atlanta, Georgia;



- a shopping center in DeKalb County, Georgia having Kroger as the anchor tenant;
- a shopping center in Knoxville, Tennessee;
- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant; and
- 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 12 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 that the general partners were under no obligation to sell the 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:

- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;
- a project consisting of seven office buildings and a shopping center in Tucker, Georgia;
- a two story office building in Charlotte, North Carolina leased to First Union Bank;
- a four story office building in Houston, Texas leased to The Boeing Company;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.; and
- a combined retail and office development in Roswell, Georgia.

The prospectus of Wells Fund II and Wells Fund II-OW provided that the properties purchased by Wells Fund II and Wells Fund II-OW would typically be

held for a period of eight to 12 years, but that the general partners may exercise their discretion as to whether and when to sell the properties owned by Wells Fund II and Wells Fund II-OW and that the partnerships were under no obligation to sell their properties at any particular time. Wells Fund II and Wells Fund II-OW acquired their properties between 1987 and 1989, and have not yet liquidated or sold any of their properties.

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:

- a four story office building in Houston, Texas leased to The Boeing Company;
- a restaurant property in Roswell, Georgia leased to Brookwood Grill of Roswell, Inc.;



- a combined retail and office development in Roswell, Georgia;
- a two story office building in Greenville, North Carolina leased to International Business Machines Corporation (IBM);
- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant; and
- a two story office building in Richmond, Virginia leased to General Electric.

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:

- a shopping center in Stockbridge, Georgia having Kroger as the anchor tenant;
- a four story office building in Jacksonville, Florida leased to IBM and Customized Transportation Inc. (CTI);
- a two story office building in Richmond, Virginia leased to General Electric; and
- two story office buildings in Stockbridge, Georgia, a substantial portion of which is leased to Georgia Baptist Hospital.

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 December 31, 1998, $15,590,210 of units of Wells Fund V were treated as Class A Units, and $1,415,810 of units were treated as Class B Units. Wells Fund V owns interests in the following properties:

- a four story office building in Jacksonville, Florida leased to IBM and CTI;

- two story office buildings in Stockbridge, Georgia, a substantial portion of which is leased to Georgia Baptist Hospital;

- a four story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;

- two restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc. and Glenn's Open Pit Bar-B-Que; and

- a three story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel.

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 December 31, 1998, $21,877,575 of units of Wells Fund VI were treated as Class A Units, and $3,122,425 of units were treated as Class B Units. Wells Fund VI owns interests in the following properties:

- a four story office building in Hartford, Connecticut leased to Hartford Fire Insurance Company;

- two restaurant properties in Stockbridge, Georgia leased to Apple Restaurants, Inc. and Glenn's Open Pit Bar-B-Que;

- a restaurant and retail building in Stockbridge, Georgia;

- a shopping center in Stockbridge, Georgia;

- a three story office building in Appleton, Wisconsin leased to Jaako Poyry Fluor Daniel;

- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;

- a combined retail and office development in Roswell, Georgia;

- a four story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.; and

- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant.

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 December 31, 1998, $20,095,174 of units in Wells Fund VII were treated as Class A Units, and $4,085,000 of units were treated as Class B Units. Wells Fund VII owns interests in the following properties:

- a three story office building in Appleton, Wisconsin leased to Jaako

Poyry Fluor Daniel;

- a restaurant and retail building in Stockbridge, Georgia;
- a shopping center in Stockbridge, Georgia;
- a shopping center in Cherokee County, Georgia having Kroger as the anchor tenant;
- a combined retail and office development in Roswell, Georgia;
- a two story office building in Alachua County, Florida near Gainesville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;



- a four story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant; and
- a retail development in Clayton County, Georgia.

Certain financial information for Wells Fund VII is summarized below:

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Gross Revenues | $962,630 | $846,306 | $816,237 | $543,291 | $925,246 |
| Net Income | $895,795 | $754,334 | $733,149 | $452,776 | $804,043 |

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 Units, and $5,907,350 were attributable to sales of Class B 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 and certain repurchases made by Wells Fund VIII, as of December 31, 1998, $26,745,845 of units in Wells Fund VIII were treated as Class A Units, and $5,286,844 of units were treated as Class B Units. Wells Fund VIII owns interests in the following properties:

- a two story office building in Alachua County, Florida near Gainsville leased to CH2M Hill, Engineers, Planners, Economists, Scientists;
- a four story office building in Jacksonville, Florida leased to Bellsouth Advertising and Publishing Corporation and American Express Travel Related Services Company, Inc.;
- a shopping center in Clemmons, North Carolina having Harris Teeter, Inc. as the anchor tenant;
- a retail development in Clayton County, Georgia;
- a four story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;
- a one story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;
- a two story office building in Orange County, California; and

. a two story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.

Certain financial information for Wells Fund VIII is summarized below:

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Gross Revenues | $1,360,497 | $1,362,513 | $1,204,018 | $1,057,694 | $402,428 |
| Net Income | $1,266,946 | $1,269,171 | $1,102,567 | $ 936,590 | $273,914 |



Wells Fund IX terminated its offering on December 30, 1996, and received gross proceeds of $35,000,000 representing subscriptions from 2,098 limited partners. $29,359,310 of the gross proceeds were attributable to sales of Class A Units, and $5,640,690 were attributable to sales of Class B Units. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units, as of December 31, 1998, $29,898,750 of units in Wells Fund IX were treated as Class A Units, and $5,101,250 of units were treated as Class B Units. Wells Fund IX owns interests in the following properties:

. a one story office building in Farmers Branch, Texas leased to TCI Valwood Limited Partnership I;

. a four story office building in Madison, Wisconsin leased to US Cellular, a subsidiary of Bellsouth Corporation;

. a two story office building in Orange County, California;

. a two story office building in Boulder County, Colorado leased to Cirrus Logic, Inc.;

. a two story office building in Boulder County, Colorado leased to Ohmeda, Inc.;

. a three story office building in Knox County, Tennessee leased to ABB Environmental Systems;

. a one story office and warehouse building in Weber County, Utah leased to Iomega Corporation;

. a three story office building in Boulder County, Colorado; and

. a one story office building in Oklahoma City, Oklahoma leased to Lucent Technologies, Inc.

Certain financial information for Wells Fund IX is summarized below:

| | 1999 | 1998 | 1997 | 1996 |
|---|---|---|---|---|
| Gross Revenues | $1,593,734 | $1,561,456 | $1,199,300 | $406,891 |
| Net Income | $1,490,331 | $1,449,955 | $1,091,766 | $298,756 |

Wells Fund X terminated its offering on December 30, 1997, and received

gross proceeds of $27,128,912 representing subscriptions from 1,806 limited partners. $21,160,992 of the gross proceeds were contributable to sales of Class A Units, and $5,967,920 were attributable to sales of Class B Units. After taking into effect conversion elections made by limited partners subsequent to their subscriptions for units as of December 31, 1998, $21,258,042 of units in Wells Fund X were treated as Class A Units and $5,870,870 of units were treated as Class B Units. Wells Fund X owns interests in the following properties:

- a three story office building in Knox County, Tennessee leased to ABB Environmental Systems;
- a two story office building in Boulder County, Colorado leased to Ohmeda, Inc.;



- a one story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a three story office building in Boulder County, Colorado;
- a one story office building in Oklahoma City, Oklahoma leased to Lucent Technologies, Inc.;
- a one story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation; and
- a two story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.

Certain financial information for Wells Fund X is summarized below:

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Gross Revenues | $1,309,281 | $1,204,597 | $372,507 |
| Net Income | $1,192,318 | $1,050,329 | $278,025 |

Wells Fund XI terminated its offering on December 30, 1998, and received gross proceeds of $16,532,802 representing subscriptions from 1,345 limited partners. $13,029,424 of the gross proceeds were attributable to sales of Class A Units and $3,503,378 were attributable to sales of Class B Units. Wells Fund XI owns interests in the following properties:

- a three story office building in Knox County, Tennessee leased to ABB Environmental Systems;
- a one story office building in Oklahoma City, Oklahoma leased to Lucent Technologies, Inc.;
- a two story office building in Boulder County, Colorado leased to Ohmeda, Inc.;
- a three story office building in Boulder County, Colorado;
- a one story office and warehouse building in Weber County, Utah leased to Iomega Corporation;
- a one story office and warehouse building in Orange County, California leased to Cort Furniture Rental Corporation;
- a two story office and manufacturing building in Alameda County, California leased to Fairchild Technologies U.S.A., Inc.;

- a two story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;

- a three story office building in Johnson County, Kansas leased to Sprint Communications Company L.P.;



- a two story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.; and

- a two story office building in Fort Myers, Florida leased to Gartner Group, Inc.

Certain financial information for Wells Fund XI is summarized below:

| | 1999 | 1998 |
|---|---|---|
| Gross Revenues | $766,586 | $262,729 |
| Net Income | $630,528 | $143,295 |

Wells Fund XII began its offering on March 22, 1999. As of _____ __, 2000, Wells Fund XII had received gross proceeds of $_____ representing subscriptions from ___ limited partners. $_____ of the gross proceeds were attributable to sales of cash preferred units and $_____ were attributable to sales of tax preferred units. Wells Fund XII owns interests in the following properties:

- a two story manufacturing and office building in Greenville County, South Carolina leased to EYBL CarTex, Inc.;

- a three story office building In Johnson County, Kansas leased to Sprint Communications Company L.P.;

- a two story research and development office and warehouse building in Chester County, Pennsylvania leased to Johnson Matthey, Inc.;

- a two story office building in Fort Myers, Florida leased to Gartner Group, Inc.; and

- a three story office building in Troy, Michigan leased to Siemens Automotive Corporation.

The information set forth above should not be considered indicative of results to be expected from the partnership.

The foregoing properties in which the above 13 limited partnerships have invested have all been acquired on an all cash basis.

Leo F. Wells, III and Wells Partners, L.P. are the general partners of Wells Fund IV, Wells Fund V, Wells Fund VI, Wells Fund VII, Wells Fund VIII, Wells Fund IX, Wells Fund X, Wells Fund XI and Wells Fund XII. Wells Capital, which is the general partner of Wells Partners, L.P., and Leo F. Wells, III are the general partners of Wells Fund I, Wells Fund II, Wells Fund II-OW and Wells Fund III.

Potential investors are encouraged to examine the Prior Performance Tables included in the back of the prospectus for more detailed information regarding the prior experience of the sponsors. In addition, upon request, prospective investors may obtain from us without charge copies of offering materials and any reports prepared in connection with any of the Wells programs, including a copy of the most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. For a reasonable fee, we will also furnish upon request copies of the exhibits to any such Form 10-K. Any such request should be

directed to our secretary. 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 Wells programs. We will furnish, without charge, copies of such table upon request.



## Federal Income Tax Considerations

### General

The following is a summary of material federal income tax considerations associated with an investment in the shares. This summary does not address all possible tax considerations that may be material to an investor and does not constitute tax advice. Moreover, this summary does not deal with all tax aspects that might be relevant to you, as a prospective shareholder, in light of your personal circumstances; nor does it deal with particular types of shareholders that are subject to special treatment under the Code, such as insurance companies, tax-exempt organizations, financial institutions or broker-dealers, or foreign corporations or persons who are not citizens or residents of the United States ("Non-US Shareholders"). The Internal Revenue Code provisions governing the federal income tax treatment of REITs are highly technical and complex, and this summary is qualified in its entirety by the express language of applicable Internal Revenue Code provisions, Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof.

We urge you, as a prospective investor, to consult your own tax advisor regarding the specific tax consequences to you of a purchase of shares, ownership and sale of the shares and of our election to be taxed as a REIT, including the federal, state, local, foreign and other tax consequences of such purchase, ownership, sale and election.

### Opinion of Counsel

Holland & Knight LLP has acted as our counsel, has reviewed this summary and is of the opinion that it fairly summarizes the federal income tax considerations addressed that are material to shareholders. It is also the opinion of our counsel that, commencing with our taxable year ended December 31, 1998, it is more likely than not that we qualified to be taxed as a REIT under the Internal Revenue Code, provided that we have operated and will continue to operate in accordance with various assumptions and the factual representations we made to counsel concerning our business, properties and operations. It must be emphasized that Holland & Knight LLP's opinion is based on various assumptions and is conditioned upon the assumptions and representations we made concerning our business and properties. Moreover, our qualification for taxation as a REIT depends on our ability to meet the various qualification tests imposed under the Internal Revenue Code discussed below, the results of which will not be reviewed by Holland & Knight LLP. Accordingly, we cannot assure you that the actual results of our operations for any one taxable year will satisfy these requirements. See "Risk Factors -- Failure to Qualify as a REIT."

The statements made in this section of the prospectus and in the opinion of Holland & Knight LLP are based upon existing law and Treasury Regulations, as currently applicable, currently published administrative positions of the Internal Revenue Service and judicial decisions, all of which are subject to change, either prospectively or retroactively. We cannot assure you that any changes will not modify the conclusions expressed in counsel's opinion. Moreover, an opinion of counsel is not binding on the Internal Revenue Service and we cannot assure you that the Internal Revenue Service will not successfully challenge our status as a REIT.

### Taxation of the Company

If we qualify for taxation as a REIT, we generally will not be subject to federal corporate income taxes on that portion of our ordinary income or capital gain that we distribute currently to our shareholders, because the REIT

provisions of the Internal Revenue Code generally allow a REIT to deduct distributions paid to its shareholders. This substantially eliminates the federal "double taxation"



on earnings (taxation at both the corporate level and shareholder level) that usually results from an investment in a corporation.

Even if we qualify for taxation as a REIT, however, we will be subject to federal income taxation as follows:

- we will be taxed at regular corporate rates on our undistributed REIT taxable income, including undistributed net capital gains;
- under some circumstances, we will be subject to "alternative minimum tax";
- if we have 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 other non-qualifying income from foreclosure property, we will be subject to tax at the highest corporate rate on that income;
- if we have net income from prohibited transactions (which are, in general, sales or other dispositions of property other than foreclosure property held primarily for sale to customers in the ordinary course of business), the income will be subject to a 100% tax;
- if we fail to satisfy either of the 75% or 95% gross income tests (discussed below) but have nonetheless maintained our qualification as a REIT because certain conditions have been met, we will be subject to a 100% tax on an amount equal to the greater of the amount by which we fail the 75% or 95% test multiplied by a fraction calculated to reflect our profitability;
- if we fail to distribute during each year at least the sum of (i) 85% of our REIT ordinary income for the year, (ii) 95% of our REIT capital gain net income for such year and (iii) any undistributed taxable income from prior periods, we will be subject to a 4% excise tax on the excess of the required distribution over the amounts actually distributed; and
- if we acquire any asset from a C corporation (i.e., a corporation generally subject to corporate-level tax) in a carryover-basis transaction and we subsequently recognize gain on the disposition of the asset during the ten year period beginning on the date on which we acquired the asset, then a portion of the gains may be subject to tax at the highest regular corporate rate, pursuant to guidelines issued by the Internal Revenue Service (the "Built-In-Gain Rules").

Requirements for Qualification as a REIT

We elected to be taxable as a REIT for our taxable year ended December 31, 1998. In order for us to qualify as a REIT, however, we had to meet and we must continue to meet the requirements discussed below relating to our organization, sources of income, nature of assets and distributions of income to our shareholders.

Organizational Requirements

In order to qualify for taxation as a REIT under the Internal Revenue Code, we must:

- be a domestic corporation;

- elect to be taxed as a REIT and satisfy relevant filing and other administrative requirements;
- be managed by one or more trustees or directors;
- have transferable shares;
- not be a financial institution or an insurance company;
- use a calendar year for federal income tax purposes;
- have at least 100 shareholders for at least 335 days of each taxable year of 12 months; and
- not be closely held.

As a Maryland corporation, we satisfy the first requirement, and we have filed an election to be taxed as a REIT with the IRS. In addition, we are managed by a board of directors, we have transferable shares and we do not intend to operate as a financial institution or insurance company. We utilize the calendar year for federal income tax purposes, and we have more than 100 shareholders. We would be treated as closely held only if five or fewer individuals or certain tax-exempt entities own, directly or indirectly, more than 50% (by value) of our shares at any time during the last half of our taxable year. For purposes of the closely-held test, the Internal Revenue Code generally permits a look-through for pension funds and certain other tax-exempt entities to the beneficiaries of the entity to determine if the REIT is closely held. Five or fewer individuals or tax-exempt entities have never owned more than 50% of our outstanding shares during the last half of any taxable year.

We are authorized to refuse to transfer our shares to any person if the sale or transfer would jeopardize our ability to satisfy the REIT ownership requirements. There can be no assurance that a refusal to transfer will be effective. However, based on the foregoing, we should currently satisfy the organizational requirements, including the share ownership requirements. Notwithstanding compliance with the share ownership requirements outlined above, tax-exempt shareholders may be required to treat all or a portion of their distributions from us as "unrelated business taxable income" if tax-exempt shareholders, in the aggregate, exceed certain ownership thresholds set forth in the Internal Revenue Code. (See "Taxation of Tax-Exempt Shareholders.")

Ownership of Interests in Partnerships and Qualified REIT Subsidiaries

In the case of a REIT that is a partner in a partnership, Treasury Regulations provide that the REIT is deemed to own its proportionate share, based on its interest in partnership capital, of the assets of the partnership and is deemed to have earned its allocable share of partnership income. Also, if a REIT owns a qualified REIT subsidiary, which is defined as a corporation wholly-owned by a REIT, the REIT will be deemed to own all of the subsidiary's assets and liabilities and it will be deemed to be entitled to treat the income of that subsidiary as its own. In addition, the character of the assets and gross income of the partnership or qualified REIT subsidiary shall retain the same character in the hands of the REIT for purposes of satisfying the gross income tests and asset tests set forth in the Internal Revenue Code.



Operational Requirements -- Gross Income Tests

To maintain our qualification as a REIT, we must satisfy annually two gross income requirements.

- At least 75% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived directly or indirectly from investments relating to real property or mortgages on real property. Gross income includes "rents from real property" and, in

some circumstances, interest, but excludes gross income from dispositions of property held primarily for sale to customers in the ordinary course of a trade or business. Such dispositions are referred to as "prohibited transactions." This is the 75% Income Test.

- At least 95% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from the real property investments described above and from distributions, interest and gains from the sale or disposition of stock or securities or from any combination of the foregoing. This is the 95% Income Test.

- The rents we receive or that we are deemed to receive qualify as "rents from real property" for purposes of satisfying the gross income requirements for a REIT only if the following conditions are met:

  - the amount of rent received from a tenant generally 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 gross receipts or sales;

  - rents received from a tenant will not qualify as "rents from real property" if an owner of 10% or more of the REIT directly or constructively owns 10% or more of the tenant (a "Related Party Tenant") or a subtenant of the tenant (in which case only rent attributable to the subtenant is disqualified);

  - 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 the personal property will not qualify as "rents from real property"; and

  - the REIT must not operate or manage the property or furnish or render services to tenants, other than through an "independent contractor" who is adequately compensated and from whom the REIT does not derive any income. However, a REIT may provide services with respect to its properties, and the income derived therefrom will qualify as "rents from real property," if the services are "usually or customarily rendered" in connection with the rental of space only and are not otherwise considered "rendered to the occupant." Even if the services with respect to a property are impermissible tenant services, the income derived therefrom will qualify as "rents from real property" if such income does not exceed one percent of all amounts received or accrued with respect to that property.



If we acquire ownership of property by reason of the default of a borrower on a loan or possession of property by reason of a tenant default, if the property qualifies and we elect to treat it as foreclosure property, the income from the property will qualify under the 75% Income Test and the 95% Income Test notwithstanding its failure to satisfy these requirements for three years, or if extended for good cause, up to a total of six years. In that event, we must satisfy a number of complex rules, one of which is a requirement that we operate the property through an independent contractor. We will be subject to tax on that portion of our net income from foreclosure property that does not otherwise qualify under the 75% Income Test.

Prior to the making of investments in properties, we may satisfy the 75% Income Test and the 95% Income Test by investing in liquid assets such as government securities or certificates of deposit, but earnings from those types of assets are qualifying income under the 75% Income Test only for one year from the receipt of proceeds. Accordingly, to the extent that offering proceeds have not been invested in properties prior to the expiration of this one year period, in order to satisfy the 75% Income Test, we may invest the offering proceeds in less liquid investments such as mortgage-backed securities, maturing mortgage loans purchased from mortgage lenders or shares in other REITs. We expect to

receive proceeds from the offering in a series of closings and to trace those proceeds for purposes of determining the one year period for "new capital investments." No rulings or regulations have been issued under the provisions of the Internal Revenue Code governing "new capital investments," however, so that there can be no assurance that the Internal Revenue Service will agree with this method of calculation.

Except for amounts received with respect to certain investments of cash reserves, we anticipate that substantially all of our gross income will be from sources that will allow us to satisfy the income tests described above; however, there can be no assurance given in this regard. Notwithstanding our failure to satisfy one or both of the 75% Income and the 95% Income Tests for any taxable year, we may still qualify as a REIT for that year if we are eligible for relief under specific provisions of the Internal Revenue Code. These relief provisions generally will be available if:

- our failure to meet these tests was due to reasonable cause and not due to willful neglect;
- we attach a schedule of our income sources to our federal income tax return; and
- any incorrect information on the schedule is not due to fraud with intent to evade tax.

It is not possible, however, to state whether, in all circumstances, we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally earn exceeds the limits on this income, the Internal Revenue Service could conclude that our failure to satisfy the tests was not due to reasonable cause. As discussed above in "Taxation of the Company," even if these relief provisions apply, a tax would be imposed with respect to the excess net income.

Operational Requirements -- Asset Tests

At the close of each quarter of our taxable year, we also must satisfy three tests relating to the nature and diversification of our assets.

- First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and government securities. The term "real estate assets" includes real property, mortgages on real property, shares in other qualified REITs and a proportionate share of any real estate assets owned by a partnership in which we are a partner or of any qualified REIT subsidiary of ours.



- Second, no more than 25% of our total assets may be represented by securities other than those in the 75% asset class.
- Third, of the investments included in the 25% asset class, the value of any one issuer's securities that we own may not exceed 5% of the value of our total assets. Additionally, we may not own more than 10% of any one issuer's outstanding voting securities.

The 5% test must generally be met for any quarter in which we acquire securities. Further, if we meet the asset tests at the close of any quarter, we will not lose our REIT status for a failure to satisfy the asset tests at the end of a later quarter if such failure occurs solely because of changes in asset values. If our failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, we can cure the failure by disposing of a sufficient amount of nonqualifying assets within 30 days after the close of that quarter. We maintain, and will continue to maintain, adequate records of the value of our assets to ensure compliance with the asset tests and will take other action within 30 days after the close of any quarter as may be required to cure any noncompliance.

Operational Requirements -- Annual Distribution Requirement

In order to be taxed as a REIT, we are required to make dividend distributions, other than capital gain distributions, to our shareholders each year in the amount of at least 95% of our REIT taxable income (computed without regard to the dividends paid deduction and our capital gain and subject to certain other potential adjustments) for all tax years prior to 2001 and at least 90% of our REIT taxable income for all future years beginning with the year 2001.

While we must generally pay dividends in the taxable year to which they relate, we may also pay dividends in the following taxable year if (1) they are declared before we timely file our federal income tax return for the taxable year in question, and if (2) they are paid on or before the first regular dividend payment date after the declaration.

Even if we satisfy the foregoing dividend distribution requirement and, accordingly, continue to qualify as a REIT for tax purposes, we will still be subject to tax on the excess of our net capital gain and our REIT taxable income, as adjusted, over the amount of dividends distributed to shareholders.

In addition, if we fail to distribute during each calendar year at least the sum of:

- 85% of our ordinary income for that year;
- 95% of our capital gain net income other than the capital gain net income which we elect to retain and pay tax on for that year; and
- any undistributed taxable income from prior periods,

we will be subject to a 4% excise tax on the excess of the amount of such required distributions over amounts actually distributed during such year.

We intend to make timely distributions sufficient to satisfy this requirement; however, it is possible that we may experience timing differences between (1) the actual receipt of income and payment of deductible expenses, and (2) the inclusion of that income. It is also possible that we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale.



In such circumstances, we may have less cash than is necessary to meet our annual distribution requirement or to avoid income or excise taxation on certain undistributed income. We may find it necessary in such circumstances to arrange for financing or raise funds through the issuance of additional shares in order to meet our distribution requirements, or we may pay taxable stock distributions to meet the distribution requirement.

If we fail to satisfy the distribution requirement for any taxable year by reason of a later adjustment to our taxable income made by the Internal Revenue Service, we may be able to pay "deficiency dividends" in a later year and include such distributions in our deductions for dividends paid for the earlier year. In such event, we may be able to avoid being taxed on amounts distributed as deficiency dividends, but we would be required in such circumstances to pay interest to the Internal Revenue Service based upon the amount of any deduction taken for deficiency dividends for the earlier year.

As noted above, we may also elect to retain, rather than distribute, our net long-term capital gains. The effect of such an election would be as follows:

- we would be required to pay the tax on these gains;
- shareholders, while required to include their proportionate share of the undistributed long-term capital gains in income, would receive a credit

or refund for their share of the tax paid by the REIT; and

. the basis of a shareholder's shares would be increased by the amount of our undistributed long-term capital gains (minus the amount of capital gains tax we pay) included in the shareholder's long-term capital gains.

In computing our REIT taxable income, we will use the accrual method of accounting and depreciate depreciable property under the alternative depreciation system. We are required to file an annual federal income tax return, which, like other corporate returns, is subject to examination by the Internal Revenue Service. Because the tax law requires us to make many judgments regarding the proper treatment of a transaction or an item of income or deduction, it is possible that the Internal Revenue Service will challenge positions we take in computing our REIT taxable income and our distributions. Issues could arise, for example, with respect to the allocation of the purchase price of properties between depreciable or amortizable assets and nondepreciable or non-amortizable assets such as land and the current deductibility of fees paid to Wells Capital or its affiliates. Were the Internal Revenue Service to challenge successfully our characterization of a transaction or determination of our REIT taxable income, we could be found not to have satisfied a requirement for qualification as a REIT and mitigation provisions might not apply. (See "Sale-Leaseback Transactions.") If, as a result of a challenge, we are determined not to have satisfied the distribution requirements for a taxable year, we would be disqualified as a REIT, unless we were permitted to pay a deficiency distribution to our shareholders and pay interest thereon to the Internal Revenue Service, as provided by the Internal Revenue Code. A deficiency distribution cannot be used to satisfy the distribution requirement, however, if the failure to meet the requirement is not due to a later adjustment to our income by the Internal Revenue Service.

Operational Requirements -- Recordkeeping

In order to continue to qualify as a REIT, we must maintain certain records as set forth in applicable Treasury Regulations. Further, we must request, on an annual basis, certain information designed to disclose the ownership of our outstanding shares. We intend to comply with such requirements.



Failure to Qualify as a REIT

If we fail to qualify as a REIT for any reason in a taxable year and applicable relief provisions do not apply, we will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. We will not be able to deduct dividends paid to our shareholders in any year in which we fail to qualify as a REIT. We also will be disqualified for the four taxable years following the year during which qualification was lost unless we are entitled to relief under specific statutory provisions. (See "Risk Factors -- Federal Income Tax Risks")

Sale-Leaseback Transactions

Some of our investments may be in the form of sale-leaseback transactions. In most instances, depending on the economic terms of the transaction, we will be treated for federal income tax purposes as either the owner of the property or the holder of a debt secured by the property. We do not expect to request an opinion of counsel concerning the status of any leases of properties as true leases for federal income tax purposes.

The Internal Revenue Service may take the position that a specific sale-leaseback transaction which we treat as a true lease is not a true lease for federal income tax purposes but is, instead, a financing arrangement or loan. We may also structure some sale-leaseback transactions as loans. In this event, for purposes of the asset tests and the 75% Income Test, each such loan likely would be viewed as secured by real property to the extent of the fair market value of the underlying property. It is expected that, for this purpose, the fair market value of the underlying property would be determined without taking

into account our lease. If a sale-leaseback transaction were so recharacterized, we might fail to satisfy the asset tests or the Income Tests and, consequently, lose our REIT status effective with the year of recharacterization. Alternatively, the amount of our REIT taxable income could be recalculated which might also cause us to fail to meet the distribution requirement for a taxable year.

Taxation of U.S. Shareholders

Definition

In this section, the phrase "U.S. shareholder" means a holder of shares that for federal income tax purposes:

- is a citizen or resident of the United States;
- is a corporation, partnership or other entity created or organized in or under the laws of the United States or of any political subdivision thereof;
- is an estate or trust, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

For any taxable year for which we qualify for taxation as a REIT, amounts distributed to taxable U.S. shareholders will be taxed as described below.



Distributions Generally

Distributions to U.S. shareholders, other than capital gain distributions discussed below, will constitute dividends up to the amount of our current or accumulated earnings and profits and will be taxable to the shareholders as ordinary income. These distributions are not eligible for the dividends received deduction generally available to corporations. To the extent that we make a distribution in excess of our current or accumulated earnings and profits, the distribution will be treated first as a tax-free return of capital, reducing the tax basis in each U.S. shareholder's shares, and the amount of each distribution in excess of a U.S. shareholder's tax basis in its shares will be taxable as gain realized from the sale of its shares. Distributions that we declare in October, November or December of any year payable to a shareholder of record on a specified date in any of these months will be treated as both paid by us and received by the shareholder on December 31 of the year, provided that we actually pay the distribution during January of the following calendar year. U.S. shareholders may not include any of our losses on their own federal income tax returns.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution by us up to the amount required to be distributed in order to avoid imposition of the 4% excise tax discussed above. Moreover, any "deficiency distribution" will be treated as an ordinary or capital gain distribution, as the case may be, regardless of our earnings and profits. As a result, shareholders may be required to treat some distributions that would otherwise result in a tax-free return of capital as taxable.

Capital Gain Distributions

Distributions to U.S. shareholders that we properly designate as capital gain distributions will be treated as long-term capital gains, to the extent they do not exceed our actual net capital gain, for the taxable year without regard to the period for which the U.S. shareholder has held his stock.

Passive Activity Loss and Investment Interest Limitations

Our distributions and any gain you realize from a disposition of shares will not be treated as passive activity income, and shareholders may not be able to utilize any of their "passive losses" to offset this income in their personal tax returns. Our distributions (to the extent they do not constitute a return of capital) will generally be treated as investment income for purposes of the limitations on the deduction of investment interest. Net capital gain from a disposition of shares and capital gain distributions generally will be included in investment income for purposes of the investment interest deduction limitations only if, and to the extent, you so elect, in which case any such capital gains will be taxed as ordinary income.

Certain Dispositions of the Shares

In general, any gain or loss realized upon a taxable disposition of shares by a U.S. shareholder who is not a dealer in securities will be treated as long-term capital gain or loss if the shares have been held for more than 12 months and as short-term capital gain or loss if the shares have been held for 12 months or less. If, however, a U.S. shareholder has received any capital gains distributions with respect to his shares, any loss realized upon a taxable disposition of shares held for six months or less, to the extent of the capital gains distributions received with respect to his shares, will be treated as long-term capital loss. Also, the Internal Revenue Service is authorized to issue Treasury Regulations that would subject a portion of the capital gain a U.S. shareholder recognizes from selling his shares or from a capital gain distribution to a tax at a 25% rate, to the extent the capital gain is attributable to depreciation previously deducted.



Information Reporting Requirements and Backup Withholding for U.S. Shareholders

Under some circumstances, U.S. shareholders may be subject to backup withholding at a rate of 31% on payments made with respect to, or cash proceeds of a sale or exchange of, our shares. Backup withholding will apply only if the shareholder:

- fails to furnish his or her taxpayer identification number (which, for an individual, would be his or her Social Security Number);
- furnishes an incorrect tax identification number;
- is notified by the Internal Revenue Service that he or she has failed properly to report payments of interest and distributions or is otherwise subject to backup withholding; or
- under some circumstances, fails to certify, under penalties of perjury, that he or she has furnished a correct tax identification number and that (a) he or she has not been notified by the Internal Revenue Service that he or she is subject to backup withholding for failure to report interest and distribution payments or (b) he or she has been notified by the Internal Revenue Service that he or she is no longer subject to backup withholding.

Backup withholding will not apply with respect to payments made to some shareholders, such as corporations and tax-exempt organizations. Backup withholding is not an additional tax. Rather, the amount of any backup withholding with respect to a payment to a U.S. shareholder will be allowed as a credit against the U.S. shareholder's U.S. federal income tax liability and may entitle the U.S. shareholder to a refund, provided that the required information is furnished to the Internal Revenue Service. U.S. shareholders should consult their own tax advisors regarding their qualifications for exemption from backup withholding and the procedure for obtaining an exemption.

Treatment of Tax-Exempt Shareholders

Tax-exempt entities such as employee pension benefit trusts, individual retirement accounts, charitable remainder trusts, etc. generally are exempt from federal income taxation. Such entities are subject to taxation, however, on any "unrelated business taxable income," as defined in the Internal Revenue Code. The payment of dividends to a tax-exempt employee pension benefit trust or other domestic tax-exempt shareholder generally will not constitute unrelated business taxable income to such shareholder unless such shareholder has borrowed to acquire or carry its shares.

In the event that we were deemed to be "predominately held" by qualified employee pension benefit trusts that each hold more than 10% (by value) of our shares, such trusts would be required to treat a certain percentage of the dividend distributions paid to them as unrelated business taxable income. We would be deemed to be "predominately held" by such trusts if only either (1) one employee pension benefit trust owns more than 25% in value of our shares, or (ii) any group of such trusts, each owning more than 10% in value of our shares, holds in the aggregate more than 50% in value of our shares. If either of these ownership thresholds were to ever be exceeded, any qualified employee pension benefit trust holding more than 10% in value of our shares would be subject to tax on that portion of our dividend distributions made to it which is equal to the percentage of our income which would be "unrelated business taxable income" if we were a qualified trust, rather than a REIT. We will attempt to monitor the concentration of ownership of employee pension benefit trusts in our shares, and we do not expect our shares to be deemed to be "predominately held" by qualified employee pension benefit trusts, as defined in the Internal Revenue Code, to the extent required to trigger the treatment of our income as unrelated business taxable income to such trusts.



For social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) and (c)(20) of the Internal Revenue Code, respectively, income from an investment in our shares will constitute unrelated business taxable income unless the shareholder in question is able to deduct amounts "set aside" or placed in reserve for certain purposes so as to offset the unrelated business taxable income generated. Any such organization which is a prospective shareholder should consult its own tax advisor concerning these "set aside" and reserve requirements.

Special Tax Considerations for Non-U.S. Shareholders

The rules governing U.S. income taxation of non-resident alien individuals, foreign corporations, foreign partnerships and foreign trusts and estates (collectively, "Non-U.S. shareholders") are complex. The following discussion is intended only as a summary of these rules. Non-U.S. investors should consult with their own tax advisors to determine the impact of federal, state and local income tax laws on an investment in our shares, including any reporting requirements.

Income Effectively Connected With a U.S. Trade or Business

In general, Non-U.S. shareholders will be subject to regular U.S. federal income taxation with respect to their investment in our shares if the income derived therefrom is "effectively connected" with the Non-U.S. shareholder's conduct of a trade or business in the United States. A corporate Non-U.S. shareholder that receives income that is (or is treated as) effectively connected with a U.S. trade or business also may be subject to a branch profits tax under Section 884 of the Internal Revenue Code, which is payable in addition to the regular U.S. federal corporate income tax.

The following discussion will apply to Non-U.S. shareholders whose income derived from ownership of our shares is deemed to be not effectively connected with a U.S. trade or business.

Distributions Not Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

A distribution to a Non-U.S. shareholder that is not attributable to gain realized by us from the sale or exchange of a United States real property interest and that we do not designate as a capital gain distribution will be treated as an ordinary income distribution to the extent that it is made out of current or accumulated earnings and profits. Generally, any ordinary income distribution will be subject to a U.S. federal income tax equal to 30% of the gross amount of the distribution unless this tax is reduced by the provisions of an applicable tax treaty. Any such distribution in excess of our earnings and profits will be treated first as a return of capital that will reduce each Non-U.S. shareholder's basis in its shares (but not below zero) and then as gain from the disposition of those shares, the tax treatment of which is described under the rules discussed below with respect to dispositions of shares.

Distributions Attributable to Gain From the Sale or Exchange of a United States Real Property Interest

Distributions to a Non-U.S. shareholder that are attributable to gain from the sale or exchange of a United States real property interest will be taxed to a Non-U.S. shareholder under Internal Revenue Code provisions enacted by the Foreign Investment in Real Property Tax Act of 1980 ("FIRPTA"). Under FIRPTA, such distributions are taxed to a Non-U.S. shareholder as if the distributions were gains "effectively connected" with a U.S. trade or business. Accordingly, a Non-U.S. shareholder will be taxed at the normal capital gain rates applicable to a U.S. shareholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals).



Distributions subject to FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. shareholder that is not entitled to a treaty exemption.

Withholding Obligations With Respect to Distributions to Non-U.S. Shareholders

Although tax treaties may reduce our withholding obligations, we generally will be required to withhold from distributions to Non-U.S. shareholders, and remit to the Internal Revenue Service:

- 35% of designated capital gain distributions or, if greater, 35% of the amount of any distributions that could be designated as capital gain distributions; and

- 30% of ordinary income distributions (i.e., distributions paid out of ---
our earnings and profits).

In addition, if we designate prior distributions as capital gain distributions, subsequent distributions, up to the amount of the prior distributions, will be treated as capital gain distributions for purposes of withholding. A distribution in excess of our earnings and profits will be subject to 30% withholding if at the time of the distribution it cannot be determined whether the distribution will be in an amount in excess of our current or accumulated earnings and profits. If the amount of tax we withhold with respect to a distribution to a Non-U.S. shareholder exceeds the shareholder's U.S. tax liability with respect to that distribution, the Non-U.S. shareholder may file a claim with the Internal Revenue Service for a refund of the excess.

Sale of Our Shares by a Non-U.S. Shareholder

A sale of our shares by a Non-U.S. shareholder will generally not be subject to U.S. federal income taxation unless our shares constitute a "United States real property interest" within the meaning of FIRPTA. Our shares will not constitute a United States real property interest if we are a "domestically controlled REIT." A "domestically controlled REIT" is a REIT that at all times during a specified testing period has less than 50% in value of its shares held

directly or indirectly by Non-U.S. shareholders. We currently anticipate that we will be a domestically controlled REIT. Therefore, sales of our shares should not be subject to taxation under FIRPTA. However, we cannot assure you that we will continue to be a domestically controlled REIT. If we were not a domestically controlled REIT, whether a Non-U.S. shareholder's sale of our shares would be subject to tax under FIRPTA as a sale of a United States real property interest would depend on whether our shares were "regularly traded" on an established securities market and on the size of the selling shareholder's interest in us. Our shares currently are not "regularly traded" on an established securities market.

If the gain on the sale of shares were subject to taxation under FIRPTA, a Non-U.S. shareholder would be subject to the same treatment as a U.S. shareholder with respect to the gain, subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals. In addition, distributions that are treated as gain from the disposition of shares and are subject to tax under FIRPTA also may be subject to a 30% branch profits tax when made to a corporate Non-U.S. shareholder that is not entitled to a treaty exemption. Under FIRPTA, the purchaser of our shares may be required to withhold 10% of the purchase price and remit this amount to the Internal Revenue Service.

Even if not subject to FIRPTA, capital gains will be taxable to a Non-U.S. shareholder if the Non-U.S. shareholder is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and some other conditions apply, in which case the non-resident alien individual will be subject to a 30% tax on his or her U.S. source capital gains.



Recently promulgated Treasury Regulations may alter the procedures for claiming the benefits of an income tax treaty. Our Non-U.S. shareholders should consult their tax advisors concerning the effect, if any, of these Treasury Regulations on an investment in our shares.

### Information Reporting Requirements and Backup Withholding for Non-U.S. Shareholders

Additional issues may arise for information reporting and backup withholding for Non-U.S. shareholders. Non-U.S. shareholders should consult their tax advisors with regard to U.S. information reporting and backup withholding requirements under the Internal Revenue Code.

## Statement of Stock Ownership

We are required to demand annual written statements from the record holders of designated percentages of our shares disclosing the actual owners of the shares. Any record shareholder who, upon our request, does not provide us with required information concerning actual ownership of the shares is required to include specified information relating to his shares in his federal income tax return. We also must maintain, within the Internal Revenue District in which we are required to file our federal income tax return, permanent records showing the information we have received about the actual ownership of shares and a list of those persons failing or refusing to comply with our demand.

## State and Local Taxation

We and any operating subsidiaries of ours may be subject to state and local tax in states and localities in which we or they do business or own property. The tax treatment of the Wells REIT, our operating partnership, our operating subsidiaries and the holders of our shares in local jurisdictions may differ from the federal income tax treatment described above.

## Tax Aspects of the Operating Partnership

The following discussion summarizes certain federal income tax considerations applicable to our investment in Wells OP, our 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

We will be entitled to include in our income a distributive share of Wells OP's income and to deduct our distributive share of Wells OP's losses only if Wells OP is classified for federal income tax purposes as a partnership, rather than as an association taxable as a corporation. Under applicable Treasury Regulations (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. Wells OP 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.

Even though Wells OP will elect to be treated as a partnership for federal income tax purposes, it may be taxed as a corporation if it is deemed to be a "publicly traded partnership." 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); provided, that even if the foregoing requirements are met, a publicly traded partnership will not be treated as a corporation for federal income tax purposes if at least 90% of such partnership's gross income for a taxable year consists of "qualifying income" under Section 7704(d) of the Internal Revenue Code. Qualifying income generally includes any



income that is qualifying income for purposes of the 95% gross income test applicable to REITs (90% Passive-Type Income Exception). (See "Requirements for Qualification as a REIT -- Operational Requirements - Gross Income Tests").

Under applicable Treasury Regulations (PTP Regulations), limited safe harbors from the definition of a publicly traded partnership are provided. Pursuant to one of those safe harbors (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 (such as a partnership, grantor trust or S corporation) 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 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. Wells OP qualifies for the Private Placement Exclusion. Even if Wells OP is considered a publicly traded partnership under the PTP Regulations because it is deemed to have more than 100 partners, however, Wells OP should not be treated as a corporation because it should be eligible for the 90% Passive-Type Income Exception described above.

We have not requested, and do not intend to request, a ruling from the Internal Revenue Service that Wells OP will be classified as a partnership for federal income tax purposes. Holland & Knight LLP is of the opinion, however, that based on certain factual assumptions and representations, Wells OP will more likely than not be treated for federal income tax purposes as a partnership and not as an association taxable as a corporation, or as a publicly traded partnership. Unlike a tax ruling, however, an opinion of counsel is not binding upon the Internal Revenue Service, and no assurance can be given that the Internal Revenue Service will not challenge the status of Wells OP as a partnership for federal income tax purposes. If such challenge were sustained by a court, Wells OP would be treated as a corporation for federal income tax

purposes, as described below. In addition, the opinion of Holland & Knight LLP 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 Wells OP were taxable as a corporation, rather than a partnership, for federal income tax purposes, we would not be able to qualify as a REIT. (See "Federal Income Tax Considerations -- Requirements for Qualification as a REIT -- Operational Requirements - Gross Income Tests" and "Requirements for Qualification as a REIT -- Operational Requirements - Asset Tests.") In addition, any change in Wells OP's status for tax purposes might be treated as a taxable event, in which case we might incur a tax liability without any related cash distribution. Further, items of income and deduction of Wells OP would not pass through to its partners, and its partners would be treated as shareholders for tax purposes. Consequently, Wells OP 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 Wells OP's taxable income.

Income Taxation of the Operating Partnership and its Partners

Partners, Not a Partnership, Subject to Tax. A partnership is not a taxable entity for federal income tax purposes. As a partner in Wells OP, we will be required to take into account our allocable share of Wells OP's income, gains, losses, deductions, and credits for any taxable year of Wells OP ending within or with our taxable year, without regard to whether we have received or will receive any distribution from Wells OP.



Partnership Allocations. Although a partnership agreement generally determines the allocation of income and losses among partners, such allocations will be disregarded for tax purposes under Section 704(b) of the Internal Revenue Code if they do not comply with the provisions of Section 704(b) of the Internal Revenue 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 partner's 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. Wells OP's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Internal Revenue Code and the Treasury Regulations promulgated thereunder.

Tax Allocations With Respect to Contributed Properties. Pursuant to Section 704(c) of the Internal Revenue 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. Under applicable Treasury Regulations, partnerships are required to use a "reasonable method" for allocating items subject to Section 704(c) of the Internal Revenue Code and several reasonable allocation methods are described therein.

Under the partnership agreement for Wells OP, depreciation or amortization deductions of Wells OP generally will be allocated among the partners in accordance with their respective interests in Wells OP, except to the extent that Wells OP is required under Section 704(c) to use a method for allocating depreciation deductions attributable to its properties that results in us receiving a disproportionately large share of such deductions. It is possible that we may (1) be allocated lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to us if each such property were to have a tax basis equal to its fair market value at

the time of contribution, and (2) be allocated taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to us as a result of such sale. These allocations may cause us to recognize taxable income in excess of cash proceeds received by us, which might adversely affect our ability to comply with the REIT distribution requirements, although we do not anticipate that this event will occur. The foregoing principles also will affect the calculation of our earnings and profits for purposes of determining which portion of our distributions is taxable as a dividend. The allocations described in this paragraph may result in a higher portion of our distributions being taxed as a dividend than would have occurred had we purchased such properties for cash.

Basis in Operating Partnership Interest. The adjusted tax basis of our partnership interest in Wells OP generally is equal to (1) the amount of cash and the basis of any other property contributed to Wells OP by us, (2) increased by (A) our allocable share of Wells OP's income and (B) our allocable share of indebtedness of Wells OP, and (3) reduced, but not below zero, by (A) our allocable share of Wells OP's loss and (B) the amount of cash distributed to us, including constructive cash distributions resulting from a reduction in our share of indebtedness of Wells OP.

If the allocation of our distributive share of Wells OP's loss would reduce the adjusted tax basis of our partnership interest in Wells OP below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce our adjusted tax basis below zero. If a distribution from Wells OP or a reduction in our share of Wells OP's liabilities (which is treated as a constructive distribution for tax purposes) would reduce our adjusted tax basis below zero, any such distribution, including a constructive distribution, would constitute taxable income to us. The gain realized by us upon



the receipt of any such distribution or constructive distribution would normally be characterized as capital gain, and if our partnership interest in Wells OP has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

Depreciation Deductions Available to the Operating Partnership. Wells OP will use a portion of contributions made by the Wells REIT from offering proceeds to acquire interests in properties. To the extent that Wells OP acquires properties for cash, Wells OP's initial basis in such properties for federal income tax purposes generally will be equal to the purchase price paid by Wells OP. Wells OP plans to depreciate each such depreciable property for federal income tax purposes under the alternative depreciation system of depreciation ("ADS"). Under ADS, Wells OP 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 Wells OP acquires properties in exchange for units of Wells OP, Wells OP'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 Wells OP. Although the law is not entirely clear, Wells OP 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 Wells OP 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 Wells OP upon the disposition of a property acquired by Wells OP for cash will be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Our share of any gain realized by Wells OP on the sale of any property held by Wells OP as inventory or other property held primarily for sale to customers

in the ordinary course of Wells OP'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 our ability to satisfy the income tests for maintaining our REIT status. (See "Federal Income Tax Considerations -- Requirements for Qualification as a REIT -- Gross Income Tests" above.) We, however, do not presently intend to acquire or hold or allow Wells OP to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of our or Wells OP's trade or business.

## ERISA Considerations

The following is a summary of some non-tax considerations associated with an investment in our shares by a qualified employee pension benefit plan or an IRA. This summary is based on provisions of ERISA and the Internal Revenue Code, as amended through the date of this prospectus, and relevant regulations and opinions issued by the Department of Labor and the Internal Revenue Service. We cannot assure you that adverse tax decisions or legislative, regulatory or administrative changes which would significantly modify the statements expressed herein will not occur. Any such changes may or may not apply to transactions entered into prior to the date of their enactment.

Each fiduciary of an employee pension benefit plan subject to ERISA, such as a profit sharing, section 401(k) or pension plan, or of any other retirement plan or account subject to Section 4975 of the Internal Revenue Code, such as an IRA (Benefit Plans), seeking to invest plan assets in our shares must, taking into account the facts and circumstances of such Benefit Plan, consider, among other matters:



- whether the investment is consistent with the applicable provisions of ERISA and the Internal Revenue Code;
- whether, under the facts and circumstances attendant to the Benefit Plan in question, the fiduciary's responsibility to the plan has been satisfied;
- whether the investment will produce unrelated business taxable income to the Benefit Plan (see "Federal Income Tax Considerations -- Treatment of Tax-Exempt Shareholders"); and
- the need to value the assets of the Benefit Plan annually.

Under ERISA, a plan fiduciary's responsibilities include the following duties:

- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;
- to invest plan assets prudently;
- to diversify the investments of the plan unless it is clearly prudent not to do so;
- to ensure sufficient liquidity for the plan; and
- to consider whether an investment would constitute or give rise to a prohibited transaction under ERISA or the Internal Revenue Code.

ERISA also requires that the assets of an employee benefit plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code prohibit specified transactions involving the assets of a Benefit Plan which are between the plan and any "party in interest" or "disqualified person" with respect to that Benefit Plan. These transactions are prohibited regardless of how beneficial they may be for the Benefit Plan. Prohibited transactions include the sale, exchange or leasing of property, the lending of money or the extension of credit between a Benefit Plan and a party in interest or disqualified person, and the transfer to, or use by, or for the benefit of, a party in interest, or disqualified person, of any assets of a Benefit Plan. A fiduciary of a Benefit Plan also is prohibited from engaging in self-dealing, acting for a person who has an interest adverse to the plan or receiving any consideration for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, Section 408 of the Internal Revenue Code states that assets of an IRA trust may not be commingled with other property except in a common trust fund or common investment fund.

Plan Asset Considerations

In order to determine whether an investment in our shares by Benefit Plans creates or gives rise to the potential for either prohibited transactions or the commingling of assets referred to above, a fiduciary must consider whether an investment in our shares will cause our assets to be treated as assets of the investing Benefit Plans. Neither ERISA nor the Internal Revenue Code define the term "plan assets," however, U.S. Department of Labor Regulations provide guidelines as to whether, and under what circumstances, the underlying assets of an entity will be deemed to constitute assets of a Benefit Plan



when the plan invests in that entity (the Plan Assets Regulation). Under the Plan Assets Regulation, the assets of corporations, partnerships or other entities in which a Benefit Plan makes an equity investment will generally be deemed to be assets of the Benefit Plan unless the entity satisfies one of the exceptions to this general rule. As discussed below, we have received an opinion of counsel that, based on the Plan Assets Regulation, our underlying assets should not be deemed to be "plan assets" of Benefit Plans investing in shares, assuming the conditions set forth in the opinion are satisfied, based upon the fact that at least one of the specific exemptions set forth in the Plan Assets Regulation is satisfied, as determined below.

Specifically, the Plan Assets Regulation provides that the underlying assets of REITs will not be treated as assets of a Benefit Plan investing therein if the interest the Benefit Plan acquires is a "publicly-offered security." A publicly-offered security must be:

- sold as part of a public offering registered under the Securities Act of 1933 and be part of a class of securities registered under the Securities Exchange Act of 1934, as amended, within a specified time period;

- part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another; and

- "freely transferable."

Our shares are being sold as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and are part of a class registered under the Securities Exchange Act. In addition, we have over 100 independent shareholders. Thus, both the first and second criterion of the publicly-offered security exception will be satisfied.

Whether a security is "freely transferable" depends upon the particular facts and circumstances. Our shares are subject to certain restrictions on transferability intended to ensure that we continue to qualify for federal income tax treatment as a REIT. The regulation provides, however, that where the minimum investment in a public offering of securities is $10,000 or less, the presence of a restriction on transferability intended to prohibit transfers

which would result in a termination or reclassification of the entity for state or federal tax purposes will not ordinarily affect a determination that such securities are freely transferable. The minimum investment in our shares is less than $10,000; thus, the restrictions imposed in order to maintain our status as a REIT should not cause the shares to be deemed to be not freely transferable.

In the event that our underlying assets were treated by the Department of Labor as the assets of investing Benefit Plans, our management would be treated as fiduciaries with respect to each Benefit Plan shareholder, and an investment in our shares might constitute an ineffective delegation of fiduciary responsibility to Wells Capital and expose the fiduciary of the Benefit Plan to co-fiduciary liability under ERISA for any breach by Wells Capital of the fiduciary duties mandated under ERISA. Further, if our assets are deemed to be "plan assets," an investment by an IRA in our shares might be deemed to result in an impermissible commingling of IRA assets with other property.

If our Managers were treated as fiduciaries with respect to Benefit Plan shareholders, the prohibited transaction restrictions of ERISA and the Internal Revenue Code would apply to any transaction involving our assets. These restrictions could, for example, require that we avoid transactions with entities that are affiliated with us or our affiliates or restructure our activities in order to obtain an administrative exemption from the prohibited transaction restrictions. Alternatively, we might have to



provide Benefit Plan shareholders with the opportunity to sell their shares to us or we might dissolve or terminate.

If a prohibited transaction were to occur, the Internal Revenue Code imposes an excise tax equal to 15 percent of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not "corrected." These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, Wells Capital and possibly other fiduciaries of Benefit Plan shareholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities, or a non-fiduciary participating in a prohibited transaction, could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach, and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in our shares, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, would cause the IRA to lose its tax-exempt status under Section 408(e)(2) of the Internal Revenue Code.

We have obtained an opinion from Holland & Knight LLP that our shares more likely than not constitute "publicly-offered securities" and, accordingly, it is more likely than not that our underlying assets should not be considered plan assets under the Plan Assets Regulation, assuming the offering takes place as described in this prospectus. If our underlying assets are not deemed to be "plan assets," the problems discussed in the immediately preceding three paragraphs are not expected to arise.

Other Prohibited Transactions

Regardless of whether the shares qualify for the "publicly-offered security" exception of the Plan Assets Regulation, a prohibited transaction could occur if the Wells REIT, the advisor, any selected dealer or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to any Benefit Plan purchasing the shares. Accordingly, unless an administrative or statutory exemption applies, shares should not be purchased by a Benefit Plan with respect to which any of the above persons is a fiduciary. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to plan assets or provides investment advice for a fee with respect to plan assets. Under a regulation issued by the Department of Labor, a person

shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions, and (2) that the advice will be individualized for the Benefit Plan based on its particular needs.

Annual Valuation

A fiduciary of an employee benefit plan subject to ERISA is required to determine annually the fair market value of each asset of the plan as of the end of the plan's fiscal year and to file a report reflecting that value with the Department of Labor. When the fair market value of any particular asset is not available, the fiduciary is required to make a good faith determination of that asset's "fair market value" assuming an orderly liquidation at the time the determination is made. In addition, a trustee or custodian of an IRA must provide an IRA participant with a statement of the value of the IRA each year. In discharging its obligation to value assets of a plan, a fiduciary subject to ERISA must act consistently with the relevant provisions of the plan and the general fiduciary standards of ERISA.

Unless and until our shares are listed on a national securities exchange or are included for quotation on Nasdaq, it is not expected that a public market for the shares will develop. To date, neither the Internal Revenue Service nor the Department of Labor has promulgated regulations specifying how a



plan fiduciary should determine the "fair market value" of the shares, namely when the fair market value of the shares is not determined in the marketplace. Therefore, to assist fiduciaries in fulfilling their valuation and annual reporting responsibilities with respect to ownership of shares, we intend to provide reports of our annual determinations of the current value of our net assets per outstanding share to those fiduciaries (including IRA trustees and custodians) who identify themselves to us and request the reports. Until December 31, 2002, we intend to use the offering price of shares as the per share net asset value. Beginning with the year 2003, the value of the properties and our other assets will be based on a valuation. Such valuation will be performed by a person independent of us and of Wells Capital.

We anticipate that we will provide annual reports of our determination of value (1) to IRA trustees and custodians not later than January 15 of each year, and (2) to other Benefit Plan fiduciaries within 75 days after the end of each calendar year. Each determination may be based upon valuation information available as of October 31 of the preceding year, up-dated, however, for any material changes occurring between October 31 and December 31.

We intend to revise these valuation procedures to conform with any relevant guidelines that the Internal Revenue Service or the Department of Labor may hereafter issue. Meanwhile, we cannot assure you:

- that the value determined by us could or will actually be realized by us or by shareholders upon liquidation (in part because appraisals or estimated values do not necessarily indicate the price at which assets could be sold and because no attempt will be made to estimate the expenses of selling any of our assets);
- that shareholders could realize this value if they were to attempt to sell their shares; or
- that the value, or the method used to establish value, would comply with the ERISA or IRA requirements described above.

## Description of Shares

The following description of the shares is not complete but is a summary of portions of our articles of incorporation and is qualified in its entirety by

reference to the articles of incorporation.

Under our articles of incorporation, we have authority to issue a total of 500,000,000 shares of capital stock. Of the total shares authorized, 350,000,000 shares are designated as common stock with a par value of $0.01 per share, 50,000,000 shares are designated as preferred stock with a par value of $0.01 per share and 100,000,000 shares are designated as shares-in-trust, which would be issued only in the event we have purchases in excess of the ownership limits described below.

As of _____, 2000, approximately _____ shares of our common stock were issued and outstanding, and no shares of preferred stock or shares-in-trust were issued and outstanding.

Common Stock

The holders of common stock are entitled to one vote per share on all matters voted on by shareholders, including election of our directors. Our articles of incorporation do not provide for cumulative voting in the election of directors. Therefore, the holders of a majority of the outstanding common shares can elect our entire board of directors. Subject to any preferential rights of any outstanding series of preferred stock, the holders of common stock are entitled to such dividends as may be declared from time to time by our board of directors out of legally available funds and, upon



liquidation, are entitled to receive all assets available for distribution to shareholders. All shares issued in the offering will be fully paid and non-assessable shares of common stock. Holders of shares of common stock will not have preemptive rights, which means that you will not have an automatic option to purchase any new shares that we issue.

We will not issue certificates for our shares. Shares will be held in "uncertificated" form which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to effect a transfer. Wells Capital, our advisor, acts as our registrar and as the transfer agent for our shares. Transfers can be effected simply by mailing to Wells Capital a transfer and assignment form, which we will provide to you at no charge.

Preferred Stock

Our articles of incorporation authorize our board of directors to designate and issue 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 the rights, preferences and privileges attributable to the common stock. The issuance of preferred stock could have the effect of delaying or preventing a change in control of the Wells REIT. Our board of directors has no present plans to issue preferred stock, but may do so at any time in the future without shareholder approval.

Meetings and Special Voting Requirements

An annual meeting of the shareholders will be held each year, at least 30 days after delivery of our annual report. Special meetings of shareholders may be called only upon the request of a majority of the directors, a majority of the independent directors, the chairman, the president or upon the written request of 10% of the shareholders. The presence of a majority of the outstanding shares either in person or by proxy shall constitute a quorum. Generally, the affirmative vote of a majority of all votes entitled to be voted is necessary to take shareholder action authorized by our articles of incorporation, except that a majority of the votes represented in person or by proxy at a meeting at which a quorum is present is sufficient to elect a director.

Under Maryland Corporation Law and our articles of incorporation, shareholders are entitled to vote at a duly held meeting at which a quorum is present on (1) amendment of our articles of incorporation, (2) liquidation or dissolution of the Wells REIT, (3) reorganization of the Wells REIT, (4) merger, consolidation or sale or other disposition of substantially all of our assets, and (5) termination of our status as a REIT. Shareholders voting against any merger or sale of assets are permitted under Maryland Corporation Law to petition a court for the appraisal and payment of the fair value of their shares. In an appraisal proceeding, the court appoints appraisers who attempt to determine the fair value of the stock as of the date of the shareholder vote on the merger or sale of assets. After considering the appraisers' report, the court makes the final determination of the fair value to be paid to the dissenting shareholder and decides whether to award interest from the date of the merger or sale of assets and costs of the proceeding to the dissenting shareholders.

Our advisor is selected and approved annually by our directors. While the shareholders do not have the ability to vote to replace Wells Capital or to select a new advisor, shareholders do have the ability, by the affirmative vote of a majority of the shareholders entitled to vote on such matter, to elect to remove a director from our board.



Shareholders are entitled to receive a copy of our shareholder list upon request. The list provided by us will include each shareholder's name, address and telephone number, if available, and number of shares owned by each shareholder and will be sent within ten days of the receipt by us of the request. A shareholder requesting a list will be required to pay reasonable costs of postage and duplication. We have the right to request that a requesting shareholder represent to us that the list will not be used to pursue commercial interests.

In addition to the foregoing, shareholders have rights under Rule 14a-7 under the Securities Exchange Act, which provides that, upon the request of investors and the payment of the expenses of the distribution, we are required to distribute specific materials to shareholders in the context of the solicitation of proxies for voting on matters presented to shareholders or, at our option, provide requesting shareholders with a copy of the list of shareholders so that the requesting shareholders may make the distribution of proxies themselves.

Restriction on Ownership of Shares

In order for us to qualify as a REIT, not more than 50% of our outstanding shares may be owned by any five or fewer individuals, including some tax-exempt entities. In addition, the outstanding shares must be owned by 100 or more persons independent of us and each other during at least 335 days of a 12-month taxable year or during a proportionate part of a shorter taxable year. We may prohibit certain acquisitions and transfers of shares so as to ensure our continued qualification as a REIT under the Internal Revenue Code. However, we cannot assure you that this prohibition will be effective.

In order to assist us in preserving our status as a REIT, our articles of incorporation contain a limitation on ownership which prohibits any person or group of persons from acquiring, directly or indirectly, beneficial ownership of more than 9.8% of our outstanding shares. Our Articles of Incorporation provide that any transfer of shares that would violate our share ownership limitations is null and void and the intended transferee will acquire no rights in such shares, unless the transfer is approved by the board of directors based upon receipt of information that such transfer would not violate the provisions of the Internal Revenue Code for qualification as a REIT.

The shares in excess of the ownership limit which are attempted to be transferred will be designated as "shares-in-trust" and will be transferred automatically to a trust effective on the day before the reported transfer of

such shares. The record holder of the shares that are designated as shares-in-trust will be required to submit such number of shares to the Wells REIT in the name of the trustee of the trust. We will designate a trustee of the share trust that will not be affiliated with us. We will also name one or more charitable organizations as a beneficiary of the share trust. 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 during the period they are held in trust.

At our direction, the trustee will transfer the shares-in-trust to a person whose ownership will not violate the ownership limits. The transfer shall be made within 20 days of our receipt of notice that shares have been transferred to the trust. During this 20 day period, we will have the option of redeeming such shares. Upon any such transfer or redemption, the purported transferee or holder shall receive a per share price equal to the lesser of (a) the price per share in the transaction that created such shares-in-trust, or (b) the market price per share on the date of the transfer or redemption.

Any person who (1) acquires shares in violation of the foregoing restriction or who owns shares that were transferred to any such trust is required to give immediate written notice to the Wells REIT of



such event or (2) transfers or receives shares subject to such limitations is required to give the Wells REIT 15 days written notice prior to such transaction. In both cases, such persons shall provide to the Wells REIT such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

The foregoing restrictions will continue to apply until (1) the board of directors determines it is no longer in the best interest of the Wells REIT to continue to qualify as a REIT and (2) there is an affirmative vote of the majority of shares entitled to vote on such matter at a regular or special meeting of the shareholders of the Wells REIT.

The ownership limit does not apply to an offeror which, in accordance with applicable federal and state securities laws, makes a cash tender offer, where at least 85% of the outstanding shares are duly tendered and accepted pursuant to the cash tender offer. The ownership limit also does not apply to the underwriter in a public offering of shares. In addition, the ownership limit does not apply to a person or persons which the directors so exempt from the ownership limit upon appropriate assurances that our qualification as a REIT is not jeopardized.

Any person who owns 5% or more of the outstanding shares during any taxable year will be asked to deliver a statement or affidavit setting forth the number of shares beneficially owned, directly or indirectly.

Dividends

Dividends will be paid on a quarterly basis regardless of the frequency with which such distributions are declared. Dividends will be paid to investors who are shareholders as of the record dates selected by the directors. We currently calculate our quarterly dividends based upon daily record and dividend declaration dates so our investors will be entitled to be paid dividends immediately upon their purchase of shares. We then make quarterly dividend payments following the end of each calendar quarter.

We are required to make distributions sufficient to satisfy the requirements for qualification as a REIT for tax purposes. Generally, income distributed as dividends will not be taxable to us under the Internal Revenue Code if we distribute at least 95% of our taxable income. (See "Federal Income Tax Considerations -- Requirements for Qualification as a REIT.")

Dividends will be declared at the discretion of the board of directors, in accordance with our earnings, cash flow and general financial condition. The board's discretion will be directed, in substantial part, by its obligation to cause us to comply with the REIT requirements. Because we may receive income from interest or rents at various times during our fiscal year, dividends may not reflect our income earned in that particular distribution period but may be made in anticipation of cash flow which we expect to receive during a later quarter and may be made in advance of actual receipt of funds in an attempt to make dividends relatively uniform. We may borrow money, issue new securities or sell assets in order to make dividend distributions.

We are not prohibited from distributing our own securities in lieu of making cash dividends to shareholders, provided that the securities distributed to shareholders are readily marketable. Shareholders who receive marketable securities in lieu of cash dividends may incur transaction expenses in liquidating the securities.

Dividend Reinvestment Plan



We currently have a dividend reinvestment plan available that allows you to have your dividends otherwise distributable to you invested in additional shares of the Wells REIT.

You may purchase shares under the dividend reinvestment plan for $10 per share until all of the 100,000 shares registered as part of this offering have been sold. After this time, we may purchase shares either through purchases on the open market, if a market then exists, or through an additional issuance of shares. In any case, the price per share will be equal to the then-prevailing market price, which shall equal the price on the securities exchange or over-the-counter market on which such shares are listed at the date of purchase if such shares are then listed.

You may elect to participate in the dividend reinvestment plan by completing the Subscription Agreement, the enrollment form or by other written notice to the plan administrator. Participation in the plan will begin with the next distribution made after receipt of your written notice. We may terminate the dividend reinvestment plan for any reason at any time upon 10 days' prior written notice to participants. Your participation in the plan will also be terminated to the extent that a reinvestment of your distributions in our shares would cause the percentage ownership limitation contained in our articles of incorporation to be exceeded.

If you elect to participate in the dividend reinvestment plan and are subject to federal income taxation, you will incur a tax liability for dividends allocated to you even though you have elected not to receive the dividends in cash but rather to have the dividends held pursuant to the dividend reinvestment plan. Specifically, you will be treated as if you have received the dividend from us in cash and then applied such dividend to the purchase of additional shares. You will be taxed on the amount of such dividend as ordinary income to the extent such dividend is from current or accumulated earnings and profits, unless we have designated all or a portion of the dividend as a capital gain dividend.

Share Redemption Program

Prior to the time that our shares are listed on a national securities exchange, shareholders of the Wells REIT who have held their shares for at least one year may receive the benefit of limited interim liquidity by presenting for redemption all or any portion of their shares to us at any time in accordance with the procedures outlined herein. At that time, we may, subject to the conditions and limitations described below, redeem the shares presented for redemption for cash to the extent that we have sufficient funds available to us to fund such redemption.

If you have held your shares for the required one-year period, you may redeem your shares for a purchase price equal to the lesser of (1) $10 per share, or (2) the purchase price per share that you actually paid for your shares of the Wells REIT. In the event that you are redeeming all of your shares, shares purchased pursuant to our dividend reinvestment plan may be excluded from the foregoing one-year holding period requirement, in the discretion of the board of directors. In addition, the board of directors reserves the right in its sole discretion at any time and from time to time to (1) waive the one-year holding period in the event of the death or bankruptcy of a shareholder or other exigent circumstances, (2) reject any request for redemption, (3) change the purchase price for all redemptions, or (4) otherwise amend the terms of our share redemption program.

Redemption of shares, when requested, will be made quarterly on a first-come, first-served basis. Subject to funds being available, we will limit the number of shares redeemed pursuant to our share redemption program as follows: (1) during any calendar year, we will not redeem in excess of one percent (1%) of the weighted average number of shares outstanding during the prior calendar year; and (2) funding for the redemption of shares will come exclusively from the proceeds we receive from the sale of shares under our dividend reinvestment plan such that in no event shall the aggregate amount of



redemptions under our share redemption program exceed aggregate proceeds received from the sale of shares pursuant to our dividend reinvestment plan. The board of directors, in its sole discretion, may choose to terminate the share redemption program or to reduce the number of shares purchased under the share redemption program if it determines the funds otherwise available to fund our share redemption program are needed for other purposes. (See "Risk Factors - General Investment Risks.")

We cannot guarantee that the funds set aside for the share redemption program will be sufficient to accommodate all requests made in any year. If we do not have such funds available, at the time when redemption is requested, you can (1) withdraw your request for redemption, or (2) ask that we honor your request at such time, if any, when sufficient funds become available. Such pending requests will be honored on a first-come, first-served basis.

The share redemption program is only intended to provide interim liquidity for shareholders until a secondary market develops for the shares. No such market presently exists, and we cannot assure you that any market for your shares will ever develop.

The shares we purchase under the share redemption program will be cancelled, and will have the status of authorized, but unissued shares. We will not reissue such shares unless they are first registered with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933 and under appropriate state securities laws or otherwise issued in compliance with such laws.

If we terminate, reduce the scope of or otherwise change the share redemption program, we will send a letter to you informing you of the changes and disclose the changes in reports filed with the Commission.

Restrictions on Roll-Up Transactions

In connection with any proposed transaction considered a "Roll-up Transaction" involving the Wells REIT and the issuance of securities of an entity (a Roll-up Entity) that would be created or would survive after the successful completion of the Roll-up Transaction, an appraisal of all properties shall be obtained from a competent independent appraiser. The 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 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 the

independent appraiser shall clearly state that the engagement is for our benefit and the shareholders. A summary of the appraisal, indicating all material assumptions underlying the appraisal, shall be included in a report to shareholders in connection with any proposed Roll-up Transaction.

A "Roll-up Transaction" is a transaction involving the acquisition, merger, conversion or consolidation, directly or indirectly, of the Wells REIT and the issuance of securities of a Roll-up Entity. This term does not include:

- a transaction involving our securities that have been for at least 12 months listed on a national securities exchange or included for quotation on Nasdaq; or

- a transaction involving the conversion to corporate, trust, or association form of only the Wells REIT if, as a consequence of the transaction, there will be no significant adverse change in any of the following: shareholder voting rights; the term of our existence; compensation to Wells Capital; or our investment objectives.



In connection with a proposed Roll-up Transaction, the person sponsoring the Roll-up Transaction must offer to shareholders who vote "no" on the proposal the choice of:

(1) accepting the securities of a Roll-up Entity offered in the proposed Roll-up Transaction; or

(2) one of the following:

(A) remaining as shareholders of the Wells REIT and preserving their interests therein on the same terms and conditions as existed previously, or

(B) receiving cash in an amount equal to the shareholder's pro rata share of the appraised value of our net assets.

We are prohibited from participating in any proposed Roll-up Transaction:

- which would result in the shareholders having democracy rights in a Roll-up Entity that are less than those provided in our bylaws 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 our articles of incorporation, and dissolution of the Wells REIT;

- which includes provisions that would operate to materially impede or frustrate 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;

- in which investor's rights to access of records of the Roll-up Entity will be less than those provided in the section of this prospectus entitled "Description of Shares -- Meetings and Special Voting Requirements;" or

- in which any of the costs of the Roll-up Transaction would be borne by us if the Roll-up Transaction is not approved by the shareholders.

Business Combinations

Under Maryland Corporation Law, business combinations between a Maryland corporation and an interested shareholder or the interested shareholder's affiliate are prohibited for five years after the most recent date on which the

shareholder becomes an interested shareholder. For this purpose, the term "business combinations" includes mergers, consolidations, share exchanges, asset transfers and issuances or reclassifications of equity securities. An "interested shareholder" is defined for this purpose as:

(1) any person who beneficially owns ten percent or more of the voting power of the corporation's shares; or

(2) an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of ten percent or more of the voting power of the then outstanding voting shares of the corporation.



After the five-year prohibition, any business combination between the corporation and an interested shareholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:

(1) 80% of the votes entitled to be cast by holders of outstanding voting shares of the corporation; and

(2) two-thirds of the votes entitled to be cast by holders of voting shares of the corporation other than shares held by the interested shareholder or its affiliate with whom the business combination is to be effected, or held by an affiliate or associate of the interested shareholder voting together as a single voting group.

These super-majority vote requirements do not apply if the corporation's common shareholders receive a minimum price, as defined under Maryland Corporation Law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares. None of these provisions of the Maryland Corporation Law will 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 shareholder becomes an interested shareholder.

The business combination statute may discourage others from trying to acquire control of us and increase the difficulty of consummating any offer.

Control Share Acquisitions

Maryland Corporation Law 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. Shares owned by the acquiror, or by officers or directors who are employees of the corporation are not entitled to vote on the matter. As permitted by Maryland Corporation Law, we have provided in our bylaws that the control share provisions of Maryland Corporation Law will not apply to transactions involving the Wells REIT, but the board of directors retains the discretion to change this provision in the future.

"Control shares" are voting shares which, if aggregated with all other shares owned by the acquiror or with respect to which the acquiror has the right to vote or to direct the voting of, other than solely by virtue of revocable proxy, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting powers:

- one-fifth or more but less than one-third;
- one-third or more but less than a majority; or
- 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 shareholder approval.

Except as otherwise specified in the statute, a "control share acquisition" means the acquisition of control shares.

Once a person who has made or proposes to make a control share acquisition has undertaken to pay expenses and has satisfied other required conditions, the person may compel the board of directors to



call a special meeting of shareholders 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 shareholders meeting.

If voting rights are not approved for the control shares at the meeting or if the acquiring person does not deliver an "acquiring person statement" for the control shares as required by the statute, the corporation may redeem any or all of the control shares for their fair value, except for control shares for which voting rights have previously been approved. Fair value is to be determined for this purpose without regard to the absence of voting rights for the control shares, and is to be determined as of the date of the last control share acquisition or of any meeting of shareholders at which the voting rights for control shares are considered and not approved.

If voting rights for control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of these appraisal rights may not be less than the highest price per share paid in the control share acquisition. Some of the limitations and restrictions otherwise applicable to the exercise of dissenters' rights do not apply in the context of a 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 Operating Partnership Agreement

### General

Wells Operating Partnership, L.P. (Wells OP) was formed in January 1998 to acquire, own and operate properties on our behalf. It is considered to be an Umbrella Partnership Real Estate Investment Trust (UPREIT), which structure is utilized generally to provide for the acquisition of real property from owners who desire to defer taxable gain otherwise to be recognized by them upon the disposition of their property. Such owners may also desire to achieve diversity in their investment and other benefits afforded to owners of stock in a REIT. For purposes of satisfying the asset and income tests for qualification as a REIT for tax purposes, the REIT's proportionate share of the assets and income of an UPREIT, such as Wells OP, will be deemed to be assets and income of the REIT.

The property owner's goals are accomplished because a property owner may contribute property to an UPREIT in exchange for limited partnership units on a tax-free basis. Further, Wells OP is structured to make distributions with respect to limited partnership units which are equivalent to the dividend distributions made to shareholders of the Wells REIT. Finally, a limited partner in Wells OP may later exchange his limited partnership units in Wells OP for shares in the Wells REIT (in a taxable transaction) and, if our shares are then listed, achieve liquidity for his investment.

Substantially all of our assets are held by Wells OP, and we intend to make future acquisitions of real properties using the UPREIT structure. The Wells REIT is the sole general partner of Wells OP and, as of _____, 2000, owned an approximately __% equity percentage interest in Wells OP. Wells Capital, our advisor, has contributed $200,000 to Wells OP and is currently the only limited

partner owning the other approximately __% equity percentage interest in Wells OP. As the sole general partner of Wells OP, we have the exclusive power to manage and conduct the business of Wells OP.



The following is a summary of certain provisions of the partnership agreement of Wells OP. This summary is not complete and is qualified by the specific language in the partnership agreement. You should refer to the partnership agreement, itself, which we have filed as an exhibit to the registration statement, for more detail.

Capital Contributions

As we accept subscriptions for shares, we will transfer substantially all of the net proceeds of the offering to Wells OP as a capital contribution; however, we will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. Wells OP will be deemed to have simultaneously paid the selling commissions and other costs associated with the offering. If Wells OP requires additional funds at any time in excess of capital contributions made by us and Wells Capital or from borrowing, we may borrow funds from a financial institution or other lender and lend such funds to Wells OP on the same terms and conditions as are applicable to our borrowing of such funds. In addition, we are authorized to cause Wells OP to issue partnership interests for less than fair market value if we conclude in good faith that such issuance is in the best interest of Wells OP and the Wells REIT.

Operations

The partnership agreement requires that Wells OP be operated in a manner that will enable the Wells REIT to (1) satisfy the requirements for being classified as a REIT for tax purposes, (2) avoid any federal income or excise tax liability, and (3) ensure that Wells OP will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Internal Revenue Code, which classification could result in Wells OP being taxed as a corporation, rather than as a partnership. (See "Federal Income Tax Considerations - Tax Aspects of the Operating Partnership - Classification as a Partnership.")

The partnership agreement provides that Wells OP will distribute cash flow from operations to the limited partners of Wells OP in accordance with their relative percentage interests on at least a quarterly basis in amounts determined by the Wells REIT as general partner such that a holder of one unit of limited partnership interest in Wells OP will receive the same amount of annual cash flow distributions from Wells OP as the amount of annual dividends paid to the holder of one of our shares. Remaining cash from operations will be distributed to the Wells REIT as the general partner to enable us to make dividend distributions to our shareholders.

Similarly, the partnership agreement of Wells OP provides that taxable income is allocated to the limited partners of Wells OP in accordance with their relative percentage interests such that a holder of one unit of limited partnership interest in Wells OP will be allocated taxable income for each taxable year in an amount equal to the amount of taxable income to be recognized by a holder of one of our shares, subject to compliance with the provisions of Sections 704(b) and 704(c) of the Internal Revenue Code and corresponding Treasury Regulations. Losses, if any, will generally be allocated among the partners in accordance with their respective percentage interests in Wells OP.

Upon the liquidation of Wells OP, after payment of debts and obligations, any remaining assets of Wells OP will be distributed to partners with positive capital accounts in accordance with their respective positive capital account balances. If the Wells REIT were to have a negative balance in its capital account following a liquidation, it would be obligated to contribute cash to Wells OP equal to such negative balance for distribution to other partners, if any, having positive balances in their capital accounts.

In addition to the administrative and operating costs and expenses incurred by Wells OP in acquiring and operating real properties, Wells OP will pay all administrative costs and expenses of the Wells REIT and such expenses will be treated as expenses of Wells OP. Such expenses will include:

- all expenses relating to the formation and continuity of existence of the Wells REIT;
- all expenses relating to the public offering and registration of securities by the Wells REIT;
- all expenses associated with the preparation and filing of any periodic reports by the Wells REIT under federal, state or local laws or regulations;
- all expenses associated with compliance by the Wells REIT with applicable laws, rules and regulations; and
- all other operating or administrative costs of the Wells REIT incurred in the ordinary course of its business on behalf of Wells OP.

Exchange Rights

The limited partners of Wells OP, including Wells Capital, have the right to cause Wells OP to redeem their limited partnership units for cash equal to the value of an equivalent number of our shares, or, at our option, we may purchase their limited partnership units by issuing one share of the Wells REIT for each limited partnership unit redeemed. These exchange rights may not be exercised, however, if and to the extent that the delivery of shares upon such exercise would (1) result in any person owning shares in excess of our ownership limits, (2) result in shares being owned by fewer than 100 persons, (3) result in the Wells REIT being "closely held" within the meaning of Section 856(h) of the Internal Revenue Code, (4) cause the Wells REIT to own 10% or more of the ownership interests in a tenant within the meaning of Section 856(d)(2)(B) of the Internal Revenue Code, or (5) cause the acquisition of shares by a redeemed limited partner to be "integrated" with any other distribution of our shares for purposes of complying with the Securities Act.

Subject to the foregoing, limited partners may exercise their exchange rights at any time after one year following the date of issuance of their limited partnership units; provided, however, that a limited partner may not deliver more than two exchange notices each calendar year and may not exercise an exchange right for less than 1,000 limited partnership units, unless such limited partner holds less than 1,000 units, in which case, he must exercise his exchange right for all of his units.

Transferability of Interests

The Wells REIT may not (1) voluntarily withdraw as the general partner of Wells OP, (2) engage in any merger, consolidation or other business combination, or (3) transfer its general partnership interest in Wells OP (except to a wholly-owned subsidiary), unless the transaction in which such withdrawal, business combination or transfer occurs results in the limited partners receiving or having the right to receive an amount of cash, securities or other property equal in value to the amount they would have received if they had exercised their exchange rights immediately prior to such transaction or unless, in the case of a merger or other business combination, the successor entity contributes substantially all of its assets to Wells OP in return for an interest in Wells OP and agrees to assume all obligations of the general partner of Wells OP. The Wells REIT may also enter into a business combination or we may transfer our general partnership interest upon the receipt of the consent of a majority-in-interest of the limited partners of Wells OP, other than Wells Capital. With certain exceptions, the limited partners may not transfer their interests in Wells OP, in whole or in part, without the written consent of the Wells REIT as general

partner. In addition, Wells Capital may not transfer its interest in Wells OP as long as it is acting as the advisor to the Wells REIT, except pursuant to the exercise of its right to exchange limited partnership units for Wells REIT shares, in which case similar restrictions on transfer will apply to the REIT shares received by Wells Capital.

## Plan of Distribution

We are offering a maximum of 125,000,000 shares to the public through Wells Investment Securities, Inc., the Dealer Manager, a registered broker-dealer affiliated with the advisor. (See "Conflicts of Interest.") 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 it has no firm commitment or obligation to purchase any of the shares. We are also offering 10,000,000 shares for sale pursuant to our dividend reinvestment plan at a price of $10 per share. An additional 5,000,000 shares are reserved for issuance upon exercise of soliciting dealer warrants, which are granted to participating broker-dealers based upon the number of shares they sell. Therefore, a total of 140,000,000 shares are being registered in this offering.

Except as provided below, the Dealer Manager will receive selling commissions of 7% of the gross offering proceeds. The Dealer Manager will also receive 2.5% of the gross offering proceeds in the form of a dealer manager fee as compensation for acting as the Dealer Manager and for expenses incurred in connection with coordinating sales efforts, training of personnel and generally performing "wholesaling" functions. We 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 dividend reinvestment plan will be charged selling commissions and dealer manager fees on shares purchased pursuant to the dividend reinvestment plan on the same basis as shareholders purchasing shares other than pursuant to the dividend reinvestment plan.

We will also award to the Dealer Manager one soliciting dealer warrant for every 25 shares they sell during the offering period. The Dealer Manager may retain or reallow these warrants to broker-dealers participating in the offering, unless such issuance of soliciting dealer warrants is prohibited by either federal or state securities laws. The holder of a soliciting dealer warrant will be entitled to purchase one share from the Wells REIT at a price of $12 per share during the period beginning 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 exceptions, a soliciting dealer warrant 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, participating broker-dealers are given 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 shareholders upon exercise of such warrants. In addition, holders of the soliciting dealer warrants would be expected to exercise such warrants at a time when we could obtain needed capital by offering new securities on terms more favorable than those provided by the soliciting dealer warrants. Exercise of the soliciting dealer warrants is governed by the terms and conditions detailed in this prospectus and in the Warrant Purchase Agreement, which is an exhibit to the Registration Statement.

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 reallow its commissions in the amount of up to 7% of the gross offering proceeds to such participating broker-dealers. In addition, the Dealer Manager, in its sole discretion, may reallow to broker-dealers participating in the offering a portion of its dealer manager fee in the aggregate amount of up to 1.5% of

gross offering proceeds to be paid to such participating broker-dealer as marketing fees and as reimbursement of due diligence expenses, based on such factors as the number of shares sold by such participating broker-dealer, the assistance of such participating broker-dealer in marketing the offering and bona fide conference fees incurred.

We anticipate that the total underwriting compensation, including sales commissions, the dealer manager fee and underwriting expense reimbursements, will not exceed 9.5% of gross offering proceeds, except for the soliciting dealer warrants described above.

We have agreed to indemnify the participating broker-dealers, including the Dealer Manager, against certain liabilities arising under the Securities Act of 1933, as amended.

The broker-dealers participating in the offering of our shares are not obligated to obtain any subscriptions on our behalf, and we cannot assure you that any shares will be sold.

Our executive officers and directors, as well as officers and employees of Wells Capital or other affiliates, may purchase shares offered in this offering at a discount. The purchase price for such shares shall be $8.90 per share reflecting the fact that the acquisition and advisory fees relating to such shares will be reduced by $0.15 per share and selling commissions in the amount of $0.70 per share and dealer manager fees in the amount of $0.25 per share will not be payable in connection with such sales. The net offering proceeds we receive will not be affected by such sales of shares at a discount. Wells Capital and its affiliates shall be expected to hold their shares purchased as shareholders for investment and not with a view towards distribution. In addition, shares purchased by Wells Capital or its affiliates shall not be entitled to vote on any matter presented to the shareholders for a vote.

You should pay for your shares by check payable to "Wells Real Estate Investment Trust, Inc." Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. We may not accept a subscription for shares until at least five business days after the date you receive this prospectus. You will receive a confirmation of your purchase. Except for purchases pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs, all accepted subscriptions will be for whole shares and for not less than 100 shares ($1,000). (See "Suitability Standards.") Except in Maine, Minnesota, Nebraska and Washington, investors who have satisfied the minimum purchase requirement and have purchased units or shares in Wells programs or units or shares in other public real estate 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 made pursuant to our dividend reinvestment plan or reinvestment plans of other public real estate programs.

We will place the subscription proceeds in an interest-bearing account with Bank of America, N.A., Atlanta, Georgia. Subscription proceeds held in the account will be invested in securities backed 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 our advisor. Subscribers may not withdraw funds from the account. We will withdraw funds from the account periodically for the acquisition of real estate properties or the payment of fees and expenses. We generally admit shareholders to the Wells REIT on a daily basis.

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.

The offering of shares will terminate on or before _____, 200_. However, we reserve the right to terminate this offering at any time prior to such termination date.

The proceeds of this offering will be received and held in trust for the benefit of purchasers of shares to be used only for the purposes set forth in the "Estimated Use of Proceeds" section. Subscriptions will be accepted or rejected within 30 days of receipt by the Wells REIT, and if rejected, all funds shall be returned to the rejected subscribers within ten business days.

We 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 public offering price in consideration of the services rendered by such broker-dealers and registered representatives in the offering. The net proceeds to the Wells REIT from such sales will be identical to net proceeds we receive from other sales of shares.

In connection with sales of 50,000 or more shares ($500,000) to a "purchaser" as defined below, a participating broker-dealer may agree in his sole discretion to reduce the amount of his selling commissions. 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 available:

| Dollar Volume | Sales Commissions | | Purchase Price | Dealer Manager Fee Per | Net Proceeds |
|---|---|---|---|---|---|
| Shares Purchased | Percent | Per Share | Per Share | Share | Per Share |
| Under $500,000 | 7.0% | $0.7000 | $10.0000 | $0.25 | $9.05 |
| $500,000-$999,999 | 5.0% | $0.4895 | $ 9.7895 | $0.25 | $9.05 |
| $1,000,000 and Over | 3.0% | $0.2876 | $ 9.5876 | $0.25 | $9.05 |

For example, if an investor purchases 100,000 shares, he could pay as little as $958,760 rather than $1,000,000 for the shares, in which event the commission on the sale of such shares would be $28,760 ($0.2876 per share), and, after payment of the dealer manager fee, we would receive net proceeds of $905,000 ($9.05 per share). The net proceeds to the Wells REIT will not be affected by volume discounts.

Because all investors will be deemed to have contributed the same amount per share to the Wells REIT for purposes of declaring and paying dividends, an investor qualifying for a volume discount will receive a higher return on his investment 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 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:

- an individual, his or her spouse and their children under the age of 21 who purchase the units for his, her or their own accounts;
- a corporation, partnership, association, joint-stock company, trust fund or any organized group of persons, whether incorporated or not;
- an employees' trust, pension, profit sharing or other employee benefit plan qualified under Section 401(a) of the Internal Revenue Code; and
- all commingled trust funds maintained by a given bank.

Notwithstanding the above, in connection with volume sales made to investors in the Wells REIT, the advisor may, in its sole discretion, waive the "purchaser" requirements and aggregate subscriptions, including subscriptions to public real estate programs previously sponsored by the advisor, or its affiliates, 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 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%, to have the dealer manager fee payable to the Dealer Manager 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 $1.10 per share, and the purchaser of such shares would be required to pay a total of $8.90 per share purchased, rather than $10.00 per share. The net proceeds to the Wells REIT would not be affected by such fee reductions. Of the $8.90 paid per share, we anticipate that approximately $8.40 per share or approximately 94.4% 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:

- there can be no variance in the net proceeds to the Wells REIT from the sale of the shares to different purchasers of the same offering;
- all purchasers of the shares must be informed of the availability of quantity discounts;

- the same volume discounts must be allowed to all purchasers of shares which are part of the offering;

- the minimum amount of shares as to which volume discounts are allowed cannot be less than $10,000;

- 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

- 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 Wells REIT 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.

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 Wells REIT.

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 six year period pursuant to a deferred commission arrangement. 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 the period of six years following subscription, $0.10 per share will be deducted on an annual basis from dividends or other cash distributions otherwise payable to the shareholders and used by the Wells REIT to pay deferred commission obligations. The net proceeds to the Wells REIT 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 dividends or other cash distributions otherwise payable to such shareholder and used by the Wells REIT to satisfy commission obligations. The foregoing commission amounts may be adjusted with approval of the Dealer Manager by application of the volume discount provisions described previously.

Shareholders electing the deferred commission option who are subject to federal income taxation will incur tax liability for dividends or other cash distributions otherwise payable to them with respect to their shares even though such dividends or other cash distributions will be withheld from such shareholders and will instead be paid to third parties to satisfy commission obligations.



Investors who wish to elect the deferred commission option should make the election on their Subscription Agreement Signature Page. Election of the deferred commission option shall authorize the Wells REIT to withhold dividends

or other cash distributions otherwise payable to such shareholder for the purpose of paying commissions due under the deferred commission option; provided, however, that in no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate under the deferred commission option. Such dividends or cash distributions otherwise payable to shareholders may be pledged by the Wells REIT, the Dealer Manager, the advisor or their affiliates to secure one or more loans, the proceeds of which would be used to satisfy sales commission obligations.

In the event that listing of the shares occurs or is reasonably anticipated to occur at any time prior to the satisfaction of our remaining commission obligations, the remaining commissions due under the deferred commission option may be accelerated by the Wells REIT. In such event, we shall provide notice of such acceleration to shareholders who have elected the deferred commission option. The amount of the remaining commissions due shall be deducted and paid by the Wells REIT out of dividends or other cash distributions otherwise payable to such shareholders during the time period prior to listing; provided that, in no event may the Wells REIT withhold in excess of $0.60 per share in the aggregate. To the extent that the distributions during such time period are insufficient to satisfy the remaining commissions due, the obligation of Wells REIT and our shareholders to make any further payments of deferred commissions under the deferred commission option shall terminate, and participating broker-dealers will not be entitled to receive any further portion of their deferred commissions following listing of our shares.

## Supplemental Sales Material

In addition to this prospectus, we 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 is made only by means of this prospectus. Although the information contained in such sales material will 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 Opinions

The legality of the shares being offered hereby has been passed upon for the Wells REIT by Holland & Knight LLP (Counsel). The statements under the caption "Federal Income Tax Consequences" as they relate to federal income tax matters have been reviewed by such counsel, and counsel has opined as to certain income tax matters relating to an investment in the Wells REIT. 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.")



## Experts

### Audited Financial Statements

The audited financial statements of the Wells REIT as of December 31, 1999 and 1998, and for each of the years in the two year period ended December 31, 1999, included in this prospectus and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said

report.

The Statements of Revenues over Certain Operating Expenses of the Dial Building, the ASML Building and the Motorola Building for the year ended December 31, 1999, included in this prospectus and elsewhere in the registration statement, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said reports.

Unaudited Financial Statements

The unaudited interim financial statements of the Wells REIT as of June 30, 2000, and for the three and six month periods ended June 30, 2000 and 1999, which are included in this prospectus, have not been audited.

The pro unaudited forma financial statements of the Wells REIT for the year ended December 31, 1999, and for the six month period ended June 30, 2000, which are included in this prospectus, have not been audited.

## Additional Information

We have filed with the Securities and Exchange Commission (Commission), Washington, D.C., a registration statement 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 Wells REIT, 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:

- the public reference facilities in Washington, D.C. at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549;
- the Northeast Regional Office in New York at 7 World Trade Center, Suite 1300, New York, New York 10048; and
- 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 the Commission's website is http://www.sec.gov.



## Glossary

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

"Dealer Manager" means Wells Investment Securities, Inc.

"IRA" means an individual retirement account established pursuant to Section 408 or Section 408A of the Internal Revenue Code.

"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.

"Property Manager" means Wells Management Company, Inc.

"UBTI" means unrelated business taxable income, as that term is defined in Sections 511 through 514 of the Internal Revenue Code.

Index to Financial Statements and Prior Performance Tables

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying consolidated balance sheets of WELLS REAL ESTATE INVESTMENT TRUST, INC. (a Maryland corporation) AND SUBSIDIARY as of December 31, 1999 and 1998 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wells Real Estate Investment Trust, Inc. and subsidiary as of December 31, 1999 and 1998 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 1999 in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 20, 2000



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1999 AND 1998

ASSETS

| | 1999 | 1998 |
|---|---|---|
| REAL ESTATE ASSETS, at cost: | | |
| Land | $ 14,500,822 | $ 1,520,834 |
| Building, less accumulated depreciation of $1,726,103 and $0 at December 31, 1999 and 1998, respectively | 81,507,040 | 20,076,845 |
| Construction in progress | 12,561,459 | 0 |
| Total real estate assets | 108,569,321 | 21,597,679 |
| INVESTMENT IN JOINT VENTURES | 29,431,176 | 11,568,677 |
| CASH AND CASH EQUIVALENTS | 2,929,804 | 7,979,403 |
| DEFERRED OFFERING COSTS | 964,941 | 548,729 |
| DEFERRED PROJECT COSTS | 28,093 | 335,421 |
| DUE FROM AFFILIATES | 648,354 | 262,345 |
| PREPAID EXPENSES AND OTHER ASSETS | 1,280,601 | 540,319 |
| Total assets | $143,852,290 | $42,832,573 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| LIABILITIES: | | |
| Accounts payable and accrued expenses | $ 461,300 | $ 187,827 |
| Notes payable | 23,929,228 | 14,059,930 |
| Dividends payable | 2,166,701 | 408,176 |
| Due to affiliate | 1,079,466 | 554,953 |
| Total liabilities | 27,636,695 | 15,210,886 |
| COMMITMENTS AND CONTINGENCIES | | |
| MINORITY INTEREST OF UNIT HOLDER IN OPERATING PARTNERSHIP | 200,000 | 200,000 |
| SHAREHOLDERS' EQUITY: | | |
| Common shares, $.01 par value; 40,000,000 shares authorized, 13,471,085 shares issued and outstanding at December 31, 1999 and 3,154,136 shares issued and outstanding at December 31, 1998 | 134,710 | 31,541 |
| Additional paid-in capital | 115,880,885 | 27,056,112 |
| Retained earnings | 0 | 334,034 |
| Total shareholders' equity | 116,015,595 | 27,421,687 |
| Total liabilities and shareholders' equity | $143,852,290 | $42,832,573 |

The accompanying notes are an integral part of these consolidated balance sheets.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

| | 1999 | 1998 |
|---|---|---|
| REVENUES: | | |
| Rental income | $4,735,184 | $ 20,994 |
| Equity in income of joint ventures | 1,243,969 | 263,315 |
| Interest income | 502,993 | 110,869 |
| Other income | 13,249 | 0 |

| | | |
|---|---|---|
| | 6,495,395 | 395,178 |
| EXPENSES: | | |
| Depreciation | 1,726,103 | 0 |
| Interest expense | 442,029 | 11,033 |
| Operating costs, net of reimbursements | (74,666) | 0 |
| Management and leasing fees | 257,744 | 0 |
| General and administrative | 123,776 | 29,943 |
| Legal and accounting | 115,471 | 19,552 |
| Computer costs | 11,368 | 616 |
| Amortization of organizational costs | 8,921 | 0 |
| | 2,610,746 | 61,144 |
| NET INCOME | $3,884,649 | $334,034 |
| EARNINGS PER SHARE: | | |
| Basic and diluted | $ 0.50 | $ 0.40 |

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



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

| | Common Stock | | Additional Paid-In | Retained | Total Shareholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Equity |
| BALANCE, December 31, 1997 | 100 | $ 1 | $ 999 | $ 0 | $ 1,000 |
| Issuance of common stock | 3,154,036 | 31,540 | 31,508,820 | 0 | 31,540,360 |
| Net income | 0 | 0 | 0 | 334,034 | 334,034 |
| Dividends ($.31 per share) | 0 | 0 | (511,163) | 0 | (511,163) |
| Sales commissions | 0 | 0 | (2,996,334) | 0 | (2,996,334) |
| Other offering expenses | 0 | 0 | (946,210) | 0 | (946,210) |
| BALANCE, December 31, 1998 | 3,154,136 | 31,541 | 27,056,112 | 334,034 | 27,421,687 |
| Issuance of common stock | 10,316,949 | 103,169 | 103,066,321 | 0 | 103,169,490 |
| Net income | 0 | 0 | 0 | 3,884,649 | 3,884,649 |
| Dividends ($.70 per share) | 0 | 0 | (1,346,240) | (4,218,683) | (5,564,923) |
| Sales commissions | 0 | 0 | (9,801,197) | 0 | (9,801,197) |
| Other offering expenses | 0 | 0 | (3,094,111) | 0 | (3,094,111) |
| BALANCE, December 31, 1999 | 13,471,085 | $134,710 | $115,880,885 | $ 0 | $ 116,015,595 |

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



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

| | 1999 | 1998 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 3,884,649 | $ 334,034 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |

| | | |
|---|---|---|
| Equity in income of joint ventures | (1,243,969) | (263,315) |
| Depreciation | 1,726,103 | 0 |
| Amortization of organizational costs | 8,921 | 0 |
| Changes in assets and liabilities: | | |
| Prepaid expenses and other assets | (749,203) | (540,319) |
| Accounts payable and accrued expenses | 273,473 | 187,827 |
| Due to affiliates | 108,301 | 6,224 |
| Total adjustments | 123,626 | (609,583) |
| Net cash provided by (used in) operating activities | 4,008,275 | (275,549) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investment in real estate | (85,514,506) | (21,299,071) |
| Investment in joint ventures | (17,641,211) | (11,276,007) |
| Deferred project costs paid | (3,610,967) | (1,103,913) |
| Distributions received from joint ventures | 1,371,728 | 178,184 |
| Net cash used in investing activities | (105,394,956) | (33,500,807) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable | 40,594,463 | 14,059,930 |
| Repayments of notes payable | (30,725,165) | 0 |
| Dividends paid to shareholders | (3,806,398) | (102,987) |
| Issuance of common stock | 103,169,490 | 31,540,360 |
| Sales commissions paid | (9,801,197) | (2,996,334) |
| Other offering costs paid | (3,094,111) | (946,210) |
| Net cash provided by financing activities | 96,337,082 | 41,554,759 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (5,049,599) | 7,778,403 |
| CASH AND CASH EQUIVALENTS, beginning of year | 7,979,403 | 201,000 |
| CASH AND CASH EQUIVALENTS, end of year | $ 2,929,804 | $ 7,979,403 |
| SUPPLEMENTAL DISCLOSURES OF NONCASH ACTIVITIES: | | |
| Deferred project costs applied to real estate assets | $ 3,183,239 | $ 298,608 |
| Deferred project costs contributed to joint ventures | $ 735,056 | $ 469,884 |
| Deferred offering costs due to affiliate | $ 416,212 | $ 0 |

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





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## DECEMBER 31, 1999 AND 1998

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Wells Real Estate Investment Trust, Inc. (the "Company") is a Maryland corporation that qualifies as a real estate investment trust ("REIT"). The Company is conducting an offering for the sale of a maximum of 40,000,000 (exclusive of 2,200,000 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. 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, 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 Wells Capital, Inc. (the "Advisor") or its affiliates.

Substantially all of the Company's business is conducted through Wells Operating Partnership, L.P. (the "Operating Partnership"), a Delaware limited partnership.

During 1997, the Operating Partnership 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 financial statements of the Company include the amounts of the Operating Partnership.

The Operating Partnership owns the following properties directly: (i) the PriceWaterhouseCoopers property (the "PwC Building"), a four-story office building located in Tampa, Florida; (ii) the AT&T Building, a four-story office building located in Harrisburg, Pennsylvania; (iii) the Marconi Data Systems property (the "Marconi Building"), a two-story office building located in Wood Dale, Illinois; and (iv) the Cinemark Building, a five-story office building located in Plano, Texas.

The Company also owns interests in several properties through a joint venture among the Operating Partnership, 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"). This joint venture is referred to as the Fund IX, Fund X, Fund XI, and REIT Joint Venture ("Fund IX, X, XI, and REIT Joint Venture"). In addition, the Company owns an interest in several properties through a joint venture between Wells Fund XI, Wells Real Estate Fund XII, L.P. ("Wells Fund XII"), and the Operating Partnership, which is referred to as Wells Fund XI, XII and REIT Joint Venture. The Company owns two properties through a joint venture between the Operating Partnership and Fund X and XI Associates, a joint venture between Wells Fund X and Wells Fund XI.

Through its investment in the Fund IX, X, XI, and REIT Joint Venture, the Company owns interests in the following properties: (i) a three-story office building in Knoxville, Tennessee (the "ABB Building"), (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"), (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"), (iv) a one-story warehouse facility in Ogden, Utah (the "Iomega Building"), and (v) a one-story office building in Oklahoma City, Oklahoma (the "Lucent Technologies Building").

The following properties are owned by the Company through its investment in a joint venture with Fund X and XI Associates: (i) a one-story office and warehouse building in Fountain Valley, California (the "Cort Furniture



Building") owned by Wells/Orange County Associates and (ii) a warehouse and office building in Fremont, California (the "Fairchild Building") owned by Wells/Fremont Associates.

Through its investment in the Wells Fund XI, XII, and REIT Joint Venture, the Company owns interests in the following properties: (i) a two-story manufacturing and office building in Greenville County, South Carolina (the "EYBL CarTex Building"), (ii) a three-story office building Leawood, Kansas (the "Sprint Building"), (iii) an office and warehouse building in Chester County, Pennsylvania (the "Johnson Matthey Building"), and (iv) a two-story office building in Ft. Myers, Florida (the "Gartner Building").

Use of Estimates and Factors Affecting the Company

The preparation of the consolidated 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 real estate are based on management's current intent to hold the real estate assets as long-term investments. The success of the Company's future operations and the ability to realize the investment in its assets will be dependent on the Company's ability to maintain rental rates,

occupancy, and an appropriate level of operating expenses in future years. Management believes that the steps it is taking will enable the Company to realize its investment in its assets.

Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), commencing with the taxable year ended December 31, 1998. As a result, the Company generally will not be subject to federal income taxation at the corporate level to the extent it distributes annually at least 95% of its REIT taxable income, as defined in the Code, to its shareholders and satisfies certain other requirements. Additionally, the Operating Partnership is not subject to federal or state income taxes. Accordingly, no provision has been made for federal or state income taxes in the accompanying consolidated financial statements for the years ended December 31, 1999 and 1998.

Real Estate Assets

Real estate assets held by the Company and joint ventures are stated at cost less accumulated depreciation. Major improvements and betterments are capitalized when they extend the useful life of the related asset. All repair and maintenance are expensed as incurred.

Management continually monitors events and changes in circumstances which could indicate that carrying amounts of real estate assets may not be recoverable. When events or changes in circumstances are present which indicate that the carrying amounts of real estate assets may not be recoverable, management assesses the recoverability of real estate assets 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 has determined that there has been no impairment in the carrying value of real estate assets held by the Company or the joint ventures as of December 31, 1999.

Depreciation of building and 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.

Investment in Joint Ventures

Basis of Presentation. The Operating Partnership does not have control over the operations of the joint ventures; however, it does exercise significant influence. Accordingly, the Operating Partnership's investment in the joint ventures is recorded using the equity method of accounting.



Partners' Distributions and Allocations of Profit and Loss. Cash available for distribution and allocations of profit and loss to the Operating Partnership by the joint ventures are made in accordance with the terms of the individual joint venture agreements. Generally, these items are allocated in proportion to the partners' respective ownership interests. Cash is paid from the joint ventures to the Operating Partnership on a quarterly basis.

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.

Revenue Recognition

All leases on real estate assets held by the Company or the joint ventures are classified as operating leases, and the related rental income is recognized on a straight-line basis over the terms of the respective leases.

Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Company 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.

Earnings Per Share

Earnings per share is calculated based on the weighted average number of common shares outstanding during each period. The weighted average number of common shares outstanding is identical for basic and fully diluted earnings per share, as there is no dilutive impact created from the Company's stock option plan (Note 10) using the treasury stock method.

2. DEFERRED PROJECT COSTS

The Company paid a percentage of shareholder contributions to the Advisor for acquisition and advisory services. These payments, as stipulated in the prospectus, can be up to 3.5% of shareholder contributions, subject to certain overall limitations contained in the prospectus. Aggregate fees paid through December 31, 1999 were $4,714,880 and amounted to 3.5% of shareholders' contributions received. These fees are allocated to specific properties as they are purchased or developed and are included in capitalized assets of the joint ventures or real estate assets. Deferred project costs at December 31, 1999 and 1998 represent fees not yet applied to properties.

3. DEFERRED OFFERING COSTS

Organization and offering expenses, to the extent they exceed 3% of gross offering proceeds, will be paid by the Advisor and not by the Company. Organization and offering expenses do not include sales or underwriting commissions but do include such costs as legal and accounting fees, printing costs, and other offering expenses.

As of December 31, 1999, the Advisor paid organization and offering expenses on behalf of the Company in the aggregate amount of $5,005,262, of which the Advisor was reimbursed $4,040,321, which did not exceed the 5% limitation. The unpaid portion of deferred offering costs is $964,941 and is included in due to affiliate in the accompanying balance sheet.



4. RELATED-PARTY TRANSACTIONS

Due from affiliates at December 31, 1999 represents the Operating Partnership's share of the cash to be distributed from its joint venture investments for the fourth quarter of 1999 and 1998 as follows:

| | 1999 | 1998 |
|---|---|---|
| Fund IX, X, XI, and REIT Joint Venture | $ 32,079 | $ 38,360 |
| Wells/Orange County Associates | 75,953 | 77,123 |
| Wells/Fremont Associates | 152,681 | 146,862 |
| Fund XI, XII, and REIT | 387,641 | 0 |
| | $648,354 | $262,345 |

The Company entered into a property management agreement with Wells Management Company, Inc. ("Wells Management"), an affiliate of the Advisor. In consideration for supervising the management and leasing of the Operating Partnership's properties, the Operating Partnership will pay Wells Management management and leasing fees equal to the lesser of (a) fees that would be paid to a comparable outside firm, or (b) 4.5% of the gross revenues generally paid over the life of the lease plus a separate competitive fee for the one-time initial lease-up of newly constructed properties generally paid in conjunction

with the receipt of the first month's rent. In the case of commercial properties which are leased on a long-term (ten or more years) net lease basis, the maximum property management fee from such leases shall be 1% of the gross revenues generally paid over the life of the leases except for a one-time initial leasing fee of 3% of the gross revenues on each lease payable over the first five full years of the original lease term.

The Operating Partnership's portion of the management and leasing fees and lease acquisition costs paid to Wells Management by the joint ventures was $336,517 for the year ended December 31, 1999.

The Advisor performs certain administrative services for the Operating Partnership, such as accounting and other partnership administration, and incurs the related expenses. Such expenses are allocated among the Operating Partnership and the various Wells Real Estate Funds based on time spent on each fund by individual administrative personnel. In the opinion of management, such allocation is a reasonable basis for allocating such expenses.

The Advisor is a general partner in various Wells Real Estate Funds. As such, there may exist conflicts of interest where the Advisor, while serving in the capacity as general partner for Wells Real Estate Funds, may be in competition with the Operating Partnership for tenants in similar geographic markets.

5. INVESTMENT IN JOINT VENTURES

The Operating Partnership's investment and percentage ownership in joint ventures at December 31, 1999 and 1998 are summarized as follows:

| | 1999 | | 1998 | |
|---|---|---|---|---|
| | Amount | Percent | Amount | Percent |
| Fund IX, X, XI, and REIT Joint Venture | $ 1,388,884 | 4% | $ 1,443,378 | 4% |
| Wells/Orange County Associates | 2,893,112 | 44 | 2,958,617 | 44 |
| Wells/Fremont Associates | 6,988,210 | 78 | 7,166,682 | 78 |
| Fund XI, XII, and REIT Joint Venture | 18,160,970 | 57 | 0 | 0 |
| | $29,431,176 | | $11,568,677 | |



The following is a rollforward of the Operating Partnership's investment in joint ventures for the years ended December 31, 1999 and 1998:

| | 1999 | 1998 |
|---|---|---|
| Investment in joint ventures, beginning of year | $11,568,677 | $ 0 |
| Equity in income of joint ventures | 1,243,969 | 263,315 |
| Contributions to joint ventures | 18,376,267 | 11,745,890 |
| Distributions from joint ventures | (1,757,737) | (440,528) |
| Investment in joint ventures, end of year | $29,431,176 | $11,568,677 |

Fund IX, X, XI, and REIT Joint Venture

On March 20, 1997, Wells Fund IX and Wells Fund X entered into a joint venture agreement. The joint venture, Fund IX and X Associates, was formed to acquire, develop, operate, and sell real properties. On March 20, 1997, Wells Fund IX contributed a 5.62-acre tract of real property in Knoxville, Tennessee, and improvements thereon, known as the ABB Building, to the Fund IX and X Associates joint venture. A 83,885-square-foot, three-story building was constructed and commenced operations at the end of 1997.

On February 13, 1998, the joint venture purchased a two-story office building, known as the Ohmeda Building, in Louisville, Colorado. On March 20, 1998, the joint venture purchased a three-story office building, known as the 360 Interlocken Building, in Broomfield, Colorado. On June 11, 1998, Fund IX and X Associates was amended and restated to admit Wells Fund XI and the Operating Partnership. The joint venture was renamed the Fund IX, X, XI, and REIT Joint Venture. On June 24, 1998, the new joint venture purchased a one-story office building, known as the Lucent Technologies Building, in Oklahoma City, Oklahoma. On April 1, 1998, Wells Fund X purchased a one-story warehouse facility, known as the Iomega Building, in Ogden, Utah. On July 1, 1998, Wells Fund X contributed the Iomega Building to the Fund IX, X, XI, and REIT Joint Venture.



Following are the financial statements for the Fund IX, X, XI, and REIT Joint Venture:

The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

ASSETS

| | 1999 | 1998 |
|---|---|---|
| Real estate assets, at cost: | | |
| Land | $ 6,698,020 | $ 6,454,213 |
| Building and improvements, less accumulated depreciation of $2,792,068 in 1999 and $1,253,156 in 1998 | 29,878,541 | 30,686,845 |
| Construction in progress | 0 | 990 |
| Total real estate assets | 36,576,561 | 37,142,048 |
| Cash and cash equivalents | 1,146,874 | 1,329,457 |
| Accounts receivable | 554,965 | 133,257 |
| Prepaid expenses and other assets | 526,409 | 441,128 |
| Total assets | $38,804,809 | $39,045,890 |

LIABILITIES AND PARTNERS' CAPITAL

| | | |
|---|---|---|
| Liabilities: | | |
| Accounts payable | $ 704,914 | $ 409,737 |
| Due to affiliates | 6,379 | 4,406 |
| Partnership distributions payable | 804,734 | 1,000,127 |
| Total liabilities | 1,516,027 | 1,414,270 |
| Partners' capital: | | |
| Wells Real Estate Fund IX | 14,590,626 | 14,960,100 |
| Wells Real Estate Fund X | 18,000,869 | 18,707,139 |
| Wells Real Estate Fund XI | 3,308,403 | 2,521,003 |
| Wells Operating Partnership, L.P. | 1,388,884 | 1,443,378 |
| Total partners' capital | 37,288,782 | 37,631,620 |
| Total liabilities and partners' capital | $38,804,809 | $39,045,890 |



The Fund IX, X, XI, and REIT Joint Venture
(A Georgia Joint Venture)
Statements of Income (Loss)
for the Years Ended December 31, 1999, 1998, and 1997

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Revenues: | | | |
| Rental income | $3,932,962 | $2,945,980 | $ 28,512 |
| Interest income | 120,080 | 20,438 | 0 |

| | | | |
|---|---|---|---|
| | 4,053,042 | 2,966,418 | 28,512 |
| Expenses: | | | |
| Depreciation | 1,538,912 | 1,216,293 | 36,863 |
| Management and leasing fees | 286,139 | 226,643 | 1,711 |
| Operating costs, net of reimbursements | (43,501) | (140,506) | 10,118 |
| Property administration expense | 63,311 | 34,821 | 0 |
| Legal and accounting | 35,937 | 15,351 | 0 |
| | 1,880,798 | 1,352,602 | 48,692 |
| Net income (loss) | $2,172,244 | $1,613,816 | $(20,180) |
| Net income (loss) allocated to Wells Real Estate Fund IX | $ 850,072 | $ 692,116 | $(10,145) |
| Net income (loss) allocated to Wells Real Estate Fund X | $1,056,316 | $ 787,481 | $(10,035) |
| Net income allocated to Wells Real Estate Fund XI | $ 184,355 | $ 85,352 | $ 0 |
| Net income allocated to Wells Operating Partnership, L.P. | $ 81,501 | $ 48,867 | $ 0 |

## The Fund IX, X, XI, and REIT Joint Venture
## (A Georgia Joint Venture)
## Statements of Partners' Capital
## for the Years Ended December 31, 1999, 1998, and 1997

| | Wells Real Estate Fund IX | Wells Real Estate Fund X | Wells Real Estate Fund XI | Wells Operating Partnership, L.P. | Total Partners' Capital |
|---|---|---|---|---|---|
| Balance, December 31, 1996 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| Net loss | (10,145) | (10,035) | 0 | 0 | (20,180) |
| Partnership contributions | 3,712,938 | 3,672,838 | 0 | 0 | 7,385,776 |
| Balance, December 31, 1997 | 3,702,793 | 3,662,803 | 0 | 0 | 7,365,596 |
| Net income | 692,116 | 787,481 | 85,352 | 48,867 | 1,613,816 |
| Partnership contributions | 11,771,312 | 15,613,477 | 2,586,262 | 1,480,741 | 31,451,792 |
| Partnership distributions | (1,206,121) | (1,356,622) | (150,611) | (86,230) | (2,799,584) |
| Balance, December 31, 1998 | 14,960,100 | 18,707,139 | 2,521,003 | 1,443,378 | 37,631,620 |
| Net income | 850,072 | 1,056,316 | 184,355 | 81,501 | 2,172,244 |
| Partnership contributions | 198,989 | 0 | 911,027 | 0 | 1,110,016 |
| Partnership distributions | (1,418,535) | (1,762,586) | (307,982) | (135,995) | (3,625,098) |
| Balance, December 31, 1999 | $14,590,626 | $18,000,869 | $3,308,403 | $1,388,884 | $37,288,782 |



## The Fund IX, X, XI, and REIT Joint Venture
## (A Georgia Joint Venture)
## Statements of Cash Flows
## for the Years Ended December 31, 1999, 1998, and 1997

| | 1999 | 1998 | 1997 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income (loss) | $ 2,172,244 | $ 1,613,816 | $ (20,180) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation | 1,538,912 | 1,216,293 | 36,863 |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (421,708) | (92,745) | (40,512) |
| Prepaid expenses and other assets | (85,281) | (111,818) | (329,310) |
| Accounts payable | 295,177 | 29,967 | 379,770 |
| Due to affiliates | 1,973 | 1,927 | 2,479 |
| Total adjustments | 1,329,073 | 1,043,624 | 49,290 |
| Net cash provided by operating activities | 3,501,317 | 2,657,440 | 29,110 |
| Cash flows from investing activities: | | | |
| Investment in real estate | (930,401) | (24,788,070) | (5,715,847) |
| Cash flows from financing activities: | | | |
| Distributions to joint venture partners | (3,820,491) | (1,799,457) | 0 |
| Contributions received from partners | 1,066,992 | 24,970,373 | 5,975,908 |
| Net cash (used in) provided by financing activities | (2,753,499) | 23,170,916 | 5,975,908 |
| Net (decrease) increase in cash and cash equivalents | (182,583) | 1,040,286 | 289,171 |
| Cash and cash equivalents, beginning of year | 1,329,457 | 289,171 | 0 |
| Cash and cash equivalents, end of year | $ 1,146,874 | $ 1,329,457 | $ 289,171 |
| Supplemental disclosure of noncash activities: | | | |
| Deferred project costs contributed to joint venture | $ 43,024 | $ 1,470,780 | $ 318,981 |

| | | | |
|---|---|---|---|
| Contribution of real estate assets to joint venture | $ 0 | $ 5,010,639 | $ 1,090,887 |

Wells/Orange County Associates

On July 27, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Orange County Associates. On July 31, 1998, Wells/Orange County Associates acquired a 52,000-square-foot warehouse and office building located in Fountain Valley, California, known as the Cort Furniture Building.

On September 1, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Orange County Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Cort Furniture Building.

Following are the financial statements for Wells/Orange County Associates:



Wells/Orange County Associates
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

ASSETS

| | 1999 | 1998 |
|---|---|---|
| Real estate assets, at cost: | | |
| Land | $2,187,501 | $2,187,501 |
| Building, less accumulated depreciation of $278,652 in 1999 and $92,087 in 1998 | 4,385,463 | 4,572,028 |
| Total real estate assets | 6,572,964 | 6,759,529 |
| Cash and cash equivalents | 176,666 | 180,895 |
| Accounts receivable | 49,679 | 13,123 |
| Total assets | $6,799,309 | $6,953,547 |

LIABILITIES AND PARTNERS' CAPITAL

| | | |
|---|---|---|
| Liabilities: | | |
| Accounts payable | $ 0 | $ 1,550 |
| Partnership distributions payable | 173,935 | 176,614 |
| Total liabilities | 173,935 | 178,164 |
| Partners' capital: | | |
| Wells Operating Partnership, L.P. | 2,893,112 | 2,958,617 |
| Fund X and XI Associates | 3,732,262 | 3,816,766 |
| Total partners' capital | 6,625,374 | 6,775,383 |
| Total liabilities and partners' capital | $6,799,309 | $6,953,547 |

Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Income
for the Years Ended December 31, 1999 and 1998

| | 1999 | 1998 |
|---|---|---|
| Revenues: | | |
| Rental income | $795,545 | $331,477 |
| Interest income | 0 | 448 |
| | 795,545 | 331,925 |
| Expenses: | | |
| Depreciation | 186,565 | 92,087 |
| Management and leasing fees | 30,360 | 12,734 |
| Operating costs, net of reimbursements | 22,229 | 2,288 |
| Interest | 0 | 29,472 |
| Legal and accounting | 5,439 | 3,930 |
| | 244,593 | 140,511 |
| Net income | $550,952 | $191,414 |

| | | |
|---|---|---|
| Net income allocated to Wells Operating Partnership, L.P. | $240,585 | $ 91,978 |



| | | |
|---|---|---|
| Net income allocated to Fund X and XI Associates | $310,367 | $ 99,436 |

## Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Partners' Capital
for the Years Ended December 31, 1999 and 1998

| | Wells Operating Partnership, L.P. | Fund X and XI Associates | Total Partners' Capital |
|---|---|---|---|
| Balance, December 31, 1997 | $ 0 | $ 0 | $ 0 |
| Net income | 91,978 | 99,436 | 191,414 |
| Partnership contributions | 2,991,074 | 3,863,272 | 6,854,346 |
| Partnership distributions | (124,435) | (145,942) | (270,377) |
| Balance, December 31, 1998 | 2,958,617 | 3,816,766 | 6,775,383 |
| Net income | 240,585 | 310,367 | 550,952 |
| Partnership distributions | (306,090) | (394,871) | (700,961) |
| Balance, December 31, 1999 | $2,893,112 | $3,732,262 | $6,625,374 |



## Wells/Orange County Associates
(A Georgia Joint Venture)
Statements of Cash Flows
for the Years Ended December 31, 1999 and 1998

| | 1999 | 1998 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 550,952 | $ 191,414 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 186,565 | 92,087 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (36,556) | (13,123) |
| Accounts payable | (1,550) | 1,550 |
| Total adjustments | 148,459 | 80,514 |
| Net cash provided by operating activities | 699,411 | 271,928 |
| Cash flows from investing activities: | | |
| Investment in real estate | 0 | (6,563,700) |
| Cash flows from financing activities: | | |
| Issuance of note payable | 0 | 4,875,000 |
| Payment of note payable | 0 | (4,875,000) |
| Distributions to partners | (703,640) | (93,763) |
| Contributions received from partners | 0 | 6,566,430 |
| Net cash (used in) provided by financing activities | (703,640) | 6,472,667 |
| Net (decrease) increase in cash and cash equivalents | (4,229) | 180,895 |
| Cash and cash equivalents, beginning of year | 180,895 | 0 |
| Cash and cash equivalents, end of year | $ 176,666 | $ 180,895 |
| Supplemental disclosure of noncash activities: | | |
| Deferred project costs contributed to joint venture | $ 0 | $ 287,916 |

Wells/Fremont Associates

On July 15, 1998, the Operating Partnership entered into a joint venture agreement with Wells Development Corporation, referred to as Wells/Fremont Associates. On July 21, 1998, Wells/Fremont Associates acquired a 58,424-square-foot warehouse and office building located in Fremont, California, known as the Fairchild Building.

On October 8, 1998, Fund X and XI Associates acquired Wells Development Corporation's interest in Wells/Fremont Associates which resulted in Fund X and XI Associates becoming a joint venture partner with the Operating Partnership in the ownership of the Fairchild Building.



Following are the financial statements for Wells/Fremont Associates:

Wells/Fremont Associates
(A Georgia Joint Venture)
Balance Sheets
December 31, 1999 and 1998

ASSETS

| | 1999 | 1998 |
|---|---|---|
| Real estate assets, at cost: | | |
| Land | $2,219,251 | $2,219,251 |
| Building, less accumulated depreciation of $428,246 in 1999 and $142,720 in 1998 | 6,709,912 | 6,995,439 |
| Total real estate assets | 8,929,163 | 9,214,690 |
| Cash and cash equivalents | 189,012 | 192,512 |
| Accounts receivable | 92,979 | 34,742 |
| Total assets | $9,211,154 | $9,441,944 |

LIABILITIES AND PARTNERS' CAPITAL

| | | |
|---|---|---|
| Liabilities: | | |
| Accounts payable | $ 2,015 | $ 3,565 |
| Due to affiliate | 5,579 | 2,052 |
| Partnership distributions payable | 186,997 | 189,490 |
| Total liabilities | 194,591 | 195,107 |
| Partners' capital: | | |
| Wells Operating Partnership, L.P. | 6,988,210 | 7,166,682 |
| Fund X and XI Associates | 2,028,353 | 2,080,155 |
| Total partners' capital | 9,016,563 | 9,246,837 |
| Total liabilities and partners' capital | $9,211,154 | $9,441,944 |



Wells/Fremont Associates
(A Georgia Joint Venture)
Statements of Income
for the Years Ended December 31, 1999 and 1998

| | 1999 | 1998 |
|---|---|---|
| Revenues: | | |
| Rental income | $902,946 | $401,058 |
| Interest income | 0 | 3,896 |
| | 902,946 | 404,954 |
| Expenses: | | |
| Depreciation | 285,526 | 142,720 |
| Management and leasing fees | 37,355 | 16,726 |

| | | |
|---|---|---|
| Operating costs, net of reimbursements | 16,006 | 3,364 |
| Interest | 0 | 73,919 |
| Legal and accounting | 4,885 | 6,306 |
| | 343,772 | 243,035 |
| Net income | $559,174 | $161,919 |
| Net income allocated to Wells Operating Partnership, L.P. | $433,383 | $122,470 |
| Net income allocated to Fund X and XI Associates | $125,791 | $ 39,449 |

## Wells/Fremont Associates
## (A Georgia Joint Venture)
## Statements of Partners' Capital
## for the Years Ended December 31, 1999 and 1998

| | Wells Operating Partnership, L.P. | Fund X and XI Associates | Total Partners' Capital |
|---|---|---|---|
| Balance, December 31, 1997 | $ 0 | $ 0 | $ 0 |
| Net income | 122,470 | 39,449 | 161,919 |
| Partner contributions | 7,274,075 | 2,083,334 | 9,357,409 |
| Partnership distributions | (229,863) | (42,628) | (272,491) |
| Balance, December 31, 1998 | 7,166,682 | 2,080,155 | 9,246,837 |
| Net income | 433,383 | 125,791 | 559,174 |
| Partnership distributions | (611,855) | (177,593) | (789,448) |
| Balance, December 31, 1999 | $ 6,988,210 | $2,028,353 | $9,016,563 |



## Wells/Fremont Associates
## (A Georgia Joint Venture)
## Statements of Cash Flows
## for the Years Ended December 31, 1999 and 1998

| | 1999 | 1998 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 559,174 | $ 161,919 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 285,526 | 142,720 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (58,237) | (34,742) |
| Accounts payable | (1,550) | 3,565 |
| Due to affiliate | 3,527 | 2,052 |
| Total adjustments | 229,266 | 113,595 |
| Net cash provided by operating activities | 788,440 | 275,514 |
| Cash flows from investing activities: | | |
| Investment in real estate | 0 | (8,983,111) |
| Cash flows from financing activities: | | |
| Issuance of note payable | 0 | 5,960,000 |
| Payment of note payable | 0 | (5,960,000) |
| Distributions to partners | (791,940) | (83,001) |
| Contributions received from partners | 0 | 8,983,110 |
| Net cash (used in) provided by financing activities | (791,940) | 8,900,109 |
| Net (decrease) increase in cash and cash equivalents | (3,500) | 192,512 |
| Cash and cash equivalents, beginning of year | 192,512 | 0 |
| Cash and cash equivalents, end of year | $ 189,012 | $ 192,512 |
| Supplemental disclosure of noncash activities: | | |
| Deferred project costs contributed to joint venture | $ 0 | $ 374,299 |

Fund XI, XII, and REIT Joint Venture

On May 1, 1999, the Operating Partnership entered into a joint venture with Wells Fund XII and Wells Fund XI. On May 18, 1999, the joint venture purchased a 169,510-square-foot, two-story manufacturing and office building, known as EYBL CarTex, in Fountain Inn, South Carolina. On July 21, 1999, the joint venture purchased a 68,900 square-foot, three-story-office building, known as the Sprint Building, in Leawood, Kansas. On August 17, 1999, the joint venture purchased a 130,000 square-foot office and warehouse building, known as the Johnson Matthey Building, in Chester County, Pennsylvania. On September 20, 1999, the joint venture purchased a 62,400 square-foot, two-story office building, known as the Gartner Building, in Fort Myers, Florida.

Following are the financial statements for the Fund XI, XII, and REIT Joint Venture:

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Balance Sheet
December 31, 1999

ASSETS

| | |
|---|---|
| Real estate assets, at cost: | |
| Land | $ 5,048,797 |
| Building and improvements, less accumulated depreciation of $506,582 | 26,811,869 |
| Total real estate assets | 31,860,666 |
| Cash and cash equivalents | 766,278 |
| Accounts receivable | 133,777 |
| Prepaid assets and other expenses | 26,486 |
| Total assets | $32,787,207 |

LIABILITIES AND PARTNERS' CAPITAL

| | |
|---|---|
| Liabilities: | |
| Accounts payable | $ 112,457 |
| Partnership distributions payable | 680,294 |
| Total liabilities | 792,751 |
| Partners' capital: | |
| Wells Real Estate Fund XI | 8,365,852 |
| Wells Real Estate Fund XII | 5,467,634 |
| Wells Operating Partnership, L.P. | 18,160,970 |
| Total partners' capital | 31,994,456 |
| Total liabilities and partners' capital | $32,787,207 |



The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Income
for the Year Ended December 31, 1999

| | |
|---|---|
| Revenues: | |
| Rental income | $1,443,446 |
| Other income | 57 |
| | 1,443,503 |
| Expenses: | |
| Depreciation | 506,582 |
| Management and leasing fees | 59,230 |
| Operating costs, net of reimbursements | 6,433 |
| Property administration | 14,185 |
| Legal and accounting | 4,000 |
| | 590,430 |

| | |
|---|---|
| Net income | $ 853,073 |
| Net income allocated to Wells Real Estate Fund XI | $ 240,031 |
| Net income allocated to Wells Real Estate Fund XII | $ 124,542 |
| Net income allocated to Wells Operating Partnership, L.P. | $ 488,500 |

The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Partners' Capital
for the Year Ended December 31, 1999

| | Wells Real Estate Fund XI | Wells Real Estate Fund XII | Wells Operating Partnership, L.P. | Total Partners' Capital |
|---|---|---|---|---|
| Balance, December 31, 1998 | $ 0 | $ 0 | $ 0 | $ 0 |
| Net income | 240,031 | 124,542 | 488,500 | 853,073 |
| Partnership contributions | 8,470,160 | 5,520,835 | 18,376,267 | 32,367,262 |
| Partnership distributions | (344,339) | (177,743) | (703,797) | (1,225,879) |
| Balance, December 31, 1999 | $8,365,852 | $5,467,634 | $18,160,970 | $31,994,456 |



The Fund XI, XII, and REIT Joint Venture
(A Georgia Joint Venture)
Statement of Cash Flows
for the Year Ended December 31, 1999

| | |
|---|---|
| Cash flows from operating activities: | |
| Net income | $ 853,073 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Depreciation | 506,582 |
| Changes in assets and liabilities: | |
| Accounts receivable | (133,777) |
| Prepaid expenses and other assets | (26,486) |
| Accounts payable | 112,457 |
| Total adjustments | 458,776 |
| Net cash provided by operating activities | 1,311,849 |
| Cash flows from financing activities: | |
| Distributions to joint venture partners | (545,571) |
| Net increase in cash and cash equivalents | 766,278 |
| Cash and cash equivalents, beginning of year | 0 |
| Cash and cash equivalents, end of year | $ 766,278 |
| Supplemental disclosure of noncash activities: | |
| Deferred project costs contributed to joint venture | $ 1,294,686 |
| Contribution of real estate assets to joint venture | $31,072,562 |

## 6. INCOME TAX BASIS NET INCOME AND PARTNERS' CAPITAL

The Operating Partnership's income tax basis net income for the years ended December 31, 1999 and 1998 are calculated as follows:

| | 1999 | 1998 |
|---|---|---|
| Financial statement net income | $3,884,649 | $334,034 |
| Increase (decrease) in net income resulting from: | | |
| Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes | 949,631 | 82,618 |
| Rental income accrued for financial reporting purposes in excess of amounts for income tax purposes | (789,599) | (35,427) |
| Expenses deductible when paid for income tax purposes, accrued for financial reporting purposes | 49,906 | 1,634 |
| Income tax basis net income | $4,094,587 | $382,859 |

The Operating Partnership's income tax basis partners' capital at December 31, 1999 and 1998 is computed as follows:

| | 1999 | 1998 |
|---|---|---|
| Financial statement partners' capital | $116,015,595 | $27,421,687 |
| Increase (decrease) in partners' capital resulting from: | | |
| Depreciation expense for financial reporting purposes in excess of amounts for income tax purposes | 1,032,249 | 82,618 |
| Capitalization of syndication costs for income tax purposes, which are accounted for as cost of capital for financial reporting purposes | 12,896,312 | 3,942,545 |
| Accumulated rental income accrued for financial reporting purposes in excess of amounts for income tax purposes | (825,026) | (35,427) |
| Accumulated expenses deductible when paid for income tax purposes, accrued for financial reporting purposes | 51,540 | 1,634 |
| Dividends payable | 2,166,701 | 408,176 |
| Income tax basis partners' capital | $131,337,371 | $31,821,233 |

7. RENTAL INCOME

The future minimum rental income due from the Operating Partnership's direct investment in real estate or its respective ownership interest in the joint ventures under noncancelable operating leases at December 31, 1999 is as follows:

| Year ended December 31: | |
|---|---|
| 2000 | $ 11,737,408 |
| 2001 | 11,976,253 |
| 2002 | 12,714,291 |
| 2003 | 12,856,557 |
| 2004 | 12,581,882 |
| Thereafter | 54,304,092 |
| | $116,170,483 |

Three tenants contributed 32%, 16%, and 15% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute 34%, 20%, 17%, and 11% of future minimum rental income.

The future minimum rental income due the Fund IX, X, XI, and REIT Joint Venture under noncancelable operating leases at December 31, 1999 is as follows:

| Year ended December 31: | |
|---|---|
| 2000 | $ 3,666,570 |
| 2001 | 3,595,686 |
| 2002 | 3,179,827 |
| 2003 | 3,239,080 |
| 2004 | 3,048,152 |
| Thereafter | 5,181,003 |
| | $21,910,318 |

Four tenants contributed 25%, 18%, 13%, and 12% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute 28%, 22%, 15%, and 10% of future minimum rental income.



The future minimum rental income due Wells/Orange County Associates under noncancelable operating leases at December 31, 1999 is as follows:

| | |
|---|---|
| Year ended December 31: | |
| 2000 | $ 758,964 |
| 2001 | 809,580 |
| 2002 | 834,888 |
| 2003 | 695,740 |
| | $3,099,172 |

One tenant contributed 100% of rental income for the year ended December 31, 1999 and will contribute 100% of future minimum rental income.

The future minimum rental income due Wells/Fremont Associates under noncancelable operating leases at December 31, 1999 is as follows:

| | |
|---|---|
| Year ended December 31: | |
| 2000 | $ 869,492 |
| 2001 | 895,577 |
| 2002 | 922,444 |
| 2003 | 950,118 |
| 2004 | 894,833 |
| | $4,532,464 |

One tenant contributed 100% of rental income for the year ended December 31, 1999 and will contribute 100% of future minimum rental income.

The future minimum rental income due from XI, XII and REIT under noncancelable operating leases at December 31, 1999 is a follows:

| | |
|---|---|
| Year ended December 31: | |
| 2000 | $ 3,085,362 |
| 2001 | 3,135,490 |
| 2002 | 3,273,814 |
| 2003 | 3,367,231 |
| 2004 | 3,440,259 |
| Thereafter | 9,708,895 |
| | $26,011,051 |

Four tenants contributed approximately 34%, 22%, 22%, and 12% of rental income for the year ended December 31, 1999. In addition, four tenants will contribute approximately 30%, 27%, 22%, and 18% of future minimum rental income.

8. NOTES PAYABLE

At December 31, 1999, the Operating Partnership had outstanding debt of $23,929,228. Of this amount, $11,430,696 was borrowed under a construction loan with Bank of America in order to finance the construction of a new building for Matsushita Avionics (the "Matsushita Project") and improvements for the AT&T Building. This loan is secured by the Matsushita Project and matures on May 10, 2001. The remaining $12,498,532 was borrowed against the revolving line of credit from SouthTrust Bank, which is collateralized by the PwC Building and matures on December 31, 2000. Interest is paid monthly and accrued at a variable rate based on LIBOR plus 200 basis points for both of these debt instruments. During 1999, the Company paid and capitalized interest costs of $847,451 and $463,873, respectively. The estimated fair value of these notes approximates their carrying value.



The Operating Partnership also has a $9,825,000 line of credit from Bank of America, which bears interest at a variable rate based on LIBOR plus 200 basis points. No balance was outstanding at December 31, 1999 under this line of

credit.

9. COMMITMENTS AND CONTINGENCIES

On February 18, 1999, the Operating Partnership entered into a rental income guaranty agreement with Fund VIII and IX Associates (the "joint venture"), whereby the Operating Partnership guaranteed that the joint venture would receive rental income on the existing Matsushita Building, equal to at least the rent and building expenses that the joint venture would have received from Matsushita Avionics over the remaining term of the existing lease. Matsushita Avionics vacated the building on January 3, 2000, while the existing lease term extends through September 2003. The Company paid approximately $61,000 to the joint venture related to the rental income and building expenses due from Matsushita Avionics for the remainder of January 2000. Such payments are made from the Company's operating cash flow and reduce cash available for dividends.

On July 22, 1999, the Operating Partnership purchased a 7.49 acre tract of land located in Midlothian, Chesterfield County, Virginia for the purpose of constructing a four-story, 100,000 rentable square foot office building (the "ABB Project"). The Operating Partnership entered into an office lease with ABB Power Generation, Inc. ("ABB"), pursuant to which ABB has agreed to lease the ABB Project upon its completion.

Management, after consultation with legal counsel, is not aware of any significant litigation or claims against the Company, the Operating Partnership, or the Advisor. In the normal course of business, the Company, the Operating Partnership, or the Advisor may become subject to such litigation or claims.

10. COMMON STOCK OPTION PLAN

The Wells Real Estate Investment Trust, Inc. Independent Director Stock Option Plan ("the Plan") provides for grants of stock to be made to independent nonemployee directors of the Company. Options to purchase 2,500 shares of common stock at $12 per share are granted upon initially becoming an independent director of the Company. Of these shares, 20% are exercisable immediately on the date of grant. An additional 20% of these shares become exercisable on each anniversary following the date of grant for a period of four years. Effective on the date of each annual meeting of shareholders of the Company, beginning in 2000, each independent director will be granted an option to purchase 1,000 additional shares of common stock. These options vest at the rate of 500 shares per full year of service thereafter. All options granted under the Plan expire no later than the date immediately following the tenth anniversary of the date of grant and may expire sooner in the event of the disability or death of the optionee or if the optionee ceases to serve as a director.

The Company has adopted the disclosure provisions in SFAS No. 123, "Accounting for Stock-Based Compensation." As permitted by the provisions of SFAS No. 123, the Company applies Accounting Principles Board ("APB") Opinion No. 25 and the related interpretations in accounting for its stock option plans and, accordingly, does not recognize compensation cost.



A summary of the Company's stock option activity during 1999 is as follows:

| | Number | Exercise Price |
|---|---|---|
| Outstanding at December 31, 1998 | 0 | $ 0 |
| Granted | 27,500 | 12 |
| Outstanding at December 31, 1999 | 27,500 | $ 12 |
| Outstanding options exercisable as of December 31, 1999 | 5,500 | $ 12 |

The weighted average remaining contractual life of options outstanding at December 31, 1999 is approximately 9.5 years. Based on the terms of the

options, the fair value of the options granted during 1999 is $0.

11. QUARTERLY RESULTS (UNAUDITED)

Presented below is a summary of the unaudited quarterly financial information for the years ended December 31, 1999 and 1998:

| | 1999 Quarters Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| Revenues | $988,000 | $1,204,938 | $1,803,352 | $2,499,105 |
| Net income | 393,438 | 601,975 | 1,277,019 | 1,612,217 |
| Basic and diluted earnings per share | $ 0.10 | $ 0.09 | $ 0.18 | $ 0.13 |
| Dividends per share | 0.17 | 0.17 | 0.18 | 0.18 |

| | 1998 Quarters Ended | | | |
|---|---|---|---|---|
| | March 31 | June 30 | September 30 | December 31 |
| Revenues | $ 0 | $10,917 | $73,292 | $310,969 |
| Net income | 0 | 10,899 | 62,128 | 261,007 |
| Basic and diluted earnings per share | $0.00 | $ 0.16 | $ 0.06 | $ 0.18 |
| Dividends per share | 0.00 | 0.00 | 0.15 | 0.16 |



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

BALANCE SHEETS

ASSETS

| | June 30, 2000 | December 31, 1999 |
|---|---|---|
| REAL ESTATE, at cost: | | |
| Land | $ 21,695,304 | $ 14,500,822 |
| Building and improvements, less accumulated depreciation of $4,655,426 in2000 and $1,726,103 in 1999 | 179,318,847 | 81,507,040 |
| Construction in progress | 7,964,288 | 12,561,459 |
| Total real estate | 208,978,439 | 108,569,321 |
| INVESTMENT IN JOINT VENTURES (Note 2) | 36,090,567 | 29,431,176 |
| DUE FROM AFFILIATES | 784,043 | 648,354 |
| CASH AND CASH EQUIVALENTS | 6,315,188 | 2,929,804 |
| DEFERRED PROJECT COSTS (Note 1) | 96,533 | 28,093 |
| DEFERRED OFFERING COSTS (Note 1) | 529,727 | 964,941 |
| PREPAID EXPENSES AND OTHER ASSETS | 4,809,674 | 1,280,601 |
| Total assets | $257,604,171 | $143,852,290 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| LIABILITIES: | | |
| Accounts payable | $ 874,735 | $ 461,300 |
| Notes payable (Note 3) | 65,742,524 | 23,929,228 |
| Due to affiliates (Note 4) | 1,727,907 | 1,079,466 |
| Dividends payable | 3,315,836 | 2,166,701 |
| Minority interest of unit holder in operating partnership | 200,000 | 200,000 |
| Total liabilities | 71,861,002 | 27,836,695 |
| SHAREHOLDERS' EQUITY: | | |
| Common shares, $.01 par value; 40,000,000 shares authorized, 21,753,451 shares issued and outstanding at June 30, 2000 | 217,535 | 134,710 |
| Additional paid-in capital | 185,525,634 | 115,880,885 |
| Retained earnings | 0 | 0 |
| Total shareholders' equity | 185,743,169 | 116,015,595 |
| Total liabilities and shareholders' equity | $257,604,171 | $143,852,290 |

See accompanying condensed notes to financial statements.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

STATEMENTS OF INCOME

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30, 2000 | June 30, 1999 | June 30, 2000 | June 30, 1999 |
| REVENUES: | | | | |
| Rental income | $4,741,141 | $ 852,831 | $7,892,403 | $1,579,014 |
| Equity in income of joint ventures | 567,421 | 205,455 | 1,049,182 | 398,178 |
| Interest income | 129,056 | 146,652 | 206,442 | 215,746 |
| | 5,437,618 | 1,204,938 | 9,148,027 | 2,192,938 |
| EXPENSES: | | | | |
| Operating costs, net of reimbursements | 193,459 | 52,211 | 342,267 | 29,616 |
| Management and leasing fees | 304,094 | 37,393 | 537,864 | 82,085 |
| Depreciation | 1,749,065 | 326,001 | 2,929,323 | 612,243 |
| Administrative costs | 174,714 | 40,230 | 231,858 | 69,940 |
| Legal and accounting | 78,302 | 29,350 | 97,720 | 56,450 |
| Computer costs | 3,425 | 3,360 | 6,493 | 6,063 |
| Amortization of loan costs | 63,524 | 2,433 | 86,127 | 4,055 |
| Interest expense | 1,350,014 | 111,985 | 1,704,066 | 337,073 |
| | 3,916,597 | 602,963 | 5,935,718 | 1,197,525 |
| NET INCOME | $1,521,021 | $ 601,975 | $3,212,309 | $ 995,413 |
| BASIC AND DILUTED EARNINGS PER SHARE | $0.08 | $0.09 | $0.19 | $0.19 |

See accompanying condensed notes to financial statements.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 1999

AND FOR THE SIX MONTHS ENDED JUNE 30, 2000

| | Common Stock | | Additional Paid-In | Retained | Total Shareholders' |
|---|---|---|---|---|---|
| | Shares | Amount | Capital | Earnings | Equity |
| BALANCE, December 31, 1998 | 3,154,136 | $ 31,541 | $ 27,056,112 | $ 334,034 | $ 27,421,687 |
| Issuance of common stock | 10,316,949 | 103,169 | 103,066,321 | 0 | 103,169,490 |
| Net income | 0 | 0 | 0 | 3,884,649 | 3,884,649 |
| Dividends ($.70 per share) | 0 | 0 | (1,346,240) | (4,218,683) | (5,564,923) |
| Sales commission | 0 | 0 | (9,801,197) | 0 | (9,801,197) |
| Other offering expenses | 0 | 0 | (3,094,111) | 0 | (3,094,111) |
| BALANCE, December 31, 1999 | 13,471,085 | 134,710 | 115,880,885 | 0 | 116,015,595 |
| Issuance of common stock | 8,299,382 | 82,994 | 82,910,829 | 0 | 82,993,823 |
| Net income | 0 | 0 | 0 | 3,212,309 | 3,212,309 |
| Dividends ($.356 per share) | 0 | 0 | (2,743,130) | (3,212,309) | (5,955,439) |
| Sales commission | 0 | 0 | (7,868,248) | 0 | (7,868,248) |
| Other offering expenses | 0 | 0 | (2,484,708) | 0 | (2,484,708) |
| Common stock retired | (17,016) | (169) | (169,994) | 0 | (170,163) |
| BALANCE, June 30, 2000 | 21,753,451 | $217,535 | $185,525,634 | $ 0 | $ 185,743,169 |

See accompanying condensed notes to financial statements.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

STATEMENTS OF CASH FLOWS

| | Six Months Ended | |
|---|---|---|
| | June 30, 2000 | June 30, 1999 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 3,212,309 | $ 995,413 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 2,929,323 | 612,243 |
| Amortization of organizational costs | 86,127 | 4,055 |
| Equity in income of joint venture | (1,049,182) | (398,178) |
| Changes in assets and liabilities: | | |
| Accounts payable | 413,435 | 133,617 |
| Increase in prepaid expenses and other assets | (3,615,200) | (1,312,721) |
| Increase due to affiliates | 1,083,655 | 78,526 |
| Net cash provided by operating activities | 3,060,467 | 112,955 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Investments in real estate | (100,790,679) | (19,178,396) |
| Investment in joint venture | (6,782,935) | (3,591,828) |
| Deferred project costs | (2,898,827) | (1,615,756) |
| Distributions received from joint ventures | 1,319,662 | 528,869 |
| Net cash used in investing activities | (109,152,779) | (23,857,111) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from note payable | 66,170,746 | 9,918,935 |
| Repayment of note payable | (24,357,450) | (14,059,930) |
| Dividends paid | (4,806,304) | (1,038,189) |
| Issuance of common stock | 82,993,823 | 46,164,450 |
| Sales commissions paid | (7,868,248) | (4,385,623) |
| Offering costs paid | (2,484,708) | (1,384,933) |
| Common stock retired | (170,163) | 0 |
| Net cash provided by financing activities | 109,477,696 | 35,214,710 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 3,385,384 | 11,470,554 |
| CASH AND CASH EQUIVALENTS, beginning of year | 2,929,804 | 7,979,403 |
| CASH AND CASH EQUIVALENTS, end of period | $ 6,315,188 | $ 19,449,957 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES: | | |
| Deferred project costs applied to investing activities | $ 2,830,387 | $ 1,001,925 |
| Increase (decrease) in deferred offering cost accrual | $ (435,214) | $ (19,205) |

See accompanying condensed notes to financial statements.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

AND SUBSIDIARY

CONDENSED NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General

Wells Real Estate Investment Trust, Inc. (the "Company" or "Registrant") is a

Maryland corporation formed on July 3, 1997. The Company is the sole general partner of Wells Operating Partnership, L.P. ("Wells OP"), a Delaware limited partnership organized for the purpose of acquiring, developing, owning, operating, improving, leasing, and otherwise managing for investment purposes income-producing commercial properties.

On January 30, 1998, the Company commenced a public offering of up to 16,500,000 shares of common stock at $10 per share pursuant to a Registration Statement on Form S-11 under the Securities Act of 1933. The Company commenced active operations on June 5, 1998, when it received and accepted subscriptions for 125,000 shares. The Company terminated its initial public offering on December 19, 1999, and on December 20, 1999, the Company commenced a second follow-on public offering of up to 22,200,000 shares of common stock at $10 per share. As of June 30, 2000, the Company had sold 21,770,468 shares for total capital contributions of $217,704,678. After payment of $7,613,708 in Acquisition and Advisory Fees and Acquisition Expenses, payment of $27,191,814 in selling commissions and organization and offering expenses, capital contributions and acquisition expenditures by Wells OP of $179,502,869 in property acquisitions and common stock redemptions of $170,163 pursuant to the Company's share redemption program, the Company was holding net offering proceeds of $3,226,124 available for investment in properties. An additional $65,742,524 was spent for acquisition expenditures and was funded by loans from various lending institutes.

Wells OP owns interest in properties both directly and through equity ownership in the following joint ventures: (i) the Fund IX-X-XI-REIT Joint Venture, a joint venture among Wells OP and Wells Real Estate Fund IX, L.P., Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P. (the "Fund IX-X-XI-REIT Joint Venture"), (ii) Wells/Fremont Associates (the "Fremont Joint Venture"), a joint venture between Wells OP and Fund X and Fund XI Associates, which is a joint venture between Wells Real Estate Fund X, L.P. and Wells Real Estate Fund XI, L.P. (the "Fund X-XI Joint Venture"), (iii) Wells/Orange County Associates (the "Cort Joint Venture") a joint venture between Wells OP and the Fund X-XI Joint Venture, (iv) the Fund XI-XII-REIT Joint Venture, a joint venture among Wells OP, Wells Real Estate Fund XI, L.P., and Wells Real Estate Fund XII, L.P. (the "Fund XI-XIII-REIT Joint Venture"), and (v) the Fund XII-REIT Joint Venture, a joint venture between Wells OP and Wells Real Estate Fund XII, L.P. (the "Fund XII-REIT Joint Venture").

As of June 30, 2000, Wells OP owned interest in the following properties either directly or through its interests in joint ventures: (i) a three-story office building in Knoxville, Tennessee (the "ABB-Knoxville Building"); (ii) a two-story office building in Louisville, Colorado (the "Ohmeda Building"); (iii) a three-story office building in Broomfield, Colorado (the "360 Interlocken Building"); (iv) a one-story office building in Oklahoma City, Oklahoma (the "Lucent Technologies Building"); (v) a one-story warehouse and office building in Ogden, Utah (the "Iomega Building"), all five of which are owned by the Fund IX-X-XI-REIT Joint Venture; (vi) a two-story warehouse office building in Fremont, California (the "Fremont Building"), which is owned by the Fremont Joint Venture; (vii) a one-story warehouse and office building in Fountain Valley, California (the "Cort Building"), which is owned by the Cort Joint Venture; (viii) a four-story office building in Tampa, Florida (the "PWC Building"); (ix) a four-story office building in Harrisburg, Pennsylvania (the "AT&T Building"), which are owned directly by Wells OP; (x) a two-story manufacturing and office building located in Fountain Inn, South Carolina (the "EYBL CarTex Building"); (xi) a three-story office building located in Leawood, Kansas (the "Sprint Building"); (xii) a one



story office building and warehouse in Tredyffrin Township, Pennsylvania (the "Johnson Matthey Building"); (xiii) a two-story office building in Ft. Meyers, Florida (the "Gartner Building"), all four of which are owned by Fund XI-XII-REIT Joint Venture; (xiv) a two-story office building located in Lake Forest, California (the "Matsushita Project"); (xv) a four-story office building under construction in Richmond, Virginia (the "ABB-Richmond Building"); (xvi) a two-story office building and warehouse in Wood Dale, Illinois (the "Marconi

Building"); (xvii) a five-story office building in Plano, Texas (the "Cinemark Building"); (xviii) a three-story office building in Tulsa, Oklahoma (the "Metris Building"); (xix) a two-story office building in Scottsdale, Arizona (the "Dial Building"); (xx) a two-story office building in Tempe, Arizona (the "ASML Building"); (xxi) a two-story office building in Tempe, Arizona (the "Motorola Building"); (xxii) a two-story office building in Tempe, Arizona (the "Avnet Building"); (xxiii) a three-story office building in Troy, Michigan (the "Delphi Building"); all ten of which are owned directly by Wells OP; and (xxiv) a three-story office building in Troy, Michigan (the "Siemens Building"), which is owned by the Fund XII-REIT Joint Venture.

(b) Deferred Project Costs

The Company pays Acquisition and Advisory Fees and Acquisition Expenses to Wells Capital, Inc., the Advisor, for acquisition and advisory services and as reimbursement for acquisition expenses. These payments may not exceed 3 1/2% of shareholders' capital contributions. Acquisition and Advisory Fees and Acquisition Expenses paid as of June 30, 2000, amounted to $7,613,708 and represented approximately 3 1/2% of shareholders' capital contributions received. These fees are allocated to specific properties as they are purchased.

(c) Deferred Offering Costs

The Advisor pays all the offering expenses for the Company. The Advisor may be reimbursed by the Company to the extent that such offering expenses do not exceed 3% of shareholders' capital contributions.

(d) Employees

The Company has no direct employees. The employees of Wells Capital, Inc., the Company's Advisor, perform a full range of real estate services including leasing and property management, accounting, asset management and investor relations for the Company.

(e) Insurance

Wells Management Company, Inc., an affiliate of the Company and the Advisor, carries comprehensive liability and extended coverage with respect to all the properties owned directly and indirectly by the Company. In the opinion of management of the registrant, the properties are adequately insured.

(f) Competition

The Company will experience competition for tenants from owners and managers of competing projects which may include its affiliates. As a result, the Company may be required to provide free rent; reduced charges for tenant improvements and other inducements, all of which may have an adverse impact on results of operations. At the time the Company elects to dispose of its properties, the Company will also be in competition with sellers of similar properties to locate suitable purchasers for its properties.

(g) Basis of Presentation

Substantially all of the Company's business is conducted through Wells OP. At December 31, 1997, the Wells OP had issued 20,000 limited partner units to Wells Capital, Inc., the Advisor, in exchange for a capital contribution of $200,000. The Company is the sole general partner in Wells OP; consequently, the accompanying consolidated balance sheet of the Company includes the amounts of both the Company and Wells OP.

The consolidated financial statements of the Company have been prepared in accordance with instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting

principles for complete financial statements. These quarterly statements have not been examined by independent accountants, but in the opinion of the Board of Directors, the statements for the unaudited interim periods presented include all adjustments, which are of a normal and recurring nature, necessary to present a fair presentation of the results for such periods. For further information, refer to the financial statements and footnotes included in the Company's Form 10-K for the year ended December 31, 1999.

(h) Distribution Policy

The Company will make distributions each taxable year (not including a return of capital for federal income tax purposes) equal to at least 95% of its real estate investment trusts taxable income. The Company intends to make regular quarterly distributions to holders of the shares. Distributions will be made to those shareholders who are shareholders as of the record date selected by the Directors. Distributions will be declared on a monthly basis and paid on a quarterly basis during the Offering period and declared and paid quarterly thereafter.

(i) Income Taxes

The Company has made an election under Section 856 (C) of the Internal Revenue Code 1986, as amended (the "Code"), to be taxed as a Real Estate Investment Trust ("REIT") under the Code beginning with its taxable year ended December 31, 1998. As a REIT for federal income tax purposes, the Company generally will not be subject to federal income tax on income that it distributes to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will then be subject to federal income tax on its taxable income at regular corporate rates and will not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year during which qualification is lost. Such an event could materially adversely affect the Company's net income and net cash available to distribute to shareholders. However, the Company believes that it is organized and operates in such a manner as to qualify for treatment as a REIT and intends to continue to operate in the foreseeable future in such a manner so that the Company will remain qualified as a REIT for federal income tax purposes.

(j) Statement of Cash Flows

For the purpose of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents include cash and short-term investments.

2. INVESTMENTS IN JOINT VENTURES

The Company owned interests in 24 office buildings through its ownership in Wells OP, which owns interest in five joint ventures. The Company does not have control over the operations of these joint ventures; however, it does exercise significant influence. Accordingly, investment in joint venture is recorded using the equity method.

The following describes additional information about certain of the properties in which the Company owns an interest as of June 30, 2000.

Fund XII-REIT Joint Venture

On April 10, 2000, Wells Fund XII and Wells OP, the Operating Partnership for Wells Real Estate Investment Trust, Inc., entered into a Joint Venture Partnership Agreement for the purpose of acquiring, owning, leasing, operating and managing real properties. The Joint Venture Partnership is known as the Fund XII-REIT Joint Venture Partnership (the "Fund XII-REIT Joint Venture").

As of June 30, 2000, Wells OP had contributed approximately $6,782,935 for an approximate 50% equity interest in the Fund XII-REIT Joint Venture. As of June 30, 2000, Wells Fund XII also had an approximate 50% equity interest in the Fund XII-REIT Joint Venture.

Siemens Building

On May 10, 2000, the Fund XII-REIT Joint Venture acquired the Siemens Building, a three-story office building containing approximately 77,054 rentable square feet on a 5.3-acre tract of land located in Troy, Oakland County, Michigan, for a purchase price of $14,265,000, excluding acquisition costs. The entire Siemens Building is currently under a net lease agreement with Siemens which was assigned to the Fund XII-REIT Joint Venture at closing. The lease currently expires on August 31, 2010, and Siemens has the right to extend the lease for two additional five year periods of time at 95% of the then current fair market rental rate.

Under the lease, Siemens is required to pay as additional monthly rent its gas, water and electricity costs and all operating expenses including, but not limited to, garbage and waste disposal, telephone, sprinkler service, janitorial service, security, insurance premiums, all taxes, assessments and other governmental levies and such other operating expenses with respect to the Siemens Building. In addition, Siemens is responsible for all routine maintenance and repairs to its portion of the Siemens Building. Siemens is responsible for maintenance of the common and service areas and the central heating, ventilation and air conditioning systems of the building.

The Fund XII-REIT Joint Venture, as landlord, is responsible for the repair and replacement of the roof, foundation, loan bearing items, exterior surface walls, plumbing, pipes, conduits and electrical, mechanical and plumbing systems of the Siemens Building. Siemens must obtain written consent from the Fund XII-REIT Joint Venture before making any alterations to the premises in excess of $100,000 in the aggregate within any 12-month period.

Under the terms of the Siemens, lease the Fund XII-REIT Joint Venture is required to reimburse Siemens for tenant improvement costs in the amount of $1,954,516. The Fund XII-REIT Joint Venture received a credit at closing in an amount equal to this tenant improvement allowance.

Siemens has a one-time right to cancel the Siemens lease effective after the 90th month of the term if Siemens (a) provides written notice of such cancellation on or before the last day of the 78th month, and (b) pays a cancellation fee to the Fund XII-REIT Joint Venture currently calculated to be approximately $1,234,160.

For additional information regarding the Siemens Building, refer to Supplement No. 4 dated July 21, 2000 to the Prospectus of Wells Real Estate Investment Trust, Inc. dated December 20, 1999, which was filed with the Commission on July 21, 2000 (Commission File No. 333-83933).

The Avnet Building

On June 12, 2000, Wells OP purchased a two-story office building with approximately 130,070 rentable square feet on a 9.63-acre tract of land located at 8700 Price Road, Tempe, Maricopa County, Arizona (the "Avnet Building") from Ryan Companies US, Inc. The purchase price for the Avnet Building was $13,250,000, excluding closing costs.

The land upon which the Avnet Building is situated is subject to a long-term ground lease (the "Avnet Ground Lease") with the Research Park and, at closing, Wells OP was assigned and assumed all the tenant's rights, duties and obligations under the Avnet Ground Lease which commenced November 19, 1997 and expires on December 31, 2082. The annual ground lease payment for the first 15 years of the Avnet Ground Lease term is $230,777.

The entire Avnet Building is currently under a net lease agreement (the "Avnet Lease") with Avnet, Inc. ("Avnet"). The landlord's interest in the Avnet Lease was assigned to Wells OP at the closing. The initial term of the Avnet Lease is ten years, which expires on May 31, 2010. Avnet has the right to extend the Avnet Lease for two additional five-year periods of time. The current annual

rent payable under the Avnet Lease is $1,516,164, out of which Wells OP will be required to make the annual ground lease payment described above.

The Avnet Building is occupied by Avnet Inc., a worldwide industrial distributor of electronic components and computer products.



For additional information regarding the Avnet Building, refer to Supplement No. 4 dated July 21, 2000 to the Prospectus of Wells Real Estate Investment Trust, Inc. dated December 20, 1999, which was filed with the Commission on July 21, 2000 (Commission File No. 333-83933).

The Delphi Building

On June 29, 2000, Wells OP acquired a 107,193 square-foot, three-story, single-tenant office property ( the "Delphi Building") fully leased long-term to a subsidiary of Delphi Automotive Systems Corporation (the "Delphi Lease").

The $19,800,000 acquisition is 100% owned by the Wells OP and is 100% occupied. The tenant has signed a ten-year lease. The tenant is a subsidiary of Delphi Automotive Systems Corporation, a diversified supplier of automotive parts and components. Delphi employs over 216,000 people in more than 36 countries and sells its products to every major manufacturer of light automotive vehicles in the world.

The Delphi Building is located on a 5.52-acre tract of land in Troy, Michigan.

The landlord's interest in the Delphi Lease was assigned to Wells OP at the closing. The initial term of the Delphi Lease is ten years, which expires on December 31, 2010. The current annual rent payable under the Delphi Lease is $1,715,088.

For additional information regarding the Delphi Building, refer to Supplement No. 4 dated July 21, 2000 to the Prospectus of Wells Real Estate Investment Trust, Inc. dated December 20, 1999, which was filed with the Commission on July 21, 2000 (Commission File No. 333-83933).

3. NOTES PAYABLE

Notes payable, as of June 30, 2000, consists of loans of (i) $10,320,100 due to SouthTrust Bank secured by a first mortgage against the PWC Building; (ii) $6,465,505 due to SouthTrust Bank secured by a pledge of the ABB property and the ABB Richmond Lease, which is secured by a $4,000,000 letter of credit; (iii) $14,213,986 due to Bank of America secured by a first priority mortgage against the Matsushita Property; (iv) $26,642,933 due to Bank of America secured by first mortgages on the AT&T and Marconi buildings; (v) $8,000,000 due to Richter-Schroeder Company, Inc. secured by a first mortgage against the Metris Building; and (vi) $100,000 due to Ryan Companies US, Inc. secured by a first mortgage on the Avnet Building.

4. DUE TO AFFILIATES

Due to affiliates consists of Acquisitions and Advisory Fees and Acquisition Expenses, deferred offering costs, and other operating expenses paid by the Advisor on behalf of the Company. Also included in Due to Affiliates is the Matsushita lease guarantee which is explained in detail in the December 31, 1999 10-K. Payments of $462,928 have been made as of June 30, 2000 toward fulfilling the Matsushita agreement.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the DIAL BUILDING for the year ended December 31, 1999. 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 auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 Dial Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). 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 Dial 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 Dial Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
April 10, 2000



DIAL BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

| | |
|---|---|
| RENTAL REVENUES | $1,388,868 |
| OPERATING EXPENSES, net of reimbursements | 0 |
| REVENUES OVER CERTAIN OPERATING EXPENSES | $1,388,868 |

The accompanying notes are an integral part of this statement.



DIAL BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Dial Building from Ryan Companies US, Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the Dial Building was $14,250,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the Dial Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $35,712. The funds used to purchase the Dial Building consisted of cash and proceeds from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A.

The entire 129,689 rentable square feet of the Dial Building is currently under a net lease agreement (the "Lease") with Dial Corporation ("Dial"). The Lease was assigned to Wells OP at closing. The Lease commenced on August 14, 1997 and expires on August 31, 2008. Dial has the right to extend the Lease for two additional five-year periods at 95% of the then-current fair market rental rate. Under the Lease, Dial is required to pay as additional rent all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Dial Building during the term of the Lease. In addition, Dial is responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

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, interest, and management fees, not comparable to the operations of the Dial Building after acquisition by Wells OP.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the ASML BUILDING for the year ended December 31, 1999. 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 auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 ASML Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). 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 ASML 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 ASML Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
April 10, 2000



ASML BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

| | |
|---|---|
| REVENUES: | |
| Rental income | $1,849,908 |
| Tenant reimbursements | 242,143 |
| Total revenues | 2,092,051 |
| OPERATING EXPENSES: | |
| Ground lease | 206,625 |
| Insurance | 9,628 |
| Total operating expenses | 216,253 |
| REVENUES OVER CERTAIN OPERATING EXPENSES | $1,875,798 |

The accompanying notes are an integral part of this statement.



ASML BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate, and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the ASML Building from Ryan Companies U.S., Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the ASML Building was $17,355,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the ASML Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $48,875. The funds used to purchase the ASML Building consisted of cash and proceeds obtained from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A. Wells OP also assumed a ground lease with Research Park on 9.51 acres. The ground lease commenced August 22, 1997 and expires on December 31, 2082.

The entire 95,133 rentable square feet of the ASML Building is currently under a net lease agreement (the "Lease") with ASML Lithography, Inc. ("ASML"). The Lease was assigned to Wells OP at closing. The Lease commenced on June 4, 1998 and expires on June 30, 2013. ASML has the right to extend the Lease for two additional five-year periods at the prevailing market rental rate, but in no event less than the rate in force at the end of the preceding lease term. Under the Lease, ASML is required to pay as additional rent the rent associated with the ground lease described above and all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the ASML Building during the term of the Lease. In addition, ASML is responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and the heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

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, interest, and management fees, not comparable to the operations of the ASML Building after acquisition by Wells OP.



REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Wells Real Estate Investment Trust, Inc.:

We have audited the accompanying statement of revenues over certain operating expenses for the MOTOROLA BUILDING for the year ended December 31, 1999. 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 auditing standards generally accepted in the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of

material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 Motorola Building after acquisition by the Wells Operating Partnership, L.P. (on behalf of Wells Real Estate Investment Trust, Inc.). 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 Motorola 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 Motorola Building for the year ended December 31, 1999, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP

Atlanta, Georgia
April 10, 2000



MOTOROLA BUILDING

STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

| | |
|---|---|
| REVENUES: | |
| Rental income | $1,817,366 |
| Tenant reimbursements | 290,287 |
| Total revenues | 2,107,653 |
| OPERATING EXPENSES: | |
| Ground lease | 243,826 |
| Insurance | 11,951 |
| Total operating expenses | 255,777 |
| REVENUES OVER CERTAIN OPERATING EXPENSES | $1,851,876 |

The accompanying notes are an integral part of this statement.



MOTOROLA BUILDING

NOTES TO STATEMENT OF REVENUES

OVER CERTAIN OPERATING EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1999

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of Real Estate Property Acquired

On March 29, 2000, the Wells Operating Partnership L.P. ("Wells OP"), a Delaware Limited Partnership formed to acquire, own, lease, operate and manage real properties on behalf of the Wells Real Estate Investment Trust, Inc., acquired the Motorola Building from Ryan Companies US, Inc. ("Ryan"). Ryan is not an affiliate of Wells OP. The purchase price of the Motorola Building was $16,000,000. Wells OP incurred additional acquisition expenses in connection with the purchase of the Motorola Building, including attorney's fees, recording fees, loan fees, and other closing costs, of approximately $36,622. The funds used to purchase the Motorola Building consisted of cash and proceeds obtained from Wells OP's lines of credit with SouthTrust Bank, N.A. and Bank of America, N.A. In addition, $5,000,000 in loan proceeds were provided by Ryan as seller financing. Wells OP also assumed a ground lease with Research Park on 12.44 gross acres. The ground lease commenced November 19, 1997 and expires on December 31, 2082.

The entire 133,225 rentable square feet of the Motorola Building is currently under a net lease agreement (the "Lease") with Motorola, Inc. ("Motorola"). The Lease was assigned to Wells OP at closing. The initial term of the Lease is seven years, which commenced on August 17, 1998 and expires on August 31, 2005. Motorola has the right to extend the Lease for four additional five-year periods at the prevailing market rental rate. Under the lease, Motorola is required to pay as additional rent the rent associated with the ground lease described above and all real estate taxes, special assessments, utilities, insurance, and other operating costs associated with the Motorola Building during the term of the Lease. In addition, Motorola's responsible for repair and maintenance of the roof, walls, structure, and foundation, landscaping, and the heating, ventilating, air conditioning, mechanical, electrical, plumbing, and other systems.

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, interest, and management fees, not comparable to the operations of the Motorola Building after acquisition by Wells OP.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma statements of income for the year ended December 31, 1999 and the six month period ended June 30, 2000 have been prepared to give effect to the acquisition of the Dial Building, the ASML Building, and the Motorola Building by the Wells Operating Partnership, L.P. ("Wells OP") as if each acquisition occurred on January 1, 1999. An unaudited pro forma balance sheet as of June 30, 2000 has not been prepared since no

acquisitions have occurred subsequent thereto.

Wells OP is a Delaware limited partnership that was organized to own and operate properties on behalf of the Wells Real Estate Investment Trust, Inc., which is the general partner of the Wells OP.

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 acquisitions been consummated at the beginning of the period presented.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE YEAR ENDED DECEMBER 31, 1999

(Unaudited)

| | | Pro Forma Adjustments | | | |
|---|---|---|---|---|---|
| | Wells Real Estate Investment Trust, Inc. | Dial Building | ASML Building | Motorola Building | Pro Forma Total |
| REVENUES: | | | | | |
| Rental income | $4,735,184 | $1,388,868(a) | $1,849,908(a) | $1,817,366(a) | $ 9,791,326 |
| Equity in income of joint ventures | 1,243,969 | 0 | 0 | 0 | 1,243,969 |
| Interest income | 502,993 | 0 | 0 | 0 | 502,993 |
| Other income | 13,249 | 0 | 0 | 0 | 13,249 |
| | 6,495,395 | 1,388,868 | 1,849,908 | 1,817,366 | 11,551,537 |
| EXPENSES: | | | | | |
| Depreciation | 1,726,103 | 449,419(b) | 725,185(b) | 668,214(b) | 3,568,921 |
| Interest | 442,029 | 944,055(c) | 1,132,866(c) | 681,429(c) | 3,650,379 |
| | | | | 450,000(d) | |
| Operating costs, net of reimbursements | (74,666) | 0 | (25,890)(e) | (34,510)(e) | (135,066) |
| Management and leasing fees | 257,744 | 83,332(f) | 104,114(f) | 94,670(f) | 539,860 |
| General and administrative | 123,776 | 0 | 0 | 0 | 123,776 |
| Legal and accounting | 115,471 | 0 | 0 | 0 | 115,471 |
| Computer costs | 11,368 | 0 | 0 | 0 | 11,368 |
| Amortization of organizational costs | 8,921 | 0 | 0 | 0 | 8,921 |
| | 2,610,746 | 1,476,806 | 1,936,275 | 1,859,803 | 7,883,630 |
| NET INCOME | $3,884,649 | $ (87,938) | $ (86,367) | $ (42,437) | $ 3,667,907 |
| HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED) | $ 0.50 | | | | |
| PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED) | | | | | $ 0.23(g) |

(a) Rental income recognized on a straight-line basis.

(b) Depreciation expense on the building using the straight-line method and a 25-year life.

(c) Interest expense on the $9,000,000 line-of-credit with SouthTrust Bank, N.A. and the $26,500,000 line-of-credit with Bank of America N.A., which bear interest at 7.77%. Total proceeds from both lines-of-credit and the seller financing have been allocated based on the properties' pro-rata portion of the total purchase price.

(d) Interest expense on the $5,000,000 note payable with Ryan Companies U.S. Inc., the seller, which bears interest at 9%. The seller financing specifically relates to the Motorola Building; consequently, all of the related interest expense is allocated to the Motorola Building.

(e) Consists of ground lease and insurance expense, which total $216,253 (ASML) and $255,777 (Motorola), net of tenant reimbursements of $242,143 (ASML) and $290,287 (Motorola).

(f) Management and leasing fees equal approximately 6% of rental income.

(g) As of the property acquisition date of March 29, 2000, Wells Real Estate Investment Trust, Inc. had 16,104,224 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire year ended December 31, 1999.



WELLS REAL ESTATE INVESTMENT TRUST, INC.

PRO FORMA STATEMENT OF INCOME

FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2000

(Unaudited)

| | Wells Real Estate Investment Trust, Inc. | Pro Forma Adjustments | | | Pro Forma Total |
|---|---|---|---|---|---|
| | | DIAL Building | ASML Building | Motorola Building | |
| REVENUES: | | | | | |
| Rental income | $7,892,403 | $ 347,217(a) | $ 462,477(a) | $454,342(a) | $ 9,156,439 |
| Equity in income of joint ventures | 1,049,182 | 0 | 0 | 0 | 1,049,182 |
| Interest income | 206,442 | 0 | 0 | 0 | 206,442 |
| | 9,148,027 | 347,217 | 462,477 | 454,342 | 10,412,063 |
| EXPENSES: | | | | | |
| Depreciation | 2,929,323 | 112,355(b) | 181,296(b) | 167,054(b) | 3,390,028 |
| Interest | 1,704,066 | 236,014(c) | 283,217(c) | 170,357(c) | 2,506,154 |
| | | | | 112,500(d) | |
| Operating costs, net of reimbursements | 342,267 | 0 | (6,473)(e) | (8,627)(e) | 327,167 |
| Management and leasing fees | 537,864 | 20,833(f) | 26,029(f) | 23,668(f) | 608,394 |
| General and administrative | 231,858 | 0 | 0 | 0 | 231,858 |
| Legal and accounting | 97,720 | 0 | 0 | 0 | 97,720 |
| Computer costs | 6,493 | 0 | 0 | 0 | 6,493 |
| Amortization of loan costs | 86,127 | 0 | 0 | 0 | 86,127 |
| | 5,935,718 | 369,202 | 484,069 | 464,952 | 7,253,941 |
| NET INCOME | $3,212,309 | $ (21,985) | $ (21,592) | $(10,610) | $ 3,158,122 |
| HISTORICAL EARNINGS PER SHARE (BASIC AND DILUTED) | $ 0.19 | | | | |
| PRO FORMA EARNINGS PER SHARE (BASIC AND DILUTED) | | | | | $ 0.20(g) |

(a) Rental income recognized on a straight-line basis.

(b) Depreciation expense on the building using the straight-line method and a 25-year life.

(c) Interest expense on the $9,000,000 line-of-credit with SouthTrust Bank, N.A. and the $26,500,000 line-of-credit with Bank of America N.A., which bear interest at 7.77%. Total proceeds from both lines-of-credit and the seller financing have been allocated based on the properties' pro-rata portion of the total purchase price.

(d) Interest expense on the $5,000,000 note payable with Ryan Companies U.S. Inc., the seller, which bears interest at 9%. The

seller financing specifically relates to the Motorola Building; consequently, all of the related interest expense is allocated to the Motorola Building.

(e) Consists of ground lease and insurance expense, which total $54,063 (ASML) and $63,944 (Motorola), net of tenant reimbursements of $60,536 (ASML) and $72,571 (Motorola).

(f) Management and leasing fees equal approximately 6% of rental income.

(g) As of the property acquisition date of March 29, 2000, Wells Real Estate Investment Trust, Inc. had 16,104,224 shares of common stock outstanding; pro forma earnings per share is calculated as if these shares were outstanding for the entire year ended December 31, 1999.



## PRIOR PERFORMANCE TABLES

The following Prior Performance Tables (Tables) provide information relating to real estate investment programs sponsored by the advisor and its affiliates (Wells Public Programs) which have investment objectives similar to Wells Real Estate Investment Trust, Inc. (Wells REIT). (See "Investment Objectives and Criteria.") All of the Wells Public Programs, except for the Wells REIT, have used substantial amounts of capital, and no acquisition indebtedness, to acquire their properties.

Prospective investors should read these Tables carefully together with the summary information concerning the Wells Public Programs as set forth in "Prior Performance Summary" section of this prospectus.

Investors in the Wells REIT will not own any interest in other Wells Public Programs and should not assume that they will experience returns, if any, comparable to those experienced by investors in the Wells Public Programs.

The advisor is responsible for the acquisition, operation, maintenance and resale of the real estate properties. The financial results of the Wells 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 Wells Public Programs

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

Additional information relating to the acquisition of properties by the Wells Public Programs is contained in Table VI, which is included in Part II of the registration statement which the Wells REIT has filed with the Securities and Exchange Commission. As described above, no Wells 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 Wells Public Program in connection with its purchase or development of a property, except development fees paid to a person not affiliated with the Wells Public Program or with a general partner or advisor of the Wells Public Program in connection with the actual development of a project after acquisition of the land by the Wells Public Program.

"Organization Expenses" shall include legal fees, accounting fees, securities filing fees, printing and reproduction expenses and fees paid to the sponsor in connection with the planning and formation of the Wells Public Program.



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



TABLE I
(UNAUDITED)

EXPERIENCE IN RAISING AND INVESTING FUNDS

This Table provides a summary of the experience of the sponsors of Wells Public Programs for which offerings have been completed since December 31, 1996. 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. All figures are as of December 31, 1999.

| | Wells Real Estate Fund IX, L.P. | Wells Real Estate Fund X, L.P. | Wells Real Estate Fund XI, L.P. | Wells Real Estate Investment Trust, Inc. |
|---|---|---|---|---|
| Dollar Amount Raised | $35,000,000/(3)/ | $27,128,912/(4)/ | $16,532,802/(5)/ | $132,181,919/(6)/ |
| Percentage Amount Raised | 100.0%/(3)/ | 100%/(4)/ | 100%/(5)/ | 100%/(6)/ |
| Less Offering Expenses | | | | |
| Underwriting Fees | 10.0% | 10.0% | 9.5% | 9.5% |
| Organizational Expenses | 5.0% | 5.0% | 3.0% | 3.0% |
| Reserves/(1)/ | 0.0% | 0.0% | 0.0% | 0.0% |
| Percent Available for Investment | 85.0% | 85.0% | 87.5% | 87.5% |
| Acquisition and Development Costs | | | | |
| Prepaid Items and Fees related to Purchase of Property | 2.0% | 5.4% | 0.0% | 1.1% |
| Cash Down Payment | 67.1% | 60.5% | 84.0% | 82.0% |
| Acquisition Fees/(2)/ | 4.0% | 4.0% | 3.5% | 3.5% |
| Development and Construction Costs | 11.9% | 14.1% | 0.0% | 0.3% |
| Reserve for Payment of Indebtedness | 0.0% | 0.0% | 0.0% | 0.0% |
| Total Acquisition and Development Cost | 85.0% | 84.0% | 87.5% | 86.9% |
| Percent Leveraged | 0.0% | 0.0% | 0.0% | 17.6% |
| Date Offering Began | 01/05/96 | 12/31/96 | 12/31/97 | 01/30/98 |
| Length of Offering | 12 mo. | 12 mo. | 12 mo. | 23 mo. |
| Months to Invest 90% of Amount Available for Investment (Measured from Beginning of Offering) | 14 mo. | 19 mo. | 20 mo. | 21 mo. |
| Number of Investors as of 12/31/99 | 2,120 | 1,812 | 1,345 | 3,839 |

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(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 $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.

(4) 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.



(5) Total dollar amount registered and available to be offered was $35,000,000. Wells Real Estate Fund XI, L.P. closed its offering on December 30, 1998, and the total dollar amount raised was $16,532,802.

(6) Total dollar amount registered and available to be offered was $165,000,000. Wells Real Estate Investment Trust, Inc. closed its initial offering on December 20, 1999, and the total dollar amount raised in its initial offering was $132,181,919.



## TABLE II
## (UNAUDITED)
## COMPENSATION TO SPONSOR

The following sets forth the compensation received by Wells Capital and its affiliates, including compensation paid out of offering proceeds and compensation paid in connection with the ongoing operations of Wells Public Programs having similar or identical investment objectives the offerings of which have been completed since December 31, 1996. These partnerships have not sold or refinanced any of their properties to date. All figures are as of December 31, 1999.

| | Wells Real Estate Fund IX, L.P. | Wells Real Estate Fund X, L.P. | Wells Real Estate Fund XI, L.P. | Wells Real Estate Investment Trust, Inc. | Other Public Programs/(1)/ |
|---|---|---|---|---|---|
| Date Offering Commenced | 01/05/96 | 12/31/96 | 12/31/97 | 01/30/98 | -- |
| Dollar Amount Raised | $35,000,000 | $27,128,912 | $16,532,802 | $132,181,919 | $206,241,095 |
| to Sponsor from Proceeds of Offering: | | | | | |
| Underwriting Fees/(2)/ | $ 309,556 | $ 260,748 | $ 151,911 | $ 1,530,882 | $ 924,156 |
| Acquisition Fees | | | | | |
| Real Estate Commissions | -- | -- | -- | -- | -- |
| Acquisition and Advisory Fees/(3)/ | $ 1,400,000 | $ 1,085,157 | $ 578,648 | $ 4,626,367 | $ 10,159,399 |
| Dollar Amount of Cash Generated from Operations | | | | | |
| Before Deducting Payments to Sponsor/(4)/ | $ 7,064,631 | $ 4,262,319 | $ 2,133,705 | $ 8,002,132 | $ 38,076,886 |
| Amount Paid to Sponsor from Operations: | | | | | |
| Property Management Fee/(1)/ | $ 169,661 | $ 105,410 | $ 22,200 | $ 129,208 | $ 1,434,957 |
| Partnership Management Fee | -- | -- | -- | -- | -- |
| Reimbursements | $ 133,784 | $ 105,132 | $ 61,058 | $ 101,605 | $ 1,613,725 |
| Leasing Commissions | $ 260,082 | $ 176,108 | $ 33,492 | $ 129,208 | $ 1,580,482 |
| General Partner Distributions | -- | -- | -- | -- | -- |
| 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 the 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., Wells Real Estate Fund VI, L.P., Wells Real Estate Fund VII, L.P., and Wells Real Estate Fund VIII, 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, 1999, the amount of such deferred fees due the general partners totaled $2,397,266.

(2) Includes net underwriting compensation and commissions paid to Wells Investment Securities, Inc. in connection with the offering which was not reallowed 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 $487,134 in net cash provided by operating activities, $6,013,970 in distributions to limited partners and $563,527 in payments to sponsor for Wells Real Estate Fund IX, L.P.; $400,825 in net cash provided by operating activities, $3,474,844 in distributions to limited partners and $386,650



in payments to sponsor for Wells Real Estate Fund X, L.P.; $(150,720) in net cash used by operating activities, $2,167,675 in distributions to limited partners and $116,750 in payments to sponsor for Wells Real Estate Fund XI, L.P.; $3,732,726 in net cash provided by operating activities, $3,909,385 in dividends and $360,021 in payments to sponsor for Wells Real Estate Investment Trust, Inc.; and $2,167,163 in net cash provided by operating activities, $31,280,559 in distributions to limited partners and $4,629,164 in payments to sponsor for other public programs.



TABLE III
(UNAUDITED)

The following six tables set forth operating results of Wells Public Programs the offerings of which have been completed since December 31, 1994. The information relates only to public programs with investment objectives similar to those of the Wells REIT. All figures are as of December 31 of the year indicated.



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

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Gross Revenues/(1)/ | $ 982,630 | $ 846,306 | $ 816,237 | $ 543,291 | $ 925,246 |
| Profit on Sale of Properties | -- | -- | -- | -- | -- |
| Less: Operating Expenses/(2)/ | 85,273 | 85,722 | 76,838 | 84,265 | 114,953 |
| Depreciation and Amortization/(3)/ | 1,562 | 6,250 | 6,250 | 6,250 | 6,250 |
| Net Income GAAP Basis/(4)/ | $ 895,795 | $ 754,334 | $ 733,149 | $ 452,776 | $ 804,043 |
| Taxable Income: Operations | $1,255,666 | $1,109,096 | $1,008,368 | $ 657,443 | $ 812,402 |
| Cash Generated (Used By): | | | | | |
| Operations | (82,763) | (72,194) | (43,250) | 20,883 | 431,728 |
| Joint Ventures | 1,777,010 | 1,770,742 | 1,420,126 | 760,628 | 424,304 |
| | $1,694,247 | $1,698,548 | $1,376,876 | $ 781,511 | $ 856,032 |
| Less Cash Distributions to Investors: | | | | | |
| Operating Cash Flow | 1,688,290 | 1,636,158 | 1,376,876 | 781,511 | 856,032 |
| Return of Capital | -- | -- | 2,709 | 10,805 | 22,064 |
| Undistributed Cash Flow from Prior Year Operations | -- | -- | -- | -- | 9,643 |
| Cash Generated (Deficiency) after Cash Distributions | $ 5,957 | $ 62,390 | $ (2,709) | $ (10,805) | $ (31,707) |
| Special Items (not including sales and financing): | | | | | |
| Source of Funds: | | | | | |
| General Partner Contributions | -- | -- | -- | -- | -- |
| Increase in Limited Partner Contributions | $ -- | $ -- | $ -- | $ -- | $ 805,212 |
| | $ 5,957 | $ 62,390 | $ (2,709) | $ (10,805) | $ 773,505 |
| Use of Funds: | | | | | |
| Sales Commissions and Offering Expenses | | | | | |
| Return of Original Limited Partner's Investment | -- | -- | -- | -- | $ 244,207 |
| Property Acquisitions and Deferred Project Costs | -- | -- | -- | -- | 100 |
| Cash Generated (Deficiency) after Cash Distributions and Special Items | 0 | 181,070 | 169,172 | 736,960 | 14,971,002 |
| | $ 5,957 | $ (118,680) | $ (171,881) | $(747,765) | $(14,441,804) |
| Net Income and Distributions Data per $1,000 Invested: | | | | | |
| Net Income on GAAP Basis: | | | | | |
| Ordinary Income (Loss) | | | | | |
| - Operations Class A Units | 93 | 85 | 86 | 62 | 57 |
| - Operations Class B Units | (248) | (224) | (168) | (98) | (20) |
| Capital Gain (Loss) | -- | -- | -- | -- | -- |
| Tax and Distributions Data per $1,000 Invested: | | | | | |
| Federal Income Tax Results: | | | | | |
| Ordinary Income (Loss) | | | | | |
| - Operations Class A Units | 89 | 82 | 78 | 55 | 55 |
| - Operations Class B Units | (144) | (134) | (111) | (58) | (16) |

| | | | | | |
|---|---|---|---|---|---|
| Capital Gain (Loss) | -- | -- | -- | -- | -- |
| Cash Distributions to Investors: | | | | | |
| Source (on GAAP Basis) | | | | | |
| - Investment Income Class A Units | 83 | 81 | 70 | 43 | 52 |
| - Return of Capital Class A Units | -- | -- | -- | -- | -- |
| - Return of Capital Class B Units | -- | -- | -- | -- | -- |
| Source (on Cash Basis) | | | | | |
| - Operations Class A Units | 83 | 81 | 70 | 42 | 51 |
| - Return of Capital Class A Units | -- | -- | -- | 1 | 1 |
| - Operations Class B Units | -- | -- | -- | -- | -- |
| Source (on a Priority Distribution Basis)/(5)/ | | | | | |
| - Investment income Class A Units | 67 | 65 | 54 | 29 | 30 |
| - Return of Capital Class A Units | 16 | 16 | 16 | 14 | 22 |
| - 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 $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, $785,398 in equity in earnings of joint ventures and $30,839 from investment of reserve funds in 1997, $839,037 in equity in earnings of joint ventures and $7,269 from investment of reserve funds in 1998, and $981,104 in equity in earnings of joint ventures and $1,526 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 97% 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, $877,869 for 1997, $955,245 for 1998, and $982,052 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $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; $1,615,965 to class A Limited Partners, $(882,816) to Class B Limited Partners and $0 to the General Partners for 1997; $1,704,213 to Class A Limited Partners, $(949,879) to Class B Limited Partners and $0 to the General Partners for 1998; and $1,879,410 to Class A Limited Partners, $(983,615) to Class B Limited Partners and $0 to the General Partners for 1999.

(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, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,680,730.



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

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Gross Revenues/(1)/ | $ 1,360,497 | $ 1,362,513 | $ 1,204,018 | $ 1,057,694 | $ 402,428 |
| Profit on Sale of Properties | -- | -- | -- | -- | -- |
| Less: Operating Expenses/(2)/ | 87,301 | 87,092 | 95,201 | 114,854 | 122,264 |
| Depreciation and Amortization/(3)/ | 6,250 | 6,250 | 6,250 | 6,250 | 6,250 |
| Net Income GAAP Basis/(4)/ | $ 1,266,946 | $ 1,269,171 | $ 1,102,567 | $ 936,590 | 273,914 |
| Taxable Income: Operations | $ 1,672,844 | $ 1,683,192 | $ 1,213,524 | $ 1,001,974 | 404,348 |
| Cash Generated (Used By): | | | | | |
| Operations | (87,298) | (63,946) | 7,909 | 623,268 | 204,790 |
| Joint Ventures | 2,558,623 | 2,293,504 | 1,229,282 | 279,984 | 20,287 |
| | $ 2,471,325 | $ 2,229,558 | $ 1,237,191 | $ 903,252 | $ 225,077 |
| Less Cash Distributions to Investors: | | | | | |
| Operating Cash Flow | 2,379,215 | 2,218,400 | 1,237,191 | 903,252 | -- |
| Return of Capital | -- | -- | 183,315 | 2,443 | -- |
| Undistributed Cash Flow from Prior | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Year Operations | -- | -- | -- | 225,077 | -- |
| Cash Generated (Deficiency) after Cash Distributions | $ 92,110 | $ 11,158 | $ (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 |
| | $ 92,110 | $ 11,158 | $ (183,315) | $ 1,670,627 | $30,369,619 |
| 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 | 0 | 1,850,859 | 10,675,811 | 7,931,566 | 6,618,273 |
| Cash Generated (Deficiency) after Cash Distributions and Special Items | $ 92,110 | $(1,839,701) | $(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 | 91 | 91 | 73 | 46 | 28 |
| - Operations Class B Units | (247) | (212) | (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 | 88 | 89 | 65 | 46 | 17 |
| - Operations Class B Units | 154 | (131) | (95) | (33) | (3) |
| Capital Gain (Loss) | -- | -- | -- | -- | -- |
| Cash Distributions to Investors: | | | | | |
| Source (on GAAP Basis) | | | | | |
| - Investment Income Class A Units | 87 | 83 | 54 | 43 | -- |
| - Return of Capital Class A Units | -- | -- | -- | -- | -- |
| - Return of Capital Class B Units | -- | -- | -- | -- | -- |
| Source (on Cash Basis) | | | | | |
| - Operations Class A Units | 87 | 83 | 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 | 70 | 69 | 42 | 33 | -- |
| - Return of Capital Class A Units | 17 | 16 | 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, $1,034,907 in equity in earnings of joint ventures and $169,111 from investment of reserve funds in 1997, $1,346,367 in equity in earnings of joint ventures and $16,146 from investment of reserve funds in 1998, and $1,360,494 in equity in earnings of joint ventures and $3 from investment of reserve funds in 1999. At December 31, 1999, the leasing status was 98% 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, $841,666 for 1997, $1,157,355 for 1998, and $1,209,171 for 1999.

(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; $1,947,536 to Class A Limited Partners, $(844,969) to Class B Limited Partners and $0 to the General Partners for 1997; $2,431,246 to Class A Limited Partners, $(1,162,075) to Class B Limited Partners and $0 to the General Partners for 1998; and $2,481,559 to Class A Limited Partners, $(1,214,613) to Class B Limited Partners and $0 to the General Partners for 1999.

(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, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $1,464,810.



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

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Gross Revenues/(1)/ | $ 1,593,734 | $ 1,561,456 | $ 1,199,300 | $ 406,891 | N/A |
| Profit on Sale of Properties | -- | -- | -- | -- | |
| Less: Operating Expenses/(2)/ | 90,903 | 105,251 | 101,284 | 101,885 | |
| Depreciation and Amortization/(3)/ | 12,500 | 6,250 | 6,250 | 6,250 | |
| Net Income GAAP Basis/(4)/ | $ 1,490,331 | $ 1,449,955 | $ 1,091,766 | $ 298,756 | |
| Taxable Income: Operations | $ 1,924,542 | $ 1,906,011 | $ 1,083,824 | $ 304,552 | |
| Cash Generated (Used By): | | | | | |
| Operations | $ (94,403) | $ 80,147 | $ 501,390 | $ 151,150 | |
| Joint Ventures | 2,814,870 | 2,125,489 | 527,390 | -- | |
| | $ 2,720,467 | $ 2,205,636 | $ 1,028,780 | $ 151,150 | |
| Less Cash Distributions to Investors: | | | | | |
| Operating Cash Flow | 2,720,467 | 2,188,189 | 1,028,780 | 149,425 | |
| Return of Capital | 15,528 | -- | 41,834 | -- | |
| Undistributed Cash Flow From Prior Year Operations | 17,447 | -- | 1,725 | -- | |
| Cash Generated (Deficiency) after Cash Distributions | $ (32,975) | $ 17,447 | $ (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 | |
| | $ (32,975) | $ 17,447 | $ (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 | 190,853 | 9,455,554 | 13,427,158 | 6,544,019 | |
| Cash Generated (Deficiency) after Cash Distributions and Special Items | $ (223,828) | $(9,438,107) | $(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 | 89 | 88 | 53 | 28 | |
| - Operations Class B Units | (272) | (218) | (77) | (11) | |
| Capital Gain (Loss) | -- | -- | -- | -- | |
| Tax and Distributions Data per $1,000 Invested: | | | | | |
| Federal Income Tax Results: | | | | | |
| Ordinary Income (Loss) | | | | | |
| - Operations Class A Units | 86 | 85 | 46 | 26 | |
| - Operations Class B Units | (164) | (123) | (47) | (48) | |
| Capital Gain (Loss) | -- | -- | -- | -- | |
| Cash Distributions to Investors: | | | | | |
| Source (on GAAP Basis) | | | | | |
| - Investment Income Class A Units | 88 | 73 | 36 | 13 | |
| - Return of Capital Class A Units | 2 | -- | -- | -- | |
| - Return of Capital Class B Units | -- | -- | -- | -- | |
| Source (on Cash Basis) | | | | | |
| - Operations Class A Units | 89 | 73 | 35 | 13 | |
| - Return of Capital Class A Units | 1 | -- | 1 | -- | |
| - Operations Class B Units | -- | -- | -- | -- | |
| Source (on a Priority Distribution Basis)/(5)/ | | | | | |
| - Investment Income Class A Units | 77 | 61 | 29 | 10 | |
| - Return of Capital Class A Units | 13 | 12 | 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, $1,481,869 in equity in earnings of joint ventures and $79,587 from investment of reserve funds in 1998, and $1,593,734 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999. At December 31, 1999, 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, $469,126 for 1997, $1,143,407 for 1998, and $1,210,939 for 1999.

(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; $1,564,778 to Class A Limited Partners, $(472,806) to Class B Limited Partners and $(206) to the General Partners for 1997; $2,597,938 to Class A Limited Partners, $(1,147,983) to Class B Limited Partners and $0 to the General Partners for 1998; and $2,713,636 to Class A Limited Partners, $(1,223,305) to Class B Limited Partners and $0 to the General Partners for 1999.

(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, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $993,010.



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

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Gross Revenues/(1)/ | $1,309,281 | $ 1,204,597 | $ 372,507 | N/A | N/A |
| Profit on Sale of Properties | -- | -- | -- | | |
| Less: Operating Expenses/(2)/ | 98,213 | 99,034 | 88,232 | | |
| Depreciation and Amortization/(3)/ | 18,750 | 55,234 | 6,250 | | |
| Net Income GAAP Basis/(4)/ | $1,192,318 | $ 1,050,329 | $ 278,025 | | |
| Taxable Income: Operations | $1,449,771 | $ 1,277,016 | $ 382,543 | | |
| Cash Generated (Used By): | | | | | |
| Operations | (99,862) | 300,019 | 200,668 | | |
| Joint Ventures | 2,175,915 | 886,846 | -- | | |
| | $2,076,053 | $ 1,186,865 | $ 200,668 | | |
| Less Cash Distributions to Investors: | | | | | |
| Operating Cash Flow | 2,067,801 | 1,186,865 | -- | | |
| Return of Capital | -- | 19,510 | -- | | |
| Undistributed Cash Flow From Prior Year Operations | -- | 200,668 | -- | | |
| Cash Generated (Deficiency) after Cash Distributions | $ 8,252 | $ (220,178) | $ 200,668 | | |
| Special Items (not including sales and financing): | | | | | |
| Source of Funds: | | | | | |
| General Partner Contributions | -- | -- | -- | | |
| Increase in Limited Partner Contributions | -- | -- | 27,128,912 | | |
| | $ 8,252 | $ (220,178) | $27,329,580 | | |
| Use of Funds: | | | | | |
| Sales Commissions and Offering Expenses | -- | 300,725 | 3,737,363 | | |
| Return of Original Limited Partner's Investment | -- | -- | 100 | | |
| Property Acquisitions and Deferred Project Costs | 0 | 17,613,067 | 5,188,485 | | |
| Cash Generated (Deficiency) after Cash Distributions and Special Items | $ 8,252 | $(18,133,970) | $18,403,632 | | |
| Net Income and Distributions Data per $1,000 Invested: | | | | | |
| Net Income on GAAP Basis: | | | | | |
| Ordinary Income (Loss) | | | | | |
| - Operations Class A Units | 97 | 85 | 28 | | |
| - Operations Class B Units | (160) | (123) | (9) | | |
| Capital Gain (Loss) | -- | -- | -- | | |
| Tax and Distributions Data per $1,000 Invested: | | | | | |
| Federal Income Tax Results: | | | | | |
| Ordinary Income (Loss) | | | | | |
| - Operations Class A Units | 92 | 78 | 35 | | |
| - Operations Class B Units | (100) | (64) | 0 | | |
| Capital Gain (Loss) | -- | -- | -- | | |
| Cash Distributions to Investors: | | | | | |
| Source (on GAAP Basis) | | | | | |
| - Investment Income Class A Units | 95 | 66 | -- | | |
| - Return of Capital Class A Units | -- | -- | -- | | |
| - Return of Capital Class B Units | -- | -- | -- | | |
| Source (on Cash Basis) | | | | | |
| - Operations Class A Units | 95 | 56 | -- | | |
| - Return of Capital Class A Units | -- | 10 | -- | | |
| - Operations Class B Units | -- | -- | -- | | |
| Source (on a Priority Distribution Basis)/(5)/ | | | | | |

| | | | |
|---|---|---|---|
| - Investment Income Class A Units | 71 | 48 | -- |
| - Return of Capital Class A Units | 24 | 18 | -- |
| - 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, and $869,555 in equity in earnings of joint ventures and $215,042 from investment of reserve funds in 1998, and $1,309,281 in equity in earnings of joint ventures and $0 from investment of reserve funds in 1999. At December 31, 1999, 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 $18,675 for 1997, $674,986 for 1998, and $891,911 for 1999.

(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; $1,779,191 to Class A Limited Partners, $(728,524) to Class B Limited Partners and $(338) to General Partners for 1998; and $2,084,229 to Class A Limited Partners, $(891,911) to Class B Limited Partners and $0 to the General Partners for 1999.

(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, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $909,527.



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

| | 1999 | 1998 | 1997 | 1996 | 1995 |
|---|---|---|---|---|---|
| Gross Revenues/(1)/ | 766,586 | 262,729 | N/A | N/A | N/A |
| Profit on Sale of Properties | -- | -- | | | |
| Less: Operating Expenses/(2)/ | 111,058 | 113,184 | | | |
| Depreciation and Amortization/(3)/ | 25,000 | 6,250 | | | |
| Net Income GAAP Basis/(4)/ | $ 630,528 | $ 143,295 | | | |
| Taxable Income: Operations | $ 704,108 | $ 177,692 | | | |
| Cash Generated (Used By): | | | | | |
| Operations | 40,906 | (50,858) | | | |
| Joint Ventures | 705,394 | 102,662 | | | |
| | $ 746,300 | $ 51,804 | | | |
| Less Cash Distributions to Investors: | | | | | |
| Operating Cash Flow | 746,300 | 51,804 | | | |
| Return of Capital | 49,761 | 48,070 | | | |
| Undistributed Cash Flow From Prior Year Operations | -- | -- | | | |
| Cash Generated (Deficiency) after Cash Distributions | $ (49,761) | $ (48,070) | | | |
| Special Items (not including sales and financing): | | | | | |
| Source of Funds: | | | | | |
| General Partner Contributions | -- | -- | | | |
| Increase in Limited Partner Contributions | -- | 16,532,801 | | | |
| | $ (49,761) | $16,484,731 | | | |
| Use of Funds: | | | | | |
| Sales Commissions and Offering Expenses | 214,609 | 1,779,661 | | | |
| Return of Original Limited Partner's Investment | 100 | -- | | | |
| Property Acquisitions and Deferred Project Costs | 9,005,979 | 5,412,870 | | | |
| Cash Generated (Deficiency) after Cash Distributions and Special Items | $(9,270,449) | $ 9,292,200 | | | |
| Net Income and Distributions Data per $1,000 Invested: | | | | | |
| Net Income on GAAP Basis: | | | | | |
| Ordinary Income (Loss) | | | | | |
| - Operations Class A Units | 77 | 20 | | | |
| - Operations Class B Units | (112) | (32) | | | |
| Capital Gain (Loss) | -- | -- | | | |

| | | |
|---|---|---|
| Tax and Distributions Data per $1,000 Invested: | | |
| Federal Income Tax Results: | | |
| Ordinary Income (Loss) | | |
| - Operations Class A Units | 71 | 18 |
| - Operations Class B Units | (73) | (17) |
| Capital Gain (Loss) | -- | -- |
| Cash Distributions to Investors: | | |
| Source (on GAAP Basis) | | |
| - Investment Income Class A Units | 60 | 8 |
| - Return of Capital Class A Units | -- | -- |
| - Return of Capital Class B Units | -- | -- |
| Source (on Cash Basis) | | |
| - Operations Class A Units | 56 | 4 |
| - Return of Capital Class A Units | 4 | 4 |
| - Operations Class B Units | -- | -- |
| Source (on a Priority Distribution Basis)/(5)/ | | |
| - Investment Income Class A Units | 46 | 6 |
| - Return of Capital Class A Units | 14 | 2 |
| - 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 $142,163 in equity in earnings of joint ventures and $120,566 from investment of reserve funds in 1998, and $607,579 in equity in earnings of joint ventures and $159,007 from investment of reserve funds in 1999. At December 31, 1999, 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 $105,458 for 1998, and $353,840 for 1999.

(4) In accordance with the partnership agreement, net income or loss, depreciation and amortization are allocated $254,862 to Class A Limited Partners, $(111,067) to Class B Limited Partners and $(500) to General Partners for 1998; and $1,009,368 to Class A Limited Partners, $(378,840) to Class B Limited Partners and $0 to the General Partners for 1999.

(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, 1999, the aggregate amount of such priority distributions payable to Class B Limited Partners totaled $213,006.



EXHIBIT "A"

SUBSCRIPTION AGREEMENT

To: Wells Real Estate Investment Trust, Inc.
Suite 250
6200 The Corners Parkway
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 ("Shares") of 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 "Wells Real Estate Investment Trust, Inc."

I hereby acknowledge receipt of the Prospectus of the Company dated _____, 200__ (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 is no public market for the Shares and, accordingly, it may not be possible to readily liquidate an investment in the Company.



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 or member of an underwriting 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;

(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 MAINE, MASSACHUSETTS, MINNESOTA, MISSOURI AND NEBRASKA RESIDENTS ONLY

In no event may a subscription for Shares be accepted until at least five business days after the date the subscriber receives the Prospectus. Residents of the States of Maine, Massachusetts, Minnesota, Missouri and Nebraska 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.

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.



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

| | | |
|---|---|---|
| INVESTOR 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. | GENERAL: 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 "WELLS REAL ESTATE INVESTMENT TRUST, INC." Investors who have satisfied the minimum purchase requirements in 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., Wells Real Estate Fund XI, L.P. or |

Wells Real Estate Fund XII, L.P. or in any other public real estate program may invest as little as $25 (2.5 Shares) except for residents of Maine, Minnesota, Nebraska or Washington. 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.

b. DEFERRED COMMISSION OPTION: Please check the box if you have agreed with your Broker-Dealer to elect the Deferred Commission Option, as described in the Prospectus, as supplemented to date. By electing the Deferred Commission Option, you are required to pay only $9.40 per Share purchased upon subscription. For the next six years following the year of subscription, you will have a 1% sales commission ($.10 per Share) per year deducted from and paid out of dividends or other cash distributions otherwise distributable to you. Election of the Deferred Commission Option shall authorize the Company to withhold such amounts from dividends or other cash distributions otherwise payable to you as is set forth in the "Plan of Distribution" section of the Prospectus.



| | |
|---|---|
| 2. ADDITIONAL INVESTMENTS | Please check if you plan to make one or more additional investments in the Company. All additional investments must be in increments of at least $25. Additional investments by residents of Maine must be for the minimum amounts stated under "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 commissions on such additional investments as described in the Prospectus. |
| 3. TYPE OF OWNERSHIP | Please check the appropriate box to indicate the type of entity or type of individuals subscribing. |
| 4. 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 birthdate and occupation of the registered owner unless the registered owner is a partnership, corporation or trust. |
| 5. 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. |

| | | |
|---|---|---|
| 6. | SUBSCRIBER SIGNATURES | 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. |



| | | |
|---|---|---|
| 7. | DIVIDENDS | a. DIVIDEND REINVESTMENT PLAN: By electing the Dividend Reinvestment Plan, the investor elects to reinvest the stated percentage of dividends otherwise payable to such investor in Shares of 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 Agreement or in the prospectus and subscription agreement of any future limited partnerships sponsored by the Advisor or its affiliates. The investor acknowledges that the Broker-Dealer named in the Subscription Agreement Signature Page may receive commissions not to exceed 7% of any reinvested dividends.<br><br>b. DIVIDEND ADDRESS: If cash dividends are to be sent to an address other than that provided in Section 4 (i.e., a bank, brokerage firm or savings and loan, etc.), please provide the name, account number and address. |
| 8. | BROKER-DEALER | This Section is to be completed by the Registered Representative. Please complete all BROKER-DEALER information contained in Section 8 including suitability certification. SIGNATURE PAGE MUST BE SIGNED BY AN AUTHORIZED REPRESENTATIVE. |

The Subscription Agreement Signature Page, which has been delivered with this Prospectus, together with a check for the full purchase price, should be delivered or mailed to your Broker-Dealer. Only original, completed copies of Subscription Agreements can be accepted. Photocopied or otherwise duplicated Subscription Agreements cannot be accepted by the Company.

IF YOU NEED FURTHER ASSISTANCE IN COMPLETING THIS
SUBSCRIPTION AGREEMENT SIGNATURE PAGE,
PLEASE CALL 1-800-448-1010



SEE PRECEDING PAGE
FOR INSTRUCTIONS

Special Instructions:

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

1. ------ INVESTMENT ----------

Make Investment Check Payable to:
Wells Real Estate Investment Trust, Inc.

_____ # of Shares  _____ Total $ Invested

(# Shares x $10 = $ Invested)

Minimum purchase $1,000 or 100 Shares

[_] Initial Investment (Minimum $1,000)
[_] Additional Investments (Minimum $25)
State in which sale was made _____

Check the following box to elect the Deferred Commission Option: [_]
(This election must be agreed to by the Broker-Dealer listed below)

2. ------ ADDITIONAL INVESTMENTS ----------

Please check if you plan to make additional investments in the Company: [_]
[If additional investments are made, please include social security number or other taxpayer identification number on your check]
[All additional investments must be made in increments of at least $25.]

3. ----- TYPE OF OWNERSHIP ----------

[_] IRA (06)
[_] Keogh (10)
[_] Qualified Pension Plan (11)
[_] Qualified Profit Sharing Plan (12)
[_] Other Trust _____
For the Benefit of _____
[_] Company (15)

[_] Individual (01)
[_] Joint Tenants With Right of Survivorship (02)
[_] Community Property (03)
[_] Tenants in Common (04)
[_] Custodian: A Custodian for _____ under the Uniform Gift to Minors Act or the Uniform Transfers to Minors Act of the State of _____ (08)
[_] Other

4. ----- REGISTRATION NAME AND ADDRESS ----------

Please print name(s) in which Shares are to be registered. Include trust name if applicable.
[_] Mr [_] Mrs [_] Ms [_] MD [_] PhD [_] DDS [_] Other _____

Taxpayer Identification Number
[_] [_] - [_] [_] [_] [_] [_] [_] [_]
Social Security Number
[_] [_] [_]- [_] [_] - [_] [_] [_] [_]

Street Address or P.O. Box

City | State | Zip Code

Home Telephone No. ( ) | Business Telephone No. ( )

Birthdate | Occupation

5. ----- INVESTOR NAME AND ADDRESS ----------

(COMPLETE ONLY IF DIFFERENT FROM REGISTRATION NAME AND ADDRESS)

[_] Mr [_] Mrs [_] Ms [_] MD [_] PhD [_] DDS [_] Other _____

Name | Social Security Number
[_] [_] [_] - [_] [_] - [_] [_] [_] [_]

Street Address or P.O. Box

City | State | Zip Code

Home Telephone No. ( ) | Business Telephone No. ( )

Birthdate | Occupation

(REVERSE SIDE MUST BE COMPLETED)

6. ----- SUBSCRIBER SIGNATURES -----

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 induce 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 residence as set forth in the Prospectus under "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 of 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

_____ Initials _____ Initials

(e) ARKANSAS, NEW MEXICO 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 by the Company in connection with my investment in the Company. Under penalties of 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 -----

7a. Check the applicable box to participate in the Dividend Reinvestment Plan: Percentage of participation: 100% [_] Other [_] ___%

7b. Complete the following section only to direct dividends to a party other than registered owner:

Name _____

Account Number _____

Street Address or P.O. Box _____

City _____ State _____ Zip Code _____

8. ----- BROKER-DEALER -----

(TO BE COMPLETED BY REGISTERED REPRESENTATIVE)

The Broker-Dealer or authorized representative must sign below to complete order. Broker-Dealer warrants that it is a duly licensed Broker-Dealer and may lawfully offer Shares in the state designated as the investor's address or the state in which the sale was made, if different. The Broker-Dealer or authorized representative warrants that he has reasonable grounds to believe this investment is suitable for the subscriber as defined in Section 3(b) of the Rules of Fair Practice of the NASD Manual and that he has informed subscriber of all aspects of liquidity and marketability of this investment as required by Section 4 of such Rules of Fair Practice.

Broker-Dealer Name _____ Telephone No. ( )

Broker-Dealer Street Address or P.O. Box _____

City _____ State _____ Zip Code _____

Registered Representative Name _____ Telephone No. ( )

Reg. Rep. Street Address or P.O. Box _____

City _____ State _____ Zip Code _____

_____ _____

Broker-Dealer Signature, if required | Registered Representative Signature

Please mail completed Subscription Agreement (with all signatures) and check(s) made payable to:

Wells Real Estate Investment Trust, Inc.
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092
800-448-1010 or 770-449-7800

Overnight address:
6200 The Corners Parkway, Suite 250
Norcross, Georgia 30092

Mailing address:
P.O. Box 926040
Norcross, Georgia 30092-9209

FOR COMPANY USE ONLY:

ACCEPTANCE BY COMPANY Amount _____ Date_____

Received and Subscription Accepted: Check No._____ Certificate No. _____

By:_____ Wells Real Estate Investment Trust, Inc.

| Broker-Dealer # | Registered Representative # | Account # |
|---|---|---|

EXHIBIT "B"

AMENDED AND RESTATED
DIVIDEND REINVESTMENT PLAN
As of December 20, 1999

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

1. Dividend Reinvestment. As agent for the shareholders ("Shareholders") of the Company who (a) purchased shares of the Company's common stock (the "Shares") pursuant to the Company's initial public offering (the "Initial Offering"), which commenced on January 30, 1998 and will terminate on or before January 30, 2000, (b) purchase Shares pursuant to the Company's second public offering (the "Second Offering"), which will commence immediately upon the termination of the Initial Offering, or (c) purchase Shares pursuant to any future offering of the Company ("Future 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 "Dividends"), including Dividends 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 or Soliciting Dealers registered in the Participant's state of residence.

2. Effective Date. The effective date of this Amended and Restated Dividend Reinvestment Plan (the "DRP") shall be the date that the Second Offering becomes effective with the Securities and Exchange Commission (the "Commission").

3. Procedure for Participation. Any Shareholder who purchased Shares pursuant to the Initial Offering, the Second Offering or any Future Offering and who has received a prospectus, as contained in the Company's registration statement filed with the Commission, may elect to become a Participant by completing and executing the Subscription Agreement, an enrollment form or any 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 Dividend payable after receipt of a Participant's subscription, enrollment or authorization. Shares will be purchased under the DRP on the date that Dividends are paid by the Company. Dividends of the Company are currently paid quarterly. Each Participant agrees that if, at any time prior to the 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 or she will promptly so notify the Company in writing.

4. Purchase of Shares. Participants will acquire DRP Shares from the Company at a fixed price of $10 per Share until (i) all 2,200,000 of the DRP Shares registered in the Second Offering are issued or (ii) the Second Offering terminates and the Company elects to deregister with the Commission the unsold DRP Shares. Participants in the DRP may also purchase fractional Shares so that 100% of the Dividends will be used to acquire Shares. However, a Participant will not be able to acquire DRP Shares to the extent that any such purchase would cause such Participant to exceed the Ownership Limit as set forth in the

Articles.



Shares to be distributed by the Company in connection with the DRP may (but are not required to) be supplied from: (a) the DRP Shares which will be registered with the Commission in connection with the Company's Second Offering, (b) Shares to be registered with the Commission in a Future Offering for use in the DRP (a "Future Registration"), or (c) Shares of the Company's common 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").

Shares purchased on the Secondary Market as set forth in (c) 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 Future 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 DRP Shares pursuant to the Initial Offering and the Second Offering.

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 Future 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 Dividends does not relieve a Participant of any income tax liability which may be payable on the Dividends.

5. 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 its outstanding common stock.

6. Reports. Within 90 days after the end of the Company's fiscal year, the Company shall provide each Shareholder 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 Dividend distributions and amounts of Dividends paid during the prior fiscal year. In addition, the Company shall provide to each Participant an individualized quarterly report at the time of each Dividend payment showing the number of Shares owned prior to the current Dividend, the amount of the current Dividend and the number of Shares owned after the current Dividend.

7. Commissions and Other Charges. In connection with Shares sold pursuant to the DRP, the Company will pay selling commissions of 7%; a dealer manager fee of 2.5%; and, in the event that proceeds from the sale of DRP Shares are used to acquire properties, acquisition and advisory fees and expenses of 3.5%, of the purchase price of the DRP Shares.

8. 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 national 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 ensure that the terminating Participant's account will reflect the whole number of shares in his or her account and provide a check for the cash value of any fractional share in such account. Upon termination of DRP participation, Dividends will be distributed to the Shareholder in cash.

9. Amendment or Termination of DRP by the Company. The Board of Directors of the Company may by majority vote (including a majority of the Independent Directors) amend or terminate the DRP for any reason upon 10 days' written notice to the Participants.

10. 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 sate, the Company has been advised that, in the opinion of the Commission and certain state securities commissioners, such indemnification is contrary to public policy and, therefore, unenforceable.



ALPHABETICAL INDEX



Until _____, 2001 (90 days after the date of this prospectus), all dealers that affect transactions in these securities, whether or not participating in this offering, 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.

We have not authorized any dealer, salesperson or other individual to give any information or to make any representations that are not contained in this

prospectus. If any such information or statements are given or made, you should not rely upon such information or representation. This prospectus does not constitute an offer to sell any securities other than those to which this prospectus 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. This prospectus speaks as of the date set forth below. You should not assume that the delivery of this prospectus or that any sale made pursuant to this prospectus implies that the information contained in this prospectus will remain fully accurate and correct as of any time subsequent to the date of this prospectus.

_____

WELLS REAL ESTATE
INVESTMENT TRUST, INC.

Up to 125,000,000 Shares
of Common Stock
Offered to the Public

_____

PROSPECTUS

_____

WELLS INVESTMENT
SECURITIES, INC.

_____, 200__

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31 Other Expenses of Issuance and Distribution

Following is an itemized statement of the expenses of the offering and distribution of the securities to be registered, other than underwriting commissions:

| | Amount |
|---|---|
| SEC Registration Fee | $ 372,241 |
| NASD Filing Fee | 30,500 |
| Printing Expenses | 2,000,000 |
| Legal Fees and Expenses | 500,000 |
| Accounting Fees and Expenses | 100,000 |
| Blue Sky Fees and Expenses | 157,273 |
| Sales and Advertising Expenses | 3,500,000 |
| Seminars | 6,600,000 |
| Miscellaneous | 5,339,986 |
| Total* | $18,600,000 |

* Estimated.

Item 32 Sales to Special Parties

Not Applicable

Item 33 Recent Sales of Unregistered Securities

Not Applicable

## Item 34 Indemnification of the Officers and Directors

The MCGL 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 judgement as being material to the cause of action.

Subject to the conditions set forth below, the Articles of Incorporation provide that the company shall indemnify and hold harmless a Director, Advisor or Affiliate against any and 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; and (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; and (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 he 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 provide 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.

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 judgements, 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 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 and



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 also has purchased and maintains 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.

Item 35 Treatment of Proceeds from Stock Being Registered

Not Applicable

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 included in the Prospectus:

Audited Financial Statements

(1) Report of Independent Public Accountants,
(2) Consolidated Balance Sheets as of December 31, 1999 and December 31, 1998,
(3) Consolidated Statements of Income for the years ended December 31, 1999 and 1998,
(4) Consolidated Statements of Stockholders' Equity for the years ended December 31, 1999 and 1998,
(5) Consolidated Statements of Cash Flows for the years

ended December 31, 1999 and 1998, and
(6) Notes to Consolidated Financial Statements.

Unaudited Financial Statements

(1) Balance Sheets as of June 30, 2000 and December 31, 1999,
(2) Statements of Income for the three months and six months ended June 30, 2000 and 1999,
(3) Statements of Shareholders' Equity for the year ended December 31, 1999 and the six months ended June 30, 2000,
(4) Statements of Cash Flows for the six months ended June 30, 2000 and 1999,
(5) Condensed Notes to Financial Statements.

The following financial statements relating to the acquisition of the Dial Building are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.



The following financial statements relating to the acquisition of the ASML Building are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

The following financial statements relating to the acquisition of the Motorola Building are filed as part of this Registration Statement and are included in the Prospectus:

(1) Report of Independent Public Accountants,
(2) Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999, and
(3) Notes to Statement of Revenues Over Certain Operating Expenses for the year ended December 31, 1999.

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 the Prospectus:

(1) Summary of Unaudited Pro Forma Financial Statements,
(2) Pro Forma Statement of Income for the year ended December 31, 1999, and
(3) Pro Forma Statement of Income for the six months ended June 30, 2000.

(b) Exhibits (See Exhibit Index):
---

| Exhibit No. | Description |
|---|---|
| 1.1 | Form of Dealer Manager Distribution Agreement |
| 1.2 | Form of Warrant Purchase Agreement |
| 3.1 | Amended and Restated Articles of Incorporation |
| 3.2 | Form of Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998) |
| 3.3 | Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999) |
| 4.1 | Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus) |



| | |
|---|---|
| 5.1 | Opinion of Holland & Knight LLP as to legality of securities (to be filed by amendment) |
| 8.1 | Opinion of Holland & Knight LLP as to tax matters (to be filed by amendment) |
| 10.1 | Agreement of Limited Partnership of Wells Operating Partnership, L.P. (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998) |
| 10.2 | Advisory Agreement dated January 30, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-93933, filed on March 15, 2000) |
| 10.3 | Management Agreement between Registrant and Wells Management Company, Inc. (previously filed in and incorporated by reference to Registrant's Registration Statement on From S-11, Commission File No. 333-83933, filed on July 28, 1999) |
| 10.4 | Leasing and Tenant Coordinating Agreement between Registrant and Wells Management Company, Inc. (previously filed in and incorporated by reference to Registrant's Registration Statement on From S-11, Commission File No. 333-83933, filed on July 28, 1999) |
| 10.5 | Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998) |
| 10.6 | Lease Agreement for the ABB Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998) |
| 10.7 | Net Lease Agreement for the Lucent Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, |

Commission File No. 333-32099, filed on July 9, 1998)

10.8 First Amendment to Net Lease Agreement for the Lucent Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.9 Lease Agreement for the Iomega Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.10 Joint Venture Agreement of Wells/Fremont Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.11 Lease Agreement for the Fairchild Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)



10.12 Joint Venture Agreement of Wells/Orange County Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.13 Lease for the PWC Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.14 Amended and Restated Promissory Note for $15,500,000 for the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.15 Amendment No. 1 to Mortgage and Security Agreement and other Loan Documents for the PwC Building securing the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.16 Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.17 Amendment No. 1 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999).

10.18 Amendment No. 2 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.19 Build-To-Suit Office Lease Agreement Guaranty Payment and Performance for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.20 Rental Income Guaranty Agreement relating to the Bake Parkway Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.21 Office Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)



10.22 Guaranty of Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.23 Fifth Amendment to Lease for the Johnson Matthey Building (previously filed as Exhibit 10.7 and incorporated by reference to Post-Effective Amendment No. 1 to the Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on September 1, 1999)

10.24 Lease Agreement for the Gartner Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.25 Lease Agreement for the ABB Richmond Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.26 Second Amendment to Lease Agreement for the ABB Richmond Building (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.27 Amended and Restated Joint Venture Partnership Agreement of The Wells Fund XI-Fund XII - REIT Joint Venture (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.28 Lease Agreement with Cinemark USA, Inc. for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.29 Lease Agreement with The Coca-Cola Company for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.30 Lease Agreement for the Metris Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File

No. 333-83933, filed on March 15, 2000)

10.31 Promissory Note for $26,725,000 for the Bank of America Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.32 Mortgage, Assignment and Security Agreement for the Videojet Building and the AT&T Building securing the Bank of America Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)



10.33 Assumption and Modification Agreement for the Metris Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.34 Joint Venture Partnership Agreement of Wells Fund XII-REIT Joint Venture Partnership (previously filed as Exhibit 10.11 and incorporated by reference to Post-Effective Amendment No. 2 to Form S-11 Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on April 25, 2000)

10.35 Lease Agreement for the Dial Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.36 First Amendment to Lease Agreement for the Dial Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.37 Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.38 First Amendment to Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.39 Ground Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.40 First Amendment to Ground Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.41 Lease Agreement for the Motorola Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.42 First Amendment to Lease Agreement for the Motorola Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.43 Ground Lease Agreement for the Motorola Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)



10.44 Promissory Note for $5,000,000 to Ryan Companies US, Inc. relating to the Motorola Building

10.45 Purchase Money Deed of Trust, Assignment of Leases and Rents, Fixture Filing and Security Agreement securing the Motorola Building

10.46 Office Lease for the Siemens Building (previously filed as Exhibit 10.13 and incorporated by reference to Post-Effective Amendment No. 3 to the Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on July 25, 2000)

10.47 Joint Venture Partnership Agreement of Fund VII-IX-REIT Joint Venture

10.48 Lease Agreement for the Avnet Building

10.49 Ground Lease Agreement for the Avnet Building

10.50 Lease Agreement for the Delphi Building

10.51 Lease Agreement for the Bake Parkway Building

23.1 Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1)

23.2 Consent of Arthur Andersen LLP

24.1 Power of Attorney

Item 37 Undertakings

(a) The Registrant undertakes to file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement (i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the "Act"); (ii) to reflect in the prospectus any facts or events arising after the effective date of this Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and (iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement, including (but not limited to) any addition or deletion of a managing underwriter.

(b) The Registrant undertakes (i) that, for the purpose of determining any liability under the Act, each such post-effective amendment may be deemed to be a new Registration Statement relating to the securities offered therein and the offering of

such securities at that time shall be deemed to be the initial bona fide offering thereof, (ii) that all post-effective amendments will comply with the applicable forms, rules and regulations of the Commission in effect at the time such post-effective amendments are filed, and (iii) to remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.



(c) The Registrant undertakes to send to each shareholder, at least on an annual basis, a detailed statement of any transactions with the Advisor or its affiliates, and of fees, commissions, compensation and other benefits paid, or accrued to the Advisor or its affiliates, for the fiscal year completed, showing the amount paid or accrued to each recipient and the services performed.

(d) To file a sticker supplement pursuant to Rule 424(c) under the Act during the distribution period describing each property not identified in the prospectus at such time as there arises a reasonable probability that such property will be acquired and to consolidate all such stickers into a post-effective amendment filed at least once every three months with the information contained in such amendment provided simultaneously to the existing shareholders; each sticker supplement should disclose all compensation and fees received by the Advisor and its affiliates in connection with any such acquisition; the post-effective amendment shall include audited financial statements meeting the requirements of Rule 3-14 of Regulation S-X only for properties acquired during the distribution period.

(e) To file, after the end of the distribution period, a current report on Form 8-K containing the financial statements and any additional information required by Rule 3-14 of Regulation S-X, to reflect each commitment (i.e., the signing of a binding purchase agreement) made after the end of the distribution period involving the use of 10% or more (on a cumulative basis) of the net proceeds of the offering and to provide the information contained in such report to the shareholders at least once each quarter after the distribution period of the offering has ended.

(f) The Registrant undertakes to file the financial statements as required by Form 10-K for the first full fiscal year of operations and to provide each shareholder the financial statements required by Form 10-K for such year.

(g) The Registrant undertakes to distribute to each shareholder, within sixty (60) days after the close of each quarterly period, a copy of each report on Form 10-Q which is required to be filed with the Commission or a quarterly report containing at least as much information as the report on Form 10-Q.

(h) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the

Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant 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 Act and will be governed by the final adjudication of such issue.



TABLE VI
ACQUISITIONS OF PROPERTIES BY PROGRAMS

The information contained on the following pages relates to acquisitions of properties within the past three years by the Wells REIT and prior programs with which Wells Capital, Inc., the Advisor to the Wells REIT, and its affiliates have been affiliated and which have substantially similar investment objectives to the Wells REIT. This table provides potential investors with information regarding the general nature and location of the properties and the manner in which the properties were acquired. None of the information in this Table VI has been audited.



TABLE VI

Wells Funds IX, X, XI and REIT

| | |
|---|---|
| Name of property | Ohmeda Building |
| Location of property | Centennial Parkway, Louisville, Boulder County, Colorado |
| Type of property | Two-story office building |
| Size of parcel | 15 acres |
| Gross leasable space | 106,750 sq. feet |
| Date of commencement of operations/1/ | Fund IX - February 12, 1996<br>Fund X - February 4, 1997<br>Fund XI - March 3, 1998<br>REIT - June 5, 1998 |
| Date of purchase/2/ | February 13, 1998 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $ 100,000 |
| Contract purchase price plus acquisition fee | $10,331,644 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures | |

| | |
|---|---|
| capitalized/3/ | $ 572,851 |
| Total Acquisition Cost | $10,904,495 |

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/1/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/2/ The Fund IX-X Joint Venture acquired the Ohmeda Building on February 13, 1998, and on June 11, 1998, Wells Fund XI and Wells OP (the operating partnership of the Wells REIT) were admitted to the Fund IX-X Joint Venture as joint venture partners.

/3/ Includes improvements made after acquisitions through June 30, 2000.



TABLE VI (continued)

Wells Funds IX, X, XI and REIT

| | |
|---|---|
| Name of property | Interlocken Building |
| Location of property | Highway 36, Broomfield, Boulder County, Colorado |
| Type of property | Three-story multi-tenant office building |
| Size of parcel | 5.1 acres |
| Gross leasable space | 51,974 sq. feet |
| Date of commencement of operations/4/ | Fund IX - February 12, 1996<br>Fund X - February 4, 1997<br>Fund XI - March 3, 1998<br>REIT - June 5, 1998 |
| Date of purchase/5/ | March 20, 1998 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $ 50,000 |
| Contract purchase price plus acquisition fee | $8,293,000 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/6/ | $ 447,766 |
| Total Acquisition Cost | $8,740,766 |

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/4/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/5/ The Fund IX-X Joint Venture acquired the Interlocken Building on March 20, 1998, and on June 11, 1998, Wells Fund XI and Wells OP (the operating partnership of the Wells REIT) were admitted to the Fund IX-X Joint Venture as joint venture partners.

/6/ Includes improvements made after acquisitions through June 30, 2000.



TABLE VI (continued)

Wells Funds IX, X, XI and REIT

| | |
|---|---|
| Name of property | Iomega Building |
| Location of property | 2976 South Commerce Way, Ogden, Weber County, Utah |
| Type of property | One-story warehouse and office building |
| Size of parcel | 8.03 acres |
| Gross leasable space | 100,000 sq. feet |
| Date of commencement of operations/7/ | Fund IX - February 12, 1996<br>Fund X - February 4, 1997<br>Fund XI - March 3, 1998<br>REIT - June 5, 1998 |
| Date of purchase/8/ | April 1, 1998 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $50,000 |
| Contract purchase price plus acquisition fee | $5,050,425 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/9/ | $1,097,658 |
| Total Acquisition Cost | $6,148,083 |

/7/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/8/ Wells Fund X acquired the Iomega Building on April 1, 1998, and on June 24, 1998, Wells Fund X contributed the Iomega Building to the Fund IX-X-XI-REIT Joint Venture.

/9/ Includes improvements made after acquisitions through June 30, 2000.



TABLE VI (continued)

Wells Funds IX, X, XI and REIT

| | |
|---|---|
| Name of property | Lucent Building |
| Location of property | 14400 Hertz Quail Springs Parkway, Oklahoma City, Oklahoma |
| Type of property | One-story office building |
| Size of parcel | 5.3 acres |
| Gross leasable space | 57,186 sq. feet |
| Date of commencement of operations/10/ | Fund IX - February 12, 1996<br>Fund X - February 4, 1997<br>Fund XI - March 3, 1998<br>REIT - June 5, 1998 |
| Date of purchase | June 24, 1998 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $1,600,000 |
| Contract purchase price plus acquisition fee | $5,504,276 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/11/ | $127,062 |
| Total Acquisition Cost | $5,631,338 |

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/10/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/11/ Includes improvements made after acquisitions through June 30, 2000.



TABLE VI (continued)

Wells Funds X, XI and REIT

| | |
|---|---|
| Name of property | Cort Furniture Building |
| Location of property | 10700 Spencer Avenue, Fountain Valley, Orange County, California |
| Type of property | One-story office and warehouse building |
| Size of parcel | 3.65 acres |
| Gross leasable space | 52,000 sq. feet |
| Date of commencement of operations/12/ | Fund X - February 4, 1997<br>Fund XI - March 3, 1998<br>REIT - June 5, 1998 |
| Date of purchase | July 31, 1998 |
| Mortgage financing at | |

| | |
|---|---|
| date of purchase | N/A |
| Cash down payment | $100,000 |
| Contract purchase price plus acquisition fee | $6,548,000 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/13/ | $303,616 |
| Total Acquisition Cost | $6,851,616 |

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/12/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/13/ Includes improvements made after acquisitions through June 30, 2000.



TABLE VI (continued)

Wells Funds X, XI and REIT

| | |
|---|---|
| Name of property | Fairchild Building |
| Location of property | 47320 Kato Road, Fremont, Alameda County, California |
| Type of property | Two-story office and manufacturing building |
| Size of parcel | 3.05 acres |
| Gross leasable space | 58,424 sq. feet |
| Date of commencement of operations/14/ | Fund X - February 4, 1997<br>Fund XI - March 3, 1998<br>REIT - June 5, 1998 |
| Date of purchase | July 21, 1998 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $100,000 |
| Contract purchase price plus acquisition fee | $8,960,000 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/15/ | $397,409 |
| Total Acquisition Cost | $9,357,409 |

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/14/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/15/ Includes improvements made after acquisitions through June 30, 2000.

TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | PricewaterhouseCoopers Building |
| Location of property | George Road, Tampa, Hillsborough County, Florida |
| Type of property | Four-story office building |
| Size of parcel | 9 acres |
| Gross leasable space | 130,091 sq. feet |
| Date of commencement of operations/16/ | June 5, 1998 |
| Date of purchase | December 31, 1998 |
| Mortgage financing at date of purchase | $14,132,538 |
| Cash down payment | $420,000 |
| Contract purchase price plus acquisition fee | $21,226,463 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $898,168 |
| Total Acquisition Cost | $22,124,631 |

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/16/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | AT&T Building |
| Location of property | Progress Avenue and Interstate Drive, Harrisburg, Dauphin County, Pennsylvania |
| Type of property | Four-story office building |
| Size of parcel | 10.5 acres |
| Gross leasable space | 81,859 sq. feet |
| Date of commencement of operations/17/ | June 5, 1998 |

| | |
|---|---|
| Date of purchase | February 4, 1999 |
| Mortgage financing at date of purchase | $6,425,000 |
| Cash down payment | 250,000 |
| Contract purchase price plus acquisition fee | $12,531,900 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $232,209 |
| Total Acquisition Cost | $12,764,109 |

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/17/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | Matsushita Building |
| Location of property | Pacific Commercentre, Lake Forest, Orange County, California |
| Type of property | Construction of a two-story office building |
| Size of parcel | 8.8 acres |
| Gross leasable space | 150,000 sq. feet |
| Date of commencement of operations/18/ | June 5, 1998 |
| Date of purchase | March 15, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | N/A |
| Contract purchase price plus acquisition fee | $4,577,485 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/19 | $13,822,515 |
| Total Acquisition Cost | $18,400,000 |

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/18/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/19/ Includes improvements made after acquisitions through June 30, 2000.

TABLE VI (continued)

Wells Funds XI, XII and REIT

| | |
|---|---|
| Name of property | EYBL CarTex Building |
| Location of property | 111 SouthChase Boulevard in SouthChase Industrial Park, Fountain Inn, Greenville County, South Carolina |
| Type of property | Two-story manufacturing and office building |
| Size of parcel | 11.94 acres |
| Gross leasable space | 169,510 sq. feet |
| Date of commencement of operations/20/ | Fund XI - March 3, 1998<br>Fund XII - June 1, 1999<br>REIT - June 5, 1998 |
| Date of purchase | May 18, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $50,000 |
| Contract purchase price plus acquisition fee | $5,122,000 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $225,540 |
| Total Acquisition Cost | $5,347,540 |

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/20/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

Wells Funds XI, XII and REIT

| | |
|---|---|
| Name of property | Sprint Building |
| Location of property | Leawood, Kansas |
| Type of property | Three-story office building |
| Size of parcel | 7.12 acres |
| Gross leasable space | 68,900 sq. feet |
| Date of commencement of operations/21/ | Fund XI - March 3, 1998<br>Fund XII - June 1, 1999 |

| | REIT - June 5, 1998 |
|---|---|
| Date of purchase | July 2, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $1,000,000 |
| Contract purchase price plus acquisition fee | $9,546,210 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $398,299 |
| Total Acquisition Cost | $9,944,509 |

_____
/21/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | ABB Richmond Building |
| Location of property | Midlothian, Chesterfield County, Virginia |
| Type of property | Four story office building |
| Size of parcel | 7.49 acres |
| Gross leasable space | 102,000 sq. feet |
| Date of commencement of operations/22/ | June 5, 1998 |
| Date of purchase | July 22, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $948,400 |
| Contract purchase price plus acquisition fee | $948,400 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/23/ | $8,003,806 |
| Total Acquisition Cost | $8,952,206 |

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/22/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/23/ Includes the improvements made after acquisition through June 30, 2000.



TABLE VI (continued)

Wells Funds XI, XII and REIT

| | |
|---|---|
| Name of property | Johnson Matthey Building |
| Location of property | 434-436 Devon Park Drive, Tredyffrin, Chester County, Pennsylvania |
| Type of property | Research and development, office and warehouse building |
| Size of parcel | 10.0 acres |
| Gross leasable space | 130,000 sq. feet |
| Date of commencement of operations/24/ | Fund XI - March 3, 1998<br>Fund XII - June 1, 1999<br>REIT - June 5, 1998 |
| Date of purchase | August 17, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $200,000 |
| Contract purchase price plus acquisition fee | $8,050,000 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $342,077 |
| Total Acquisition Cost | $8,392,077 |

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/24/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

Wells REIT

| | |
|---|---|
| Name of property | Marconi Building |
| Location of property | Chancellory Business Park, Wood Dale, Illinois |
| Type of property | Two story office, assembly and manufacturing building |
| Size of parcel | 15.3 acres |
| Gross leasable space | 250,354 sq. feet |

| | |
|---|---|
| Date of commencement of operations/25 | REIT - June 5, 1998 |
| Date of purchase | September 10, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $500,000 |
| Contract purchase price plus acquisition fee | $32,630,940 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $1,912,472 |
| Total Acquisition Cost | $34,543,412 |

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/25/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

Wells Funds XI, XII and REIT

| | |
|---|---|
| Name of property | Gartner Building |
| Location of property | Fort Myers, Florida |
| Type of property | Two story office building |
| Size of parcel | 4.9 acres |
| Gross leasable space | 62,400 sq. feet |
| Date of commencement of operations/26/ | Fund XI - March 3, 1998<br>Fund XII - June 1, 1999<br>REIT - June 5, 1998 |
| Date of purchase | September 20, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $500,000 |
| Contract purchase price plus acquisition fee | $8,347,600 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $347,824 |
| TotalAcquisition Cost | $8,695,424 |

_____

/26/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | Cinemark Building |
| Location of property | Plano, Collin County, Texas |
| Type of property | Five story office building |
| Size of parcel | 3.52 acres |
| Gross leasable space | 118,108 sq. feet |
| Date of commencement of operations/27/ | June 5, 1998 |
| Date of purchase | December 21, 1999 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | N/A |
| Contract purchase price plus acquisition fee | $21,826,900 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $920,379 |
| Total Acquisition Cost | $22,747,279 |

_____

/27/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | Metris Building |

| | |
|---|---|
| Location of property | Tulsa, Tulsa County, Oklahoma |
| Type of property | Three story office building |
| Size of parcel | 14.6 acres |
| Gross leasable space | 101,100 sq. feet |
| Date of commencement of operations/28/ | June 5, 1998 |
| Date of purchase | February 11, 2000 |
| Mortgage financing at date of purchase | 8,000,000 |
| Cash down payment | $4,740,000 |
| Contract purchase price plus acquisition fee | $12,740,000 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $521,072 |
| Total Acquisition Cost | $13,261,072 |

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/28/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | Dial Building |
| Location of property | 15501 N. Dial Boulevard, Scottsdale, Maricopa County, Arizona |
| Type of property | Two story office building |
| Size of parcel | 8.8 acres (approximately) |
| Gross leasable space | 129,689 sq. feet |
| Date of commencement of operations/29/ | June 5, 1998 |
| Date of purchase | March 29, 2000 |
| Mortgage financing at date of purchase | $14,289,309 |

| | |
|---|---|
| Cash down payment | $100,000 |
| Contract purchase price plus acquisition fee | $14,289,309 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | $597,264 |
| Total Acquisition Cost | $14,886,573 |

_____

/29/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | ASML Building |
| Location of property | 8555 South River Parkway, Tempe, Maricopa County, Arizona |
| Type of property | Two story office and warehouse building |
| Size of parcel | 9.51 acres |
| Gross leasable space | 95,133 sq. feet |
| Date of commencement of operations/30/ | June 5, 1998 |
| Date of purchase | March 29, 2000 |
| Mortgage financing at date of purchase | $17,397,133 |
| Cash down payment | $100,000 |
| Contract purchase price plus acquisition fee | $17,397,133 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | N/A |
| Total Acquisition Cost | $17,397,133 |

_____

/30/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

TABLE VI (continued)

Wells REIT

| | |
|---|---|
| Name of property | Motorola Building |
| Location of property | 8075 South River Parkway, Tempe, Maricopa County, Arizona |
| Type of property | Two story office building |
| Size of parcel | 12.44 acres |
| Gross leasable space | 133,225 sq. feet |
| Date of commencement of operations/31/ | June 5, 1998 |
| Date of purchase | March 29, 2000 |
| Mortgage financing at date of purchase | $8,813,558 |
| Cash down payment | $100,000 |
| Contract purchase price plus acquisition fee | $16,036,219 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | 669,639 |
| Total Acquisition Cost | 16,705,858 |

_____

/31/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

Wells Fund XII and REIT

| | |
|---|---|
| Name of property | Siemens Building |
| Location of property | 4685 Investment Drive, Troy, Oakland County, Michigan |
| Type of property | Three story office building |
| Size of parcel | 5.3 acres |

| | |
|---|---|
| Gross leasable space | 71,054 sq. feet |
| Date of commencement of operations/32/ | Fund XII - June 1, 1999<br>REIT - June 5, 1998 |
| Date of purchase | May 10, 2000 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $400,000 |
| Contract purchase price plus acquisition fee | $14,292,489 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized/33/ | $1,440,430 |
| Total Acquisition Cost | $12,852,059 |

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/32/ The date minimum offering proceeds were obtained and funds became available for investment in properties.

/33/ Includes improvements made after acquisitions through June 30, 2000.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | Avnet Building |
| Location of property | 8700 South Price Road, Tempe, Maricopa County, Arizona |
| Type of property | Two story office building |
| Size of parcel | 9.63 acres |
| Gross leasable space | 132,070 sq. feet |
| Date of commencement of operations/34/ | June 5, 1998 |
| Date of purchase | June 12, 2000 |
| Mortgage financing at date of purchase | N/A |
| Cash down payment | $100,000 |
| Contract purchase price plus acquisition fee | $13,269,502 |

| | |
|---|---|
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | N/A |
| Total Acquisition Cost | $13,269,502 |

_____

/34/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



TABLE VI (continued)

| | Wells REIT |
|---|---|
| Name of property | Delphi Building |
| Location of property | 1441 West Long Lake Road, Troy, Oakland County, Michigan |
| Type of property | Three story office building |
| Size of parcel | 5.52 acres |
| Gross leasable space | 107,152 sq. feet |
| Date of commencement of operations/35/ | June 5, 1998 |
| Date of purchase | June 29, 2000 |
| Mortgage financing at date of purchase | $8,000,000 |
| Cash down payment | N/A |
| Contract purchase price plus acquisition fee | $19,921,332 |
| Other cash expenditures expensed | N/A |
| Other cash expenditures capitalized | N/A |
| Total Acquisition Cost | $19,921,332 |

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/35/ The date minimum offering proceeds were obtained and funds became available for investment in properties.



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 requirements for filing on Form S-11 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Norcross, and State of Georgia, on the 18th day of August, 2000.

WELLS REAL ESTATE INVESTMENT TRUST, INC.
A Maryland corporation
(Registrant)

By: /s/ Leo F. Wells, III
---
Leo F. Wells, III, President

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed below on August 18, 2000 by the following persons in the capacities indicated.

| Name | Title |
|---|---|
| /s/ Leo F. Wells, III<br>Leo F. Wells, III | President and Director<br>(Principal Executive Officer) |
| /s/ Douglas P. Williams<br>Douglas P. Williams | Executive Vice President and Director<br>(Principal Financial and Accounting Officer) |
| /s/ John L. Bell<br>John L. Bell | Director |
| /s/ Richard W. Carpenter<br>Richard W. Carpenter | Director |
| /s/ Bud Carter<br>Bud Carter | Director |
| /s/ William H. Keogler, Jr.<br>William H. Keogler, Jr. | Director |
| /s/ Donald S. Moss<br>Donald S. Moss | Director |
| /s/ Walter W. Sessoms<br>Walter W. Sessoms | Director |
| /s/ Neil H. Strickland<br>Neil H. Strickland | Director |

EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 1.1 | Form of Dealer Manager Distribution Agreement, filed herewith |
| 1.2 | Form of Warrant Purchase Agreement, filed herewith |
| 3.1 | Amended and Restated Articles of Incorporation, filed herewith |
| 3.2 | Form of Bylaws (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998) |
| 3.3 | Amendment No. 1 to Bylaws (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999) |
| 4.1 | Form of Subscription Agreement and Subscription Agreement Signature Page (included as Exhibit A to Prospectus) |
| 5.1 | Opinion of Holland & Knight LLP as to legality of securities (to be filed by amendment) |
| 8.1 | Opinion of Holland & Knight LLP as to tax matters (to be filed by amendment) |
| 10.1 | Agreement of Limited Partnership of Wells Operating Partnership, L.P. (previously filed in and incorporated by reference to Amendment No. 4 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 23, 1998) |
| 10.2 | Advisory Agreement dated January 30, 2000 (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-93933, filed on March 15, 2000) |
| 10.3 | Management Agreement between Registrant and Wells Management Company, Inc. (previously filed in and incorporated by reference to Registrant's Registration Statement on From S-11, Commission File No. 333-83933, filed on July 28, 1999) |
| 10.4 | Leasing and Tenant Coordinating Agreement between Registrant and Wells Management Company, Inc. (previously filed in and incorporated by reference to Registrant's Registration Statement on From S-11, Commission File No. 333-83933, filed on July 28, 1999) |
| 10.5 | Amended and Restated Joint Venture Agreement of The Fund IX, Fund X, Fund XI and REIT Joint Venture (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998) |
| 10.6 | Lease Agreement for the ABB Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998) |
| 10.7 | Net Lease Agreement for the Lucent Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998) |

10.8 First Amendment to Net Lease Agreement for the Lucent Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on July 9, 1998)

10.9 Lease Agreement for the Iomega Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.10 Joint Venture Agreement of Wells/Fremont Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.11 Lease Agreement for the Fairchild Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.12 Joint Venture Agreement of Wells/Orange County Associates (previously filed in and incorporated by reference to Post-Effective Amendment No. 3 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on August 14, 1998)

10.13 Lease for the PWC Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.14 Amended and Restated Promissory Note for $15,500,000 for the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.15 Amendment No. 1 to Mortgage and Security Agreement and other Loan Documents for the PC Building securing the SouthTrust Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 4 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on January 15, 1999)

10.16 Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.17 Amendment No. 1 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999).

10.18 Amendment No. 2 to Build-To-Suit Office Lease Agreement for the AT&T Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.19 Build-To-Suit Office Lease Agreement Guaranty Payment and Performance for the AT&T Building (previously filed in and incorporated by reference to Post-Effective

Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.20 Rental Income Guaranty Agreement relating to the Bake Parkway Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.21 Office Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.22 Guaranty of Lease for the Matsushita Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 5 of the Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on April 15, 1999)

10.23 Fifth Amendment to Lease for the Johnson Matthey Building (previously filed as Exhibit 10.7 and incorporated by reference to Post-Effective Amendment No. 1 to the Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on September 1, 1999)

10.24 Lease Agreement for the Gartner Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.25 Lease Agreement for the ABB Richmond Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 7 to Registrant's Registration Statement on Form S-11, Commission File No. 333-32099, filed on October 14, 1999)

10.26 Second Amendment to Lease Agreement for the ABB Richmond Building (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.27 Amended and Restated Joint Venture Partnership Agreement of the Wells Fund XI-Fund XII - REIT Joint Venture (previously filed in and incorporated by reference to Amendment No. 1 to the Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on November 17, 1999)

10.28 Lease Agreement with Cinemark USA, Inc. for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.29 Lease Agreement with The Coca-Cola Company for a portion of the Cinemark Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.30 Lease Agreement for the Metris Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.31 Promissory Note for $26,725,000 for the Bank of America Loan (previously filed in and incorporated by reference to Post-

Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.32 Mortgage, Assignment and Security Agreement for the Videojet Building and the AT&T Building securing the Bank of America Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.33 Assumption and Modification Agreement for the Metris Loan (previously filed in and incorporated by reference to Post-Effective Amendment No. 1 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on March 15, 2000)

10.34 Joint Venture Partnership Agreement of Wells Fund XII-REIT Joint Venture Partnership (previously filed as Exhibit 10.11 and incorporated by reference to Post-Effective Amendment No. 2 to Form S-11 Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on April 25, 2000)

10.35 Lease Agreement for the Dial Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.36 First Amendment to Lease Agreement for the Dial Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.37 Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.38 First Amendment to Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.39 Ground Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.40 First Amendment to Ground Lease Agreement for the ASML Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.41 Lease Agreement for the Motorola Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000)

10.42 First Amendment to Lease Agreement for the Motorola Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's

Registration Statement on Form S-11, Commission File No. 333-

| | |
|---|---|
| | 83933, filed on June 9, 2000) |
| 10.43 | Ground Lease Agreement for the Motorola Building (previously filed in and incorporated by reference to Post-Effective Amendment No. 2 to Registrant's Registration Statement on Form S-11, Commission File No. 333-83933, filed on June 9, 2000) |
| 10.44 | Promissory Note for $5,000,000 to Ryan Companies US, Inc. relating to the Motorola Building, filed herewith |
| 10.45 | Purchase Money Deed of Trust, Assignment of Leases and Rents, Fixture Filing and Security Agreement securing the Motorola Building, filed herewith |
| 10.46 | Office Lease for the Siemens Building (previously filed as Exhibit 10.13 and incorporated by reference to Post-Effective Amendment No. 3 to the Registration Statement of Wells Real Estate Fund XII, L.P. on Form S-11, Commission File No. 33-66657, filed on July 25, 2000) |
| 10.47 | Joint Venture Partnership Agreement of Fund VII-IX-REIT Joint Venture, filed herewith |
| 10.48 | Lease Agreement for the Avnet Building, filed herewith |
| 10.49 | Ground Lease Agreement for the Avnet Building, filed herewith |
| 10.50 | Lease Agreement for the Delphi Building, filed herewith |
| 10.51 | Lease Agreement for the Bake Parkway Building, filed herewith |
| 23.1 | Consent of Holland & Knight LLP (included in exhibits 5.1 and 8.1) |
| 23.2 | Consent of Arthur Andersen LLP, filed herewith |
| 24.1 | Power of Attorney, filed herewith |

EXHIBIT 1.1

FORM OF

DEALER MANAGER DISTRIBUTION AGREEMENT

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 135,000,000 Shares of Common Stock/$1,350,000,000

DEALER MANAGER AGREEMENT

_____, 200__

Wells Investment Securities, Inc.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092

Ladies and Gentlemen:

Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), is registering for public sale a maximum of 140,000,000 shares of its common stock, $.01 par value per share (the "Offering"), of which amount 5,000,000 shares are to be sold upon exercise of soliciting dealer warrants to be issued to broker-dealers participating in the Offering, with the balance of 135,000,000 shares (the "Shares" or the "Stock") to be issued and sold for an aggregate purchase price of $1,350,000,000 (125,000,000 shares to be offered to the public and 10,000,000 shares to be offered pursuant to the Company's dividend reinvestment plan). Such Stock is to be sold for a per share cash purchase price of $10.00; and the minimum purchase by any one person shall be 100 Shares (except as otherwise indicated in the Prospectus or in any letter or memorandum from the Company to Wells Investment Securities, Inc. (the "Dealer Manager")). Terms not defined herein shall have the same meaning as in the Prospectus. The Stock is being registered with the SEC (as defined herein) as part of a registration of 140,000,000 shares, of which amount 5,000,000 will be issued upon the exercise of certain warrants to be issued in connection with the Offering. In connection therewith, the Company hereby agrees with you, the Dealer Manager, as follows:

1. Representations and Warranties of the Company

The Company represents and warrants to the Dealer Manager and each dealer with whom the Dealer Manager has entered into or will enter into a Selected Dealer Agreement in the form attached to this Agreement as Exhibit "A" (said dealers being hereinafter called the "Dealers") that:

1.1 A registration statement with respect to the Company has been prepared by the Company in accordance with applicable requirements of the Securities Act of 1933, as amended (the Securities Act"), and the applicable rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "SEC") promulgated thereunder, covering the Shares. Said registration statement, which includes a preliminary prospectus, was

initially filed with the SEC on or about August 31, 2000. Copies of such registration statement and each amendment thereto have been or will be delivered to the Dealer Manager. (The registration statement and prospectus contained therein, as finally amended and revised at the effective date of the registration statement, are respectively hereinafter referred to as the "Registration Statement" and the "Prospectus," except that if the Prospectus

first filed by the Company pursuant to Rule 424(b) under the Securities Act shall differ from the Prospectus, the term "Prospectus" shall also include the Prospectus filed pursuant to Rule 424(b).)

1.2 The Company has been duly and validly organized and formed as a corporation under the laws of the state of Maryland, with the power and authority to conduct its business as described in the Prospectus.

1.3 The Registration Statement and Prospectus comply with the Securities Act and the Rules and Regulations and do not contain any untrue statements of material facts or omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading; provided, however, that the foregoing provisions of this Section 1.3 will not extend to such statements contained in or omitted from the Registration Statement or Prospectus as are primarily within the knowledge of the Dealer Manager or any of the Dealers and are based upon information furnished by the Dealer Manager in writing to the Company specifically for inclusion therein.

1.4 The Company intends to use the funds received from the sale of the Shares as set forth in the Prospectus.

1.5 No consent, approval, authorization or other order of any governmental authority is required in connection with the execution or delivery by the Company of this Agreement or the issuance and sale by the Company of the Shares, except such as may be required under the Securities Act or applicable state securities laws.

1.6 There are no actions, suits or proceedings pending or to the knowledge of the Company, threatened against the Company at law or in equity or before or by any federal or state commission, regulatory body or administrative agency or other governmental body, domestic or foreign, which will have a material adverse effect on the business or property of the Company.

1.7 The execution and delivery of this Agreement, the consummation of the transactions herein contemplated and compliance with the terms of this Agreement by the Company will not conflict with or constitute a default under any charter, by-law, indenture, mortgage, deed of trust, lease, rule, regulation, writ, injunction or decree of any government, governmental instrumentality or court, domestic or foreign, having jurisdiction over the Company, except to the extent that the enforceability of the indemnity and/or contribution provisions contained in Section 4 of this Agreement may be limited under applicable securities laws.

1.8 The Company has full legal right, power and authority to enter into this Agreement and to perform the transactions contemplated hereby, except to the extent that the



enforceability of the indemnity and/or contribution provisions contained in Section 4 of this Agreement may be limited under applicable securities laws.

1.9 At the time of the issuance of the Shares, the Shares will have been duly authorized and validly issued, and upon payment therefor, will be fully paid and nonassessable and will conform to the description thereof contained in the Prospectus.

## 2. Covenants of the Company

The Company covenants and agrees with the Dealer Manager that:

2.1 It will, at no expense to the Dealer Manager, furnish the Dealer Manager with such number of printed copies of the Registration Statement, including all amendments and exhibits thereto, as the Dealer Manager may reasonably request. It will similarly furnish to the Dealer Manager and others

designated by the Dealer Manager as many copies as the Dealer Manager may reasonably request in connection with the offering of the Shares of: (a) the Prospectus in preliminary and final form and every form of supplemental or amended prospectus; (b) this Agreement; and (c) any other printed sales literature or other materials (provided that the use of said sales literature and other materials has been first approved for use by the Company and all appropriate regulatory agencies).

2.2 It will furnish such proper information and execute and file such documents as may be necessary for the Company to qualify the Shares for offer and sale under the securities laws of such jurisdictions as the Dealer Manager may reasonably designate and will file and make in each year such statements and reports as may be required. The Company will furnish to the Dealer Manager a copy of such papers filed by the Company in connection with any such qualification.

2.3 It will: (a) use its best efforts to cause the Registration Statement to become effective; (b) furnish copies of any proposed amendment or supplement of the Registration Statement or Prospectus to the Dealer Manager; (c) file every amendment or supplement to the Registration Statement or the Prospectus that may be required by the SEC; and (d) if at any time the SEC shall issue any stop order suspending the effectiveness of the Registration Statement, it will use its best efforts to obtain the lifting of such order at the earliest possible time.

2.4 If at any time when a Prospectus is required to be delivered under the Securities Act any event occurs as a result of which, in the opinion of either the Company or the Dealer Manager, the Prospectus or any other prospectus then in effect would include an untrue statement of a material fact or, in view of the circumstances under which they were made, omit to state any material fact necessary to make the statements therein not misleading, the Company will promptly notify the Dealer Manager thereof (unless the information shall have been received from the Dealer Manager) and will effect the preparation of an amended or supplemental prospectus which will correct such statement or omission. The Company will then promptly prepare such amended or supplemental prospectus or prospectuses as may be necessary to comply with the requirements of Section 10 of the Securities Act.



## 3. Obligations and Compensation of Dealer Manager

3.1 The Company hereby appoints the Dealer Manager as its agent and principal distributor for the purpose of selling for cash up to a maximum of 135,000,000 Shares through Dealers, all of whom shall be members of the National Association of Securities Dealers, Inc. (NASD). The Dealer Manager may also sell Shares for cash directly to its own clients and customers at the public offering price and subject to the terms and conditions stated in the Prospectus. The Dealer Manager hereby accepts such agency and distributorship and agrees to use its best efforts to sell the Shares on said terms and conditions. The Dealer Manager represents to the Company that it is a member of the NASD and that it and its employees and representatives have all required licenses and registrations to act under this Agreement.

3.2 Promptly after the effective date of the Registration Statement, the Dealer Manager and the Dealers shall commence the offering of the Shares for cash to the public in jurisdictions in which the Shares are registered or qualified for sale or in which such offering is otherwise permitted. The Dealer Manager and the Dealers will suspend or terminate offering of the Shares upon request of the Company at any time and will resume offering the Shares upon subsequent request of the Company.

3.3 Except as provided in the "Plan of Distribution" Section of the Prospectus, as compensation for the services rendered by the Dealer Manager, the Company agrees that it will pay to the Dealer Manager selling commissions in the amount of 7% of the gross proceeds of the Shares sold plus a dealer manager fee

in the amount of 2.5% of the gross proceeds of the Shares sold.

The Company will not be liable or responsible to any Dealer for direct payment of commissions to such Dealer, it being the sole and exclusive responsibility of the Dealer Manager for payment of commissions to Dealers. Notwithstanding the above, at its discretion, the Company may act as agent of the Dealer Manager by making direct payment of commissions to such Dealers without incurring any liability therefor.

3.4 The Dealer Manager represents and warrants to the Company and each person and firm that signs the Registration Statement that the information under the caption "Plan of Distribution" in the Prospectus and all other information furnished to the Company by the Dealer Manager in writing expressly for use in the Registration Statement, any preliminary prospectus, the Prospectus, or any amendment or supplement thereto does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

4. Indemnification

4.1 The Company will indemnify and hold harmless the Dealers and the Dealer Manager, their officers and directors and each person, if any, who controls such Dealer or Dealer Manager within the meaning of Section 15 of the Securities Act from and against any losses, claims, damages or liabilities, joint or several, to which such Dealers or Dealer Manager, their officers and directors, or such controlling person may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect



thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained (i) in any Registration Statement (including the Prospectus as a part thereof) or any post-effective amendment thereto or in the Prospectus or any amendment or supplement to the Prospectus or (ii) in any blue sky application or other document executed by the Company or on its behalf specifically for the purpose of qualifying any or all of the Shares for sale under the securities laws of any jurisdiction or based upon written information furnished by the Company under the securities laws thereof (any such application, document or information being hereinafter called a "Blue Sky Applications"), or (b) the omission or alleged omission to state in the Registration Statement (including the Prospectus as a part thereof) or any post-effective amendment thereof or in any Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading, or (c) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, if used prior to the effective date of the Registration Statement, or in the Prospectus or any amendment or supplement to the Prospectus or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, and will reimburse each Dealer or Dealer Manager, its officers and each such controlling person for any legal or other expenses reasonably incurred by such Dealer or Dealer Manager, its officers and directors, or such controlling person in connection with investigating or defending such loss, claim, damage, liability or action; provided that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in reliance upon and in conformity with written information furnished to the Company or Dealer Manager by or on behalf of any Dealer or Dealer Manager specifically for use with reference to such Dealer or Dealer Manager in the preparation of the Registration Statement or any such post-effective amendment thereof, any such Blue Sky Application or any such preliminary prospectus or the Prospectus or any such amendment thereof or supplement thereto; and further provided that the Company will not be liable in any such case if it is determined that such Dealer or Dealer Manager was at fault in connection with the loss, claim, damage,

liability or action.

4.2 The Dealer Manager will indemnify and hold harmless the Company and each person or firm which has signed the Registration Statement and each person, if any, who controls the Company within the meaning of Section 15 of the Securities Act, from and against any losses, claims, damages or liabilities to which any of the aforesaid parties may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (a) any untrue statement of a material fact contained (i) in the Registration Statement (including the Prospectus as a part thereof) or any post-effective amendment thereof or (ii) any Blue Sky Application, or (b) the omission to state in the Registration Statement (including the Prospectus as a part thereof) or any post-effective amendment thereof or in any Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading, or (c) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, if used prior to the effective date of the Registration Statement, or in the Prospectus, or in any amendment or supplement to the Prospectus or the omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein in the light of the circumstances under which they were made not misleading in each case to the extent, but only to the extent, that such untrue statement or omission was made in reliance upon and in



conformity with written information furnished to the Company by or on behalf of the Dealer Manager specifically for use with reference to the Dealer Manager in the preparation of the Registration Statement or any such post-effective amendments thereof or any such Blue Sky Application or any such preliminary prospectus or the Prospectus or any such amendment thereof or supplement thereto, or (d) any unauthorized use of sales materials or use of unauthorized verbal representations concerning the Shares by the Dealer Manager and will reimburse the aforesaid parties, in connection with investigation or defending such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which the Dealer Manager may otherwise have.

4.3 Each Dealer severally will indemnify and hold harmless the Company, Dealer Manager and each of their directors (including any persons named in any of the Registration Statements with his consent, as about to become a director), each of their officers who has signed any of the Registration Statements and each person, if any, who controls the Company and the Dealer Manager within the meaning of Section 15 of the Securities Act from and against any losses, claims, damages or liabilities to which the Company, the Dealer Manager, any such director or officer, or controlling person may become subject, under the Securities Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (a) any untrue statement or alleged untrue statement of a material fact contained (i) in the Registration Statement (including the Prospectus as a part thereof) or any post-effective amendment thereof or (ii) in any Blue Sky Application, or (b) the omission or alleged omission to state in the Registration Statement (including the Prospectus as a part thereof or any post-effective amendment thereof or in any Blue Sky Application a material fact required to be stated therein or necessary to make the statements therein not misleading, or (c) any untrue statement or alleged untrue statement of a material fact contained in any preliminary prospectus, if used prior to the effective date of the Registration Statement, or in the Prospectus, or in any amendment or supplement to the Prospectus or the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in reliance upon and in conformity with written information furnished to the Company or the Dealer Manager by or on behalf of such Dealer specifically for use with reference to such Dealer in the preparation of the Registration Statement or any such post-effective amendments thereof or any such Blue Sky Application or any such preliminary prospectus or

the Prospectus or any such amendment thereof or supplement thereto, or (d) any unauthorized use of sales materials or use of unauthorized verbal representations concerning the Shares by such Dealer or Dealer's representations or agents in violation of Section VII of the Selected Dealer Agreement or otherwise and will reimburse the Company and the Dealer Manager and any such directors or officers, or controlling person, in connection with investigating or defending any such loss, claim, damage, liability or action. This indemnity agreement will be in addition to any liability which such Dealer may otherwise have.

4.4 Promptly after receipt by an indemnified party under this Section 4 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 4, notify in writing the indemnifying party of the commencement thereof and the omission so to notify the indemnifying party will relieve it from any liability under this Section 4 as to the particular item for which



indemnification is then being sought, but not from any other liability which it may have to any indemnified party. In case any such action is brought against any indemnified party, and it notifies an indemnifying party of the commencement thereof, the indemnifying party will be entitled, to the extent it may wish, jointly with any other indemnifying party similarly notified, to participate in the defense thereof, with separate counsel. Such participation shall not relieve such indemnifying party of the obligation to reimburse the indemnified party for reasonable legal and other expenses (subject to Section 4.5) incurred by such indemnified party in defending itself, except for such expenses incurred after the indemnifying party has deposited funds sufficient to effect the settlement, with prejudice, of the claim in respect of which indemnity is sought. Any such indemnifying party shall not be liable to any such indemnified party on account of any settlement of any claim or action effected without the consent of such indemnifying party.

4.5 The indemnifying party shall pay all legal fees and expenses of the indemnified party in the defense of such claims or actions; provided, however, that the indemnifying party shall not be obliged to pay legal expenses and fees to more than one law firm in connection with the defense of similar claims arising out of the same alleged acts or omissions giving rise to such claims notwithstanding that such actions or claims are alleged or brought by one or more parties against more than one indemnified party. If such claims or actions are alleged or brought against more than one indemnified party, then the indemnifying party shall only be obliged to reimburse the expenses and fees of the one law firm that has been selected by a majority of the indemnified parties against which such action is finally brought; and in the event a majority of such indemnified parties is unable to agree on which law firm for which expenses or fees will be reimbursable by the indemnifying party, then payment shall be made to the first law firm of record representing an indemnified party against the action or claim. Such law firm shall be paid only to the extent of services performed by such law firm and no reimbursement shall be payable to such law firm on account of legal services performed by another law firm.

4.6 The indemnity agreements contained in this Section 4 shall remain operative and in full force and effect regardless of (a) any investigation made by or on behalf of any Dealer, or any person controlling any Dealer or by or on behalf of the Company, the Dealer Manager or any officer or director thereof, or by or on behalf of the Company or the Dealer Manager, (b) delivery of any Shares and payment therefor, and (c) any termination of this Agreement. A successor of any Dealer or of any of the parties to this Agreement, as the case may be, shall be entitled to the benefits of the indemnity agreements contained in this Section 4.

## 5. Survival of Provisions

The respective agreements, representations and warranties of the Company and the Dealer Manager set forth in this Agreement shall remain operative and in

full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of the Dealer Manager or any Dealer or any person controlling the Dealer Manager or any Dealer or by or on behalf of the Company or any person controlling the Company, and (c) the acceptance of any payment for the Shares.



6. Applicable Law

This Agreement was executed and delivered in, and its validity, interpretation and construction shall be governed by the laws of, the State of Georgia; provided however, that causes of action for violations of federal or state securities laws shall not be governed by this Section.

7. Counterparts

This Agreement may be executed in any number of counterparts. Each counterpart, when executed and delivered, shall be an original contract, but all counterparts, when taken together, shall constitute one and the same Agreement.

8. Successors and Amendment

8.1 This Agreement shall inure to the benefit of and be binding upon the Dealer Manager and the Company and their respective successors. Nothing in this Agreement is intended or shall be construed to give to any other person any right, remedy or claim, except as otherwise specifically provided herein. This Agreement shall inure to the benefit of the Dealers to the extent set forth in Sections 1 and 4 hereof.

8.2 This Agreement may be amended by the written agreement of the Dealer Manager and the Company.

9. Term

Any party to this Agreement shall have the right to terminate this Agreement on 60 days' written notice.

10. Confirmation

The Company hereby agrees and assumes the duty to confirm on its behalf and on behalf of dealers or brokers who sell the Shares all orders for purchase of Shares accepted by the Company. Such confirmations will comply with the rules of the SEC and the NASD, and will comply with applicable laws of such other jurisdictions to the extent the Company is advised of such laws in writing by the Dealer Manager.

11. Suitability of Investors

The Dealer Manager will offer Shares, and in its agreements with Dealers will require that the Dealers offer Shares, only to persons who meet the financial qualifications set forth in the Prospectus or in any suitability letter or memorandum sent to it by the Company and will only make offers to persons in the states in which it is advised in writing that the Shares are qualified for sale or that such qualification is not required. In offering Shares, the Dealer Manager will, and in its agreements with Dealers, the Dealer Manager will, require that the Dealer comply with the provisions of all applicable rules and regulations relating to suitability of investors, including without limitation, the provisions of Article III.C. of the Statement of Policy

Regarding Real Estate Investment Trusts of the North American Securities Administrators Association, Inc.

12. Submission of Orders

12.1 Those persons who purchase Shares will be instructed by the Dealer Manager or the Dealer to make their checks payable to "Wells Real Estate Investment Trust, Inc." The Dealer Manager and any Dealer receiving a check not conforming to the foregoing instructions shall return such check directly to such subscriber not later than the end of the next business day following its receipt. Checks received by the Dealer Manager or Dealer which conform to the foregoing instructions shall be transmitted for deposit pursuant to one of the methods described in this Section 12. Transmittal of received investor funds will be made in accordance with the following procedures.

12.2 Where, pursuant to a Dealer's internal supervisory procedures, internal supervisory review is conducted at the same location at which subscription documents and checks are received from subscribers, checks will be transmitted in care of the Dealer Manager by the end of the next business day following receipt by the Dealer for deposit to Wells Real Estate Investment Trust, Inc.

12.3 Where, pursuant to a Dealer's internal supervisory procedures, final internal supervisory review is conducted at a different location, checks will be transmitted by the end of the next business day following receipt by the Dealer to the office of the Dealer conducting such final internal supervisory review (the "Final Review Offices"). The Final Review Office will in turn by the end of the next business day following receipt by the Final Review Office, transmit such checks in care of the Dealer Manager for deposit to Wells Real Estate Investment Trust, Inc.

12.4 Where the Dealer Manager is involved in the distribution process, checks will be transmitted by the Dealer Manager for deposit to Wells Real Estate Investment Trust, Inc. as soon as practicable, but in any event by the end of the second business day following receipt by the Dealer Manager. Checks of rejected subscribers will be promptly returned to such subscribers.



If the foregoing correctly sets forth our understanding, please indicate your acceptance thereof in the space provided below for that purpose, whereupon this letter and your acceptance shall constitute a binding agreement between us as of the date first above written.

Very truly yours,

WELLS REAL ESTATE INVESTMENT TRUST, INC.

By:_____
Leo F. Wells, III
President

Accepted and agreed as of the
date first above written.

WELLS INVESTMENT SECURITIES, INC.

By:_____
Leo F. Wells, III
President

EXHIBIT "A"

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Up to 135,000,000 Shares of Common Stock/$1,350,000,000

SELECTED DEALER AGREEMENT

Ladies and Gentlemen:

Wells Investment Securities, Inc., as the dealer manager ("Dealer Manager") for Wells Real Estate Investment Trust, Inc. (the "Company"), a Maryland corporation, invites you (the "Dealer") to participate in the distribution of shares of common stock ("Shares") of the Company subject to the following terms:

I. Dealer Manager Agreement

The Dealer Manager has entered into an agreement with the Company called the Dealer Manager Agreement dated _____, 200__, in the form attached hereto as Exhibit "A." By your acceptance of this Agreement, you will become one of the Dealers referred to in such Agreement between the Company and the Dealer Manager and will be entitled and subject to the indemnification provisions contained in such Agreement, including the provisions of such Agreement (Section 4.3 of the Dealer Manager Agreement) wherein the Dealers severally agree to indemnify and hold harmless the Company, the Dealer Manager and each officer and director thereof, and each person, if any, who controls the Company and the Dealer Manager within the meaning of the Securities Act of 1933, as amended. Except as otherwise specifically stated herein, all terms used in this Agreement have the meanings provided in the Dealer Manager Agreement. The Shares are offered solely through broker-dealers who are members of the National Association of Securities Dealers, Inc. ("NASD").

Dealer hereby agrees to use its best efforts to sell the Shares for cash on the terms and conditions stated in the Prospectus. Nothing in this Agreement shall be deemed or construed to make Dealer an employee, agent, representative or partner of the Dealer Manager or of the Company, and Dealer is not authorized to act for the Dealer Manager or the Company or to make any representations on their behalf except as set forth in the Prospectus and such other printed information furnished to Dealer by the Dealer Manager or the Company to supplement the Prospectus ("supplemental information").

II. Submission of Orders

Those persons who purchase Shares will be instructed by the Dealer to make their checks payable to "Wells Real Estate Investment Trust, Inc." Any Dealer receiving a check not conforming to the foregoing instructions shall return such check directly to such subscriber not later than the end of the next business day following its receipt. Checks received by the Dealer which conform to the foregoing instructions shall be transmitted for deposit pursuant to one of the methods in this Article II. Transmittal of received investor funds will be made in accordance with the following procedures:

Where, pursuant to the Dealer's internal supervisory procedures, internal supervisory review is conducted at the same location at which subscription documents and checks are received from subscribers, checks will be transmitted in care of the Dealer Manager by the end of the next business day following receipt by the Dealer for deposit to Wells Real Estate Investment Trust, Inc.

Where, pursuant to the Dealer's internal supervisory procedures, final and internal supervisory review is conducted at a different location, checks will be transmitted by the end of the next business day following receipt by the Dealer to the office of the Dealer conducting such final internal

supervisory review (the "Final Review Office"). The Final Review Office will in turn by the end of the next business day following receipt by the Final Review Office, transmit such checks for deposit to Wells Real Estate Investment Trust, Inc.

III. Pricing

Shares shall be offered to the public at the offering price of $10.00 per Share payable in cash. Except as otherwise indicated in the Prospectus or in any letter or memorandum sent to the Dealer by the Company or Dealer Manager, a minimum initial purchase of 100 Shares is required. Except as otherwise indicated in the Prospectus, additional investments may be made in cash in minimal increments of at least 2.5 Shares. The Shares are nonassessable. Dealer hereby agrees to place any order for the full purchase price.

IV. Dealers' Commissions

Except for discounts described in or as otherwise provided in the "Plan of Distribution" Section of the Prospectus, the Dealer's selling commission applicable to the total public offering price of Shares sold by Dealer which it is authorized to sell hereunder is 7% of the gross proceeds of Shares sold by it and accepted and confirmed by the Company, which commission will be paid by the Dealer Manager. For these purposes, a "sale of Shares" shall occur if and only if a transaction has closed with a securities purchaser pursuant to all applicable offering and subscription documents and the Company has thereafter distributed the commission to the Dealer Manager in connection with such transaction. The Dealer hereby waives any and all rights to receive payment of commissions due until such time as the Dealer Manager is in receipt of the commission from the Company. The Dealer affirms that the Dealer Manager's liability for commissions payable is limited solely to the proceeds of commissions receivable associated therewith. In addition, as set forth in the Prospectus, the Dealer Manager may reallow out of its dealer manager fee a marketing fee and due diligence expense reimbursement of up to 1.5% of the gross proceeds of Shares sold by Dealers participating in the offering of Shares, based on such factors as the number of Shares sold by such participating Dealer, the assistance of such participating Dealer in marketing the offering of Shares, and bona fide conference fees incurred.

The parties hereby agree that the foregoing commission is not in excess of the usual and customary distributors' or sellers' commission received in the sale of securities similar to the Shares, that Dealer's interest in the offering is limited to such commission from the Dealer Manager and Dealer's indemnity referred to in Section 4 of the Dealer Manager Agreement, that the Company is not liable or responsible for the direct payment of such commission to the Dealer.

V. Payment

Payments of selling commissions will be made by the Dealer Manager (or by the Company as provided in the Dealer Manager Agreement) to Dealer within 30 days of the receipt by the Dealer Manager of the gross commission payments from the Company.

VI. Right to Reject Orders or Cancel Sales

All orders, whether initial or additional, are subject to acceptance by and shall only become effective upon confirmation by the Company, which reserves the right to reject any order. Orders not accompanied by a Subscription Agreement and Signature Page and the required check in payment for the



Shares may be rejected. Issuance and delivery of the Shares will be made only after actual receipt of payment therefor. If any check is not paid upon presentment, or if the Company is not in actual receipt of clearinghouse funds or cash, certified or cashier's check or the equivalent in payment for the Shares within 15 days of sale, the Company reserves the right to cancel the sale

without notice. In the event an order is rejected, canceled or rescinded for any reason, the Dealer agrees to return to the Dealer Manager any commission theretofore paid with respect to such order.

VII. Prospectus and Supplemental Information

Dealer is not authorized or permitted to give and will not give, any information or make any representation concerning the Shares except as set forth in the Prospectus and supplemental information. The Dealer Manager will supply Dealer with reasonable quantities of the Prospectus, any supplements thereto and any amended Prospectus, as well as any supplemental information, for delivery to investors, and Dealer will deliver a copy of the Prospectus and all supplements thereto and any amended Prospectus to each investor to whom an offer is made prior to or simultaneously with the first solicitation of an offer to sell the Shares to an investor. The Dealer agrees that it will not send or give any supplements thereto and any amended Prospectus to that investor unless it has previously sent or given a Prospectus and all supplements thereto and any amended Prospectus to that investor or has simultaneously sent or given a Prospectus and all supplements thereto and any amended Prospectus with such supplemental information. Dealer agrees that it will not show or give to any investor or prospective investor or reproduce any material or writing which is supplied to it by the Dealer Manager and marked "dealer only" or otherwise bearing a legend denoting that it is not to be used in connection with the sale of Shares to members of the public. Dealer agrees that it will not use in connection with the offer or sale of Shares any material or writing which relates to another Company supplied to it by the Company or the Dealer Manager bearing a legend which states that such material may not be used in connection with the offer or sale of any securities other than the Company to which it relates. Dealer further agrees that it will not use in connection with the offer or sale of Shares any materials or writings which have not been previously approved by the Dealer Manager. Each Dealer agrees, if the Dealer Manager so requests, to furnish a copy of any revised preliminary Prospectus to each person to whom it has furnished a copy of any previous preliminary Prospectus, and further agrees that it will itself mail or otherwise deliver all preliminary and final Prospectuses required for compliance with the provisions of Rule 15c2-8 under the Securities Exchange Act of 1934. Regardless of the termination of this Agreement, Dealer will deliver a Prospectus in transactions in the Shares for a period of 90 days from the effective date of the Registration Statement or such longer period as may be required by the Securities Exchange Act of 1934. On becoming a Dealer, and in offering and selling Shares, Dealer agrees to comply with all the applicable requirements under the Securities Act of 1933, and the Securities Exchange Act of 1934, including, without limitation, the provisions of Rule 10b-6 and Rule 10b-7 and Rule 15c2-4 of the Securities and Exchange Commission. Notwithstanding the termination of this Agreement or the payment of any amount to Dealer, Dealer agrees to pay Dealer's proportionate share of any claim, demand or liability asserted against Dealer and the other Dealers on the basis that Dealers or any of them constitute an association, unincorporated business or other separate entity, including in each case Dealer's proportionate share of any expenses incurred in defending against any such claim, demand or liability.

VIII. License and Association Membership

Dealer's acceptance of this Agreement constitutes a representation to the Company and the Dealer Manager that Dealer is a properly registered or licensed broker-dealer, duly authorized to sell Shares under Federal and state securities laws and regulations and in all states where it offers or sells Shares, and that it is a member in good standing of the NASD. This Agreement shall automatically terminate if the Dealer ceases to be a member in good standing of such association, or in the case of a foreign dealer, so to conform. Dealer agrees to notify the Dealer Manager immediately if Dealer ceases



to be a member in good standing, or in the case of a foreign dealer, so to conform. The Dealer Manager also hereby agrees to abide by the Rules of Fair Practice of the NASD.

IX. Limitation of Offer

Dealer will offer Shares only to persons who meet the financial qualifications set forth in the Prospectus or in any suitability letter or memorandum sent to it by the Company or the Dealer Manager and will only make offers to persons in the states in which it is advised in writing that the Shares are qualified for sale or that such qualification is not required. In offering Shares, Dealer will comply with the provisions of the Rules of Fair Practice set forth in the NASD Manual, as well as all other applicable rules and regulations relating to suitability of investors, including without limitation, the provisions of Article III.C. of the Statement of Policy Regarding Real Estate Investment Trusts of the North American Securities Administrators Association, Inc.

X. Termination

Dealer will suspend or terminate its offer and sale of Shares upon the request of the Company or the Dealer Manager at any time and will resume its offer and sale of Shares hereunder upon subsequent request of the Company or the Dealer Manager. Any party may terminate this Agreement by written notice. Such termination shall be effective 48 hours after the mailing of such notice. This Agreement is the entire agreement of the parties and supersedes all prior agreements, if any, between the parties hereto.

This Agreement may be amended at any time by the Dealer Manager by written notice to the Dealer, and any such amendment shall be deemed accepted by Dealer upon placing an order for sale of Shares after he has received such notice.

XI. Notice

All notices will be in writing and will be duly given to the Dealer Manager when mailed to 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092, and to Dealer when mailed to the address specified by Dealer herein.

XII. Attorney's Fees and Applicable Law

In any action to enforce the provisions of this Agreement or to secure damages for its breach, the prevailing party shall recover its costs and reasonable attorney's fees. This Agreement shall be construed under the laws of the State of Georgia and shall take effect when signed by Dealer and countersigned by the Dealer Manager.

THE DEALER MANAGER:

WELLS INVESTMENT SECURITIES, INC.

Attest:

By:_____ By:_____
Name:_____ Leo F. Wells, III
Title:_____ President



We have read the foregoing Agreement and we hereby accept and agree to the terms and conditions therein set forth. We hereby represent that the list below of jurisdictions in which we are registered or licensed as a broker or dealer and are fully authorized to sell securities is true and correct, and we agree to advise you of any change in such list during the term of this Agreement.

1. Identity of Dealer:

Name:_____

Type of
entity:_____

(to be completed by Dealer) (corporation, partnership or proprietorship)

Organized in the State of:_____
(to be completed by Dealer) (State)

Licensed as broker-dealer in the following
States:_____
(to be completed by Dealer)

Tax I.D. #:_____

2. Person to receive notice pursuant to Section XI.

Name:_____

Company:_____

Address:_____

City, State and Zip Code:_____

Telephone No.:(_____)_____

Telefax No.:(_____)_____

AGREED TO AND ACCEPTED BY THE DEALER:

_____
(Dealer's Firm Name)

By:_____
Signature

Title:_____

EXHIBIT 1.2

FORM OF

WARRANT PURCHASE AGREEMENT

WELLS REAL ESTATE INVESTMENT TRUST, INC.

WARRANT PURCHASE AGREEMENT

_____, 200__

This Warrant Purchase Agreement (the "Agreement") is made by and between Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company"), and Wells Investment Securities, Inc. (the "Warrantholder").

The Company hereby agrees to issue and sell, and the Warrantholder agrees to purchase, for the total purchase price of $4,000, warrants as hereinafter described (the "Soliciting Dealer Warrants") to purchase up to an aggregate of 5,000,000 Shares (subject to adjustment pursuant to Section 8 hereof) of the Company's common stock, $.01 par value (the "Shares"). The Soliciting Dealer Warrants are being purchased in connection with a public offering of an aggregate of 135,000,000 Shares (the "Offering"), pursuant to that certain Dealer Manager Agreement (the "Dealer Manager Agreement"), dated _____, 200__ between the Company and the Warrantholder as the Dealer Manager and a representative of the Soliciting Dealers who may receive warrants.

The issuance of the Soliciting Dealer Warrants shall be made in book-entry form only (until such time as the Company begins issuing certificates evidencing its Soliciting Dealer Warrants which shall be no later than such time as the Company begins issuing certificates for its Shares) on a quarterly basis commencing 60 days after the date on which Shares are first sold pursuant to the Offering and such issuances shall be subject to the terms and conditions set forth in the Dealer Manager Agreement.

In consideration of the foregoing and for the purpose of defining the terms and provisions of the Soliciting Dealer Warrants and the respective rights and obligations thereunder, the Company and the Warrantholder, for value received, hereby agree as follows:

1. FORM AND TRANSFERABILITY OF SOLICITING DEALER WARRANTS.

(A) REGISTRATION. The Soliciting Dealer Warrant(s) shall be registered on the books of the Company (and upon issuance of certificates evidencing such Soliciting Dealer Warrants, shall be numbered) when issued.

(B) FORM OF SOLICITING DEALER WARRANTS. The text and form of the Soliciting Dealer Warrant and of the Election to Purchase shall be substantially as set forth in Exhibit "A" and Exhibit "B" respectively, attached hereto and incorporated herein. The price per Share (the "Warrant Price") and the number of Shares issuable upon exercise of the Soliciting Dealer Warrants are subject to adjustment upon the occurrence of certain events, all as hereinafter provided. The Soliciting Dealer Warrants shall be dated as of the date of signature thereof by the Company either upon initial issuance or

upon division, exchange, substitution or transfer.

(C) TRANSFER. The Soliciting Dealer Warrants shall be transferable only on the books of the Company maintained at its principal office or that of its designated transfer agent, if designated, upon delivery thereof duly endorsed by the Warrantholder or by its duly authorized attorney or representative, or accompanied by proper evidence of succession, assignment or authority to

transfer. Upon any registration of transfer, the Company shall execute and deliver a new Soliciting Dealer Warrant to the person entitled thereto. Assignments or transfers shall be made pursuant to the form of Assignment attached as Exhibit "C" hereto.

(D) LIMITATIONS ON TRANSFER OF SOLICITING DEALER WARRANTS. The Soliciting Dealer Warrants shall not be sold, transferred, assigned, exchanged or hypothecated by the Warrantholder for a period of one year following the effective date of the offering of the Company's shares of common stock, except to: (i) one or more persons, each of whom on the date of transfer is an officer and director or partner of a Warrantholder or an officer and director or partner of a successor to a Warrantholder as provided in clause (iv) of this Subsection (D); (ii) a partnership or partnerships, all of the partners of which are a Warrantholder and one or more persons, each of whom on the date of transfer is an officer and director of a Warrantholder or an officer and director or partner of a successor to a Warrantholder; (iii) broker-dealer firms which have executed, and are not then in default of, the Soliciting Dealer Agreement regarding the Offering (the "Selling Group") and one or more persons, each of whom on the date of transfer is an officer and director or partner of a member of the Selling Group or an officer and director or partner of a successor to a member of the Selling Group; (iv) a successor to a Warrantholder or a successor to a member of the Selling Group through merger or consolidation; (v) a purchaser of all or substantially all of a Warrantholder's or Selling Group members' assets; or (vi) by will, pursuant to the laws of descent and distribution, or by operation of law; provided, however, that any securities transferred pursuant to clauses (i) through (vi) of this subsection (D) shall remain subject to the transfer restrictions specified herein for the remainder of the initially applicable one year time period. The Soliciting Dealer Warrant may be divided or combined, upon written request to the Company by the Warrantholder, into a certificate or certificates representing the right to purchase the same aggregate number of shares.

Unless the context indicates otherwise, the term "Warrantholder" shall include any transferee of the Soliciting Dealer Warrant pursuant to this Subsection (D), and the term "Warrant" shall include any and all Soliciting Dealer Warrants outstanding pursuant to this Agreement, including those evidenced by a certificate or certificates issued upon division, exchange, substitution or transfer pursuant to this Agreement.

(E) EXCHANGE OR ASSIGNMENT OF SOLICITING DEALER WARRANT. Any Soliciting Dealer Warrant certificate may be exchanged without expense for another certificate or certificates entitling the Warrantholder to purchase a like aggregate number of Shares as the certificate or certificates surrendered then entitled such Warrantholder to purchase. Any Warrantholder desiring to exchange a Soliciting



Dealer Warrant certificate shall make such request in writing delivered to the Company, and shall surrender, properly endorsed, the certificate evidencing the Soliciting Dealer Warrant to be so exchanged. Thereupon, the Company shall execute and deliver to the person entitled thereto a new Soliciting Dealer Warrant certificate as so requested.

Any Warrantholder desiring to assign a Soliciting Dealer Warrant shall make such request in writing delivered to the Company, and shall surrender, properly endorsed, the certificate evidencing the Soliciting Dealer Warrant to be so assigned, with an instrument of assignment duly executed accompanied by proper evidence of assignment, succession or authority to transfer, and funds sufficient to pay any transfer tax, whereupon the Company shall, without charge, execute and deliver a new Soliciting Dealer Warrant certificate in the name of the assignee named in such instrument of assignment and the original Soliciting Dealer Warrant certificate shall promptly be cancelled.

2. TERMS AND EXERCISE OF SOLICITING DEALER WARRANTS.

(A) EXERCISE PERIOD. Subject to the terms of this Agreement, the

Warrantholder shall have the right to purchase one Share from the Company at a price of $12 (120% of the initial public offering price per Share) during the time period beginning one year from the effective date of the Offering and ending on the date five years after the effective date of the Offering (the "Exercise Period"), or if any such date is a day on which banking institutions are authorized by law to close, then on the next succeeding day which shall not be such a day, to purchase from the Company up to the number of fully paid and nonassessable Shares which the Warrantholder may at the time be entitled to purchase pursuant to the Soliciting Dealer Warrant, a form of which is attached hereto as Exhibit "A."

(B) METHOD OF EXERCISE. The Soliciting Dealer Warrant shall be exercised by surrender to the Company, at its principal office in Norcross, Georgia or at the office of the Company's stock transfer agent, if any, or at such other address as the Company may designate by notice in writing to the Warrantholder at the address of the Warrantholder appearing on the books of the Company, of the certificate evidencing the Soliciting Dealer Warrant to be exercised, together with the form of Election to Purchase, included as Exhibit "B" hereto, duly completed and signed, and upon payment to the Company of the Warrant Price (as determined in accordance with the provisions of Sections 7 and 8 hereof), for the number of Shares with respect to which such Soliciting Dealer Warrant is then exercised together with all taxes applicable upon such exercise. Payment of the aggregate Warrant Price shall be made in cash or by certified check or cashier's check, payable to the order of the Company. A Soliciting Dealer Warrant may not be exercised if the Shares to be issued upon the exercise of the Soliciting Dealer Warrant have not been registered (or be 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. In addition, holders of Soliciting Dealer Warrants may not exercise the Soliciting Dealer Warrant to the extent such exercise will cause them to exceed the ownership limits set forth in the Company's Articles of Incorporation, as amended. If any Soliciting Dealer



Warrant has not been exercised by the end of the Exercise Period, it will terminate and the Warrantholder will have no further rights thereunder.

(C) PARTIAL EXERCISE. The Soliciting Dealer Warrants shall be exercisable, at the election of the Warrantholder during the Exercise Period, either in full or from time to time in part and, in the event that the Soliciting Dealer Warrant is exercised with respect to less than all of the Shares specified therein at any time prior to the completion of the Exercise Period, a new certificate evidencing the remaining Soliciting Dealer Warrants shall be issued by the Company.

(D) SHARE ISSUANCE UPON EXERCISE. Upon such surrender of the Soliciting Dealer Warrant certificate and payment of such Warrant Price as aforesaid, the Company shall issue and cause to be delivered with all reasonable dispatch to the Warrantholder in such name or names as the Warrantholder may designate in writing, a certificate or certificates for the number of full Shares so purchased upon the exercise of the Soliciting Dealer Warrant, together with cash, as provided in Section 9 hereof, with respect to any fractional Shares otherwise issuable upon such surrender. Such certificate or certificates shall be deemed to have been issued and any person so designated to be named therein shall be deemed to have become a holder of such Shares as of the close of business on the date of the surrender of the Soliciting Dealer Warrant and payment of the Warrant Price (as hereinafter defined), notwithstanding that the certificates representing such Shares shall not actually have been delivered or that the stock transfer books of the Company shall then be closed.

3. MUTILATED OR MISSING SOLICITING DEALER WARRANT.

In case the certificate or certificates evidencing the Soliciting Dealer Warrant shall be mutilated, lost, stolen or destroyed, the Company shall, at the request of the Warrantholder, issue and deliver in exchange and substitution for and upon cancellation of the mutilated certificate of certificates, or in lieu

of and in substitution for the certificate or certificates lost, stolen or destroyed, a new Soliciting Dealer Warrant certificate or certificates of like tenor and date and representing an equivalent right or interest, but only upon receipt of evidence satisfactory to the Company of such loss, theft or destruction of such Soliciting Dealer Warrant, and of reasonable bond of indemnity, if requested, also satisfactory in form and amount and at the applicant's cost.

4. RESERVATION OF SHARES.

There has been reserved, and the Company shall at all times keep reserved so long as the Soliciting Dealer Warrant remains outstanding, out of its authorized Common Stock, such number of Shares as shall be subject to purchase under the Soliciting Dealer Warrant.

5. LEGEND ON SOLICITING DEALER WARRANT SHARES.

Each certificate for Shares initially issued upon exercise of the Soliciting Dealer



Warrant, unless at the time of exercise such Shares are registered with the Securities and Exchange Commission (the "Commission"), under the Securities Act of 1933, as amended (the "Act"), shall bear the following legend:

NO SALE, TRANSFER, PLEDGE OR OTHER DISPOSITION OF THESE SHARES SHALL BE MADE EXCEPT PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR PURSUANT TO AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT REGISTRATION IS NOT REQUIRED.

Any certificate issued at any time in exchange or substitution for any certificate bearing such legend (except a new certificate issued upon completion of a public distribution pursuant to a registration statement under the Act of the securities represented thereby) shall also bear the above legend unless, in the opinion of such counsel as shall be reasonably approved by the Company, the securities represented thereby need no longer be subject to such restrictions.

6. PAYMENT OF TAXES.

The Company shall pay all documentary stamp taxes, if any, attributable to the initial issuance of the Shares; provided, however, that the Company shall not be required to pay any tax or taxes which may be payable with respect to any secondary transfer of the Soliciting Dealer Warrant or the Shares.

7. WARRANT PRICE.

The price per Share at which Shares shall be purchasable on the exercise of the Soliciting Dealer Warrant shall be $12 (the "Warrant Price").

8. ADJUSTMENT OF WARRANT PRICE AND NUMBER OF SHARES.

The number and kind of securities purchasable upon the exercise of the Soliciting Dealer Warrant and the Warrant Price shall be subject to adjustment from time to time upon the happening of certain events, as follows:

(a) In case the Company shall: (i) pay a dividend in Common Stock or make a distribution in Common Stock; (ii) subdivide its outstanding Common Stock; (iii) combine its outstanding Common Stock into a smaller number of shares of Common Stock, or (iv) issue by reclassification of its Common Stock other securities of the Company, the number and kind of securities purchasable upon the exercise of the Soliciting Dealer Warrant immediately prior thereto shall be adjusted so that the Warrantholder shall be entitled to receive the number and kind of securities of the Company which it would have owned or would have been entitled to receive after the happening of any of the events described above had the Soliciting Dealer Warrant been exercised immediately prior to the happening of such event or any record date with respect thereto. Any adjustment made pursuant

to this Subsection (a) shall become



effective on the effective date of such event retroactive to the record date, if any, for such event.

(b) No adjustment in the number of securities purchasable hereunder shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the number of securities (calculated to the nearest full Share thereof) then purchasable upon the exercise of the Soliciting Dealer Warrant or, if the Soliciting Dealer Warrant is not then exercisable, the number of securities purchasable upon the exercise of the Soliciting Dealer Warrant on the first date thereafter that the Soliciting Dealer Warrant becomes exercisable; provided, however, that any adjustment which by reason of this Subsection (b) is not required to be made immediately shall be carried forward and taken into account in any subsequent adjustment.

(c) Whenever the number of Shares purchasable upon the exercise of the Soliciting Dealer Warrant is adjusted as herein provided, the Warrant Price shall be adjusted by multiplying such Warrant Price immediately prior to such adjustment by a fraction, of which the numerator shall be the number of Shares purchasable upon the exercise of the Soliciting Dealer Warrant immediately prior to such adjustment, and of which the denominator shall be the number of Shares so purchasable immediately thereafter.

(d) For the purpose of this Section 8, the term "Common Stock" shall mean: (i) the class of stock designated as the Common Stock of the Company at the date of this Agreement; or (ii) any other class of stock resulting from successive changes or reclassification of such Common Stock consisting solely of changes in par value, or from par value to no par value, or from no par value to par value. In the event that at any time, as a result of an adjustment made pursuant to this Section 8, the Warrantholder shall become entitled to purchase any shares of the Company other than Common Stock, thereafter the number of such other shares so purchasable upon the exercise of the Soliciting Dealer Warrant and the Warrant Price shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Shares contained in this Section 8.

(e) Whenever the number of Shares and/or securities purchasable upon the exercise of the Soliciting Dealer Warrant or the Warrant Price is adjusted as herein provided, the Company shall cause to be promptly mailed to the Warrantholder by first class mail, postage prepaid, notice of such adjustment setting forth the number of Shares and/or securities purchasable upon the exercise of the Soliciting Dealer Warrant or the Warrant Price after such adjustment, a brief statement of the facts requiring such adjustment and the computation by which such adjustment was made.

(f) In case of any reclassification, capital reclassification, capital reorganization or other change in the outstanding shares of Common Stock of the Company (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of an issuance of Common Stock by way of dividend or other distribution, or of a subdivision or combination of the Common Stock), or in



case of any consolidation or merger of the Company with or into another corporation or entity (other than a merger with a subsidiary in which merger the Company is the continuing corporation and which does not result in any reclassification, capital reorganization or other change in the outstanding shares of Common Stock of the Company) as a result of which the holders of the Company's Common Stock become holders of other shares of securities of the Company or of another corporation or entity, or such holders receive cash or other assets, or in case of any sale or conveyance to another corporation of the property, assets or business of the Company as an entirety or substantially as

an entirety, the Company or such successor or purchasing corporation, as the case may be, shall execute with the Warrantholder an agreement that the Warrantholder shall have the right thereafter upon payment for the Warrant Price in effect immediately prior to such action to purchase upon the exercise of the Soliciting Dealer Warrant the kind and number of securities and property which it would have owned or have been entitled to have received after the happening of such reclassification, capital reorganization, change in the outstanding shares of shares of Common Stock of the Company, consolidation, merger, sale or conveyance had the Soliciting Dealer Warrant been exercised immediately prior to such action.

The agreement referred to in this Subsection (f) shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Section 8. The provisions of this Subsection (f) shall similarly apply to successive reclassification, capital reorganizations, changes in the outstanding shares of Common Stock of the Company, consolidations, mergers, sales or conveyances.

(g) Except as provided in this Section 8, no adjustment with respect to any dividends shall be made during the term of the Soliciting Dealer Warrant or upon the exercise of the Soliciting Dealer Warrant.

(h) No adjustments shall be made in connection with the public sale and issuance of the Shares pursuant to the Dealer Manager Agreement or the sale or issuance of Shares upon the exercise of the Soliciting Dealer Warrant.

(i) Irrespective of any adjustments in the Warrant Price or the number or kind of securities purchasable upon the exercise of the Soliciting Dealer Warrant, the Soliciting Dealer Warrant certificate or certificates theretofore or thereafter issued may continue to express the same price or number or kind of securities stated in the Soliciting Dealer Warrant initially issuable pursuant to this Agreement.

9. FRACTIONAL INTEREST.

The Company shall not be required to issue fractional Shares or securities upon the exercise of the Soliciting Dealer Warrant. If any such fractional Share would, except for the provisions of this Section 9, be issuable upon the exercise of the Soliciting Dealer Warrant (or specified portion thereof), the Company may, at its election, pay an amount in cash equal to the then current market price multiplied by such fraction. For purposes of this Agreement, the term "current market price" shall mean: (a) if the Shares are traded in



the over-the-counter market and not on the NASDAQ National Market ("NNM") or on any national securities exchange, the average between the per share closing bid and asked prices of the Shares for the 30 consecutive trading days immediately preceding the date in questions, as reported by the NNM or an equivalent generally accepted reporting service; or (b) if the Shares are traded on the NNM or on a national securities exchange, the average for the 30 consecutive trading days immediately preceding the date in question of the daily per share closing prices of the Shares on the NNM or on the principal national stock exchange on which it is listed, as the case may be. The closing price referred to in clause (b) above shall be the last reported sales price or, in case no such reported sale takes place on such day, the average of the reported closing bid and asked prices on the NNM or on the principal national securities exchange on which the Shares are then listed, as the case may be. If the Shares are not publicly traded, then the "current market price" shall mean $10 for the first three years following the termination of the Offering.

10. NO RIGHTS AS STOCKHOLDER; NOTICES OF WARRANTHOLDER.

Nothing contained in this Agreement or in the Soliciting Dealer Warrant shall be construed as conferring upon the Warrantholder or its transferee any rights as a stockholder of the Company, either at law or in equity, including the right to vote, receive dividends, consent or notices as a stockholder with

respect to any meeting of stockholders for the election of directors of the Company or for any other matter.

11. REGISTRATION OF SOLICITING DEALER WARRANTS AND SHARES PURCHASABLE THEREUNDER.

The Shares purchasable under the Soliciting Dealer Warrants are being registered as part of the Offering. The Company undertakes to make additional filings with the Commission to the extent required to keep the Shares registered through the Exercise Period.

12. INDEMNIFICATION.

In the event of the filing of any registration statement with respect to the Soliciting Dealer Warrants or the Shares pursuant to Section 11 above, the Company and the Warrantholder (and/or selling Warrantholder or such holder of Shares, as the case may be), shall agree to indemnify and hold harmless the other to the same extent and in the same manner as provided in the Dealer Manager Agreement.

13. CONTRIBUTION.

In order to provide for just and equitable contribution under the Act in any case in which: (a) the Warrantholder or any holder of Shares makes a claim for indemnification pursuant to Section 12 hereof, but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right to appeal) that such indemnification may not be enforced in such case notwithstanding the fact that the express provisions of Section 12



hereof provide for indemnification in such case; or (b) contribution under the Act may be required on the part of the Warrantholder or any holder of Shares, the Company and the Warrantholder, or such holder of Shares, shall agree to contribute to the aggregate losses, claims, damages or liabilities to which they may be subject (which shall, for all purposes of this Agreement, including, but not limited to, all costs of defense and investigation and all attorneys' fees), in either such case (after contribution from others) on the basis of relative fault as well as any other relevant equitable considerations in the same manner as provided by the parties in the Dealer Manager Agreement.

14. NOTICES.

Any notice given pursuant to this Agreement by the Company or by the Warrantholder shall be in writing and shall be deemed to have been duly given if delivered or mailed by certified mail, return receipt requested:

(a) If to the Warrantholder, addressed to:

Wells Investment Securities, Inc.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092

(b) If to the Company, addressed to:

Wells Real Estate Investment Trust, Inc.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092

Each party hereto may, from time to time, change the address to which notices to it are to be delivered or mailed hereunder by notice in accordance herewith to the other party.

15. PARTIES IN INTEREST.

Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Warrantholder and, to the extent expressed, any holder of Shares, any person controlling the Company or the Warrantholder or any holder of Shares, directors of the Company, nominees for directors (if any) named in the Prospectus, or officers of the Company who have signed the registration statement, any legal or equitable right, remedy or claim under this Agreement, and this Agreement shall be for the sole an exclusive benefit of the aforementioned parties.

16. SUCCESSORS.

All the covenants and provisions of this Agreement by or for the benefit of the



parties listed in Section 15 above shall bind and inure to the benefit of their respective executors, administrators, successors and assigns hereunder; provided, however, that the rights of the Warrantholder or holder of Shares shall be assignable only to those persons and entities specified in Section 1, Subsection (D) thereof, in which event such assignee shall be bound by each of the terms and conditions of this Agreement.

17. MERGER OR CONSOLIDATION OF THE COMPANY.

The Company shall not merge or consolidate with or into any other corporation or sell all or substantially all of its property to another corporation, unless it complies with the provisions of Section 8, Subsection (f) thereof.

18. SURVIVAL OF REPRESENTATIONS AND WARRANTIES.

All statements contained in any schedule, exhibit, certificate or other instrument delivered by or on behalf of the parties hereto, or in connection with the transactions contemplated by this Agreement, shall be deemed to be representations and warranties hereunder. Notwithstanding any investigations made by or on behalf of the parties to this Agreement, all representations, warranties and agreements made by the parties to this Agreement or pursuant hereto shall survive.

19. CHOICE OF LAW.

This Agreement and the rights of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Georgia, including all matters of construction, validity, performance and enforcement, and without giving effect to the principles of conflict of laws; provided, however, that causes of action for violations of federal or state securities laws shall not be governed by this Section.

20. JURISDICTION.

The parties submit to the jurisdiction of the Courts of the State of Georgia or a Federal Court impaneled in the State of Georgia for the resolution of all legal disputes arising under the terms of this Agreement.

21. ENTIRE AGREEMENT.

Except as provided herein, this Agreement, including exhibits, contains the entire agreement of the parties, and supersedes all existing negotiations, representations or agreements and all other oral, written or other communications between them concerning the subject matter of this Agreement.

22. SEVERABILITY.

If any provision of this Agreement is unenforceable, invalid or violates applicable law, such provision shall be deemed stricken and shall not affect the

enforceability of any



other provisions of this Agreement.

23. CAPTIONS.

The captions in this Agreement are inserted only as a matter of convenience and for reference and shall not be deemed to define, limit, enlarge or describe the scope of this Agreement or the relationship of the parties, and shall not affect this Agreement or the construction of any provisions herein.

24. COUNTERPARTS.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have caused this Warrant Purchase Agreement to be duly executed as of _____, 200__.

Wells Real Estate Investment Trust, Inc.

By:_____
Leo F. Wells, III
President

Wells Investment Securities, Inc.

By:_____
Leo F. Wells, III
President



EXHIBIT A

WELLS REAL ESTATE INVESTMENT TRUST, INC.
SOLICITING DEALER WARRANT NO. ____

NO SALE, TRANSFER, PLEDGE OR OTHER DISPOSITION OF THIS WARRANT OR THE SHARES PURCHASABLE HEREUNDER SHALL BE MADE EXCEPT PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR PURSUANT TO AN OPINION OF COUNSEL SATISFACTORY TO THE ISSUER THAT REGISTRATION IS NOT REQUIRED. TRANSFER OF THIS WARRANT IS ALSO RESTRICTED BY THAT CERTAIN WARRANT PURCHASE AGREEMENT DATED AS OF _____, 200__, A COPY OF WHICH IS AVAILABLE FROM THE ISSUER.

WARRANT TO PURCHASE SHARES OF COMMON STOCK OF
WELLS REAL ESTATE INVESTMENT TRUST, INC.

Exercisable commencing on _____, 200__
Void after 5:00 P.M. Eastern Standard Time on _____, 200__(the "Exercise Closing Date").

THIS CERTIFIES that, for value received, _____ (the "Warrantholder"), or registered assign, is entitled, subject to the terms and conditions set forth in this Warrant (the "Warrant"), to purchase from Wells Real Estate Investment Trust, Inc., a Maryland corporation (the "Company" and the "Issuer"), such number of fully paid and nonassessable Shares of common stock of the Company (the "Shares") as is reflected on the books of the Company at any time during the period commencing on _____, 200__ and continuing

up to 5:00 P.M. eastern standard time on _____, 200__, at $12 per Share, and is subject to all the terms thereof, including the limitations on transferability as set forth in that certain Warrant Purchase Agreement between Wells Investment Securities, Inc. and the Company dated _____, 200__.

THIS WARRANT may be exercised by the holder thereof, in whole or in part, by the presentation and surrender of this Warrant with the form of Election to Purchase duly executed, with signature(s) guaranteed, at the principal office of the Company (or at such other address as the Company may designate by notice to the holder hereof at the address of such holder appearing on the books of the Company), and upon payment to the Company of the purchase price in cash or by certified check or bank cashier's check. The Shares so purchased shall be deemed to be issued to the holder hereof as the record owner of such Shares as of the close of business on the date on which this Warrant shall have been surrendered and payment made for such Shares. The Shares so purchased shall be registered to the holder (and, if requested, certificates issued) promptly after this Warrant shall have been so exercised and unless this Warrant has expired or has been exercised, in full, a new Warrant identical in form, but representing the number of Shares with respect to which this Warrant shall not have been exercised, shall also be issued to the holder hereof.

NOTHING CONTAINED herein shall be construed to confer upon the holder of this Warrant, as such, any of the rights as a Stockholder of the Company.

Wells Real Estate Investment Trust, Inc.

By:_____
Leo F. Wells, III
President

EXHIBIT B

WELLS REAL ESTATE INVESTMENT TRUST, INC.
ELECTION TO PURCHASE
SOLICITING DEALER WARRANT

Wells Real Estate Investment Trust, Inc.
Suite 250
6200 The Corners Parkway
Norcross, Georgia 30092

The undersigned hereby irrevocably elects to exercise the right of purchase represented by the attached Soliciting Dealer Warrant (the "Warrant") to purchase thereunder _____ shares of the common stock of Wells Real Estate Investment Trust, Inc. (the "Shares") pursuant to the terms and provisions of the attached Warrant and hereby tenders $_____ ($12.00 per Share) in payment of the actual exercise price thereof, and requests that the Shares be issued in the name of

_____

(Please Print Name, Address and SSN or TIN of Stockholder below)

_____

_____

_____

_____

_____

and, if said number of Shares shall not be the total possible number of Shares purchasable pursuant to the attached Warrant, that a new Warrant certificate for the balance of the Shares purchasable under the attached Warrant certificate be registered in the name of the undersigned Warrantholder or his assignee as indicated below and delivered at the address stated below:

Dated:_____ , 200___

Name of Warrantholder or Assignee:_____
(Please Print)

Address:_____

Signature:_____

EXHIBIT C

WELLS REAL ESTATE INVESTMENT TRUST, INC.

SOLICITING DEALER WARRANT
ASSIGNMENT

(To be signed only upon assignment of the Warrant)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, transfers and conveys unto:_____
(Please Print Name, Address and SSN or TIN of Assignee Below)

_____

_____

_____

_____

the attached Soliciting Dealer Warrant No. ____ (the "Warrant"), to purchase Shares of common stock of Wells Real Estate Investment Trust, Inc. (the "Company"), hereby irrevocably constituting and appointing the Company and/or its transfer agent as its attorney to transfer said Warrant on the books of the Company, with full power of substitution.

Dated:_____, 200__

_____
Signature of Registered Holder

_____
Name of Registered Holder - Please Print

Signature Guaranteed:

_____

Note: The above signature must correspond with the name as written upon the face of the attached Warrant certificate in every particular respect, without alteration, enlargement or any change whatever, unless this Warrant has previously been duly assigned.

EXHIBIT 3.1

AMENDED AND RESTATED ARTICLES OF INCORPORATION

ARTICLES OF AMENDMENT AND RESTATEMENT
OF
WELLS REAL ESTATE INVESTMENT TRUST, INC.

Wells Real Estate Investment Trust, Inc., a Maryland corporation having its principal office at 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092 (hereinafter, the "Company"), hereby certifies to the Department of Assessments and Taxation of the State of Maryland, that:

FIRST: The Company desires to amend and restate its articles of incorporation as currently in effect.

SECOND: The provisions of the articles of incorporation which are now in effect and as amended hereby, dated July 1, 2000 in accordance with the Maryland General Corporation Law (the "MGCL"), are as follows:

AMENDED AND RESTATED

ARTICLES OF INCORPORATION

OF

WELLS REAL ESTATE INVESTMENT TRUST, INC.

Table of Contents

## ARTICLE I

## THE COMPANY; DEFINITIONS

SECTION 1.1 NAME. The name of the corporation (the "Company") is:

Wells Real Estate Investment Trust, Inc.

So far as may be practicable, the business of the Company shall be conducted and transacted under that name, which name (and the word "Company" wherever used in these Articles of Amendment and Restatement of Wells Real Estate Investment Trust, Inc. (these "Articles of Incorporation"), except where the context otherwise requires) shall refer to the Directors collectively but not individually or personally and shall not refer to the Stockholders or to any officers, employees or agents of the Company or of such Directors.

Under circumstances in which the Directors determine that the use of the name "Wells Real Estate Investment Trust, Inc." is not practicable, they may use any other designation or name for the Company.

SECTION 1.2 RESIDENT AGENT. The name and address of the resident agent for service of process of the Company in the State of Maryland is The Corporation Trust Incorporated, 32 South Street, Baltimore, Maryland 21202. The Company may have such principal office within the State of Maryland as the Directors may from time to time determine. The Company may also have such other offices or places of business within or without the State of Maryland as the Directors may from time to time determine.

SECTION 1.3 NATURE OF COMPANY. The Company is a Maryland corporation within the meaning of the MGCL.

SECTION 1.4 PURPOSE. The purposes for which the Company is formed are to conduct any business for which corporations may be organized under the laws of the State of Maryland including, but not limited to: (i) acquiring and operating 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; and (ii) entering into any partnership, joint venture or other similar arrangement to engage in any of the foregoing.

SECTION 1.5 DEFINITIONS. As used in these Articles of Incorporation, the following terms shall have the following meanings unless the context otherwise requires (certain other terms used in Article VII hereof are defined in Sections 7.2, 7.3, 7.6, and 7.7 hereof):

"ACQUISITION EXPENSES" means any and all expenses incurred by the Company, the Advisor, or any Affiliate of either in connection with the selection or acquisition of any Property, whether or not acquired, including, without limitation, 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.



"ACQUISITION FEE" means any and all fees and commissions, exclusive of Acquisition Expenses, paid by any Person or entity to any other Person or entity (including any fees or commissions paid by or to any Affiliate of the Company or the Advisor) in connection with the purchase, development or construction of a Property, including, without limitation, real estate commissions, acquisition fees, finder's fees, selection fees, development fees, construction fees, nonrecurring management fees, consulting fees, loan fees, points, or any other fees or commissions of a similar nature. Excluded shall be development fees and construction fees paid to any Person or entity not affiliated with the Advisor in connection with the actual development and construction of any Property.

"ADVISOR" or "ADVISORS" means the Person or Persons, if any, appointed, employed or contracted with by the Company pursuant to Section 4.1 hereof and responsible for directing or performing the day-to-day business affairs of the Company, including any Person to whom the Advisor subcontracts substantially all of such functions.

"ADVISORY AGREEMENT" means the agreement between the Company and the Advisor pursuant to which the Advisor will direct or perform the day-to-day business affairs of the Company.

"AFFILIATE" or "AFFILIATED" means, as to any individual, corporation, partnership, trust, limited liability company or other legal entity (other than the Trust), (i) any Person or entity directly or indirectly through one or more intermediaries controlling, controlled by, or under common control with another Person or entity; (ii) any Person or entity, directly or indirectly owning, controlling, or holding with power to vote ten percent (10%) or more of the outstanding voting securities of another Person or entity; (iii) any officer, director, general partner or trustee of such Person or entity; (iv) any Person ten percent (10%) or more of whose outstanding voting securities are directly or indirectly owned, controlled or held, with power to vote, by such other Person; and (v) if such other Person or entity is an officer, director, general partner, or trustee of a Person or entity, the Person or entity for which such Person or entity acts in any such capacity.

"ASSETS" means Properties.

"AVERAGE INVESTED ASSETS" means, for a specified period, the average of the aggregate book value of the assets of the Company invested, directly or

indirectly, in equity interests in and 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.

"BYLAWS" means the bylaws of the Company, as the same are in effect from time to time.

"CODE" means the Internal Revenue Code of 1986, as amended from time to time, or any successor statute thereto. Reference to any provision of the Code shall mean such provision as in effect from time to time, as the same may be amended, and any successor provision thereto, as interpreted by any applicable regulations as in effect from time to time.



"COMPANY PROPERTY" means any and all property, real, personal or otherwise, tangible or intangible, which is transferred or conveyed to the Company (including all rents, income, profits and gains therefrom), which is owned or held by, or for the account of, the Company.

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

"CONTRACT PRICE FOR THE PROPERTY" means the amount actually paid or allocated to the purchase, development, construction or improvement of a property exclusive of Acquisition Fees and Acquisition Expenses.

"DEALER MANAGER" means Wells Investment Securities, Inc., an Affiliate of the Advisor, or such other Person or entity selected by the Board of Directors to act as the dealer manager for the offering. Wells Investment Securities, Inc. is a member of the National Association of Securities Dealers, Inc.

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

"DIRECTORS," "BOARD OF DIRECTORS" or "BOARD" means, collectively, the individuals named in Section 2.4 of these Amended and Restated Articles of Incorporation so long as they continue in office and all other individuals who have been duly elected and qualify as Directors of the Company hereunder.

"DISTRIBUTIONS" means any distributions of money or other property, pursuant to Section 7.2(iv) hereof, by the Company to owners of Shares, including distributions that may constitute a return of capital for federal income tax purposes. The Company will make no distributions other than distributions of money or readily marketable securities unless the requirements of Section 7.2(iv) hereof are satisfied.

"EQUITY SHARES" means transferable shares of beneficial interest of the Company of any class or series, including Common Shares or Preferred Shares.

"GROSS PROCEEDS" means the aggregate purchase price of all Shares sold for the account of the Company, without deduction for Selling Commissions, volume discounts, the marketing support and due diligence expense reimbursement fee or Organizational and Offering Expenses. For the purpose of computing Gross Proceeds, the purchase price of any share for which reduced Selling Commissions are paid to the Dealer Manager or a Soliciting Dealer (where net proceeds to the Company are not reduced) shall be deemed to be the full amount of the offering price per Share.

"INDEPENDENT DIRECTOR" means a Director who is not, and within the last two (2) years has not been, directly or indirectly associated with the Advisor by virtue of (i) ownership of an interest in the Advisor or its Affiliates, (ii) employment by the Advisor or its Affiliates, (iii) service as an officer or director of the Advisor or its Affiliates, (iv) performance of services, other than as a Director, for the Company, (v) service as a director or trustee of more than three (3) real estate investment trusts advised by the Advisor, or (vi) maintenance of a material business or professional relationship with the Advisor or any of its Affiliates. An indirect relationship shall include circumstances in which a Director's spouse, parents, children, siblings, mothers- or fathers-in-law, sons- or daughters-in-law or brothers- or sisters-in-law is or has been associated with the Advisor, any of its Affiliates or the Company. A business or professional relationship is considered material if the gross revenue derived by the Director from the Advisor and Affiliates exceeds five percent (5%) of either the Director's annual gross revenue during either of the last two (2) years or the Director's net worth on a fair market value basis.

"INDEPENDENT EXPERT" means a Person or entity with no material current or prior business or personal relationship with the Advisor or the Directors and 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.

"INITIAL INVESTMENT" means that portion of the initial capitalization of the Company contributed by the Sponsor or its Affiliates pursuant to Section II.A. of the NASAA REIT Guidelines.

"INITIAL PUBLIC OFFERING" means the offering and sale of Equity Shares of the Company pursuant to the Company's first effective registration statement covering such Common Shares filed under the Securities Act of 1933, as amended.

"INVESTED CAPITAL" means the amount calculated by multiplying the total number of Shares purchased by Stockholders by the issue price, reduced by the portion of any Distribution that is attributable to Net Sales Proceeds and by any amounts paid by the Company to repurchase Shares pursuant to the Company's plan for repurchase of Shares.

"JOINT VENTURES" means those joint venture or general partnership arrangements in which the Company is a co-venturer or general partner which are established to acquire Properties.

"LEVERAGE" means the aggregate amount of indebtedness of the Company for money borrowed (including purchase money mortgage loans) outstanding at any time, both secured and unsecured.

"LISTING" means the listing of the Shares of the Company on a national securities exchange or over-the-counter market.

"MGCL" means the Maryland General Corporation Law.

"MORTGAGE" means mortgages, deeds of trust or other security interests on or applicable to Real Property.



"NASAA REIT GUIDELINES" means the Statement of Policy Regarding Real Estate Investment Trusts published by the North American Securities Administrators Association.

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

"NET INCOME" means for any period, the total revenues applicable to such period, less the total expenses applicable to such period excluding additions to reserves for depreciation, bad debts or other similar non-cash reserves; provided, however, Net Income for purposes of calculating total allowable Operating Expenses shall exclude the gain from the sale of the Company's assets.

"NET SALES PROCEEDS" means in the case of a transaction described in clause (i)(A) of the definition of Sale, the proceeds of any such transaction less the amount of all real estate commissions and closing costs paid by the Company. In the case of a transaction described in clause (i)(B) of such definition, Net Sales Proceeds means the proceeds of any such transaction less the amount of any legal and other selling expenses incurred in connection with such transaction. In the case of a transaction described in clause (i)(C) of such definition, Net Sales Proceeds means the proceeds of any such transaction actually distributed to the Company from the Joint Venture. In the case of a transaction or series of transactions described in clause (i)(D) of the definition of Sale, Net Sales Proceeds means the proceeds of any such transaction less the amount of all commissions and closing costs paid by the Company. In the case of a transaction described in clause (ii) of the definition of Sale, Net Sales Proceeds means the proceeds of such transaction or series of transactions less all amounts generated thereby and reinvested in one or more Properties within one hundred eighty (180) days thereafter and less the amount of any real estate commissions, closing costs, and legal and other selling expenses incurred by or allocated to the Company in connection with such transaction or series of transactions. Net Sales Proceeds shall also include, in the case of any lease of a Property consisting of a building only, any amounts from tenants, borrowers or lessees that the Company determines, in its discretion, to be economically equivalent to the proceeds of a Sale. Net Sales Proceeds shall not include, as determined by the Company in its sole discretion, any amounts reinvested in one or more Properties, or other assets, to repay outstanding indebtedness, or to establish reserves.

"OPERATING EXPENSES" means all costs and expenses incurred by the Company, as determined under generally accepted accounting principles, which in any way are related to the operation of the Company or to Company business, including advisory fees, the Subordinated Incentive Fee and the Advisor's subordinated ten percent (10%) share of Net Sales Proceeds, but excluding (i) the expenses of raising capital such as Organizational and Offering Expenses, legal, audit, accounting, underwriting, brokerage, listing, registration, and other fees, printing and other such expenses and tax incurred in connection with the issuance, distribution, transfer, registration and Listing of the Shares, (ii) interest payments, (iii) taxes, (iv) non-cash expenditures such as depreciation, amortization and bad debt reserves, (v) Acquisition Fees and Acquisition Expenses, and (vi) real estate commissions on the Sale of property, and other expenses connected with the acquisition and ownership of real estate interests, mortgage loans, or other property (such as the



costs of foreclosure, insurance premiums, legal services, maintenance, repair, and improvement of property).

"OPERATING PARTNERSHIP" means the partnership through which the Company will own the Properties.

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

"ORGANIZATIONAL and OFFERING EXPENSES" means any and all costs and expenses, other than Selling Commissions and marketing support and due diligence expenses, incurred by the Company, the Advisor or any Affiliate of either in connection with the formation, qualification and registration of the Company, and the marketing and distribution of Shares, including, without limitation, the following: total underwriting and brokerage discounts and commissions (including fees of the underwriters' attorneys), expenses for printing, engraving, amending, supplementing, mailing and distributing costs, salaries of employees while engaged in sales activity, telegraph and telephone costs, all

advertising and marketing expenses (including the costs related to investor and broker-dealer sales meetings), charges of transfer agents, registrars, trustees, escrow holders, depositories, experts, and fees, expenses and taxes related to the filing, registration and qualification of the sale of the securities under Federal and State laws, including accountants' and attorneys' fees.

"PERSON" means an individual, corporation, partnership, estate, trust (including a trust qualified under Section 401(a) or 501(c)(17) of the Code), a portion of a trust permanently set aside for or to be used exclusively for the purposes described in Section 642(c) of the Code, association, private foundation within the meaning of Section 509(a) of the Code, joint stock company or other entity, or any government or any agency or political subdivision thereof, and also includes a group as that term is used for purposes of Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"PROPERTY" or "PROPERTIES" means (i) the real properties, including the buildings located thereon, (ii) the real properties only, or (iii) the buildings only, which are acquired by the Company, either directly or through joint venture arrangements or other partnerships.

"PROSPECTUS" means the same as that term is defined in Section 2(10) of the Securities Act of 1933, including a preliminary prospectus, an offering circular as described in Rule 256 of the General Rules and Regulations under the Securities Act of 1933 or, in the case of an intrastate offering, any document by whatever name known, utilized for the purpose of offering and selling securities to the public.

"REAL PROPERTY" or "REAL ESTATE" means land, rights in land (including leasehold interests), and any buildings, structures, improvements, furnishings, fixtures and equipment located on or used in connection with land and rights or interests in land.

"REIT" means a corporation, trust, association or other legal entity (other than a real estate syndication) which is engaged primarily in investing in equity interests in real estate (including fee ownership and leasehold interests) or in loans secured by real estate or both.



"REIT PROVISIONS OF THE CODE" means Sections 856 through 860 of the Code and any successor or other provisions of the Code relating to real estate investment trusts (including provisions as to the attribution of ownership of beneficial interests therein) and the regulations promulgated thereunder.

"ROLL-UP ENTITY" means a partnership, real estate investment trust, corporation, trust or similar entity that would be created or would survive after the successful completion of a proposed Roll-Up Transaction.

"ROLL-UP TRANSACTION" means a transaction involving the acquisition, merger, conversion, or consolidation, directly or indirectly, of the Company and the issuance of securities of a Roll-Up Entity. Such term does not include: (i) a transaction involving securities of the Company that have been listed on a national securities exchange or included for quotation on the National Market System of the National Association of Securities Dealers Automated Quotation System for at least 12 months; or (ii) a transaction involving the conversion to corporate, trust, or association form of only the Company if, as a consequence of the transaction, there will be no significant adverse change in Stockholder voting rights, the term of existence of the Company, compensation to the Advisor or the investment objectives of the Company.

"SALE" or "SALES" (i) means any transaction or series of transactions whereby: (A) the Company sells, grants, transfers, conveys or relinquishes its ownership of any Property or portion thereof, including the lease of any Property consisting of the building only, and including any event with respect to any Property which gives rise to a significant amount of insurance proceeds or condemnation awards; (B) the Company sells, grants, transfers, conveys or relinquishes its ownership of all or substantially all of the interest of the

Company in any Joint Venture in which it is a co-venturer or partner; (C) any Joint Venture in which the Company as a co-venturer or partner sells, grants, transfers, conveys or relinquishes its ownership of any Property or portion thereof, including any event with respect to any Property which gives rise to insurance claims or condemnation awards; or (D) the Company sells, grants, conveys, or relinquishes its interest in any asset, or portion thereof, including and event with respect to any asset which gives rise to a significant amount of insurance proceeds or similar awards, but (ii) shall not include any transaction or series of transactions specified in clause (i)(A), (i)(B), or (i)(C) above in which the proceeds of such transaction or series of transactions are reinvested in one or more Properties within one hundred eighty (180) days thereafter.

"SECURITIES" means Equity Shares, Shares-in-Trust, any other stock, shares or other evidences of equity or beneficial or other interests, voting trust certificates, bonds, debentures, notes or other evidences of indebtedness, secured or unsecured, convertible, subordinated or otherwise, or in general any instruments commonly known as "securities" or any certificates of interest, shares or participations in, temporary or interim certificates for, receipts for, guarantees of, or warrants, options or rights to subscribe to, purchase or acquire, any of the foregoing.

"SELLING COMMISSIONS" means any and all commissions payable to underwriters, dealer managers, or other broker-dealers in connection with the sale of Shares, including, without limitation, commissions payable to Wells Investment Securities, Inc.



"SHARES" means any shares of the Company's stock, par value $.01 per share, previously issued by the Company pursuant to an effective registration statement and shares currently registered with the Securities and Exchange Commission pursuant to an effective registration statement.

"SOLICITING DEALERS" means those broker-dealers that are members of the National Association of Securities Dealers, Inc., or that are exempt from broker-dealer registration, and that, in either case, enter into participating broker or other agreements with the Dealer Manager to sell Shares.

"SPONSOR" means any Person directly or indirectly instrumental in organizing, wholly or in part, the Company or any Person who will control, manage or participate in the management of the Company, and any Affiliate of such Person. Not included is any Person whose only relationship with the Company is that of an independent property manager of Company assets, and whose only compensation is as such. Sponsor does not include wholly independent third parties such as attorneys, accountants, and underwriters whose only compensation is for professional services. A Person may also be deemed a Sponsor of the Company by:

a. taking the initiative, directly or indirectly, in founding or organizing the business or enterprise of the Company, either alone or in conjunction with one or more other Persons;

b. receiving a material participation in the Company in connection with the founding or organizing of the business of the Company, in consideration of services or property, or both services and property;

c. having a substantial number of relationships and contacts with the Company;

d. possessing significant rights to control Company properties;

e. receiving fees for providing services to the Company which are paid on a basis that is not customary in the industry; or

f. providing goods or services to the Company on a basis which was

not negotiated at arms length with the Company.

"STOCKHOLDERS" means the registered holders of the Company's Equity Shares.

"STOCKHOLDERS 8% RETURN" means an 8% per annum cumulative, noncompounding return on Invested Capital.

"SUBORDINATED INCENTIVE FEE" means the fee payable to the Advisor under certain circumstances if the Shares are listed on a national securities exchange or over-the-counter market.



"SUCCESSOR" means any successor in interest of the Company.

"TERMINATION DATE" means the date of termination of the Advisory Agreement.

"TOTAL PROCEEDS" means Gross Proceeds from the Initial Public Offering.

"UNIMPROVED REAL PROPERTY" means Property in which the Company has an equity interest that is not acquired for the purpose of producing rental or other operating income, that has no development or construction in process and for which no development or construction is planned, in good faith, to commence within one year.

## ARTICLE II

## BOARD OF DIRECTORS

SECTION 2.1 NUMBER. The number of Directors shall be nine (9), which number may be increased or decreased from time to time by resolution of the Directors then in office or by a majority vote of the Stockholders entitled to vote: provided, however, that the total number of Directors shall be not fewer than three (3) and not more than fifteen (15), subject to increase or decrease by the affirmative vote of 80% of the members of the entire Board of Directors. A majority of the Board of Directors will be Independent Directors except for a period of 60 days after the death, removal or resignation of an Independent Director. Any vacancies will be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum. Independent Directors shall nominate replacements for vacancies in the Independent Director positions. No reduction in the number of Directors shall cause the removal of any Director from office prior to the expiration of his term. For the purposes of voting for Directors, each Share of stock may be voted for as many individuals as there are directors to be elected and for whose election the Share is entitled to be voted, or as may otherwise be required by the MGCL or other applicable law as in effect from time to time. 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.

SECTION 2.2 EXPERIENCE. A Director shall have had at least three (3) years of relevant experience demonstrating the knowledge and experience required to successfully acquire and manage the type of assets being acquired by the Company. At least one of the Independent Directors shall have three (3) years of relevant real estate experience.

SECTION 2.3 COMMITTEES. Subject to the MGCL, the Directors may establish such committees as they deem appropriate, in their discretion, provided that the majority of the members of each committee are Independent Directors.

SECTION 2.4 TERM. Each Director shall hold office for one (1) year, until the next annual meeting of Stockholders and until his successor shall have been duly elected and shall have qualified. Directors may be elected to an unlimited number of successive terms.

SECTION 2.5 FIDUCIARY OBLIGATIONS. The Directors serve in a fiduciary capacity to the Company and have a fiduciary duty to the Stockholders of the Company, including a specific fiduciary duty to supervise the relationship of the Company with the Advisor.

SECTION 2.6 APPROVAL BY INDEPENDENT DIRECTORS. A majority of Independent Directors must approve all matters to which 2.1, 4.1, 4.2, 4.5, 4.9, 4.10, 4.12, 4.13, 4.14, 5.2, 5.3(iii), 5.4(ix), 5.4(xii), 5.4(xiv) and 9.2 herein apply.

SECTION 2.7 RESIGNATION, REMOVAL OR DEATH. Any Director may resign by written notice to the Board of Directors, effective upon execution and delivery to the Company of such written notice or upon any future date specified in the notice. A Director may be removed from office with or without cause only at a meeting of the Stockholders called for that purpose, by the affirmative vote of the holders of not less than a majority of the Equity Shares then outstanding and entitled to vote, subject to the rights of any Preferred Shares to vote for such Directors. The notice of such meeting shall indicate that the purpose, or one of the purposes, of such meeting is to determine if a Director should be removed.

SECTION 2.8 BUSINESS COMBINATION STATUTE. Notwithstanding any other provision of these Articles of Incorporation or any contrary provision of law, the Maryland Business Combination Statute, found in Title 3, subtitle 6 of the MGCL, as amended from time to time, or any successor statute thereto, shall not apply to any "business combination" (as defined in Section 3-601(e) of the MGCL, as amended from time to time, or any successor statute thereto) of the Company and any Person.

SECTION 2.9 CONTROL SHARE ACQUISITION STATUTE. Notwithstanding any other provision of these Articles of Incorporation or any contrary provision of law, the Maryland Control Share Acquisition Statute, found in Title 3, subtitle 7 of the MGCL, as amended from time to time, or any successor statute thereto shall not apply to any acquisition of Securities of the Company by any Person.

## ARTICLE III

## POWERS OF DIRECTORS

SECTION 3.1 GENERAL. Subject to the express limitations herein or in the Bylaws and to the general standard of care required of directors under the MGCL and other applicable law, (i) the business and affairs of the Company shall be managed under the direction of the Board of Directors and (ii) the Directors shall have full, exclusive and absolute power, control and authority over the Company Property and over the business of the Company as if they, in their own right, were the sole owners thereof, except as otherwise limited by these Articles of Incorporation. The Directors have established the written policies on investments and borrowing set forth in this Article III and Article V hereof and shall monitor the administrative procedures, investment operations and performance of the Company and the Advisor to assure that such policies are carried out. The Directors may take any actions that, in their sole judgment and discretion, are necessary or desirable to conduct the business of the Company. A majority of the



Board of Directors, including a majority of Independent Directors, hereby ratify these Articles of Incorporation, which shall be construed with a presumption in favor of the grant of power and authority to the Directors. Any construction of these Articles of Incorporation or determination made in good faith by the Directors concerning their powers and authority hereunder shall be conclusive. The enumeration and definition of particular powers of the Directors included in this Article III shall in no way be limited or restricted by reference to or inference from the terms of this or any other provision of these Articles of Incorporation or construed or deemed by inference or otherwise in any manner to exclude or limit the powers conferred upon the Directors under the general laws of the State of Maryland as now or hereafter in force.

SECTION 3.2 SPECIFIC POWERS AND AUTHORITY. Subject only to the express limitations herein, and in addition to all other powers and authority conferred by these Articles of Incorporation or by law, the Directors, without any vote, action or consent by the Stockholders, shall have and may exercise, at any time or times, in the name of the Company or on its behalf the following powers and authorities:

(i) INVESTMENTS. Subject to Article V and Section 9.5 hereof, to invest in, purchase or otherwise acquire and to hold real, personal or mixed, tangible or intangible, property of any kind wherever located, or rights or interests therein or in connection therewith, all without regard to whether such property, interests or rights are authorized by law for the investment of funds held by trustees or other fiduciaries, or whether obligations the Company acquires have a term greater or lesser than the term of office of the Directors or the possible termination of the Company, for such consideration as the Directors may deem proper (including cash, property of any kind or Securities of the Company); provided, however, that the Directors shall take such actions as they deem necessary and desirable to comply with any requirements of the MGCL relating to the types of assets held by the Company.

(ii) REIT QUALIFICATION. The Board of Directors shall use its best efforts to cause the Company and its Stockholders to qualify for U.S. federal income tax treatment in accordance with the provisions of the Code applicable to REITs (as those terms are defined in Section 1.5 hereof). In furtherance of the foregoing, the Board of Directors shall use its best efforts to take such actions as are necessary, and may take such actions as it deems desirable (in its sole discretion) to preserve the status of the Company as a REIT; provided, however, that in the event that the Board of Directors determines, by vote of at least two-thirds (2/3) of the Directors, that it no longer is in the best interests of the Company to qualify as a REIT, the Board of Directors shall take such actions as are required by the Code, the MGCL and other applicable law, to cause the matter of termination of qualification as a REIT to be submitted to a vote of the Stockholders of the Company pursuant to Section 8.2.

(iii) SALE, DISPOSITION AND USE OF COMPANY PROPERTY. Subject to Article V and Sections 9.5 and 10.3 hereof, the Board of Directors shall have the authority to sell, rent, lease, hire, exchange, release, partition, assign, mortgage, grant security interests in, encumber, negotiate, dedicate, grant easements in and options with respect to, convey, transfer (including transfers to entities wholly or partially owned by the Company or the Directors) or otherwise dispose of any or all of the Company Property by deeds (including deeds in lieu of foreclosure with or without consideration), trust deeds, assignments, bills of sale, transfers,



leases, mortgages, financing statements, security agreements and other instruments for any of such purposes executed and delivered for and on behalf of the Company or the Directors by one or more of the Directors or by a duly authorized officer, employee, agent or nominee of the Company, on such terms as they deem appropriate; to give consents and make contracts relating to the Company Property and its use or other property or matters; to develop, improve, manage, use, alter or otherwise deal with the Company Property; and to rent, lease or hire from others property of any kind; provided, however, that the Company may not use or apply land for any purposes not permitted by applicable law.

(iv) FINANCINGS. To borrow or, in any other manner, raise money for the purposes and on the terms they determine, which terms may (i) include evidencing the same by issuance of Securities of the Company and (ii) may have such provisions as the Directors determine; to reacquire such Securities of the Trust; to enter into other contracts or obligations on behalf of the Trust; to guarantee, indemnify or act as surety with respect to payment or performance of obligations of any Person; to mortgage, pledge, assign, grant security interests in or otherwise encumber the Company Property to secure any such Securities of the Company, contracts or obligations (including guarantees, indemnifications

and suretyships); and to renew, modify, release, compromise, extend, consolidate or cancel, in whole or in part, any obligation to or of the Company or participate in any reorganization of obligors to the Company; provided, however, that the Company's Leverage on an aggregate basis may not exceed 50% of the Company's Properties' aggregate value; provided, that Leverage on individual Properties may exceed such limit.

(v) LENDING. Subject to all applicable limitations in these Articles of Incorporation, to lend money or other Company Property on such terms, for such purposes and to such Persons as they may determine.

(vi) ISSUANCE OF SECURITIES. Subject to the provisions of Article VII hereof, to create and authorize and direct the issuance (on either a pro rata or a non-pro rata basis) by the Company, in shares, units or amounts of one or more types, series or classes, of Securities of the Company, which may have such voting rights, dividend or interest rates, preferences, subordinations, conversion or redemption prices or rights; maturity dates, distribution, exchange, or liquidation rights or other rights as the Directors may determine, without vote of or other action by the Stockholders, to such Persons for such consideration, at such time or times and in such manner and on such terms as the Directors determine, to list any of the Securities of the Company on any securities exchange; and to purchase or otherwise acquire, hold, cancel, reissue, sell and transfer any Securities of the Company.

(vii) EXPENSES AND TAXES. To pay any charges, expenses or liabilities necessary or desirable, in the sole discretion of the Directors, for carrying out the purposes of these Articles of Incorporation and conducting the business of the Company, including compensation or fees to Directors, officers, employees and agents of the Company, and to Persons contracting with the Company, and any taxes, levies, charges and assessments of any kind imposed upon or chargeable against the Company, the Company Property or the Directors in connection therewith; and to prepare and file any tax returns, reports or other documents and take any other appropriate action relating to the payment of any such charges, expenses or liabilities.



(viii) COLLECTION AND ENFORCEMENT. To collect, sue for and receive money or other property due to the Company; to consent to extensions of the time for payment, or to the renewal, of any Securities or obligations; to engage or to intervene in, prosecute, defend, compound, enforce, compromise, release, abandon or adjust any actions, suits, proceedings, disputes, claims, demands, security interests or things relating to the Company, the Company Property or the Company's affairs; to exercise any rights and enter into any agreements and take any other action necessary or desirable in connection with the foregoing.

(ix) DEPOSITS. To deposit funds or Securities constituting part of the Company Property in banks, trust companies, savings and loan associations, financial institutions and other depositories, whether or not such deposits will draw interest, subject to withdrawal on such terms and in such manner as the Directors determine.

(x) ALLOCATION; ACCOUNTS. To determine whether moneys, profits or other assets of the Company shall be charged or credited to, or allocated between, income and capital, including whether or not to amortize any premium or discount and to determine in what manner any expenses or disbursements are to be borne as between income and capital (regardless of how such items would normally or otherwise be charged to or allocated between income and capital without such determination); to treat any dividend or other distribution on any investment as, or apportion it between, income and capital; in their discretion to provide reserves for depreciation, amortization, obsolescence or other purposes in respect of any Company Property in such amounts and by such methods as they determine what constitutes net earnings, profits or surplus; to determine the method or form in which the accounts and records of the Company shall be maintained; and to allocate to the Stockholders' equity account less than all of the consideration paid for Securities and to allocate the balance to paid-in capital or capital surplus.

(xi) VALUATION OF PROPERTY. To determine the value of all or any part of the Company Property and of any services, Securities, property or other consideration to be furnished to or acquired by the Company, and to revalue all or any part of the Company Property, all in accordance with such appraisals or other information as are reasonable, in their sole judgment.

(xii) OWNERSHIP AND VOTING POWERS. To exercise all of the rights, powers, options and privileges pertaining to the ownership of any Mortgages, Securities, Real Estate and other Company Property to the same extent that an individual owner might, including without limitation to vote or give any consent, request or notice or waive any notice, either in person or by proxy or power of attorney, which proxies and powers of attorney may be for any general or special meetings or action, and may include the exercise of discretionary powers.

(xiii) OFFICERS, ETC.; DELEGATION OF POWERS. To elect, appoint or employ such officers for the Company and such committees of the Board of Directors with such powers and duties as the Directors may determine, the Company's Bylaws provide or the MGCL requires; to engage, employ or contract with and pay compensation to any Person (including subject to Section 9.5 hereof, any Director and any Person who is an Affiliate of any Director) as agent, representative, Advisor, member of an advisory board, employee or independent contractor (including advisors, consultants, transfer agents, registrars, underwriters, accountants,



attorneys-at-law, real estate agents, property and other managers, appraisers, brokers, architects, engineers, construction managers, general contractors or otherwise) in one or more capacities, to perform such services on such terms as the Directors may determine; to delegate to one or more Directors, officers or other Persons engaged or employed as aforesaid or to committees of Directors or to the Advisor, the performance of acts or other things (including granting of consents), the making of decisions and the execution of such deeds, contracts, leases or other instruments, either in the names of the Company, the Directors or as their attorneys or otherwise, as the Directors may determine; and to establish such committees as they deem appropriate.

(xiv) ASSOCIATIONS. Subject to Section 9.5 hereof, to cause the Company to enter into joint ventures, general or limited partnerships, participation or agency arrangements or any other lawful combinations, relationships or associations of any kind.

(xv) REORGANIZATIONS, ETC. Subject to Sections 10.2 and 10.3 hereof, to cause to be organized or assist in organizing any Person under the laws of any jurisdiction to acquire all or any part of the Company Property, carry on any business in which the Company shall have an interest or otherwise exercise the powers the Directors deem necessary, useful or desirable to carry on the business of the Company or to carry out the provisions of these Articles of Incorporation, to merge or consolidate the Company with any Person; to sell, rent, lease, hire, convey, negotiate, assign, exchange or transfer all or any part of the Company Property to or with any Person in exchange for Securities of such Person or otherwise; and to lend money to, subscribe for and purchase the Securities of, and enter into any contracts with, any Person in which the Company holds, or is about to acquire, Securities or any other interests.

(xvi) INSURANCE. To purchase and pay for out of Company Property insurance policies insuring the Stockholders, Company and the Company Property against any and all risks, and insuring the Directors, Advisors and Affiliates of the Company individually (each an "Insured") against all claims and liabilities of every nature arising by reason of holding or having held any such status, office or position or by reason of any action alleged to have been taken or omitted by the Insured in such capacity, whether or not the Company would have the power to indemnify against such claim or liability, provided that such insurance be limited to the indemnification permitted by Section 9.2 hereof in regard to any liability or loss resulting from negligence, gross negligence,

misconduct, willful misconduct or an alleged violation of federal or state securities laws. Nothing contained herein shall preclude the Company from purchasing and paying for such types of insurance, including extended coverage liability and casualty and workers' compensation, as would be customary for any Person owning comparable assets and engaged in a similar business, or from naming the Insured as an additional insured party thereunder, provided that such addition does not add to the premiums payable by the Company. The Board of Directors' power to purchase and pay for such insurance policies shall be limited to policies that comply with all applicable state laws and the NASAA REIT Guidelines.

(xvii) DISTRIBUTIONS. To declare and pay dividends or other Distributions to Stockholders, subject to the provisions of Section 7.2 hereof.

(xviii) DISCONTINUE OPERATIONS; BANKRUPTCY. To discontinue the operations of the Company (subject to Section 10.2 hereof); to petition or apply for relief under



any provision of federal or state bankruptcy, insolvency or reorganization laws or similar laws for the relief of debtors; to permit any Company Property to be foreclosed upon without raising any legal or equitable defenses that may be available to the Company or the Directors or otherwise defending or responding to such foreclosure; to confess judgment against the Trust (as hereinafter defined); or to take such other action with respect to indebtedness or other obligations of the Directors, the Company Property or the Company as the Directors, in such capacity, and in their discretion may determine.

(xix) TERMINATION of STATUS. To terminate the status of the Company as a real estate investment trust under the REIT Provisions of the Code; provided, however, that the Board of Directors shall take no action to terminate the Company's status as a real estate investment trust under the REIT Provisions of the Code until such time as (i) the Board of Directors adopts a resolution recommending that the Company terminate its status as a real estate investment trust under the REIT Provisions of the Code, (ii) the Board of Directors presents the resolution at an annual or special meeting of the Stockholders and (iii) such resolution is approved by the holders of a majority of the issued and outstanding Common Shares (as defined in Section 7.2(ii) hereof).

(xx) FISCAL YEAR. Subject to the Code, to adopt, and from time to time change, a fiscal year for the Company.

(xxi) SEAL. To adopt and use a seal, but the use of a seal shall not be required for the execution of instruments or obligations of the Company.

(xxii) BYLAWS. To adopt, implement and from time to time alter, amend or repeal the Bylaws of the Company relating to the business and organization of the Company, provided that such amendments are not inconsistent with the provisions of these Articles of Incorporation, and further provided that the Directors may not amend the Bylaws, without the affirmative vote of a majority of the Equity Shares, to the extent that such amendments adversely affect the rights, preferences and privileges of Stockholders.

(xxiii) LISTING SHARES. To cause the Listing of the Shares at any time after completion of the Initial Public Offering but in no event shall such Listing occur more than ten (10) years after completion of the offering.

(xxiv) FURTHER POWERS. To do all other acts and things and execute and deliver all instruments incident to the foregoing powers, and to exercise all powers which they deem necessary, useful or desirable to carry on the business of the Company or to carry out the provisions of these Articles of Incorporation, even if such powers are not specifically provided hereby.

SECTION 3.3 DETERMINATION OF BEST INTEREST OF COMPANY. In determining what is in the best interest of the Company, a Director shall consider the interests of the Stockholders of the Company and, in his or her sole and

absolute discretion, may consider (i) the interests of the Company's employees, suppliers, creditors and customers, (ii) the economy of the nation, (iii) community and societal interests, and (iv) the long-term as well as short-term



interests of the Company and its Stockholders, including the possibility that these interests may be best served by the continued independence of the Company.

## ARTICLE IV

## ADVISOR

SECTION 4.1 APPOINTMENT AND INITIAL INVESTMENT OF ADVISOR. The Directors are responsible for setting the general policies of the Company and for the general supervision of its business conducted by officers, agents, employees, advisors or independent contractors of the Company. However, the Directors are not required personally to conduct the business of the Company, and they may (but need not) appoint, employ or contract with any Person (including a Person Affiliated with any Director) as an Advisor and may grant or delegate such authority to the Advisor as the Directors may, in their sole discretion, deem necessary or desirable. The term of retention of any Advisor shall not exceed one (1) year, although there is no limit to the number of times that a particular Advisor may be retained. The Advisor shall make an initial investment of $200,000 in the Operating Partnership. The Advisor or any Affiliate may not sell this initial investment while the Advisor remains a Sponsor but may transfer the initial investment to other Affiliates.

SECTION 4.2 SUPERVISION OF ADVISOR. The Directors shall evaluate the performance of the Advisor before entering into or renewing an advisory contract and the criteria used in such evaluation shall be reflected in the minutes of meetings of the Board. The Directors may exercise broad discretion in allowing the Advisor to administer and regulate the operations of the Company, to act as agent for the Company, to execute documents on behalf of the Company and to make executive decisions which conform to general policies and principles established by the Directors. The Directors shall monitor the Advisor to assure that the administrative procedures, operations and programs of the Company are in the best interests of the Stockholders and are fulfilled. 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 expenses incurred are reasonable in light of the investment performance of the Company, its Net Assets, its Net Income and the fees and expenses of other comparable unaffiliated REITs. Each such determination shall be reflected in the minutes of the meetings of the Board of Directors. In addition, from time to time, but at least annually, 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 Independent Directors also will be responsible for reviewing the performance of the Advisor and determining that compensation to be paid to the Advisor is reasonable in relation to the nature and quality of services performed and the investment performance of the Company and that the provisions of the Advisory Agreement are being carried out. Specifically, the Independent Directors will consider factors such as the Net Assets and Net Income of the Company, the amount of the fee paid to the Advisor in relation to the size, composition and performance of the Company's portfolio, the success of the Advisor in generating opportunities that meet the investment objectives of the Company, rates charged to other REITs and to investors other than REITs by advisors performing the same or 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, including income, conservation or

appreciation of capital, frequency of problem investments and competence in dealing with distress situations, and the quality of the portfolio of the Company relative to the investments generated by the Advisor for its own account. The Independent Directors may also consider all other factors which they deem relevant and the findings of the Independent Directors on each of the factors considered shall be recorded in the minutes of the Board of Directors. The Board of Directors shall determine whether any successor Advisor possesses sufficient qualifications to perform the advisory function for the Company and whether the compensation provided for in its contract with the Company is justified.

SECTION 4.3 FIDUCIARY OBLIGATIONS. The Advisor has a fiduciary responsibility to the Company and to the Stockholders.

SECTION 4.4 AFFILIATION AND FUNCTIONS. The Directors, by resolution or in the Bylaws, may provide guidelines, provisions, or requirements concerning the affiliation and functions of the Advisor.

SECTION 4.5 TERMINATION. Either a majority of the Independent Directors or the Advisor may terminate the advisory contract on sixty (60) days' written notice without cause or penalty, and, in such event, the Advisor will cooperate with the Company and the Directors in making an orderly transition of the advisory function.

SECTION 4.6 REAL ESTATE COMMISSION ON SALE OF PROPERTY. The Company 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 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 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 Stockholders' 8% Return and (ii) their aggregate Invested Capital. If, at the time of a Sale, 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.

SECTION 4.7 SUBORDINATED SHARE OF NET SALES PROCEEDS. The Company shall pay the Advisor a deferred, subordinated share from Sales of assets of the Company, whether or not in liquidation of the Company, equal to 10% of Net Sales Proceeds



remaining after receipt by the Stockholders of Distributions equal to the sum of (i) the Stockholders' 8% Return and (ii) 100% of Invested Capital. Upon liquidation, the Advisor shall also receive an amount equal to the Advisor's initial investment in the Operating Partnership after receipt by the Stockholders of the distributions described in (i) and (ii) above. In the event the share of Net Sales Proceeds set forth in this Section 4.7 is paid to the Advisor, no other Net Sales Proceeds will be paid to the Advisor. In the case of multiple Advisors, Advisors and any Affiliate shall be allowed such fees provided such fees are distributed by a proportional method reasonably designed to reflect the value added to the Company assets by each respective Advisor or any Affiliate.

SECTION 4.8 SUBORDINATED INCENTIVE FEE UPON LISTING. At such time, if any, as Listing occurs, the Advisor shall be paid the Subordinated Incentive Fee

in an amount equal to ten percent (10%) of the amount by which (i) the market value of the Company (as defined below) plus the total Distributions paid to Stockholders from the Company's inception until the date of Listing exceeds (ii) the sum of (A) one hundred percent (100% ) of Invested Capital and (B) the total Distributions required to be paid to the Stockholders in order to pay the Stockholders' 8% Return from inception through the date the market value is determined. For purposes of calculating the Subordinated Incentive Fee, the market value of the Company shall be the average closing price or average of bid and asked price, as the case may be, over a period of thirty (30) days during which the Shares are traded with such period beginning one hundred eighty (180) days after Listing. In the event the Subordinated Incentive Fee is paid to the Advisor following Listing, no other performance fee will be paid to the Advisor. In the case of multiple Advisors, Advisors and any Affiliate shall be allowed incentive fees provided such fees are distributed by a proportional method reasonably designed to reflect the value added to the Company assets by each respective Advisor or any Affiliate.

SECTION 4.9 NEW ADVISOR FEE STRUCTURES. In the event that the Company becomes a perpetual life entity, which will occur if the Shares become listed on a national securities exchange or over-the-counter market, 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 Property portfolio of the Company in relation 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.



SECTION 4.10 REIMBURSEMENT FOR ORGANIZATIONAL AND OFFERING EXPENSES. The Company shall reimburse the Advisor and its Affiliates an amount of up to 3% of the Gross Proceeds for Organizational and Offering Expenses incurred by the Advisor or its Affiliates.

SECTION 4.11 REIMBURSEMENT FOR MARKETING SUPPORT AND DUE DILIGENCE EXPENSES. The Company shall reimburse the Advisor and its Affiliates an amount of up to .5% of the Gross Proceeds for bona fide due diligence expenses and an amount of up to 2.0% of the Gross Proceeds for bona fide marketing support expenses incurred by the Advisor or its Affiliates.

SECTION 4.12 ACQUISITION FEES. The Company shall pay the Advisor and its Affiliates and amount of up to 3% of the Gross Proceeds for the review and evaluation of potential Real Property acquisitions.

SECTION 4.13 REIMBURSEMENT FOR ACQUISITION EXPENSES. The Company shall reimburse the Advisor and its Affiliates an amount of up to .5% of the Gross Proceeds for Acquisition Expenses incurred by the Advisor or its Affiliates.

SECTION 4.14 REIMBURSEMENT FOR OPERATING EXPENSES. The Company shall reimburse the Advisor, at the end of each fiscal quarter, for Operating Expenses incurred by the Advisor; provided, however that 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.

SECTION 4.15 REIMBURSEMENT LIMITATION. The Company shall 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.

SECTION 4.16 LIMITATION ON ACQUISITION FEES AND ACQUISITION EXPENSES. Notwithstanding anything contained in Sections 4.12 and 4.13 above, the total of all Acquisition Fees and Acquisition Expenses shall not exceed, in the aggregate, an amount equal to 6% of the Contract Price for the Property with respect to Properties purchased by the Company; provided, however, that a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in the transaction may approve fees and expenses in excess of this limit if they determine the transaction to be commercially competitive, fair and reasonable to the Company.

## ARTICLE V

## INVESTMENT OBJECTIVES AND LIMITATIONS

SECTION 5.1 INVESTMENT OBJECTIVES. The Company's primary investment objectives are: (viii) to preserve, protect and return the Invested Capital of the Stockholders; (ix) to maximize cash available for Distribution; (x) to realize capital appreciation upon the ultimate



sale of the Company's Properties; and (xi) to provide Stockholders with liquidity of their investment within ten (10) years after the commencement of the Initial Public Offering through either (a) the Listing of the Shares, or (b) if Listing does not occur within ten years following the commencement of the Initial Public Offering, the dissolution of the Company and orderly liquidation of its assets. The sheltering from tax of income from other sources is not an objective of the Company. Subject to the restrictions set forth herein, the Directors will use their best efforts to conduct the affairs of the Company in such a manner as to continue to qualify the Company for the tax treatment provided in the REIT Provisions of the Code; provided, however, no Director, officer, employee or agent of the Company shall be liable for any act or omission resulting in the loss of tax benefits under the Code, except to the extent provided in Section 9.2 hereof.

SECTION 5.2 REVIEW OF OBJECTIVES. The Independent Directors shall review the investment policies of the Company with sufficient frequency and at least annually to determine that the policies being followed by the Company at any time are in the best interests of its Stockholders. Each such determination and the basis therefor shall be set forth in the minutes of the meetings of the Board of Directors.

SECTION 5.3 CERTAIN PERMITTED INVESTMENTS.

(i) The Company may invest in Properties, as defined in Section 1.5 hereto.

(ii) The Company may invest in Joint Ventures with the Sponsor, Advisor, one or more Directors or any Affiliate, if a majority of Directors (including a majority of Independent Directors) not otherwise interested in the transaction, approve such investment as being fair and reasonable to the Company and on substantially the same terms and conditions as those received by the other joint venturers.

(iii) Subject to any limitations in Section 5.4(ix), the Company may invest in equity securities if a majority of Directors (including a majority of Independent Directors) not otherwise interested in the transaction approve such investment as being fair, competitive and commercially reasonable.

SECTION 5.4 INVESTMENT LIMITATIONS. In addition to other investment restrictions imposed by the Directors from time to time, consistent with the Company's objective of qualifying as a REIT, the following shall apply to the Company's investments:

(i) Not more than 10% of the Company's total assets shall be invested in Unimproved Real Property or mortgage loans on Unimproved Real Property.

(ii) The Company shall not invest in commodities or commodity future contracts. This limitation is not intended to apply to futures contracts, when used solely for hedging purposes in connection with the Company's ordinary business of investing in real estate assets and mortgages.

(iii) The Company will not make or invest in mortgage loans (except in connection with the sale or other disposition of a Property).



(iv) The Company shall not invest in or make mortgage loans unless an appraisal is obtained concerning the underlying property except for those loans insured or guaranteed by a government or government agency. Mortgage indebtedness on any property shall not exceed such property's appraised value. In cases in which a majority of Independent Directors so determine, and in all cases in which the transaction is with the Advisor, Directors, or any Affiliates, such appraisal of the underlying property must be obtained from an Independent Expert. Such appraisal shall be maintained in the Company's records for at least five (5) years and shall be available for inspection and duplication by any Stockholder. In addition to the appraisal, a mortgagee's or owner's title insurance policy or commitment as to the priority of the mortgage or condition of the title must be obtained.

(v) The Company shall not make or invest in mortgage loans, including construction loans, on any one (1) Property if the aggregate amount of all mortgage loans outstanding on the Property, including the loans of the Company, would exceed an amount equal to eighty-five percent (85%) of the appraised value of the Property as determined by appraisal unless substantial justification exists because of the presence of other underwriting criteria. For purposes of this subsection, the "aggregate amount of all Mortgage Loans outstanding on the Property, including the loans of the Company" shall include all interest (excluding contingent participation in income and/or appreciation in value of the mortgaged Property), the current payment of which may be deferred pursuant to the terms of such loans, to the extent that deferred interest on each loan exceeds five percent (5%) per annum of the principal balance of the loan.

(vi) The Company shall not invest in indebtedness ("Junior Debt") secured by a mortgage on real property which is subordinate to the lien or other indebtedness ("Senior Debt"), except where such amount of such Junior Debt, plus the outstanding amount of Senior Debt, does not exceed 90% of the appraised value of such property, if after giving effect thereto, the value of all such mortgage loans of the Company (as shown on the books of the Company in accordance with generally accepted accounting principles, after all reasonable reserves but before provision for depreciation) would not then exceed 25% of the Company's Net Assets. The value of all investments in Junior Debt of the Company which does not meet the aforementioned requirements shall be limited to 10% of the Company's tangible assets (which would be included within the 25% limitation).

(vii) The Company shall not engage in any short sale, or borrow, on an unsecured basis, if such borrowing will result in an Asset Coverage of less than 300%, except that such borrowing limitation shall not apply to a first mortgage trust. "Asset Coverage," for the purpose of this Section 5.4(vi) means the ratio which the value of the total assets of an issuer, less all liabilities and indebtedness except indebtedness for unsecured borrowings, bears to the aggregate amount of all unsecured borrowings of such issuer.

(viii) The Company shall not make or invest in any mortgage loans that are subordinate to any mortgage, other indebtedness or equity interest of the Advisor, the Directors, the Sponsor or an Affiliate of the Company. In addition, the Company shall not invest in any security of any entity holding investments or engaging in activities prohibited by these Articles of Incorporation.



(ix) The Company shall not underwrite the securities of other issuers. In addition, the Company shall not invest in securities of other issuers, except for investments in Joint Ventures as described herein, unless a majority of the Directors (including a majority of Independent Directors) not otherwise interested in such transaction approve the transaction as being fair, competitive and commercially reasonable.

(x) The Company shall not issue (A) equity securities redeemable solely at the option of the holder (except that Stockholders may offer their Common Shares to the Company pursuant to that certain redemption plan adopted or to be adopted by the Board of Directors on terms outlined in the section relating to Common Shares entitled "Share Repurchase Program" in the Company's Prospectus relating to the Initial Public Offering); (B) 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; (C) Equity Shares on a deferred payment basis or under similar arrangements; (D) non-voting or non-assessable securities; (E) options, warrants, or similar evidences of a right to buy its securities (collectively, "Options") unless (1) issued to all of its Stockholders ratably, (2) as part of a financing arrangement, or (3) as part of a Stock Option Plan available to Directors, officers or employees of the Company or the Advisor. Options may not be issued to the Advisor, Director, Sponsor or any Affiliate thereof except on the same terms as such Options are sold to the general public. Options may be issued to persons other than the Advisor, Directors, Sponsor or any Affiliate thereof but not at exercise prices less than the fair market value of the underlying securities on the date of grant and not for consideration that in the judgment of the Independent Directors has a market value less than the value of such Option on the date of grant. Options issuable to the Advisor, Directors, Sponsor or any Affiliate thereof shall not exceed 10% of the outstanding Shares on the date of grant. The voting rights per share of Equity Shares of the Company (other than the publicly held Equity Shares of the Company) sold in a private offering shall not exceed the voting rights which bear the same relationship to the voting rights of the publicly held Equity Shares as the consideration paid to the Company for each privately offered Equity Share of the Company bears to the book value of each outstanding publicly held Equity Share.

(xi) The Company shall not enter into agreements with the Advisor or its Affiliates for the provision of insurance covering the Company or any Property.

(xii) A majority of the Directors shall authorize the consideration to be paid for each Property, based on the fair market value of the Property. If a majority of the Independent Directors determine, or if the Property is acquired from the Advisor, a Director, the Sponsor or their Affiliates, such fair market value shall be determined by a qualified independent real estate appraiser selected by the Independent Directors.

(xiii) The Company shall not issue senior securities except notes to banks and other lenders and Preferred Shares.

(xiv) The aggregate Leverage of the Company shall be reasonable in relation to the Net Assets of the Company and shall be reviewed by the Directors at least quarterly. The maximum amount of such Leverage shall not exceed 50% of the Properties' aggregate value, provided, that Leverage on individual Properties may exceed such limit.

(xv) The Sponsor, Advisor, Directors and any Affiliates thereto shall 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 such parties for other purposes must be approved by a majority of Directors (including a majority of Independent Directors) not otherwise interested in the transaction as fair, competitive and commercially reasonable and no less favorable to the Company than comparable loans between unaffiliated parties.

(xvi) The Company shall not make loans to the Sponsor, Advisor, Directors, officers or any principal of the Company or any of its Affiliate.

(xvii) The Company shall not operate so as to be classified as an "investment company" under the Investment Company Act of 1940, as amended.

(xviii) The Company will not make any investment that the Company believes will be inconsistent with its objectives of qualifying and remaining qualified as a REIT.

(xix) The Company shall not invest in real estate contracts of sale unless such contracts of sale are in recordable form and appropriately recorded in the chain of title.

The foregoing investment limitations may not be modified or eliminated without the approval of Stockholders owning a majority of the outstanding Equity Shares and a majority of the Independent Directors not otherwise interested in the transaction.

## ARTICLE VI

## CONFLICTS OF INTEREST

SECTION 6.1 SALES AND LEASES TO COMPANY. The Company may purchase or lease a Property or Properties from the Sponsor, Advisor, Director, or any Affiliate 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 such Sponsor, Advisor, Director or Affiliate, 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.

SECTION 6.2 SALES AND LEASES TO THE SPONSOR, ADVISOR, DIRECTORS OR AFFILIATES. An Advisor, Director or Affiliate may purchase or lease a Property or Properties from the Company if a majority of Directors (including a majority of Independent Directors) not otherwise interested in the transaction determine that the transaction is fair and reasonable to the Company.



SECTION 6.3 OTHER TRANSACTIONS.

(i) 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 these Articles of Incorporation or if a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in such transactions 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.

(ii) The Company shall not make loans to the Sponsor, Advisor, Directors or any Affiliates thereof. The Sponsor, Advisor, Directors and any

Affiliates thereof shall 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 such parties 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.

SECTION 6.4 CONFLICT RESOLUTION PROCEDURES. In the event that 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 an entity if the 2%/25% Guidelines could not be satisfied if the entity were to make the investment. In determining whether or not an investment opportunity is suitable for more than one entity, the Board of Directors and the Advisor will examine such factors, among others, as the cash requirements of each entity, the effect of the acquisition both on diversification of each entity'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 entities to prepare or produce audited financial statements for a property or a tenant), the anticipated cash flow of each entity, 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 the 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 Advisors or its Affiliates may make the investment.

## ARTICLE VII

## SHARES

SECTION 7.1 AUTHORIZED SHARES. The total number of shares of capital stock which the Company is authorized to issue is five hundred million (500,000,000), consisting of three hundred fifty million (350,000,000) Common Shares (as defined in Section 7.2 hereof),



fifty million (50,000,000) Preferred Shares (as defined in Section 7.3 hereof) and one hundred million (100,000,000) Shares-in-Trust (as defined in Section 7.8 hereof). All shares of capital stock shall be fully paid and nonassessable when issued. Shares may be issued for such consideration as the Directors determine, or if issued as a result of a share dividend or share split, without any consideration. If shares of one class of stock are classified or reclassified into shares of another class of stock pursuant to Sections 7.2(ii) or 7.3 of this Article VII, the number of authorized shares of the former class shall be automatically decreased and the number of shares of the latter class shall be automatically increased, in each case by the number of shares so classified or reclassified, so that the aggregate number of shares of stock of all classes that the Company has authority to issue shall not be more than the total number of shares of stock set forth in the second sentence of this Section 7.1.

SECTION 7.2 COMMON SHARES.

(i) COMMON SHARES SUBJECT TO TERMS OF PREFERRED SHARES. The Common Shares shall be subject to the express terms of any series of Preferred Shares.

(ii) DESCRIPTION. Common Shares (herein so called) shall have a par value of $.01 per share and shall entitle the holders to one (1) vote per share on all matters upon which Stockholders are entitled to vote pursuant to Section 8.2 hereof, and shares of a particular class of issued Common Shares shall have

equal dividend, distribution, liquidation and other rights, and shall have no preference, cumulative, preemptive, conversion or exchange rights. The Directors may classify or reclassify any unissued Common Shares by setting or changing the number, designation, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption of any such Common Shares and, in such event, the Company shall file for record with the State Department of Assessments and Taxation of the State of Maryland articles supplementary in substance and form as prescribed by Title 2 of the MGCL.

(iii) DISTRIBUTION RIGHTS. The holders of Common Shares shall be entitled to receive such Distributions as may be authorized by the Board of Directors of the Company out of funds legally available therefor.

(iv) DIVIDEND OR DISTRIBUTION RIGHTS. The Directors from time to time may authorize and the Company may pay to Stockholders such dividends or Distributions in cash or other property as the Directors in their discretion shall determine. The Directors shall endeavor to authorize and the Company may pay such dividends and Distributions as shall be necessary for the Company to qualify as a real estate investment trust under the REIT Provisions of the Code; provided, however, Stockholders shall have no right to any dividend or Distribution unless and until declared by the Directors. The exercise of the powers and rights of the Directors pursuant to this section shall be subject to the provisions of any class or series of Equity Shares at the time outstanding. The receipt by any Person in whose name any Equity Shares are registered on the records of the Company or by his duly authorized agent shall be a sufficient discharge for all dividends or Distributions payable or deliverable in respect of such Equity Shares and from all liability to see to the application thereof. Distributions in kind shall not be permitted, except for



distributions of readily marketable securities and distributions of beneficial interests in a liquidating trust established for the dissolution of the Company and the liquidation of its assets in accordance with the terms of these Articles of Incorporation.

(v) RIGHTS UPON LIQUIDATION. In the event of any voluntary or involuntary liquidation, dissolution or winding up, or any distribution of the assets of the Company, the aggregate assets available for distribution to holders of the Common Shares (including holders of Shares-in-Trust resulting from the exchange of Common Shares pursuant to Section 7.7(iii) hereof) shall be determined in accordance with applicable law. Except as provided below as a consequence of the limitations on distributions to holders of Shares-in-Trust, each holder of Common Shares shall be entitled to receive, ratably with (i) each other holder of Common Shares and (ii) each holder of Shares-in-Trust resulting from the exchange of Common Shares, that portion of such aggregate assets available for distribution as the number of the outstanding Common Shares held by such holder bears to the total number of outstanding Common Shares and Shares-in-Trust resulting from the exchange of Common Shares then outstanding. Anything herein to the contrary notwithstanding, in no event shall the amount payable to a holder of Shares-in-Trust exceed (i) the price per share such holder paid for the Common Shares in the purported Transfer or Acquisition (as those terms are defined in Section 7.7(i)) or change in capital structure or other transaction or event that resulted in the Shares-in-Trust or (ii) if the holder did not give full value for such Shares-in-Trust (as through a gift, a devise or other event or transaction), a price per share equal to the Market Price (as that term is defined in Section 7.7(i)) for the Common Shares on the date of the purported Transfer, Acquisition, change in capital structure or other transaction or event that resulted in such Shares-in-Trust. Any amount available for distribution in excess of the foregoing limitations shall be paid ratably to the holders of Common Shares and other holders of Shares-in-Trust resulting from the exchange of Common Shares to the extent permitted by the foregoing limitations.

(vi) VOTING RIGHTS. Except as may be provided otherwise in these Articles of Incorporation, and subject to the express terms of any series of

Preferred Shares, the holders of the Common Shares shall have the exclusive right to vote on all matters (as to which a common Stockholder shall be entitled to vote pursuant to applicable law) at all meetings of the Stockholders of the Company, and shall be entitled to one (1) vote for each Common Share entitled to vote at such meeting.

SECTION 7.3 PREFERRED SHARES. The Directors are hereby expressly granted the authority to authorize from time to time the issuance of one or more series of Preferred Shares. Prior to the issuance of each such class or series, the Board of Directors, by resolution, shall fix the number of shares to be included in each series, and the designation, preferences, terms, rights, restrictions, limitations and qualifications and terms and conditions of redemption of the shares of each class or series. The authority of the Board of Directors with respect to each series shall include, but not be limited to, determination of the following:

(i) The designation of the series, which may be by distinguishing number, letter or title.



(ii) The dividend rate on the shares of the series, if any, whether any dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of the series.

(iii) The redemption rights, including conditions and the price or prices, if any, for shares of the series.

(iv) The terms and amounts of any sinking fund for the purchase or redemption of shares of the series.

(v) The rights of the shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, and the relative rights of priority, if any, of payment of shares of the series.

(vi) Whether the shares of the series shall be convertible into shares of any other class or series, or any other security, of the Company or any other corporation or other entity, and, if so, the specification of such other class or series of such other security, the conversion price or prices or rate or rates, any adjustments thereof, the date or dates on which such shares shall be convertible and all other terms and conditions upon which such conversion may be made.

(vii) Restrictions on the issuance of shares of the same series or of any other class or series.

(viii) The voting rights of the holders of shares of the series subject to the limitations contained in this Section 7.3; provided, however, that the voting rights of the holders of shares of any series of Preferred Shares shall not exceed the voting rights of the holders of Common Shares.

(ix) Any other relative rights, preferences and limitations on that series. Subject to the express provisions of any other series of Preferred Shares then outstanding. Notwithstanding any other provision of these Articles of Incorporation, the Board of Directors may increase or decrease (but not below the number of shares of such series then outstanding) the number of shares, or alter the designation or classify or reclassify any unissued shares of a particular series of Preferred Shares, by fixing or altering, in one or more respects, from time to time before issuing the shares, the terms, rights, restrictions and qualifications of the shares of any such series of Preferred Shares.

SECTION 7.4 GENERAL NATURE OF SHARES. All Shares shall be personal property entitling the Stockholders only to those rights provided in these Articles of Incorporation, the MGCL or in the resolution creating any class or

series of Shares. The legal ownership of the Company Property and the right to conduct the business of the Company are vested exclusively in the Directors; the Stockholders shall have no interest therein other than the beneficial interest in the Company conferred by their Shares and shall have no right to compel any partition, division, dividend or Distribution of the Company or any of the Company Property. The death of a Stockholder shall not terminate the Company or give his legal representative any



rights against other Stockholders, the Directors or the Company Property, except the right, exercised in accordance with applicable provisions of the Bylaws, to require the Company to reflect on its books the change in ownership of the Shares. Holders of Shares shall not have any preemptive or other right to purchase or subscribe for any class of securities of the Company which the Company may at any time issue or sell.

SECTION 7.5 NO ISSUANCE OF SHARE CERTIFICATES. Until Listing, the Company shall not issue share certificates except to Stockholders who make a written request to the Company. A Stockholder's investment shall be recorded on the books of the Company. To transfer his or her Shares a Stockholder shall submit an executed form to the Company, which form shall be provided by the Company upon request. Such transfer will also be recorded on the books of the Company. Upon issuance or transfer of Shares, the Company will provide the Stockholder with information concerning his or her rights with regard to such stock, in a form substantially similar to Section 7.7(xii), and as required by the Bylaws and the MGCL or other applicable law.

SECTION 7.6 SUITABILITY OF STOCKHOLDERS

(i) INVESTOR SUITABILITY STANDARDS. Subject to suitability standards established by individual states, to become a Stockholder in the Company, if such prospective Stockholder is an individual (including an individual beneficiary of a purchasing Individual Retirement Account), or if the prospective Stockholder 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 to the Company, among other requirements as the Company may require from time to time:

(a) 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

(b) 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.

(ii) DETERMINATION OF SUITABILITY OF SALE. The Sponsor and each Person selling Shares on behalf of the Sponsor or the Company shall make every reasonable effort to determine that the purchase of Shares is a suitable and appropriate investment for each Stockholder. In making this determination, the Sponsor or each Person selling Shares on behalf of the Sponsor or the Company shall ascertain that the prospective Stockholder: (l) meets the minimum income and net worth standards established for the Company; (m) can reasonably benefit from the Company based on the prospective Stockholder's overall investment objectives and portfolio structure; (n) is able to bear the economic risk of the investment based on the prospective Stockholder's overall financial situation; and (o) has apparent understanding of: (1) the fundamental risks of the investment; (2) the risk that the Stockholder may lose the entire

investment; (3) the lack of liquidity of Company Shares; (4) the restrictions on transferability of Company Shares; (16) the background and qualifications of the Sponsor or the Advisor; and (17) the tax consequences of the investment.

The Sponsor or each Person selling shares on behalf of the Sponsor or the Company shall make this determination on the basis of information it has obtained from a prospective Stockholder. Relevant information for this purpose will include at least the age, investment objectives, investment experiences, income, net worth, financial situation, and other investments of the prospective Stockholder, as well as any other pertinent factors.

The Sponsor or each Person selling Shares on behalf of the Sponsor or the Company shall maintain records of the information used to determine that an investment in Shares is suitable and appropriate for a Stockholder. The Sponsor or each Person selling Shares on behalf of the Sponsor or the Company shall maintain these records for at least six years.

(iii) MINIMUM INVESTMENT. Subject to certain individual state requirements, no sale or transfer of Shares will be permitted of less than 100 Shares ($1,000), and a Stockholder shall not transfer, fractionalize or subdivide such Shares so as to retain less than such minimum number thereof.

SECTION 7.7 RESTRICTIONS ON OWNERSHIP AND TRANSFER.

(i) DEFINITIONS. For purposes of Sections 7.7 and 7.8, the following terms shall have the following meanings:

"ACQUIRE" means the acquisition of Beneficial or Constructive Ownership of Equity Shares by any means, including, without limitation, the exercise of any rights under any option, warrant, convertible security, pledge or other security interest or similar right to acquire Shares, but shall not include the acquisition of any such rights unless, as a result, the acquirer would be considered a Beneficial Owner or Constructive Owner. The terms "Acquires" and "Acquisition" shall have correlative meanings.

"BENEFICIAL OWNERSHIP" means ownership of Shares by an individual who would be treated as an owner of such Shares under Section 542(a)(2) of the Code, either directly or constructively through the application of Section 544 of the Code, as modified by Section 856(h)(1)(B) of the Code. For purposes of this definition, the term "individual" shall include any organization, trust, or other entity that is treated as an individual for purposes of Section 542(a)(2) of the Code. The terms "Beneficial Owner," "Beneficially Owns" and "Beneficially Owned" shall have correlative meanings.

"BENEFICIARY" means a beneficiary of the Trust as determined pursuant to Section 7.8(v)(a) hereof.

"COMMON SHARE OWNERSHIP LIMIT" means, with respect to the Common Shares, nine point eight percent (9.8%) of the outstanding Common Shares, subject to adjustment pursuant to Section 7.7(x) (but not more than nine point nine percent (9.9%) of the outstanding Common Shares, as so adjusted) and to any other limitations contained in this Section 7.7.



"CONSTRUCTIVE OWNERSHIP" means ownership of Equity Shares by a person who would be treated as an owner of such shares, either actually or constructively, directly or indirectly, through the application of Section 318 of the Code, as modified by Section 856(d)(5) thereof. The terms "Constructive Owner," "Constructively Owns" and "Constructively Owned" shall have correlative meanings.

"MARKET PRICE" means, on any date, 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 Equity 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 Equity Shares are listed or admitted to trading or, if the Equity 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 Equity 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 Equity Shares selected by the Board of Directors, or, if no such market maker exists, as determined in good faith by the Board of Directors.

"OWNERSHIP LIMIT" means the Common Share Ownership Limit or the Preferred Share Ownership Limit, or both, as the context may require.

"PREFERRED SHARE OWNERSHIP LIMIT" means, with respect to the Preferred Shares, nine point eight percent (9.8%) of the outstanding Shares of a particular series of Preferred Shares of the Company, subject to adjustment pursuant to Section 7.7(x) (but not more than nine point nine percent (9.9%) of the outstanding Preferred Shares, as so adjusted) and to any other limitations contained in this Section 7.7.

"PURPORTED BENEFICIAL HOLDER" means, with respect to any purported Transfer or Acquisition which results in Shares-in-Trust, the Person for whom the applicable Purported Record Holder held the Equity Shares that were, pursuant to paragraph (iii) of this Section 7.7, automatically exchanged for Shares-in-Trust upon the occurrence of such event or transaction. The Purported Beneficial Holder and the Purported Record Holder may be the same Person.

"PURPORTED BENEFICIAL TRANSFEREE" means, with respect to any purported Transfer or Acquisition which results in Shares-in-Trust, the purported beneficial transferee for whom the Purported Record Transferee would have acquired Equity Shares if such Transfer or Acquisition which results in Shares-in-Trust had been valid under Section 7.7(ii). The Purported Beneficial Transferee and the Purported Record Transferee may be the same Person.



"PURPORTED RECORD HOLDER" means, with respect to any purported Transfer or Acquisition which results in Shares-in-Trust, the record holder of the Equity Shares that were, pursuant to Section 7.7(iii), automatically exchanged for Shares-in-Trust upon the occurrence of such an event or transaction. The Purported Record Holder and the Purported Beneficial Holder may be the same Person.

"PURPORTED RECORD TRANSFEREE" means, with respect to any purported Transfer or Acquisition which results in Shares-in-Trust, the record holder of the Equity Shares if such Transfer or Acquisition which results in Shares-in-Trust had been valid under Section 7.7(ii). The Purported Record Transferee and the Purported Beneficial Transferee may be the same Person.

"RESTRICTION TERMINATION DATE" means the first day after the date of the closing of the Initial Public Offering on which the Board of Directors of the Company determines, pursuant to Section 3.2(xix) hereof, that it is no longer in the best interests of the Company to attempt or continue to qualify as a REIT.

"SHARES-IN-TRUST" means those share for which Equity Shares are automatically exchanged as a result of a purported Transfer, Acquisition, change in the capital structure of the Company, other purported change in the Beneficial or Constructive Ownership of Equity Shares or other event or transaction as described in Section 7.7(iii).

"TRADING DAY" means a day on which the principal national securities

exchange on which the affected class or series of Equity Shares are listed or admitted to trading is open for the transaction of business or, if the affected class or series of Equity Shares are not listed or admitted to trading, shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the State of New York are authorized or obligated by law or executive order to close.

"TRANSFER" means any sale, transfer, gift, hypothecation, assignment, devise or other disposition of a direct or indirect interest in Equity Shares or the right to vote or receive dividends on Equity Shares, including (i) the granting of any option (including any option to acquire an option or any series of such options) or entering into any agreement for the sale, transfer or other disposition of Equity Shares or the right to vote or receive dividends on Equity Shares or (ii) the sale, transfer, assignment or other disposition of any securities or rights convertible into or exchangeable for Equity Shares, whether voluntary or involuntary, of record, constructively or beneficially, and whether by operation of law or otherwise. The terms "Transfers," "Transferred" and "Transferable" shall have correlative meanings.

"TRUST" means the trust created pursuant to Section 7.8(i) hereof.

"TRUSTEE" means the trustee of the Trust, as appointed by the Company, which Trustee shall not be an Affiliate of the Company.



(ii) OWNERSHIP AND TRANSFER LIMITATIONS.

(a) Notwithstanding any other provision of these Articles of Incorporation, except as provided in Section 7.7(ix) and Section 7.9, from the date of the Initial Public Offering and prior to the Restriction Termination Date, no Person shall Beneficially or Constructively Own Equity Shares in excess of the Common or Preferred Share Ownership Limits.

(b) Notwithstanding any other provision of these Articles of Incorporation, except as provided in Section 7.7(ix) and Section 7.9, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer, Acquisition, change in the capital structure of the Company, other purported change in Beneficial or Constructive Ownership of Equity Shares or other event or transaction that, if effective, would result in any Person Beneficially or Constructively Owning Equity Shares in excess of the Common or Preferred Share Ownership Limits shall be void AB INITIO as to the Transfer, Acquisition, change in the capital structure of the Company, other purported change in Beneficial or Constructive Ownership or other event or transaction with respect to that number of Equity Shares which would otherwise be Beneficially or Constructively Owned by such Person in excess of the Common or Preferred Share Ownership Limits, and none of the Purported Beneficial Transferee, the Purported Record Transferee, the Purported Beneficial Holder or the Purported Record Holder shall acquire any rights in that number of Equity Shares.

(c) Notwithstanding any other provision of these Articles of Incorporation, and except as provided in Section 7.9, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer, Acquisition, change in the capital structure of the Company, or other purported change in Beneficial or Constructive Ownership (including actual ownership) of Equity Shares or other event or transaction that, if effective, would result in the Equity Shares being actually owned by fewer than 100 Persons (determined without reference to any rules of attribution) shall be void AB INITIO as to the Transfer, Acquisition, change in the capital structure of the Company, other purported change in Beneficial or Constructive Ownership (including actual ownership) with respect to that number of Equity Shares which otherwise would be owned by the transferee, and the intended transferee or subsequent owner (including a Beneficial Owner or Constructive Owner) shall acquire no rights in that number of Equity Shares.

(d) Notwithstanding any other provision of these Articles of

Incorporation, except as provided in Section 7.9, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer, Acquisition, change in the capital structure of the Company, other purported change in Beneficial or Constructive Ownership of Equity Shares or other event or transaction that, if effective, would cause the Company to fail to qualify as a REIT by reason of being "closely held" within the meaning of Section 856(h) of the Code or otherwise, directly or indirectly, would cause the Company to fail to qualify as a REIT shall be void AB INITIO as to the Transfer, Acquisition, change in the capital structure of the Company, other purported change in Beneficial or Constructive Ownership or other event or transaction with respect to that number of Equity Shares which would cause the Company to be "closely held" within the meaning of Section 856(h) of the Code or otherwise, directly or



indirectly, would cause the Company to fail to qualify as a REIT, and none of the Purported Beneficial Transferee, the Purported Record Transferee, the Purported Beneficial Holder or the Purported Record Holder shall acquire any rights in that number of Equity Shares.

(e) Notwithstanding any other provision of these Articles of Incorporation, except as provided in Section 7.9, from the date of the Initial Public Offering and prior to the Restriction Termination Date, any Transfer, Acquisition, change in capital structure of the Company, or other purported change in Beneficial or Constructive Ownership of Equity Shares or other event or transaction that, if effective, would (i) cause the Company to own (directly or Constructively) an interest in a tenant or the Operating Partnership's real property that is described in Section 856(d)(2)(B) of the Code and (ii) cause the Company to fail to satisfy any of the gross income requirements of section 856(c) of the Code, shall be void AB INITIO as to the Transfer, Acquisition, change in capital structure of the Company, other purported change in Beneficial or Constructive Ownership or other event or transaction with respect to that number of Equity Shares which would cause the Company to own an interest (directly or Constructively) in a tenant or the Operating Partnership's real property that is described in Section 856(d)(2)(B) of the Code, and none of the Purported Beneficial Transferee, the Purported Record Transferee, the Purported Beneficial Holder or the Purported Record Holder shall acquire any rights in that number of Equity Shares.

(iii) EXCHANGE FOR SHARES-IN-TRUST.

(a) If, notwithstanding the other provisions contained in this Article VII, at any time from the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer, Acquisition, change in the capital structure of the Company, other purported change in the Beneficial or Constructive Ownership of Equity Shares or other event or transaction such that any Person would either Beneficially or Constructively Own Equity Shares in excess of the Common or Preferred Share Ownership Limit, then, except as otherwise provided in Section 7.7(ix), such Equity Shares (rounded up to the next whole number of shares) in excess of the Common or Preferred Share Ownership Limit automatically shall be exchanged for an equal number of Shares-in-Trust having terms, rights, restrictions and qualifications identical thereto, except to the extent that this Article VII requires different terms. Such exchange shall be effective as of the close of business on the business day next preceding the date of the purported Transfer, Acquisition, change in capital structure, other change in purported Beneficial or Constructive Ownership of Shares, or other event or transaction.

(b) If, notwithstanding the other provisions contained in this Article VII, at any time after the date of the Initial Public Offering and prior to the Restriction Termination Date, there is a purported Transfer, Acquisition, change in the capital structure of the Company, other purported change in the Beneficial or Constructive Ownership of Equity Shares or other event or transaction which, if effective, would result in a violation of any of the restrictions described in subparagraphs (b), (c), (d) and (e) of paragraph (ii) of this Section 7.7, or otherwise, directly or indirectly, would cause the Company to fail to qualify as a REIT, then the Shares (rounded up to the next

whole number of Shares) being Transferred or which are otherwise affected by the change in capital structure or other purported change in Beneficial or



Constructive Ownership and which, in any case, would result in a violation of any of the restrictions described in subparagraphs (b), (c), (d) and (e) of paragraph (ii) of this Section 7.7 or otherwise would cause the Company to fail to qualify as a REIT automatically shall be exchanged for an equal number of Shares-in-Trust having terms, rights, restrictions and qualifications identical thereto, except to the extent that this Article VII requires different terms. Such exchange shall be effective as of the close of business on the business day prior to the date of the purported Transfer, Acquisition, change in capital structure, other purported change in Beneficial or Constructive Ownership or other event or transaction.

(iv) REMEDIES FOR BREACH. If the Board of Directors or its designee shall at any time determine in good faith that a Transfer, Acquisition, change in the capital structure of the Company or other purported change in Beneficial or Constructive Ownership or other event or transaction has taken place in violation of Section 7.7(ii) or that a Person intends to Acquire or has attempted to Acquire Beneficial or Constructive Ownership of any Equity Shares in violation of this Section 7.7, the Board of Directors or its designee shall take such action as it deems advisable to refuse to give effect to or to prevent such Transfer, Acquisition, change in the capital structure of the Company, other attempt to Acquire Beneficial or Constructive Ownership of any Shares or other event or transaction, including, but not limited to, refusing to give effect thereto on the books of the Company or instituting injunctive proceedings with respect thereto; provided, however, that any Transfer, Acquisition, change in the capital structure of the Company, attempted Transfer or other attempt to Acquire Beneficial or Constructive Ownership of any Equity Shares or other event or transaction in violation of subparagraphs (b), (c), (d) and (e) of Section 7.7(ii) (as applicable) shall be void AB INITIO and where applicable automatically shall result in the exchange described in Section 7.7(iii), irrespective of any action (or inaction) by the Board of Directors or its designee.

(v) NOTICE OF RESTRICTED TRANSFER. Any Person who acquires or attempts to Acquire Beneficial or Constructive Ownership of Equity Shares in violation of Section 7.7(ii) and any Person who Beneficially or Constructively Owns Shares-in-Trust as a transferee of Equity Shares resulting in an exchange for Shares-in-Trust, pursuant to Section 7.7(iii), or otherwise shall immediately give written notice to the Company, or, in the event of a proposed or attempted Transfer, Acquisition, or purported change in Beneficial or Constructive Ownership, shall give at least fifteen (15) days prior written notice to the Company, of such event and shall promptly provide to the Company such other information as the Company, in its sole discretion, may request in order to determine the effect, if any, of such Transfer, attempted Transfer, Acquisition, Attempted Acquisition or purported change in Beneficial or Constructive Ownership on the Company's status as a REIT.

(vi) OWNERS REQUIRED TO PROVIDE INFORMATION. From the date of the Initial Public Offering and prior to the Restriction Termination Date:

(a) Every Beneficial or Constructive Owner of more than five percent (5%), or such lower percentages as determined pursuant to regulations under the Code or as may be requested by the Board of Directors, in its sole discretion, of the outstanding shares of any class or series of Equity Shares of the Company shall annually, no later than January 31 of each calendar year, give written notice to the Company stating (i) the name and address of such



Beneficial or Constructive Owner; (ii) the number of shares of each class or series of Equity Shares Beneficially or Constructively Owned; and (iii) a description of how such shares are held. Each such Beneficial or Constructive

Owner promptly shall provide to the Company such additional information as the Company, in its sole discretion, may request in order to determine the effect, if any, of such Beneficial or Constructive Ownership on the Company's status as a REIT and to ensure compliance with the Common or Preferred Share Ownership Limit and other restrictions set forth herein.

(b) Each Person who is a Beneficial or Constructive Owner of Equity Shares and each Person (including the Stockholder of record) who is holding Equity Shares for a Beneficial or Constructive Owner promptly shall provide to the Company such information as the Company, in its sole discretion, may request in order to determine the Company's status as a REIT, to comply with the requirements of any taxing authority or other governmental agency, to determine any such compliance or to ensure compliance with the Common or Preferred Share Ownership Limits and other restrictions set forth herein.

(vii) REMEDIES NOT LIMITED. Nothing contained in this Article VII except Section 7.9 shall limit the scope or application of the provisions of this Section 7.7, the ability of the Company to implement or enforce compliance with the terms thereof or the authority of the Board of Directors to take any such other action or actions as it may deem necessary or advisable to protect the Company and the interests of its Stockholders by preservation of the Company's status as a REIT and to ensure compliance with the Ownership Limit for any class or series of Equity Shares and other restrictions set forth herein, including, without limitation, refusal to give effect to a transaction on the books of the Company.

(viii) AMBIGUITY. In the case of an ambiguity in the application of any of the provisions of this Section 7.7, including any definition contained in Sections 1.5 and 7.7(i), the Board of Directors shall have the power and authority, in its sole discretion, to determine the application of the provisions of this Section 7.7 with respect to any situation based on the facts known to it.

(ix) WAIVERS BY BOARD. Upon notice of an Acquisition or Transfer or a proposed Acquisition or Transfer which results or would result in the intended transferee having Beneficial Ownership of shares in excess of the Ownership Limit, the Board of Directors may, upon receipt of evidence deemed to be satisfactory by the Board of Directors, in its sole discretion, that such Acquisition or Transfer does not or will not violate the "closely held" provisions of Section 856(h) of the Code, waive the Ownership Limit with respect to such transferee upon such conditions as the Board of Directors may direct.

(x) INCREASE IN COMMON OR PREFERRED SHARE OWNERSHIP LIMIT. Subject to the limitations contained in Section 7.7(xi), the Board of Directors may from time to time increase the Common or Preferred Share Ownership Limits.



(xi) LIMITATIONS ON MODIFICATIONS.

(a) The Ownership Limit for a class or series of Equity Shares may not be increased and no additional ownership limitations may be created if, after giving effect to such increase or creation, the Company would be "closely held" within the meaning of Section 856(h) of the Code (assuming ownership of shares of Equity Shares by all Persons equal to the greatest of (A) the actual ownership, (B) the Beneficial Ownership of Equity Shares by each Person, or (C) the applicable Ownership Limit with respect to such Person).

(b) Prior to any modification of the Ownership Limit with respect to any Person, the Board of Directors may require such opinions of counsel, affidavits, undertakings or agreements as it may deem necessary, advisable or prudent, in its sole discretion, in order to determine or ensure the Company's status as a REIT.

(c) Neither the Preferred Share Ownership Limit nor the Common Share Ownership Limit may be increased to a percentage that is greater than nine

point nine percent (9.9%).

(xii) NOTICE TO STOCKHOLDERS UPON ISSUANCE OR TRANSFER. Upon issuance or transfer of Shares, the Company shall provide the recipient with a notice containing information about the shares purchased or otherwise transferred, in lieu of issuance of a share certificate, in a form substantially similar to the following:

"The securities issued or transferred are subject to restrictions on transfer and ownership for the purpose of maintenance of the Company's status as a real estate investment trust (a "REIT") under Sections 856 through 860 of the Internal Revenue Code of 1986, as amended (the "Code"). Except as otherwise provided pursuant to the Articles of Incorporation of the Company, no Person may (i) Beneficially or Constructively Own Common Shares of the Company in excess of 9.8% (or such greater percent as may be determined by the Board of Directors of the Company) of the outstanding Common Shares; (ii) Beneficially or Constructively Own shares of any series of Preferred Shares of the Company in excess of 9.8% (or such greater percent as may be determined by the Board of Directors of the Company) of the outstanding shares of such series of Preferred Shares; or (iii) Beneficially or Constructively Own Common Shares or Preferred Shares (of any class or series) which would result in the Company being "closely held" under Section 856(h) of the Code or which otherwise would cause the Company to fail to qualify as a REIT. Any Person who has Beneficial or Constructive Ownership, or who Acquires or attempts to Acquire Beneficial or Constructive Ownership of Common Shares and/or Preferred Shares in excess of the above limitations and any Person who Beneficially or Constructively Owns Shares-in-Trust as a transferee of Common or Preferred Shares resulting in an exchange for Shares-in-Trust (as described below) immediately must notify the Company in writing or, in the event of a proposed or attempted Transfer or Acquisition or purported change in Beneficial or Constructive Ownership, must give written notice to the Company at least 15 days prior to the proposed or



attempted transfer, transaction or other event. Any Transfer or Acquisition of Common Shares and/or Preferred Shares or other event which results in violation of the ownership or transfer limitations set forth in the Company's Articles of Incorporation shall be void AB INITIO and the Purported Beneficial and Record Transferee shall not have or acquire any rights in such Common Shares and/or Preferred Shares. If the transfer and ownership limitations referred to herein are violated, the Common Shares or Preferred Shares represented hereby automatically will be exchanged for Shares-in-Trust to the extent of violation of such limitations, and such Shares-in-Trust will be held in trust by a trustee appointed by the Company, all as provided by the Articles of Incorporation of the Company. All defined terms used in this legend have the meanings identified in the Company's Articles of Incorporation, as the same may be amended from time to time, a copy of which, including the restrictions on transfer, will be sent without charge to each Stockholder who so requests."

SECTION 7.8 SHARES-IN-TRUST.

(i) OWNERSHIP IN TRUST. Upon any purported Transfer, Acquisition, change in the capital structure of the Company, other purported change in Beneficial or Constructive Ownership or event or transaction that results in Shares-in-Trust pursuant to Section 7.7(iii), such Shares-in-Trust shall be deemed to have been transferred to the Trust for the benefit of such Beneficiary or Beneficiaries to whom an interest in such Shares-in-Trust may later be transferred pursuant to Section 7.8(v). Shares-in-Trust so held in trust shall be issued and outstanding stock of the Company. The Purported Record Transferee (or Purported Record Holder) shall have no rights in such Shares-in-Trust. The Purported Beneficial Transferee or Purported Record Transferee shall have no

rights in such Shares-in-Trust except as provided in Section 7.8(iii).

(ii) DISTRIBUTION RIGHTS. Shares-in-Trust shall be entitled to the same rights and privileges as all other shares of the same class or series. The Trustee will receive all Distributions and dividends on the Shares-in-Trust and will hold such dividends or distributions in trust for the benefit of the Beneficiary. Any dividend or Distribution with a record date on or after the date that Equity Shares have been exchanged for Shares-in-Trust which were paid on such Equity Shares shall be repaid to the Trustee upon demand, and any such dividend or Distribution declared on such Equity Shares but unpaid shall be paid to the Trustee to hold in trust for the benefit of the Beneficiary.

(iii) RIGHTS UPON LIQUIDATION.

(a) Except as provided below, in the event of any voluntary or involuntary liquidation, dissolution or winding up, or any other distribution of the assets, of the Company, each holder of Shares-in-Trust resulting from the exchange of Preferred Shares of any specified series shall be entitled to receive, ratably with each other holder of Shares-in-Trust resulting from the exchange of Preferred Shares of such series and each holder of Preferred Shares of such series, such accrued and unpaid dividends, liquidation preferences and other preferential payments, if any, as are due to holders of Preferred Shares of such series. In the



event that holders of shares of any series of Preferred Shares are entitled to participate in the Company's distribution of its residual assets, each holder of Shares-in-Trust resulting from the exchange of Preferred Shares of any such series shall be entitled to participate, ratably with (A) each other holder of Shares-in-Trust resulting from the exchange of Preferred Shares of all series entitled to so participate; (B) each holder of Preferred Shares of all series entitled to so participate; and (C) each holder of Common Shares and Shares-in-Trust resulting from the exchange of Common Shares (to the extent permitted by Section 7.7(iii) hereof), that portion of the aggregate assets available for distribution (determined in accordance with applicable law) as the number of shares of such Shares-in-Trust held by such holder bears to the total number of (1) outstanding Shares-in-Trust resulting from the exchange of Preferred Shares of all series entitled to so participate; (2) outstanding Preferred Shares of all series entitled to so participate; and (3) outstanding Common Shares and Shares-in-Trust resulting from the exchange of Common Shares. The Trustee shall distribute ratably to the Beneficiaries of the Trust, when determined, any such assets received in respect of the Shares-in-Trust in any liquidation, dissolution or winding up, or any distribution of the assets, of the Company. Anything to the contrary herein notwithstanding, in no event shall the amount payable to a holder with respect to Shares-in-Trust resulting from the exchange of Preferred Shares exceed (A) the price per share such holder paid for the Preferred Shares in the purported Transfer, Acquisition, change in capital structure or other transaction or event that resulted in the Shares-in-Trust or (B) if the holder did not give full value for such Shares-in-Trust (as through a gift, devise or other event or transaction), a price per share equal to the Market Price for the shares of Preferred Shares on the date of the purported Transfer, Acquisition, change in capital structure or other transaction or event that resulted in such Shares-in-Trust. Any amount available for distribution in excess of the foregoing limitations shall be paid ratably to the holders of Preferred Shares and Shares-in-Trust resulting from the exchange of Preferred Shares to the extent permitted by the foregoing limitations.

(b) Except as provided below, in the event of any voluntary or involuntary liquidation, dissolution or winding up, or any other distribution of the assets, of the Company, each holder of Shares-in-Trust resulting from the exchange of Common Shares shall be entitled to receive, ratably with (A) each other holder of such Shares-in-Trust and (B) each holder of Common Shares, that portion of the aggregate assets available for distribution to holders of Common Shares (including holders of Shares-in-Trust resulting from the exchange of Common Shares pursuant to Section 7.7(iii)), determined in accordance with applicable law, as the number of such Shares-in-Trust held by such holder bears

to the total number of outstanding Common Shares and outstanding Shares-in-Trust resulting from the exchange of Common Shares then outstanding. The Trustee shall distribute ratably to the Beneficiaries of the Shares-in-Trust, when determined, any such assets received in respect of the Shares-in-Trust in any liquidation, dissolution or winding up, or any distribution of the assets, of the Company. Anything herein to the contrary notwithstanding, in no event shall the amount payable to a holder with respect to Shares-in-Trust exceed (A) the price per share such holder paid for the Equity Shares in the purported Transfer, Acquisition, change in capital structure or other transaction or event that resulted in the Shares-in-Trust or (B) if the holder did not give full value for such Equity Shares (as through a gift, devise or other event or transaction), a price per share equal to the Market Price for the Equity Shares on the date of the purported Transfer, Acquisition, change in capital structure or other transaction or event that resulted in such Shares-in-Trust. Any



amount available for distribution in excess of the foregoing limitations shall be paid ratably to the holders of Common Shares and Shares-in-Trust resulting from the exchange of Common Shares to the extent permitted by the foregoing limitations.

(iv) VOTING RIGHTS. The Trustee shall be entitled to vote the Shares-in-Trust on any matters on which holders of Shares are entitled to vote (except as required otherwise by the MGCL).

(v) RESTRICTIONS ON TRANSFER; DESIGNATION OF BENEFICIARY; SALES OF SHARES-IN-TRUST.

(a) Except as described in this Section 7.8(v), Shares-in-Trust shall not be transferable. The Beneficiary shall be one or more charitable organizations named by the Company. However, the for purposes of sales by the Trustee as set forth herein, Trustee shall designate a permitted transferee of the Shares-in-Trust, provided that the transferee (i) purchases such Shares-in-Trust for valuable consideration and (ii) acquires such Shares-in-Trust without such acquisition resulting in another automatic exchange of Equity Shares into Shares-in-Trust. Within 20 days after receiving notice from the Company that Common Shares or other shares have been transferred to the Trust as Shares-in-Trust, the Company shall, at its sole option (the "Option") (i) repurchase such Shares-in-Trust from the Purported Record Transferee or Purported Record Holder (a "Redemption"), or (ii) cause the Trustee to sell the Shares-in-Trust on behalf of the such person to a third party (a "Sale").

(b) In the event of a Redemption or Sale, the Purported Record Transferee or Purported Record Holder shall receive a per share price equal to 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 per share on the date of such transfer) or (ii) the Market Price per share on the date that the Company, or its designee, purchases such Shares-in-Trust, provided that
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for sales by the Trustee, such price per share shall be net of any commissions and other expenses of the sale.. The proceeds from a Redemption or Sale shall be sent to such person within five business days after the closing of such sale transaction.

(c) In connection with the Option, all Shares-in-Trust will be deemed to have been offered for sale to the Company, or its designee, and the Company will have the right to accept such offer for a period of 20 days after 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.

(d) Any amounts received by the Trustee in excess of the amounts paid to the Purported Record Transferee shall be distributed to the Beneficiary.

(vi) REMEDIES NOT LIMITED. Nothing contained in this Article VII except Section 7.9 shall limit the scope or application of the provisions of

this Section 7.8, the ability of the Company to implement or enforce compliance with the terms hereof or the authority of the Board of Directors to take any such other action or actions as it may deem necessary or advisable to protect the Company and the interests of its Stockholders by preservation of the Company's



status as a REIT and to ensure compliance with applicable Share Ownership Limits and the other restrictions set forth herein, including, without limitation, refusal to give effect to a transaction on the books of the Company.

(vii) AUTHORIZATION. At such time as the Board of Directors authorizes a series of Preferred Shares pursuant to Section 7.3 of this Article VII, without any further or separate action of the Board of Directors, there shall be deemed to be authorized a series of Shares-in-Trust consisting of the number of shares included in the series of Preferred Shares so authorized and having terms, rights, restrictions and qualifications identical thereto, except to the extent that such Shares-in-Trust are already authorized or this Article VII requires different terms.

SECTION 7.9 SETTLEMENTS. Nothing in Sections 7.7 and 7.8 shall preclude the settlement of any transaction with respect to the Common Shares entered into through the facilities of the New York Stock Exchange or other national securities exchange on which the Common Shares are listed.

SECTION 7.10 SEVERABILITY. If any provision of this Article VII or any application of any such provision is determined to be void, invalid or unenforceable by any court having jurisdiction over the issue, the validity and enforceability of the remaining provisions of this Article VII shall not be affected and other applications of such provision shall be affected only to the extent necessary to comply with the determination of such court.

SECTION 7.11 WAIVER. The Company shall have authority at any time to waive the requirements that Shares-in-Trust be issued or be deemed outstanding in accordance with the provisions of this Article VII if the Company determines, based on an opinion of nationally recognized tax counsel, that the issuance of such Shares-in-Trust or the fact that such Shares-in-Trust are deemed to be outstanding, would jeopardize the status of the Company as a REIT (as that term is defined in Section 1.5).

SECTION 7.12 REPURCHASE OF SHARES. The Board of Directors may establish, from time to time, a program or programs by which the Company voluntarily repurchases Shares from its Stockholders, provided, however, that such repurchase does not impair the capital or operations of the Company. The Sponsor Advisor, Directors or any Affiliates thereof may not receive any fees on the repurchase of Shares by the Company.

SECTION 7.13 DISTRIBUTION REINVESTMENT PLANS. The Board of Directors may establish, from time to time, a Distribution reinvestment plan or plans (a "Reinvestment Plan"). Pursuant to such Reinvestment Plan, (i) all material information regarding the Distribution to the Stockholders and the effect of reinvesting such distribution, including the tax consequences thereof, shall be provided to the Stockholders at least annually, and (ii) each Stockholder participating in such Reinvestment Plan shall have a reasonable opportunity to withdraw from the Reinvestment Plan at least annually after receipt of the information required in clause (i) above.



## ARTICLE VIII

## STOCKHOLDERS

SECTION 8.1 MEETINGS OF STOCKHOLDERS. There shall be an annual meeting of the Stockholders, to be held at such time and place as shall be determined by or

in the manner prescribed in the Bylaws, at which the Directors shall be elected and any other proper business may be conducted. The annual meeting will be held on a date which is a reasonable period of time following the distribution of the Company's annual report to Stockholders but not less than thirty (30) days after delivery of such report. A majority of Stockholders present in person or by proxy at an annual meeting at which a quorum is present, may, without the necessity for concurrence by the Directors, vote to elect the Directors. A quorum shall be 50% of the then outstanding Shares. Special meetings of Stockholders may be called in the manner provided in the Bylaws, including by the president or by a majority of the directors, and shall be called by an officer of the Company upon written request of Stockholders holding in the aggregate not less than ten percent (10%) of the outstanding Equity Shares entitled to be cast on any issue proposed to be considered at any such special meeting. Upon receipt of a written request, either in person or by mail, stating the purpose(s) of the meeting, the sponsor shall provide all Stockholders within ten days after receipt of said request, written notice, either in person or by mail, of a meeting and the purpose of such meeting to be held on a date not less than 15 nor more than 60 days after the distribution of such notice, at a time and place specified in the request, or if none is specified, at a time and place convenient to the Stockholders. If there are no Directors, the officers of the Company shall promptly call a special meeting of the Stockholders entitled to vote for the election of successor Directors. Any meeting may be adjourned and reconvened as the Directors determine or as provided by the Bylaws.

SECTION 8.2 VOTING RIGHTS OF STOCKHOLDERS. Subject to the provisions of any class or series of Shares then outstanding and the mandatory provisions of any applicable laws or regulations, the Stockholders shall be entitled to vote only on the following matters; (a) election or removal of Directors, without the necessity for concurrence by the Directors, as provided in Sections 8.1, 2.4 and 2.7 hereof; (b) amendment of these Articles of Incorporation, without the necessity for concurrence by the Directors, as provided in Section 10.1 hereof; (c) termination of the Company, without the necessity for concurrence by the Directors, as provided in Section 11.2 hereof; (d) reorganization of the Company as provided in Section 10.2 hereof; (e) merger, consolidation or sale or other disposition of all or substantially all of the Company Property, as provided in Section 10.3 hereof; and (f) termination of the Company's status as a real estate investment trust under the REIT Provisions of the Code, as provided in Section 3.2(xix) hereof. The Stockholders may terminate the status of the Company as a REIT under the Code by a vote of a majority of the Shares outstanding and entitled to vote. Except with respect to the foregoing matters, no action taken by the Stockholders at any meeting shall in any way bind the Directors.

SECTION 8.3 VOTING LIMITATIONS ON SHARES HELD BY THE ADVISOR, DIRECTORS AND AFFILIATES. With respect to Shares owned by the Advisor, the Directors, or any of their Affiliates, neither the Advisor, nor the Directors, nor any of their Affiliates may vote or consent on matters submitted to the Stockholders regarding the removal of the Advisor,



Directors or any of their Affiliates or any transaction between the Company and any of them. In determining the requisite percentage in interest of Shares necessary to approve a matter on which the Advisor, Directors and any of their Affiliates may not vote or consent, any Shares owned by any of them shall not be included.

SECTION 8.4 STOCKHOLDER ACTION TO BE TAKEN BY MEETING. Any action required or permitted to be taken by the Stockholders of the Company must be effected at a duly called annual or special meeting of Stockholders of the Company and may not be effected by any consent in writing of such Stockholders.

SECTION 8.5 RIGHT OF INSPECTION. Any Stockholder and any designated representative thereof shall be permitted access to all records of the Company at all reasonable times, and may inspect and copy any of them for a reasonable charge. Inspection of the Company books and records by the office or agency

administering the securities laws of a jurisdiction shall be provided upon reasonable notice and during normal business hours.

SECTION 8.6 ACCESS TO STOCKHOLDER LIST. An alphabetical list of the names, addresses and telephone numbers of the Stockholders of the Company, along with the number of Shares held by each of them (the "Stockholder List"), shall be maintained as part of the books and records of the Company and shall be available for inspection by any Stockholder or the Stockholder's designated agent at the home office of the Company upon the request of the Stockholder. The Stockholder List shall be updated at least quarterly to reflect changes in the information contained therein. A copy of such list shall be mailed to any Stockholder so requesting within ten (10) days of the request. The copy of the Stockholder List shall be printed in alphabetical order, on white paper, and in a readily readable type size (in no event smaller than 10-point type). The Company may impose a reasonable charge for expenses incurred in reproduction pursuant to the Stockholder request. A Stockholder may request a copy of the Stockholder List in connection with matters relating to Stockholders' voting rights, and the exercise of Stockholder rights under federal proxy laws.

If the Advisor or Directors neglect or refuse to exhibit, produce or mail a copy of the Stockholder List as requested, the Advisor and the Directors shall be liable to any Stockholder requesting the list for the costs, including attorneys' fees, incurred by that Stockholder for compelling the production of the Stockholder List, and for actual damages suffered by any Stockholder by reason of such refusal or neglect. It shall be a defense that the actual purpose and reason for the requests for inspection or for a copy of the Stockholder List is to secure such list of Stockholders or other information for the purpose of selling such list or copies thereof, or of using the same for a commercial purpose other than in the interest of the applicant as a Stockholder relative to the affairs of the Company. 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. The remedies provided hereunder to Stockholders requesting copies of the Stockholder List are in addition, to and shall not in any way limit, other remedies available to Stockholders under federal law, or the laws of any state.



SECTION 8.7 REPORTS. The Directors, including the Independent Directors, shall take reasonable steps to insure that the Company shall cause to be prepared and mailed or delivered to each Stockholder as of a record date after the end of the fiscal year and each holder of other publicly held securities of the Company within one hundred twenty (120) days after the end of the fiscal year to which it relates an annual report for each fiscal year ending after the initial public offering of its securities which shall include: (i) financial statements prepared in accordance with generally accepted accounting principles which are audited and reported on by independent certified public accountants; (ii) the ratio of the costs of raising capital during the period to the capital raised; (iii) the aggregate amount of advisory fees and the aggregate amount of other fees paid to the Advisor and any Affiliate of the Advisor by the Company and including fees or charges paid to the Advisor and any Affiliate of the Advisor by third parties doing business with the Company; (iv) the Operating Expenses of the Company, stated as a percentage of Average Invested Assets and as a percentage of its Net Income; (v) a report from the Independent Directors that the policies being followed by the Company are in the best interests of its Stockholders and the basis for such determination; (vi) separately stated, full disclosure of all material terms, factors, and circumstances surrounding any and all transactions involving the Company, Directors, Advisors, Sponsors and any Affiliate thereof occurring in the year for which the annual report is made, and the Independent Directors shall be specifically charged with a duty to examine and comment in the report on the fairness of such transactions; and (vii) Distributions to the Stockholders for the period, identifying the source of such Distributions, and if such information is not available at the time of the distribution, a written explanation of the relevant circumstances will accompany the Distributions (with the statement as to the source of Distributions to be sent to Stockholders not later than sixty (60) days after the end of the fiscal year in which the distribution was made).

## ARTICLE IX

## LIABILITY OF STOCKHOLDERS, DIRECTORS, ADVISORS AND AFFILIATES; TRANSACTIONS BETWEEN AFFILIATES AND THE COMPANY

SECTION 9.1 LIMITATION OF STOCKHOLDER LIABILITY. No Stockholder shall be liable for any debt, claim, demand, judgment or obligation of any kind of, against or with respect to the Company by reason of his being a Stockholder, nor shall any Stockholder be subject to any personal liability whatsoever, in tort, contract or otherwise, to any Person in connection with the Company Property or the affairs of the Company by reason of his being a Stockholder. The Company shall include a clause in its contracts which provides that Stockholders shall not be personally liable for obligations entered into on behalf of the Company.

SECTION 9.2 LIMITATION OF LIABILITY AND INDEMNIFICATION.

(i) The Company shall indemnify and hold harmless a Director, Advisor, or Affiliate (the "Indemnitee") against any or all losses or liabilities reasonably incurred by the Indemnitee 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, provided, that 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. The Company shall not indemnify or hold harmless the Indemnitee if: (a) in the case that the Indemnitee is a Director (other than an Independent Director), an Advisor or an Affiliate, the loss or liability was the result of negligence or misconduct by the Indemnitee, or (b) in the case that the Indemnitee is an Independent Director, the loss or liability was the result of gross negligence or willful misconduct by the Indemnitee. Any indemnification of expenses or agreement to hold harmless may be paid only out of the Net Assets of the Company and no portion may be recoverable from the Stockholders.

(ii) The Company shall not provide indemnification for any loss, liability or expense 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: (a) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the Indemnitee, (b) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the Indemnitee; or (c) a court of competent jurisdiction approves a settlement of the claims against the 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 Securities and Exchange Commission 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.

(iii) Notwithstanding anything to the contrary contained in the provisions of subsection (i) and (ii) above of this Section, the Company shall not indemnify or hold harmless an Indemnitee if it is established that: (a) the act or omission was material to the loss or liability and was committed in bad faith or was the result of active or deliberate dishonesty, (b) the Indemnitee actually received an improper personal benefit in money, property, or services, (c) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful, or (d) in a proceeding by or in the right of the Company, the Indemnitee shall have been adjudged to be liable to the Company.

(iv) The Directors may take such action as is necessary to carry out this Section 9.2 and are expressly empowered to adopt, approve and amend from time to time Bylaws, resolutions or contracts implementing such provisions. No amendment of these Articles of Incorporation or repeal of any of its provisions shall limit or eliminate the right of indemnification provided hereunder with

respect to acts or omissions occurring prior to such amendment or repeal.

SECTION 9.3 PAYMENT OF EXPENSES. The Company shall pay or reimburse reasonable legal expenses and other costs incurred by a Director, Advisor, or Affiliate in advance of final disposition of a proceeding if all of the following are satisfied: (i) the proceeding relates to acts or omissions with respect to the performance of duties or services on behalf of the Company, (ii) the Indemnitee provides the Company with written affirmation of his good faith belief that he has met the standard of conduct necessary for indemnification by the Company as authorized by Section 9.2 hereof, (iii) the legal proceeding was initiated by a third party who is not a Stockholder or, if by a Stockholder of the Company acting in his or her capacity as such, a court of competent jurisdiction approves such advancement, and (iv) the Indemnitee provides the Company with a written agreement to repay the amount paid or reimbursed by the Company,



together with the applicable legal rate of interest thereon, if it is ultimately determined that the Indemnitee did not comply with the requisite standard of conduct and is not entitled to indemnification. Any indemnification payment or reimbursement of expenses will be furnished in accordance with the procedures in Section 2-418(e) of the Maryland General Corporation Law.

SECTION 9.4 EXPRESS EXCULPATORY CLAUSES IN INSTRUMENTS. Neither the Stockholders nor the Directors, officers, employees or agents of the Company shall be liable under any written instrument creating an obligation of the Company by reason of their being Stockholders, Directors, officers, employees or agents of the Company, and all Persons shall look solely to the Company Property for the payment of any claim under or for the performance of that instrument. The omission of the foregoing exculpatory language from any instrument shall not affect the validity or enforceability of such instrument and shall not render any Stockholder, Director, officer, employee or agent liable thereunder to any third party, nor shall the Directors or any officer, employee or agent of the Company be liable to anyone as a result of such omission.

SECTION 9.5 TRANSACTIONS WITH AFFILIATES. The Company shall not engage in transactions with any Affiliates, except to the extent that each such transaction has, after disclosure of such affiliation, been approved or ratified by the affirmative vote of a majority of the Directors (including a majority of the Independent Directors) not Affiliated with the person who is party to the transaction and:

(i) The transaction is fair and reasonable to the Company and its Stockholders.

(ii) The terms of such transaction are at least as favorable as the terms of any comparable transactions made on an arms-length basis and known to the Directors.

(iii) The total consideration is not in excess of the appraised value of the property being acquired, if an acquisition is involved.

(iv) Payments to the Advisor, its Affiliates and the Directors for services rendered in a capacity other than that as Advisor or Director may only be made upon a determination that:

(a) The compensation is not in excess of their compensation paid for any comparable services; and

(b) The compensation is not greater than the charges for comparable services available from others who are competent and not Affiliated with any of the parties involved.

(v) The Company will not make loans to the Advisor or other Affiliates, or to any director, officer or principal of the Company or any of its Affiliates.

Transactions between the Company and its Affiliates are further subject to any express restrictions in these Articles of Incorporation (including Article IV and Section 7.7) or adopted



by the Directors in the Bylaws or by resolution, and further subject to the disclosure and ratification requirements of MGCL (section) 2-419 and other applicable law.

ARTICLE X

AMENDMENT; REORGANIZATION; MERGER, ETC.

SECTION 10.1 AMENDMENT.

(i) These Articles of Incorporation may be amended, without the necessity for concurrence by the Directors, by the affirmative vote of the holders of not less than a majority of the Equity Shares then outstanding and entitled to vote thereon, except that: (1) 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; (2) Section 10.2 hereof and this Section 10.1 shall not be amended (or any other provision of these Articles of Incorporation be amended or any provision of these Articles of Incorporation be added that would have the effect of amending such sections); (3) 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 REIT under the Code; (4) certain provisions of the Articles of Incorporation, including provisions relating to the removal of directors, Independent Directors, preemptive rights of holders of stock and indemnification and limitation of liability of officers and directors may not be amended or repealed and (5) provisions imposing cumulative voting in the election of directors may not be added to the Articles of Incorporation, without the affirmative vote of the holders of a majority of the Equity Shares then outstanding and entitled to vote thereon.

(ii) The Directors, by a majority vote, may amend provisions of these Articles of Incorporation from time to time as necessary to enable the Company to qualify as a real estate investment trust under the REIT Provisions of the Code. With the exception of the foregoing, the Directors may not amend these Articles of Incorporation.

(iii) An amendment to these Articles of Incorporation shall become effective as provided in Section 12.5.

(iv) These Articles of Incorporation may not be amended except as provided in this Section 10.1.

SECTION 10.2 REORGANIZATION. Subject to the provisions of any class or series of Equity Shares at the time outstanding, the Directors shall have the power (i) to cause the organization of a corporation, association, trust or other organization to take over the Company Property and to carry on the affairs of the Company, or (ii) merge the Company into, or sell, convey and transfer the Company Property to any such corporation, association, trust or organization in exchange for Securities thereof or beneficial interests therein, and the assumption by the transferee of the liabilities of the Company, and upon the occurrence of (i) or (ii) above



terminate the Company and deliver such Securities or beneficial interests ratably among the Stockholders according to the respective rights of the class or series of Equity Shares held by them provided, however, that any such action shall have been approved, at a meeting of the Stockholders called for that

purpose, by the affirmative vote of the holders of not less than a majority of the Equity Shares then outstanding and entitled to vote thereon.

SECTION 10.3 MERGER, CONSOLIDATION OR SALE OF COMPANY PROPERTY. Subject to the provisions of any class or series of Equity Shares at the time outstanding, the Directors shall have the power to (i) merge the Company into another entity, (ii) consolidate the Company with one (1) or more other entities into a new entity; (iii) sell or otherwise dispose of all or substantially all of the Company Property; or (iv) dissolve or liquidate the Company, other than before the initial investment in Company Property; provided, however, that such action shall have been approved, at a meeting of the Stockholders called for that purpose, by the affirmative vote of the holders of not less than a majority of the Equity Shares then outstanding and entitled to vote thereon. Any such transaction involving an Affiliate of the Company or the Advisor also must be approved by a majority of the Directors (including a majority of the Independent Directors) not otherwise interested in such transaction 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.

In connection with any proposed Roll-Up Transaction, an appraisal of all Assets shall be obtained from a competent independent appraiser. The Assets 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 Assets as of a date immediately prior to the announcement of the proposed Roll-Up Transaction. The appraisal shall assume an orderly liquidation of Assets over a 12-month period. The terms of the engagement of the independent appraiser shall clearly state that the engagement is for the benefit of the Company and the Stockholders. A summary of the 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 proposed Roll-Up Transaction the choice of:

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

(ii) one of the following:

(a) remaining as 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:

(iii) which would result in the Stockholders having democracy rights in a Roll-Up Entity that are less than the rights provided for in Sections 8.1, 8.2, 8.4, 8.5, 8.6, 8.7 and 9.1 of these Articles of Incorporation;

(iv) 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;

(v) in which investor's rights to access of records of the Roll-Up Entity will be less than those described in Sections 8.5 and 8.6 hereof; or

(vi) 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.

ARTICLE XI

DURATION OF COMPANY

SECTION 11.1 TERMINATION UPON FAILURE TO OBTAIN LISTING. In the event that Listing does not occur on or before January 30, 2008, the Company shall immediately thereafter undertake an orderly liquidation and Sale of the Company's assets and will distribute any Net Sales Proceeds therefrom to Stockholders, following which the Company shall terminate and dissolve. In the event that Listing occurs on or before such date, the Company shall continue perpetually unless dissolved pursuant to the provisions contained herein or pursuant to any applicable provision of the MGCL.

SECTION 11.2 DISSOLUTION OF THE COMPANY BY STOCKHOLDER VOTE. The Company may be terminated at any time, without the necessity for concurrence by the Board of Directors, by the vote or written consent of a majority of the outstanding Equity Shares.

ARTICLE XII

MISCELLANEOUS

SECTION 12.1 GOVERNING LAW. These Articles of Incorporation are executed by the undersigned Directors and delivered in the State of Maryland with reference to the laws thereof, and the rights of all parties and the validity, construction and effect of every provision hereof shall be subject to and construed according to the laws of the State of Maryland without regard to conflicts of laws provisions thereof.



SECTION 12.2 RELIANCE BY THIRD PARTIES. Any certificate shall be final and conclusive as to any persons dealing with the Company if executed by an individual who, according to the records of the Company or of any recording office in which these Articles of Incorporation may be recorded, appears to be the Secretary or an Assistant Secretary of the Company or a Director, and if certifying to: (i) the number or identity of Directors, officers of the Company or Stockholders; (ii) the due authorization of the execution of any document; (iii) the action or vote taken, and the existence of a quorum, at a meeting of the Directors or Stockholders; (iv) a copy of the Articles of Incorporation or of the Bylaws as a true and complete copy as then in force; (v) an amendment to these Articles of Incorporation; (vi) the dissolution of the Company; or (vii) the existence of any fact or facts which relate to the affairs of the Company. No purchaser, lender, transfer agent or other person shall be bound to make any inquiry concerning the validity of any transaction purporting to be made on behalf of the Company by the Directors or by any duly authorized officer, employee or agent of the Company.

SECTION 12.3 PROVISIONS IN CONFLICT WITH LAW OR REGULATIONS.

(i) The provisions of these Articles of Incorporation are severable, and if the Directors shall determine that any one or more of such provisions are in conflict with the REIT Provisions of the Code, or other applicable federal or state laws, the conflicting provisions shall be deemed never to have constituted a part of these Articles of Incorporation, even without any amendment of these Articles of Incorporation pursuant to Section 10.1 hereof; provided, however, that such determination by the Directors shall not affect or impair any of the remaining provisions of these Articles of Incorporation or render invalid or improper any action taken or omitted prior to such determination. No Director shall be liable for making or failing to make such a determination.

(ii) If any provision of these Articles of Incorporation shall be held invalid or unenforceable in any jurisdiction, such holding shall not in any manner affect or render invalid or unenforceable such provision in any other jurisdiction or any other provision of these Articles of Incorporation in any jurisdiction.

SECTION 12.4 CONSTRUCTION. In these Articles of Incorporation, unless the context otherwise requires, words used in the singular or in the plural include both the plural and singular and words denoting any gender include both genders. The title and headings of different parts are inserted for convenience and shall not affect the meaning, construction or effect of these Articles of Incorporation. In defining or interpreting the powers and duties of the Company and its Directors and officers, reference may be made, to the extent appropriate, to the Code and to Titles 1 through 3 of the Corporations and Associations Article of the Annotated Code of Maryland, referred to herein as the "MGCL."

SECTION 12.5 RECORDATION. These Articles of Incorporation and any amendment hereto shall be filed for record with the State Department of Assessments and Taxation of Maryland and may also be filed or recorded in such other places as the Directors deem appropriate, but failure to file for record these Articles of Incorporation or any amendment hereto in any office other than in the State of Maryland shall not affect or impair the validity or effectiveness of these Articles of Incorporation or any amendment hereto. A restated Articles of



Incorporation shall, upon filing, be conclusive evidence of all amendments contained therein and may thereafter be referred to in lieu of the original Articles of Incorporation and the various amendments thereto.



THIRD: These Amended and Restated Articles of Incorporation of the Company have been approved by a majority of the Directors and approved by the Stockholders as required by law.

IN WITNESS WHEREOF, these Amended and Restated Articles of Incorporation have been signed on this 1/st/ day of July, 2000 by the undersigned, each of whom acknowledges, under penalty of perjury, that this document is his free act and deed, and that to the best of his knowledge, information and belief, the matters and facts set forth herein are true in all material respects.

Wells Real Estate Investment Trust, Inc.

By: /s/ Leo F. Wells, III
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Leo F. Wells, III
President

ATTEST:

By: /s/ Douglas P. Williams
---
Douglas P. Williams
Secretary

EXHIBIT 10.44

PROMISSORY NOTE TO RYAN COMPANIES US, INC.

# PROMISSORY NOTE

$5,000,000.00 March 29, 2000

FOR VALUE RECEIVED, the undersigned, WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership ("Borrower"), promises to pay to the order of RYAN COMPANIES US, INC., a Minnesota corporation ("Lender"), at its offices at 700 International Centre, 900 Second Avenue South, Minneapolis, Minnesota 55402, or at such other place as the holder hereof may from time to time designate in writing, in lawful money of the United States of America, the principal sum of Five Million and No/100 Dollars ($5,000,000.00), together with interest on the unpaid principal balance thereof from and after the date hereof at the rate of nine percent (9%) per annum. Accrued interest shall be paid on May 1, 2000 and on the first day of each month thereafter until April 1, 2001, on which date the entire unpaid principal balance and all accrued but unpaid interest thereon shall be due and payable. If a monthly interest payment is not made within five (5) days of the date when due, Borrower shall pay to the holder hereof a late payment charge of four percent (4%) of the amount of the overdue payment. All payments made hereon shall be applied first to accrued late payment charges, then to accrued interest and then to reduction of the principal balance. Borrower may prepay the unpaid balance of the indebtedness evidenced hereby at any time, without premium or penalty.

This Promissory Note is secured by a Purchase Money Deed of Trust, Assignment of Lease and Rents, Fixture Filing and Security Agreement of even date herewith made by Borrower in favor of Lender pertaining to property located in Maricopa County, Arizona ("Deed of Trust"). Upon the occurrence of an Event of Default, as defined in the Deed of Trust, the entire unpaid principal sum evidenced by this Promissory Note, together with all accrued and unpaid interest thereon, shall at the option of the holder hereof become immediately due and payable. Failure to exercise this option shall not constitute a waiver of the right to exercise the same in the event of any subsequent default. Borrower further agrees to pay all costs incurred by the holder hereof to collect the amounts due hereunder, including court costs and reasonable attorneys' fees.

Borrower waives presentment, protest and demand, notice of protest, demand and of dishonor and nonpayment of this Promissory Note and any lack of diligence or delays in collection or enforcement of this Promissory Note. This Promissory Note shall be governed by and construed in accordance with the laws of the State of Minnesota.

IN TESTIMONY WHEREOF, Borrower has caused this Promissory Note to be duly executed and delivered as of the date first above written.

WELLS OPERATING PARTNERSHIP, L.P.
By: Wells Real Estate Investment Trust, Inc.,
Its General Partner

By: /s/ Douglas P. Williams
---

Its: Executive Vice President

EXHIBIT 10.45

PURCHASE MONEY DEED OF TRUST,

ASSIGNMENT OF LEASES AND RENTS,

FIXTURE FILING AND SECURITY AGREEMENT

WHEN RECORDED MAIL TO:

Old Republic Title Agency
3200 North Central Avenue
Suite 100
Phoenix, Arizona 85012

404 51-14728

PURCHASE MONEY
DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
FIXTURE FILING AND SECURITY AGREEMENT

THIS PURCHASE MONEY DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, FIXTURE FILING AND SECURITY AGREEMENT ("Deed of Trust") dated as of March 29, 2000, is made among WELLS OPERATING PARTNERSHIP, L.P., a Delaware limited partnership, whose address is 6200 The Corners Parkway, Suite 250, Norcross, Georgia 30092 ("Borrower"), as Trustor, OLD REPUBLIC TITLE AGENCY, INC., an Arizona corporation ("Trustee"), as Trustee, whose address is 3200 North Central Avenue, Suite 100, Phoenix, Arizona 85012 and RYAN COMPANIES US, INC., a Minnesota corporation ("Lender"), as Beneficiary, whose address is 700 International Centre, 900 Second Avenue South, Minneapolis, Minnesota 55402.

WITNESSETH:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, BORROWER IRREVOCABLY GRANTS, BARGAINS, SELLS AND CONVEYS TO TRUSTEE, ITS SUCCESSORS AND ASSIGNS, IN TRUST, WITH POWER OF SALE AND RIGHT OF ENTRY AND POSSESSION, the leasehold estate created by that certain ASU Research Park Lease dated November 19, 1997, by and between Price-Elliott Research Park, Inc., as Landlord, and Lender, as Tenant, a Memorandum of Lease with respect to which was recorded in the office of the Maricopa County Recorder on December 10, 1997, as Document No. 97-0867851 (the "Lease"), pertaining to that certain real property (the "Real Property") located in the, County of Maricopa, State of Arizona, which is described on the attached Exhibit "A" which is made a part of and incorporated into this Deed of Trust by this reference as though fully set forth herein.

TOGETHER WITH all right, title and interest of Borrower in and to all of the following, whether now owned or hereafter acquired:

a. all buildings and other improvements erected or hereafter erected on the Real Property (collectively, the "Improvements"); and

b. all fixtures, appliances, machinery and equipment of any nature whatsoever, and other articles of personal property owned by Borrower and now or at any time hereafter installed in, attached to or situated in or upon the Real Property or any Improvements now or hereafter erected thereon, or used or intended to be used in connection with the Real Property, or in the operation of any Improvements now or hereafter erected thereon, or in the

operation or maintenance of any such Improvement, plant or business situate thereon, whether or not the personal property is or shall be affixed thereto, except that the foregoing shall not apply to personal property owned by any

tenant or to any furniture, furnishings, accessories and equipment not owned but leased by Borrower for use in a management office, or otherwise in the management and operation of the Improvements constructed on the Real Property; and

c. all building materials, fixtures, building machinery and building equipment owned by Borrower and delivered on-site to the Real Property during the course of, or in connection with, construction of, or reconstruction of, or remodeling of any building and improvement from time to time during the term hereof; and

d. all of Borrower's interest in (a) all service contracts relating to the Real Property, (b) all trade names used in connection with the Real Property, and solely for use in connection with operation of the Real Property, and (c) all guaranties and warranties from manufacturers, materialmen and contractors for work done on or to the Real Property; and

e. all awards or payments, including interest thereon, which may be made with respect to the Real Property, whether from the exercise of the right of eminent domain (including any transfer made in lieu thereof) or for any other injury to or decrease in the value of the Real Property, including, without limitation, all awards or payments or just compensation, all damages to the Real Property resulting from any taking, all relocation or dislocation payments and all out-of-pocket expenses; and

f. all insurance policies covering the Real Property and all proceeds of any unearned premiums on any such insurance policies including, without limitation, the right to receive and apply the proceeds of any insurance, judgment, or settlements made in lieu thereof, for damage to the Real Property; and

g. any and all tenements, hereditaments and appurtenances belonging to the Real Property or any part thereof including any water rights, mineral rights, development rights and strips and gores, or in any way appertaining thereto, and all streets, alleys, passages, ways, water courses, and all easements and covenants now existing or hereafter created which relate to the Real Property for the benefit of Borrower or any subsequent owner or tenant of the Real Property and all rights to enforce the maintenance thereof, and all other rights, liberties and privileges of whatsoever kind or character, and the reversions and remainders, income, rents, issues and profits arising therefrom, and all the estate, right, title, interest, property, possession, claim and demand whatsoever, at law or in equity, of Borrower in and to the Real Property or any part thereof; and

h. all leasehold estates, rights, title and interest of Borrower as landlord in and to all leases or subleases covering any portion of the Real Property or Improvements now or hereafter existing or entered into, and all right, title and interest of Borrower thereunder, including without limitation, all security deposits (subject to applicable legal restrictions and leases of tenants), advance rentals, and deposits or payments of similar nature; and



i. all the rents, issues and profits thereof, and also all the estate, right, title, interest and all claims and demands whatsoever, as well in law as in equity, of Borrower in and to the Real Property, now owned or hereafter acquired, and every item, part and parcel thereof.

All of the above-mentioned Real Property, Improvements, fixtures, machinery, furniture, equipment, rights, tenements, hereditaments and appurtenances and other property interests are sometimes collectively referred to herein as the "Secured Property."

This Deed of Trust also constitutes a "Security Agreement" as that term is defined in the Uniform Commercial Code as enacted in the State of Arizona with respect to all of the personal property as identified above appropriated to the use of the Secured Property and the Improvements owned by Borrower subject to

the lien of this Deed of Trust including, but not limited to, all of the furniture, furnishings, machinery, apparatus, equipment, fittings, fixtures and other articles of personal property (excluding any and all personal property leased by Borrower from any third party) whether affixed or annexed or not, which shall for purposes of this Deed of Trust, to the extent permitted by law, be considered as annexed to and forming a part of the Secured Property and the Improvements; and with respect to any award in eminent domain proceedings for a taking or loss of value with respect to the Secured Property and the Improvements; and in all future leases and rents. This Deed of Trust creates a security interest in Lender, and Borrower does hereby grant to Lender a security interest in all of the personal property of the Borrower as described above subject to the lien of this Deed of Trust. With respect to Borrower's interest in the fixtures described above, this Deed of Trust shall constitute a security agreement and financing statement between Borrower and Lender and shall be effective as a financing statement recorded as a fixture filing under the Uniform Commercial Code, as adopted in the State of Arizona, from the date of its recordation in the real estate records of the county or counties in which the real property is located. This security agreement and financing statement covers the above described fixtures and cumulative of all other rights of Lender hereunder, Lender shall have all of the rights conferred on secured parties by the Uniform Commercial Code with respect to such fixtures.

Any reproduction of this Deed of Trust or of any other security agreement or financing statement shall be sufficient as a financing statement to the extent permitted by law. In addition, Borrower agrees to execute and deliver to Lender, upon Lender's request, any financing statements, as well as extensions, renewals and amendments thereof, and reproductions of this Deed of Trust in such form as Lender may require to perfect a security interest with respect to said items. Borrower shall pay all costs of filing such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Lender may reasonably require. Without the prior written consent of Lender, Borrower shall not create or suffer to be created pursuant to the Uniform Commercial Code or otherwise any other security interest in said items, including replacements and additions thereto. Upon Borrower's breach of any covenant or agreement of Borrower contained in this Deed of Trust, Lender shall have the remedies of a secured party under the Uniform Commercial Code and, at Lender's option, may also invoke the remedies provided in this Deed of Trust as to such items, and it is expressly agreed that if, upon default, Lender should proceed to dispose of the collateral in accordance with the provisions of the Uniform Commercial Code, ten (10) days



notice by Lender to Borrower shall be deemed to be reasonable notice under any provisions of the Uniform Commercial Code requiring such notice. In exercising any of said remedies, Lender may proceed against the items of real property and any items of personal property specified above as part of the Secured Property separately or together and in any order whatsoever, without in any way affecting the availability of Lender's remedies under the Uniform Commercial Code or of the remedies provided in this Deed of Trust.

TO HAVE AND TO HOLD all of the above granted and described Secured Property with the appurtenances and any after-acquired title Borrower may subsequently have obtained therein, unto Lender, its successor or successors, forever; and Borrower warrants generally its title to the Secured Property free of all liens and encumbrances, and agrees to execute such further assurances of title as Lender may reasonably require.

PROVIDED, ALWAYS, and these presents are upon this express condition, that if Borrower or its successors or assigns, shall well and truly pay unto Lender the principal amount of that certain Note (as defined below) and the interest and other fees and charges, if any, thereof, at the time and in the manner mentioned in the Note as well as any other indebtedness secured hereby, and shall well and truly abide by and comply with each and every covenant and condition set forth herein or in the Note, then these presents and the estate hereby granted shall cease, determine and be void; and provided, further, that until the happening of

any Event of Default as set forth in this Deed of Trust, Borrower shall have the right to possess and enjoy the Secured Property and a license to receive and retain the rents, issues and profits thereof; and provided further, that on full payment of the amounts advanced pursuant to the Note secured by this Deed of Trust and all property costs, charges, expenses, prepayment charges, and commissions incurred at any time before the sale hereinafter provided for, Lender shall release and reconvey the premises unto and at the cost of Borrower without covenant or warranty to the person or persons legally entitled thereto.

FOR THE PURPOSE OF SECURING:

A. Payment of the indebtedness evidenced by the Promissory Note (the "Note"), given by Borrower to Lender in the amount of $5,000,000.00, dated of even date herewith, and together with any interest and all other charges under the Note, and any renewals, extensions, supplements and modifications of the Note.

B. Payment of such additional sums and interest thereon which may now or hereafter be loaned to Borrower, or its successors or assigns, by Lender, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

C. Payment of all other sums, including without limitation, any advances made by Lender or Trustee for or on account of Borrower, becoming due or payable under this Deed of Trust, or any other agreement or instrument securing or pertaining to the Note or the indebtedness (the "Indebtedness") evidenced by the Note, together with interest thereon at the rate or rates specified in such instruments.



BORROWER AND LENDER AGREE AS FOLLOWS:

1. Promise to Defend Title. Borrower is lawfully seized of the estate conveyed and has the right to grant and convey the Secured Property; the Secured Property is unencumbered by Borrower; and Borrower will warrant and defend generally the title to the Secured Property against all claims and demands, subject to any declarations, easements or restrictions listed in a schedule of exceptions to coverage in the mortgagee title insurance policy insuring Lender's interest in the Secured Property.

2. Obligation to Pay. Borrower will pay all amounts under the Note when due.

3. Performance of Lease. Borrower shall promptly pay when due all rents, charges, expenses and other sums or amounts required to be paid by the Tenant under the Lease and shall faithfully keep and perform each and all of the terms, covenants, provisions and agreements to be kept and performed by the Tenant under the Lease and shall do all things necessary to preserve and keep unimpaired the rights and interests of Borrower, as Tenant, under the Lease. Upon receipt by Lender from the Landlord of any written notice of default or failure to perform any of the terms, covenants, provisions or agreements of the Lease to be paid, observed or performed by Borrower, Lender may rely thereon and may pay any amount and take any action necessary to cure such breach or default, even though the existence of such breach or default may be questioned or denied by Borrower. Borrower shall reimburse Lender on demand for all amounts expended by Lender in effecting such cure, together with interest thereon from the date of demand at the rate provided in the Note.

4. [Intentionally Omitted]

5. Charges; Liens.

(a) Borrower will pay, prior to delinquency, all taxes, assessments and other charges, fines and impositions attributed to the Secured Property which create or may create a lien on any of the Secured Property, and leasehold payments or ground rents, if any, as provided under Paragraph 3.

(b) Borrower covenants and agrees to and with Lender that if the Secured Property or any part thereof is encumbered, mortgaged or pledged by Borrower, whether voluntarily or involuntarily or by operation of law, in either or any case without the prior written consent of Lender, Lender may, at Lender's option, declare all of the sums secured by this Deed of Trust to be immediately due and payable, and Lender may invoke any remedies permitted by this Deed of Trust.

6. Fire and Other Hazard Insurance; Liability Insurance.

(a) Borrower shall keep the Secured Property and the Improvements insured for its full replacement value against loss by fire, vandalism and malicious mischief, perils of extended coverage and other risks as required by Lender in its reasonable discretion. In addition, Borrower shall provide flood insurance, if required, in an amount satisfactory to Lender, where



the Secured Property is now, or in the future is declared to be in a Special Flood Hazard Area as described in the National Disaster Protection Act of 1973, as amended. The insurance carrier providing the required coverage will be chosen by Borrower subject to approval by Lender. All insurance policies and renewals will include a standard mortgage clause in favor of and in form acceptable to Lender, including without limitation a clause giving Lender a minimum of thirty (30) days' notice prior to cancellation. Borrower shall furnish to Lender originals of all policies of insurance required hereunder. If Borrower fails to provide Lender with evidence of the required insurance during the term of the Loan, Lender is authorized, but not obligated, to obtain insurance protecting Lender's interest only. Borrower will be required to pay Lender the insurance premium upon request, or the premium may be added to the principal balance of the Note and accrue interest at the rate specified in the Note. Any sums Lender may expend for insurance premiums will be secured by this Deed of Trust.

(b) When any hazard loss occurs, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may submit notice of claim and/or make proof of loss if not made promptly by Borrower. All insurance proceeds shall be paid to Lender. Lender agrees that the insurance proceeds shall be applied to restoration or repair of the Secured Property provided that (i) no Event of Default exists hereunder, (ii) the restoration or repair will be completed prior to April 1, 2001, (iii) Borrower first pays all costs in excess of available insurance proceeds, and (iv) the lease to Motorola, Inc. will remain in full force and effect. Otherwise, the insurance proceeds shall be applied to the sums secured by this Deed of Trust, with excess, if any, paid to Borrower. If the Secured Property is abandoned by Borrower, or if Borrower fails to respond to Lender within thirty (30) days from the date notice is mailed by Lender to Borrower that the insurance carrier offers to settle a claim for insurance benefits, Lender is authorized to collect and apply the insurance proceeds, at Lender's option, either to the restoration or repair of the Secured Property or to the sums secured by this Deed of Trust.

(c) Unless Lender and Borrower agree in writing, any application of proceeds to principal will not extend or postpone the due date of the payments or change the amount of the payments. If title to the Secured Property is acquired by Lender, all rights, title and interest of Borrower in any insurance policies will pass to Lender.

(d) Borrower shall at all times procure and maintain at its sole expense a policy or policies of liability insurance with respect to activities on the Secured Property affording coverage not less than $2,000,000 combined single limit for death or injury to one or more persons or property damage naming Lender as additional insured. Upon the date of this Deed of Trust and from time to time before the expiration of any policy shown in the prior certificate, Borrower shall deliver to Lender certificates (i) evidencing the required coverage and (ii) obligating the insurer to provide at least 30 days prior notice to Lender of any cancellation, non-renewal or reduction in limits of any policy shown on the certificate. Upon request, Borrower shall deliver to

Lender the original or a copy of each policy. All such policies shall be issued by a responsible insurer licensed to do business in Arizona. Borrower shall obtain such endorsements and coverage as Lender may reasonably request.



(e) Borrower shall defend, indemnify and hold Lender harmless from all claims and liabilities, insured or uninsured, arising on the Secured Property or resulting from any act or omission of Borrower.

7. Preservation and Maintenance of Property. Borrower will keep the Secured Property in good repair and will not commit waste or permit impairment or deterioration of the Secured Property. No Improvements or other property (except trade fixtures belonging to any tenant) now or hereafter covered by the lien of this Deed of Trust shall be removed, demolished or materially altered or enlarged, nor shall any new Improvements be constructed, without the prior written consent of Lender, except that Borrower shall have the right, without such consent, to remove and dispose of, free from the lien of this Deed of Trust, such personal property as from time to time may become worn out or obsolete, provided that simultaneously with or prior to such removal any such personal property shall be replaced with other personal property of a value at least equal to that of the replaced personal property and free from any title retention or other security agreement or other encumbrance and from any reservation of title, and by such removal and replacement the Borrower shall be deemed to have subjected such new personal property to the lien of this Deed of Trust and the security interest of Lender created hereby shall be the first priority security interest in said new personal property.

8. Compliance with Laws. Borrower covenants and agrees that it will comply with or cause to be complied with all present and future laws, statutes, ordinances, rulings, regulations, covenants, conditions and restrictions, orders and requirements of all federal, state, municipal, county, and other governmental agencies and authorities relating to the Secured Property, as well as all covenants, conditions, and restrictions affecting same and shall pay all fees or charges of any kind in connection therewith. Borrower further covenants that it (i) shall not join in the amendment or rescission of any covenants, conditions and restrictions now or hereafter affecting the Secured Property or the operation thereof, without the prior written consent of Lender; (ii) shall give Lender written notice of any request, and, if in writing, a copy of such request, received by Borrower and requesting Borrower to join in the amendment of any covenants, conditions or restrictions now or hereafter affecting the Secured Property or the operation thereof; and (iii) shall give Lender telephonic notice within one (1) day and written notice (which shall include a copy of any notice received by Borrower) within three (3) days of Borrower's receipt of any notice received by or on behalf of Borrower with respect to Borrower's noncompliance with any of the provisions of covenants, conditions or restrictions now or hereafter affecting the Secured Property or the operation thereof. If Borrower fails to correct the conditions specified in the notice to it, Lender may do so at the sole cost and expense of Borrower, and Borrower shall reimburse Lender for such cost and expense upon demand. Any amounts so expended by Lender shall bear interest at the default rate (as defined in the Note) from the date of expenditure and shall be secured by this Deed of Trust.

9. [Intentionally Omitted]

10. Assignment of Leases and Rents. Borrower, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby conveys, transfers, assigns, sells, sets over and delivers, irrevocably and absolutely, unto Lender, its



successors and assigns, all the rights, interest and privileges, which Borrower, as lessor, has and may have in the leases now existing or hereafter made and affecting the Real Property, or any part thereof, as such leases may have been, or may from time to time be hereafter, modified, extended and renewed, with all

rents, income and profits (including tenant security deposits) due and becoming due therefrom. Borrower will, on request of Lender, execute assignments of any specific leases affecting any part of the Real Property. Borrower will not modify or amend the existing lease to Motorola, Inc. without the written approval of Lender.

11. Protection of Lender's Security. If Borrower fails to perform the covenants and agreements contained in this Deed of Trust, or if any action or proceeding is commenced which materially affects Lender's interest in the Secured Property, including, but not limited to, eminent domain, insolvency, code enforcement, or arrangements or proceedings involving a debtor in bankruptcy or decedent, then Lender, at Lender's option, upon notice to Borrower, may make such appearances, disburse such sums and take such action as is necessary to protect Lender's interest, including, but not limited to, disbursement of reasonable attorneys' fees and entry upon the Secured Property to make repairs. Any amounts disbursed by Lender pursuant to this Paragraph 11, with interest thereon, will become an additional indebtedness of Borrower secured by this Deed of Trust. Unless Borrower and Lender agree to other terms of payment, such amounts will be payable upon notice from Lender to Borrower requesting payment, and will bear interest from the dates of disbursement at the rate payable from time to time on the outstanding principal balance under the Note. Nothing contained in this Paragraph 11 shall impose upon Lender an affirmative duty to incur any expense or take any action.

12. Inspection. Lender may make or cause to be made reasonable entries upon and inspections of the Secured Property.

13. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of the Secured Property, or any part of the Secured Property, or for conveyance in lieu of condemnation are irrevocably assigned and will be paid to Lender; provided that Lender shall receive only those amounts necessary to satisfy the outstanding principal balance of the loan and any other additional amounts owed by Borrower. Any application of proceeds to principal will not affect the due date or scheduled payments under the Note.

14. Events of Default. The unpaid principal balance of the indebtedness evidenced by the Note and interest thereon, together with all other applicable fees and charges evidenced thereby or secured hereby shall become due at the option of Lender upon the occurrence of an Event of Default (as defined below). The following shall constitute an "Event of Default" or "Events of Default" hereunder.

(a) Any failure to pay, within ten (10) days after the dates when due as provided in the Note, all amounts due and owing under the Note.

(b) Any default in the payment of any other sum due under this Deed of Trust which is not cured ten (10) days following receipt of written notice from Lender.



(c) Unless otherwise provided herein, any non-monetary default which is not cured within thirty (30) days following receipt of written notice from Lender.

(d) The imposition of any voluntary or involuntary lien or encumbrance upon the Secured Property, except as permitted by this Deed of Trust or approved by Lender.

(e) Borrower assigns, transfers or conveys any interest in all or any part of the Secured Property.

15. Acceleration; Remedies. Upon the happening of an Event of Default, Lender, at Lender's option, may declare all of the sums secured by this Deed of Trust to be immediately due and payable without further demand and may use the power of sale and any other remedies provided for herein or permitted by

applicable law, including without limitation, the rights and remedies afforded by Arizona Revised Statutes (S)33-702(B), without regard to the adequacy of the security or to the solvency of Borrower or whether Trustee or Lender has commenced to exercise any other right or remedy provided herein or permitted by applicable law. Lender will be entitled to collect all reasonable costs and expenses incurred including, but not limited to, reasonable attorneys' fees in pursuing the remedies provided in this Deed of Trust.

If Lender uses the power of sale, Trustee will give public notice of sale to the persons and in the manner prescribed by applicable law. After the lapse of such time as may be required by applicable law, Trustee, without demand on Borrower, will sell the Secured Property at public auction to the highest bidder at the time and place and under the terms designated in the notice of sale in one or more parcels and in such order as Trustee may determine. Trustee may postpone sale of all or any parcel of the Secured Property in the manner provided by law. Lender or Lender's designee may purchase the Secured Property at any sale.

Trustee will deliver to the purchaser a Trustee's Deed conveying the Secured Property sold without any covenant or warranty, expressed or implied. The recitals in the Trustee's Deed will be prima facie evidence of the truth of the statements made. Trustee will apply the proceeds of the sale in the following order: (a) to all reasonable costs and expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees and costs of title evidence; (b) to all sums secured by this Deed of Trust; and (c) the excess, if any, to the persons legally entitled.

16. Appointment of Receiver; Lender in Possession. Upon the occurrence of any Event of Default, Lender, in person, by agent, or by judicially appointed receiver may enter upon, take possession of and manage the Secured Property and collect the rents from the Secured Property including those past due. All rents collected by Lender or the receiver will be applied first to payment of the costs of management of the Secured Property and collection of rent, including receiver's fees, premiums on receiver's bonds and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. Lender and the receiver will only be liable to account for those rents actually received.

17. Borrower Not Released. Extension of the time for payment or modification or amortization of the sums secured by this Deed of Trust granted by Lender to any successor in interest of Borrower will not operate to release, in any manner, the liability of the original



Borrower and the original Borrower's successors in interest. Lender will not be required to commence proceedings against any successor or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Deed of Trust by reason of any demand made by the original Borrower and the original Borrower's successors in interest.

18. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy contained in this Deed of Trust, or otherwise afforded by applicable law, will not be a waiver of, or preclude the exercise of, any such right or remedy. The procurement of insurance, or the payment of taxes, or other liens or charges by Lender will not be a waiver of Lender's right to accelerate the maturity of the Note or any additional advances.

19. Remedies Cumulative. All remedies provided in this Deed of Trust are distinct and cumulative to any other right or remedy under this Deed of Trust or under any other Loan Document or afforded by law or equity, and may be exercised concurrently, independently or successively.

20. Successors and Assigns Bound; Joint and Several Liability. The covenants and agreements contained in this Deed of Trust will bind, and the rights under this Deed of Trust will inure to, the respective successors and assigns of Lender and Borrower. All covenants and agreements of Borrower will be joint and several.

21. Notice. Except for any notice required under applicable law to be given in another manner, all written notices or demands required or permitted under this Deed of Trust, shall be in writing, delivered in person or sent by certified mail, return receipt requested, to the address shown on the first page or to such other address as either party may designate from time to time by notice to the other. Mailed notices shall be effective upon deposit in the mail, and personally delivered notices shall be effective upon receipt.

22. Waiver of Rights by Borrower. Borrower waives all the rights and benefit of all laws now existing or that hereafter may be enacted providing for (a) any appraisement before sale of any portion of the Secured Property, or (b) extension of the time for the enforcement or collection of the Note or the indebtedness evidenced thereby, or (c) creation of an extension of the period of redemption from or a moratorium on any sale made pursuant to this Deed of Trust. 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 appraisement, valuation, stay, extension, redemption or moratorium, and Borrower, for Borrower, Borrower's successors and assigns, and for any and all persons ever claiming any interest in the Secured Property, to the extent permitted by law, hereby waives and releases all rights of redemption, valuation, appraisement, moratorium, stay of execution, notice of election to mature or declare due the whole of the secured indebtedness and marshaling in the event of foreclosure of the liens hereby created. If any law referred to in this Paragraph and now in force, of which Borrower, Borrower's successors and assigns or other person might take advantage despite this Paragraph, shall hereafter be repealed or cease to be in force, such law shall not thereafter be deemed to preclude the application of this Paragraph. Borrower expressly waives



and relinquishes any and all rights and remedies which Borrower may have or be able to assert by reason of the laws pertaining to the rights and remedies of sureties, including without limitation Arizona Revised Statutes, Sections 12-1641, et seq. and 16 Arizona Revised Statutes, Rules of Civil Procedure, Rule 17(f). Borrower waives, to the full extent permitted by law, all statutes of limitations as a defense to this Deed of Trust and any obligation secured by this Deed of Trust.

23. Severability; Governing Law. In the event that any provision or clause of this Deed of Trust or the Note conflicts with applicable law, such conflict will not affect other provisions of this Deed of Trust or the Note which can be given effect without the conflicting provision, and to this end the provisions of this Deed of Trust and the Note are declared to be severable. This Deed of Trust shall be governed by, construed and enforced according to the laws of the State of Arizona and construction shall be without regard to any legal principles involving which party caused this instrument to be prepared.

24. Reconveyance. Upon payment of all sums secured by this Deed of Trust, Lender will request Trustee to reconvey the Secured Property and surrender this Deed of Trust and all notes secured by this Deed of Trust to Trustee. Trustee will reconvey the Secured Property without warranty to the person legally entitled, and that person will pay all costs of the reconveyance.

25. Substitute Trustee. Lender may appoint a new Trustee in the manner provided by law. The new Trustee will succeed to all the title, power and duties conferred upon the Trustee.

26. No Merger. The estate granted to Lender hereunder shall not merge with any other estate that Lender may have in the Secured Property, present or future.

27. Time is of the Essence. Time is of the essence with respect to each and every covenant, agreement and obligation of Borrower under this Deed of Trust, the Note and any and all other instruments now or hereafter evidencing, securing or otherwise relating to the indebtedness.

28. Captions. The captions and headings of the paragraphs of this Deed of Trust are for convenience only and are not to be used to interpret or define the provisions of this Deed of Trust.



BY SIGNING BELOW, BORROWER ACKNOWLEDGES HAVING READ THIS DEED OF TRUST AND REQUESTS THAT A COPY OF ANY NOTICE OF SALE BE MAILED TO BORROWER AT THE ADDRESS SPECIFIED HEREIN FOR IT.

IN WITNESS WHEREOF, Borrower has executed this Purchase Money Deed of Trust, Assignment of Leases and Rents, Fixture Filing and Security Agreement as of the date first above written.

WELLS OPERATING PARTNERSHIP, L.P.

By: Wells Real Estate Investment Trust, Inc.,
Its General Partner

By: /s/ Douglas P. Williams
---
Its Executive Vice President

STATE OF GEORGIA )
) ss.
COUNTY OF GWINNETT )

The foregoing instrument was acknowledged before me, a Notary Public, this 28th day of March, 2000, by Douglas P. Williams, the Executive Vice President of Wells Real Estate Investment Trust, Inc., the General Partner of Wells Operating Partnership, L.P., a Delaware limited partnership.

Martha Jean Cory
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Notary Public

My Commission Expires:

Notary Public, Gwinnett County, Georgia
My Commission Expires June 24, 2000



Exhibit "A"
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The Real Property

For a parcel of land located in the Northeast quarter of Section 13, Township 1 South, Range 4 East of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, being more particularly described as follows:

COMMENCING at the Northeast corner of said Section 13;
thence South 00 degrees 34 minutes 03 seconds East along the Eastern line of said Section 13, a distance of 1112.51 feet to a point, said point bears North 00 degrees 34 minutes 03 seconds West, a distance of 1523.77 feet from the East quarter corner of said Section 13;
thence South 89 degrees 25 minutes 57 seconds West, a distance of 172.23 feet to a point on the Western right of way of the 101 Freeway said point also

being the TRUE POINT OF BEGINNING of the parcel herein described;
thence South 02 degrees 23 minutes 51 seconds East along said Western right of way of the 101 Freeway, a distance of 70.61 feet to the point of curvature of a non-tangent curve concave to the East whose radius bears North 86 degrees 17 minutes 39 seconds East, a distance of 11493.10 feet;
thence Southerly continuing along said Western right of way of the 101 Freeway and along the arc of said curve through a central angle of 01 degrees 27 minutes 36 seconds and a distance of 292.87 feet to a point of non-tangency;
thence South 05 degrees 09 minutes 51 seconds East continuing along said Western right of way of the 101 Freeway a distance of 74.78 feet to a point;
thence South 01 degrees 56 minutes 40 seconds East continuing along said Western right of way of the 101 Freeway, a distance of 445.41 feet to a point;
thence South 01 degrees 27 minutes 58 seconds East continuing along said Western right of way of the 101 Freeway, a distance of 209.83 feet to a point;
thence South 44 degrees 34 minutes 50 seconds West leaving said Western right of way of the 101 Freeway, a distance of 76.66 feet to a point on the Northern right of way of Conference Drive, as shown on Map of Dedication for Arizona State University Research Park, according to Book 240 of Maps, page 14 and amended in Book 275 of Maps, page 26, records of Maricopa County, Arizona;
thence South 89 degrees 25 minutes 40 seconds West continuing along said Northern right of way of Conference Drive, a distance of 398.71 feet to a point;
thence North 47 degrees 05 minutes 56 seconds West leaving said Northern right of way Conference Drive, a distance of 29.22 feet to a point on the Eastern right of way of River Parkway, said point also being the point of curvature of a non-tangent curve concave to the West whose radius bears South 85 degrees 47 minutes 49 seconds West, a distance of 1155.92 feet;
thence Northerly continuing along said Eastern right of way of River Parkway and along the arc of said curve, through a central angle of 04 degrees 46 minutes 48 seconds, a distance of 96.44 feet to a point of compound curvature, said curve having a radius of 468.37 feet;

thence Northerly continuing along said Eastern right of way of River Parkway and along the arc of said curve, through a central angle of 29 degrees 55 minutes 17 seconds and a distance of 244.60 feet to a point of tangency;
thence North 38 degrees 54 minutes 16 seconds West continuing along said Eastern right of way of River Parkway, a distance of 136.82 feet to a point of curvature of a tangent curve concave to the Northeast having a radius of 1135.92 feet;
thence Northwesterly continuing along said Eastern right of way of River Parkway and along the arc of said curve through a central angle of 03 degrees 31 minutes 32 seconds and a distance of 69.90 feet to a point of non-tangency;
thence North 10 degrees 32 minutes 14 seconds East leaving said Eastern right of way of River Parkway, a distance of 28.08 feet to a point on the Southern right of way of Research Drive;
thence North 55 degrees 56 minutes 56 seconds East continuing along said Southern right of way of Research Drive, a distance of 93.05 feet to a point of curvature of a tangent curve concave to the Northwest having a radius of 688.00 feet;
thence Northeasterly continuing along said Southern right of way of Research Drive and along the arc of said curve through a central angle of 55 degrees 52 minutes 57 seconds and a distance of 671.03 feet to a point of non-tangency;
thence North 89 degrees 25 minutes 57 seconds East leaving said Southern right of way Research Drive, a distance of 273.44 feet to the TRUE POINT OF BEGINNING of the parcel herein described.

SUBJECT TO matters of records as of the date hereof.

EXHIBIT 10.47

JOINT VENTURE PARTNERSHIP AGREEMENT OF

FUND VIII-IX-REIT JOINT VENTURE

# JOINT VENTURE PARTNERSHIP AGREEMENT OF FUND VIII-IX-REIT JOINT VENTURE

THIS JOINT VENTURE PARTNERSHIP AGREEMENT (the "Agreement") is made and entered into as of the 15th day of June, 2000, 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 FUND VIII AND FUND IX ASSOCIATES, a Georgia joint venture partnership between Wells Real Estate Fund VIII, L.P., a Georgia limited partnership, and Wells Real Estate Fund IX, L.P., a Georgia limited partnership (the "Fund VIII-IX Joint Venture"). 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 Fund VIII-IX Joint Venture currently owns and operates an office building located at 15253 Bake Parkway in Orange County, California (the "Bake Parkway Property"); and

WHEREAS, the Venturers desire to form a partnership under the Georgia Uniform Partnership Act for the purpose of owning and operating the Bake Parkway Property, all pursuant 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 any property contributed to the Venture as a Capital Contribution and/or 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; (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 any Property; (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 Property 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.

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 Properties.

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, including specifically the Bake Parkway Property.

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.

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 partnership 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) |
| "Accepting Venturer" | 6.5(a) |
| "Dissenting Venturer" | 6.5(a) |

2. THE VENTURE.

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2.1 Formation. The Venturers hereby enter into and form the Venture as a Georgia general partnership under the Georgia Uniform Partnership Act 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 Georgia Uniform Partnership Act and other applicable laws of the State of Georgia. The Venture is being formed for the sole purpose of acquiring, owning, developing, operating and eventually selling 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 the "Fund VIII-IX-REIT Joint Venture" (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 6200 The Corners Parkway, Suite 250, 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 Fund VIII-IX Joint Venture shall be obligated and required to contribute the Bake Parkway Property to the Venture, along with any and all leases and other contracts relating to the Bake Parkway Property, to be transferred and deeded to the Venture as its Capital Contribution to the Venture. All real estate transfer taxes, deed taxes and other costs and expenses associated with the transfer of the Bake Parkway Property to the Venture shall be paid for by the Venture. The parties hereby acknowledge and agree that the Agreed Value of the Bake Parkway Property is and shall be deemed to be $7,612,733 for all purposes hereunder and that, upon the transfer and contribution of the Bake Parkway Property to the Venture, the Fund VIII-IX Joint Venture shall be deemed to have made, and shall be credited with making, a Capital Contribution to the Venture in the amount of $7,612,733.

Wells OP shall be obligated and required to make certain cash Capital Contributions to the Venture to be used by the Venture for capital and tenant improvements, leasing commissions and other improvements, renovations, refurbishments, costs and expenses necessary or required relating to the Bake

Parkway Property and the transfer of such Property to the Venture, which amounts are currently estimated to be between approximately $1,190,000 and $1,250,000.

The Venturers shall from time to time make such additional Capital Contributions to the Venture in such amounts as may be agreed to by the Venturers from time to time.

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, 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.

Notwithstanding the foregoing, however, the Venturers hereby acknowledge that they have previously entered into that certain Rental Income Guaranty Agreement dated February 18, 1999, relating to the Bake Parkway Property (the "Rental Income Guaranty Agreement") and that the guaranty of Wells OP to the Fund VIII-IX Joint Venture pursuant to the terms of said Rental Income Guaranty Agreement shall continue and remain in full force and effect in accordance with the terms of paragraph 3 of said Rental Income Guaranty Agreement.

(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 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. 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 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").

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 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 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 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, 2030, 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 and the receipt and distribution of the proceeds therefrom;

(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.
6200 The Corners Parkway
Suite 250
Norcross, Georgia 30092

Fund VIII and Fund IX Associates
6200 The Corners Parkway
Suite 250
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, 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 and entered into this Joint Venture Partnership Agreement of Fund VIII-IX-REIT Joint Venture as of the day and year first above written.

WELLS OPERATING PARTNERSHIP, L.P.
A Delaware Limited Partership

Signed, sealed and delivered in the presence of:

By: Wells Real Estate Investment Trust, Inc.
A Maryland Corporation
(As General Partner)

/s/ Linda L. Carson
---
Unofficial Witness

/s/ Martha Jean Cory
---
Notary Public

By: /s/ Douglas P. Williams
---
Douglas P. Williams
Executive Vice President

[SIGNATURES CONTINUED ON NEXT PAGE]



Signed, sealed and delivered in the presence of:

FUND VIII AND FUND IX ASSOCIATES

Linda L. Carson
---
Unofficial Witness

By: Wells Real Estate Fund VIII, L.P.
A Georgia Limited Partnership

Martha Jean Cory
---
Notary Public

By: Wells Partners, L.P.
A Georgia Limited Partnership
(As General Partner)

Notary Public, Gwinnett County, Georgia
My Commission Expires, June 24, 2000

By: Wells Capital, Inc.
A Georgia Corporation
(As General Partner)

Signed, sealed and delivered in the presence of:

Linda L. Carson
---
Unofficial Witness

Martha Jean Cory
---
Notary Public
Notary Public, Gwinnett County, Georgia
My Commission Expires, June 24, 2000

By: /s/ Douglas P. Williams
---
Douglas P. Williams
Executive Vice President

/s/ Leo F. Wells, III
---
Leo F. Wells, III
General Partner

Signed, sealed and delivered in the presence of:

By: Wells Real Estate Fund IX, L.P.
A Georgia Limited Partnership

By: Wells Partners, L.P.

Linda L. Carson
---
Unofficial Witness

Martha Jean Cory
---
Notary Public
Notary Public, Gwinnett
County, Georgia
My Commission Expires,
June 24, 2000

Signed, sealed and delivered
in the presence of:

Linda L. Carson
---
Unofficial Witness

Martha Jean Cory
---
Notary Public
#303829 v1
Notary Public, Gwinnett
County, Georgia
My Commission Expires,
June 24, 2000

A Georgia Limited Partnership
(As General Partner)

By: Wells Capital, Inc.
A Georgia Corporation
(As General Partner)

/s/ Douglas P. Williams
By: ---
Douglas P. Williams
Senior Vice President

/s/ Leo F. Wells, III
---
Leo F. Wells, III
General Partner

EXHIBIT 10.48

LEASE AGREEMENT

FOR THE AVNET BUILDING

LEASE (Single Tenant Building)
ASU Research Park

LEASE (this "Lease"), entered into this 20 day of April, 1999, between RYAN COMPANIES US, INC., a Minnesota corporation ("Landlord"), and AVNET, INC., a New York corporation ("Tenant").

1. PREMISES; PERMITTED USE:

Landlord, subject to the following terms and conditions, hereby leases to Tenant the lots in ASU Research Park, in Tempe, Arizona, legally described in Exhibit A (the "Land"), together with a building and related improvements (the "Building") containing 132,070 square feet to be constructed by Landlord as more particularly shown on the Plans. The Land and the Building are referred to as the "Premises," which will have a street address of 8700 Price Road, Tempe, Arizona.

Tenant may use the Premises as the corporate, regional or national headquarters of a division, subsidiary or affiliate of Avnet, Inc., and for any other permitted uses under the Restrictions and for no other purpose, subject to the terms and conditions of this Lease.

2. TERM; POSSESSION:

The term of this Lease ("Term") shall be approximately one hundred twenty (120) months commencing on or about February 21, 2000 (the "Target Commencement Date"), subject to the provisions of Paragraphs 2 and 27, and ending on the last day of the one hundred twentieth (120th) calendar month thereafter, unless sooner terminated or extended as herein provided.

Notwithstanding the Target Commencement Date, the Term will commence on the third business day ("Substantial Completion") after issuance of both (a) a temporary certificate of occupancy for Landlord's Work, and (b) the Project Architect's certification that Landlord's Work has been completed substantially in accordance with the Plans so that Tenant will be able to use the Premises for the intended purpose, excepting only (i) Tenant's Work (including but not limited to the kitchen and the modular furniture) and (ii) kitchen-related mechanical, plumbing and electrical work and finishes ("Landlord's Kitchen Work") and Punchlist Items, the first of which shall be the obligation of Tenant and the second of which shall remain the obligation of Landlord. Landlord's Work shall mean the work to be done by Landlord shown on the Plans, excepting Tenant's Work. Tenant's Work shall mean the work to be done by Tenant described in Exhibit B. Landlord shall give Tenant sixty (60) days' prior written notice of Landlord's best estimate of the expected date of Substantial Completion of Landlord's Work. The temporary certificate of occupancy and the Project Architect's certification for Landlord's Work may contain stipulations and conditions to be fulfilled by Landlord so long as they



do not materially interfere with Tenant's actual occupancy of the Premises and

Tenant shall be able to use the Premises (including required parking) for the purposes contemplated by this Lease, which initially shall mean commencement of Tenant's Work, without material interference with Tenant's use and enjoyment of the Premises. Tenant shall take possession of the Premises no later than ten (10) business days after Substantial Completion. Landlord and Tenant shall execute a written statement specifying (a) the commencement date of the Term and (b) the termination date of the Term prior to Tenant's taking possession of the Premises.

If Substantial Completion does not occur by the Target Commencement Date for any reason other than Tenant's default under this Lease, Landlord shall continue to use due diligence to complete construction and to deliver possession of the Premises to Tenant.

Notwithstanding any provision in this Lease to the contrary:

(a) If Substantial Completion does not occur on or before April 17, 2000 (the "Adjusted Delivery Date"), as such date may be extended by reason of Tenant Delay or Force Majeure, then Tenant's sole and exclusive remedy will be to receive one (1) day of free rent credit every day from the Adjusted Delivery Date until the earlier of forty-five (45) days thereafter or the date of Substantial Completion;

(b) If Substantial Completion does not occur on or before the forty-fifth (45th) day after the Adjusted Delivery Date, as such date may be extended by reason of Tenant Delay or Force Majeure, then Tenant's sole and exclusive remedy will be to receive two (2) days of free rent credit every day from the forty-sixth (46th) day after the Adjusted Delivery Date until the earlier of the ninetieth (90th) day thereafter or the date of Substantial Completion; and

(c) If Substantial Completion does not occur on or before the ninetieth (90th) day after the Adjusted Delivery Date for any reason other than Tenant Delay, and regardless of Force Majeure, then Tenant shall have the right to cancel this Lease as its sole and exclusive remedy by notice given to Landlord on or before ten (10) days thereafter, except that the foregoing election of remedies shall not prevent Tenant from seeking specific performance of Landlord's obligations under this Lease.

"Tenant Delay" shall mean any delay in Landlord's commencement or completion of the Building or the Tenant Improvements that occurs as the result of: (i) any request by Tenant either that Landlord perform any work in addition to that required under the Plans or that Landlord delay the commencement or completion of the Building for any reason, (ii) any change by Tenant to the Plans after final approval thereof, (iii) any failure of Tenant to respond to any request for approval required hereunder within the time period specified for such response or, where no response time is specified, within a reasonable period of time after the request, (iv) any delay in Landlord's construction of the Building caused by Tenant's activities in the Premises, or (v) any other act or omission of Tenant that effectively delays commencement or completion of the Building,



including, without limitation, Tenant's default under this Lease. "Force Majeure" shall mean Landlord's inability to obtain equipment or building materials despite the timely and diligent effort by Landlord or its contractors to obtain such equipment and materials, acts of God, fire, earthquake, flood, rainfall or other weather-caused delays which interfere with construction, vandalism, acts or delays of public agencies or governmental bodies, or the authority under the Declaration, any moratorium on the issuance of governmental approvals or utility service connections or other similar government actions, strikes, union labor disputes or other union work stoppages, freight embargoes or inability to obtain basic materials, supplies or fuels, uncommon or unusual delays in the issuance of governmental permits or approvals, or other events beyond the reasonable control of Landlord or its contractors.

For each day of delay caused by Tenant Delay or Force Majeure, Landlord's

performance dates (including without limitation the Adjusted Delivery Date) in this Lease shall be extended for an equivalent period of time, provided that Landlord notifies Tenant of the occurrence within ten (10) days after Landlord is aware that the occurrence will delay Landlord's performance.

Tenant shall be entitled to enter the Premises prior to commencement of the Term without the payment of rent or any other sums under this Lease, subject to all other requirements and covenants of this Lease, for the sole purpose of installing Tenant's furniture, fixtures and equipment. Tenant shall use reasonable care in connection with such entry, and shall not materially interfere with construction of the Building or other activity of Landlord.

Upon Substantial Completion, Landlord shall commence or continue, as applicable, and diligently pursue to completion on or before May 1, 2000, Landlord's Kitchen Work. Landlord's Kitchen Work shall in no way delay Substantial Completion or defer Tenant's obligation to pay Rent or Operating Costs.

Upon Substantial Completion, Landlord and Tenant and the Project Architect shall compile the Punchlist identifying the work to be done to the Premises to complete Landlord's Work. Within ten (10) days after delivery of the Punchlist, Landlord shall commence work on the Punchlist Items and diligently pursue them to completion, in "turnkey" condition. The Punchlist Items shall in no way delay Substantial Completion or defer Tenant's obligation to pay Rent or Operating Costs. Punchlist Items shall mean minor details of design, construction, installation, decoration, or mechanical or other adjustments to Landlord's Work which do not materially interfere with Tenant's use and enjoyment of the Premises.

Tenant shall have the exclusive right of possession of the Premises throughout the Term (and any Renewal Terms), 24 hours each day, subject to casualty, condemnation, force majeure or other events beyond the control of Landlord.



3. MONTHLY BASE RENT:

Tenant shall pay to Landlord during the Term, without any set-off, deduction, or abatement (except only as otherwise expressly provided in this Lease), and net of Operating Costs, Rent in the following sums, payable on the first day of each month, in advance, at the office of Landlord at 900 Second Avenue South, Suite 700, Minneapolis, Minnesota 55402, or at such other place as may from time to time be designated by Landlord:

| Years | Annual | Monthly Installments |
|---|---|---|
| 1 - 3 | $1,516,164 | $126,347 |
| 4 - 6 | $1,657,479 | $138,123 |
| 7 - 10 | $1,812,000 | $151,000 |

If the Term commences on a day other than the first day of a calendar month, Rent for such month shall be prorated on a daily basis, based on the number of days in effect during such month, and paid on or before the commencement of the Term.

4. OPERATING COSTS:

Tenant shall, for the entire Term, pay to Landlord as additional rent, without any set-off, deduction or abatement (except only as otherwise expressly provided in this Lease), one hundred percent (100%) of Operating Costs incurred by Landlord in the operation, maintenance, repair and management of the Premises.

"Operating Costs" are hereby defined to include, but shall not be limited

to: (i) real estate taxes and assessments, general or special, ordinary or extraordinary, foreseen or unforeseen, including, without limitation, ad valorum taxes, personal property taxes, transit taxes, special or extraordinary assessments, government levies, substitute taxes, assessments, excises, charges or fees assessed or levied in lieu of the foregoing ("Taxes and Assessments"), and expenses and fees incurred in protesting Taxes and Assessments, but excluding income taxes, franchise taxes, inheritance taxes and gift taxes; (ii) insurance premiums and costs including deductibles for the all-risk property, casualty and liability insurance that Landlord maintains under this Lease; (iii) the yearly amortization of capital costs incurred by Landlord for improvements or structural repairs to the Premises required to comply with any laws, rules or regulations of any governmental authority having jurisdiction over the Premises which are enacted after the commencement date of this Lease, or with any changes in laws, rules or regulations of any governmental authority having jurisdiction over the Premises which existed on the commencement date of this Lease, but which changes were enacted or come into effect after the commencement date of this Lease, or the application of either, or for the purposes of reducing Operating Costs, which shall be amortized over the useful life of such improvements or repairs, as reasonably estimated by Landlord; (iv) the yearly amortization of capital costs incurred by Landlord for major repairs or replacements of a non-routine or capital nature ("Capital Repairs") to the electrical, plumbing, HVAC, mechanical or other systems, which shall be amortized over the



useful life of such Capital Repairs, as reasonably estimated by Landlord; (v) any assessment, fee, or other charge assessed or imposed against Landlord or the Premises, or any part thereof, pursuant to, or under the authority of, (a) the Ground Lease, (b) the Subground Lease, (c) the Declaration attached as Exhibit C, (d) an ASU Research Park property owners' association, or (e) the obligation for payment of Intergovernmental Agreement Service Fees to City of Tempe; and (vi) any other reasonable cost, charge, or expense which under generally accepted accounting principles would be regarded as a maintenance and operating expense of the Premises.

In no event (except only as provided in the preceding subparagraph or in Paragraph 8) will Operating Costs include, nor will Tenant be obligated to pay for, (A) structural improvements, alterations or expenditures, (B) depreciation, ---------- (C) Landlord's overhead, or management fees unless Tenant selects Landlord to manage the Premises under a written management agreement, (D) unless caused by Tenant, repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the design, materials or workmanship of the Building or the Premises, (E) damage and repairs attributable to fire or other casualty or costs incurred by Landlord in respect to Hazardous Materials that impact the Premises, provided that this exclusion will not relieve Tenant of any of its own responsibility under Paragraph 14 of this Lease; (F) damage and repairs paid for under any insurance policy carried by Landlord in connection with the Premises; (G) costs incurred due to violation by Landlord of the terms and conditions of this Lease; (H) legal fees, brokerage commissions, advertising costs or other related expenses incurred in connection with leasing; (I) legal or accounting fees; (J) sculptures or artwork; (K) fees and costs incurred in connection with the defense of Landlord's title or interest in the Premises or the Building or any part thereof; (L) principal, interest and other amounts paid pursuant to any financing or refinancing secured by the Premises or the Building or any part thereof; and (M) Landlord's obligation for rent under the Subground Lease.

As soon as reasonably practicable prior to the commencement of each calendar year during the Term, Landlord shall furnish to Tenant an estimate of Tenant's Proportionate Share of Operating Costs for the ensuing calendar year and Tenant shall pay, as additional rent hereunder together with each installment of Rent, one-twelfth (1/12th) of the estimated Operating Costs. (Landlord shall also furnish to Tenant, prior to Tenant's taking possession of the Premises, an estimate of Operating Costs for the current calendar year, which Tenant shall pay in the same manner.) On receipt, Landlord shall provide

Tenant with copies of all real estate tax bills applicable to the Premises. As soon as reasonably practicable (but in no event later than ninety (90) days) after the end of each calendar year during the Term, Landlord shall furnish to Tenant a statement of the actual Operating Costs for the previous calendar year, and within thirty (30) days thereafter Tenant shall pay to Landlord, or Landlord to Tenant, as the case may be, the difference between such actual and estimated Operating Costs paid by Tenant. Tenant's obligation for Operating Costs for the years in which this Lease commences and terminates shall be prorated based upon the dates of commencement and termination of the Term.



The annual statement of actual Operating Costs shall be certified to be correct by Landlord. Landlord shall maintain full and accurate books and records with respect to all Operating Costs for a period of not less than one (1) year.

Tenant shall have the right during Landlord's normal business hours, and upon reasonable prior notice to Landlord, to inspect and audit Landlord's books and records with respect to Operating Costs no later than the first (1st) anniversary of Tenant's receipt of the statement of Operating Costs in question.

Tenant may contest at its sole expense the amount or validity of Taxes and Assessments against the Premises by appropriate proceedings and by paying Taxes and Assessments under protest prior to delinquency if Landlord declines to protest Taxes and Assessments by written notice to Tenant sent no later than ten (10) days before delinquency.

5. ADDITIONAL TAXES:

Tenant shall pay as additional rent to Landlord, together with each installment of Rent, Operating Costs and any other payment made by Tenant under this Lease, the amount of any gross receipts tax, transaction privilege or sales tax or similar tax (but excluding therefrom any income tax) payable, or which will be payable, by Landlord, by reason of the receipt of the Rent, Operating Costs and any other payment made by Tenant under this Lease.

6. ASSIGNMENT, SUBLETTING:

Except for an assignment or subletting to an affiliate or a wholly owned subsidiary of Tenant (a "Tenant Affiliate"), Tenant may not assign this Lease, or sublet all or any part of the Premises, without the Landlord's prior written consent, which consent shall not be unreasonably withheld, or delayed. Tenant shall provide Landlord with satisfactory information on the experience and business history of any proposed assignee or sublessee, as well as financial and credit information and references to enable Landlord to determine the financial responsibility and character of the proposed assignee or sublessee, provided that such information shall not be required of a Tenant Affiliate. Notwithstanding the foregoing, it shall be a condition to any assignment or subletting (including, without limitation, one to a Tenant Affiliate) that the assignee or sublessee shall assume in writing the obligations of Tenant under this Lease, and such assignment or subletting shall not relieve Tenant of its obligations to Landlord under this Lease. If Tenant is able to sublease all or a portion of the Premises for rent in excess of the Rent payable under this Lease to Landlord, the premium will be for the account of Tenant.

7. UTILITIES; SATELLITE DISH:

Landlord shall provide mains and conduits to supply phone, water, electricity (including main panel with breakers) and sanitary sewage to the Premises as shown on

the Plans, exclusive of Tenant's Work. Tenant shall pay, when due, all charges for sewer usage, garbage disposal, refuse removal, water, electricity, telephone and/or other utility services or energy source furnished to the Premises during the Term, or any renewal or extension thereof.

Tenant may install and maintain a satellite dish on the roof of the Building in conformity with the Declaration and with applicable laws, ordinances and codes. Tenant shall not damage the Building and if damage shall occur Tenant shall repair the Building promptly at its own cost. Tenant shall remove the satellite dish within ten (10) days following the expiration or termination of this Lease. Installation, maintenance and removal of the satellite dish shall not violate the terms of any roof warranty.

8. CARE AND REPAIR OF PREMISES:

Tenant shall, at all times throughout the Term, including all renewals and extensions, and at its sole expense, keep and maintain the interior and the exterior of the Building and the rest of the Premises in good repair and in a clean, safe, orderly, sanitary and first class condition in compliance with all applicable laws, codes, ordinances, rules and regulations, free of any accumulation of dirt and rubbish, and Tenant shall arrange its own trash removal. Tenant's obligations shall include, but not be limited to, the maintenance, repair, and replacement, if necessary, of interior lighting, HVAC, parking lot and driveways located on the Premises (including periodic resurfacing as needed), sidewalks, loading docks and exterior light fixtures, landscaping, electrical and plumbing systems (including without limitation sewer lines), fixtures and equipment, restrooms, interior walls and ceilings, partitions, doors and windows, regular painting of the interior and the exterior of the Building, and the replacement of all broken glass from doors and windows unless breakage is due to a defect in the design, materials or workmanship of the Building (excluding Tenant's design errors), to a breach of Landlord's own repair and maintenance obligations under this Lease, or to Landlord's negligence. Tenant shall cause to be performed by a competent service company, preventive maintenance of the HVAC units serving the Premises as recommended by the equipment manufacturer. Tenant shall also be responsible for the routine and ordinary service and maintenance of the roof including reasonable preventive care, but excluding Capital Repairs. The term "repairs" shall include ordinary and customary replacements or renewals when reasonably necessary, and all repairs made by Tenant shall be equal in quality and class to the original work.

Notwithstanding the foregoing, Tenant will not be required to perform any Capital Repairs, which shall be performed by Landlord, but Tenant will pay its share of the cost thereof in accordance with Paragraph 4.

Tenant shall not be required to perform or pay for any structural expenditure on the Premises in order to comply with (i) any law, ordinance, rule or regulation; or (ii) with any requirement of Landlord's insurance rating organization, unless the same is required as the direct result of Tenant's particular use of the Premises (as opposed to Tenant's mere occupancy of the Premises or Tenant's conduct of business, generally),



except to the extent that Tenant is required to pay Tenant's Proportionate Share of Capital Repairs or amortized capital expenditures under Paragraph 4.

If Tenant fails, refuses or neglects to maintain or repair the Premises as required in this Lease for ten (10) days after notice shall have been given Tenant, Landlord may make such repairs without liability to Tenant for any loss or damage that may accrue to Tenant's merchandise, fixtures or other property or to Tenant's business by reason thereof (except that Landlord shall be liable for its own negligence or willful misconduct), and upon completion thereof, Tenant shall pay to Landlord all costs plus eight percent (8)% for overhead incurred by Landlord in making such repairs within ten (10) days after Tenant receives from

Landlord the bill therefor.

Landlord shall be responsible for maintenance, repair and replacement of the structural elements of the roof and shall keep the foundation (concrete slab floor), exterior walls, and all other structural portions of the Premises and the Building (not otherwise designated to be maintained and repaired by Tenant) in good repair and in a clean, safe, sanitary and first class condition and in compliance with all applicable laws, codes, ordinances, rules and regulations, and if necessary or required by proper governmental authority, make modifications or replacements thereof, except that Landlord shall not be required to make any such repairs, modifications or replacements which become necessary or desirable by reason of the negligence or willful misconduct of Tenant, its agents, servants or employees, by reason of anyone illegally entering or upon the Premises, which repairs, modifications or replacements shall be made by Tenant at its sole expense. Notwithstanding any provision herein to the contrary, Landlord shall perform all Capital Repairs, but Tenant will pay its share of the costs thereof in accordance with Paragraph 4. Landlord shall also remedy, at Landlord's sole expense, any damage to the Premises caused by the willful act or negligence of Landlord or its agents.

9. COVENANTS OF TENANT:
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Tenant agrees that it shall:

(a) Be subject to and not violate (i) reasonable and customary rules and regulations put in effect by Landlord (or by Landlord's own lessor), provided that Tenant has received reasonable prior notice of the same, for the general safety of Landlord and the occupants of the Building and for the integrity and reputation of the Premises; and (ii) the restrictions in the Declaration and any covenants, conditions or restrictions applicable to ASU Research Park now or hereafter applicable to the Premises ("Restriction(s)"), but Landlord shall neither adopt nor affirm any Restriction, whether in the form of a change or addition to existing Restrictions or new Restrictions adopted subsequent to the date of this Lease that materially interferes with Tenant's use and enjoyment of the Premises or materially abridges Tenant's rights under this Lease. Enforcement of Restrictions in force as of the date of this Lease is beyond the scope of the foregoing proscription.



(b) Give Landlord access to the Premises at all reasonable times, and upon reasonable prior notice (but not less than one (1) business day, except in case of emergency) from Landlord, without change or diminution of rent so long as Landlord complies with the terms of this Lease, to enable Landlord to examine the same and to make such repairs, additions and alterations as Landlord is entitled or required to make under the terms of this Lease, and to exhibit the Premises to prospective purchaser of the Premises or lenders thereon; and during the one hundred twenty (120) days prior to the expiration of the term, to exhibit the Premises to prospective tenants. Landlord may place upon the Building any "For Sale" and "For Lease" signs. Landlord will schedule such entries with Tenant and will use reasonable efforts to minimize disruption of Tenant's business caused by such entry and Landlord will comply with Tenant's reasonable security procedures in connection with such entry. Tenant will have the right to be present whenever Landlord comes on the Premises under this paragraph.

(c) Upon the expiration or earlier termination of this Lease in any manner whatsoever, excepting only termination because of Tenant's default under this Lease (unless Landlord elects the contrary in writing), remove Tenant's furniture, fixtures and equipment, generators, computers, telephones and switches, and telecommunications equipment (to the extent the same was installed by Tenant) and Tenant's other goods, inventory and effects and those of any other person claiming under Tenant, and quit and deliver the Premises to Landlord peaceably and quietly in as good order and condition as the same are now in or hereafter may be put in by Landlord or Tenant, reasonable use and wear thereof, and repairs which are Landlord's obligation, excepted. Furniture,

fixtures, equipment, and all other property not removed by Tenant at the termination of this Lease shall be considered abandoned, and Landlord may dispose of the same as it deems expedient.

(d) Not place signs on or about the Premises without first obtaining Landlord's written consent thereto, which consent will not be unreasonably withheld or delayed. All signs must comply with applicable laws, ordinances, and regulations, the Declaration and Landlord's reasonable sign criteria.

(e) Not overload, damage or deface the Premises or do any act which may make void or voidable any insurance on the Premises or the Building, or which may render an increased or extra premium payable for insurance.

(f) Not make any alterations or additions to the Premises the cost of which would exceed $15,000.00 without obtaining the prior written approval of the Landlord, which shall not be unreasonably withheld or delayed. All alterations, additions or improvements (including carpeting or other floor covering which has been glued or otherwise affixed to the floor) which may be made by Landlord upon the Premises, except movable office furniture, equipment, generators, computers, telephone and telecommunication systems, shall be the property of Landlord, and shall remain upon and be surrendered with the Premises, as a part thereof, at the termination of this Lease.



(g) Keep the Premises free from any mechanics', materialmen's, contractors' or other liens arising from, or any claims for damages growing out of, any work performed, materials furnished or obligations incurred by or on behalf of Tenant. Provided, however, that Tenant shall have the right to bond over and contest any such lien, in which event such lien shall not be considered a default under this Lease until the existence of the lien has been finally adjudicated and all appeal periods have expired. Tenant shall indemnify, defend, and hold harmless Landlord for, from and against any such lien, or claim or action thereon, reimburse Landlord within ten (10) business days after demand therefor by Landlord for costs of suit and reasonable attorneys' fees incurred by Landlord in connection with any such lien, claim or action, and, upon written request of Landlord, provide Landlord with a bond in an amount and under circumstances necessary to obtain a release of the Premises from such lien. Notwithstanding the foregoing, Tenant will have no responsibility for the liens of contractors or others hired exclusively by and for Landlord.

(h) Indemnify, defend and hold Landlord harmless for, from and against all claims, obligations, liabilities, costs, expenses and reasonable attorneys' fees and court costs which Landlord may suffer or incur by reason of Tenant's breach of this Lease, or by reason of the negligence or willful misconduct of Tenant or its employees, agents, invitees or licensees on or about the Premises. Tenant shall comply with all applicable laws, regulations, ordinances and other legal requirements in connection with its use and occupancy of the Premises.

10. PARKING AND DRIVES:
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At no additional charge to Tenant, Landlord will provide Tenant with full-size vehicular parking spaces appurtenant to the Building at a ratio of five (5) for every 1,000 square feet in the Premises. Landlord has no obligation to provide covered parking. The parking spaces will be available to Tenant twenty-four (24) hours a day, during each day of the Term, subject to force majeure, casualty, condemnation and other similar events beyond Landlord's reasonable control. Use of driveways and parking facilities is subject to such customary and reasonable rules and regulations as Landlord may impose. Landlord will be under no obligation to police the driveways and parking lots. Tenant may employ all reasonable and lawful means to police these areas and prevent unauthorized visitors from using same including, without limitation, employees of businesses adjacent to the Premises, which means may include towing to the extent lawful. Tenant further agrees not to use, or permit the use by its employees, the driveways, parking or truck-loading areas for the overnight or any other storage, or for the maintenance or repair or cleaning, of automobiles or other

vehicles without the written permission of Landlord. Tenant shall not place or store goods, materials, supplies, equipment, automobiles or other vehicles, or other property of Tenant in the driveways or parking lots or anywhere else in the Premises or in the Building, excepting wholly within the Premises.



11. CASUALTY LOSS:

Subject to the qualifications in this Paragraph 11, in case of damage to the Premises or the Building by fire or other casualty, Tenant shall give immediate notice to Landlord, who shall then cause the damage (including any damage to the Tenant Improvements, but excluding Tenant's Work) to be repaired with reasonable speed, at the expense of the Landlord, subject to reasonable delays caused by Force Majeure and other similar delays beyond the reasonable control of Landlord. Rent and other charges payable by Tenant hereunder shall abate in proportion to the percentage of the square feet in the Premises that is damaged and unusable for Tenant's intended purpose during any period in which, by reason of such casualty, Tenant reasonably determines that there is substantial interference with the operation of Tenant's business in the Premises. Such abatement shall continue for the period commencing with the date of such damage or destruction and ending with the date that business may be fully resumed on the Premises, as reasonably determined by Tenant.

In the event the cost to repair the damage shall exceed twenty-five percent (25%) of the full replacement value of the Building, or if the damage shall be so extensive that repairs cannot be completed within one hundred twenty (120) days from the date of issuance of required permits (permitting to take no more than 60 days and Landlord to use diligent efforts to obtain same), then either Landlord or Tenant shall have the right to terminate this Lease, as of the date of such damage, by notice given to the other party within thirty (30) days following the casualty loss. If this Lease is terminated, Rent and Operating Costs shall be adjusted to the date of such damage and Tenant shall vacate the Premises.

Tenant hereby waives any statutory right to terminate this Lease or to have a reduction of rent in the event of casualty loss or destruction pursuant to A.R.S. (S)33-343, the rights of Tenant in such instance to be determined by this Paragraph 11. Notwithstanding the foregoing two paragraphs, Landlord shall have no obligation to repair or rebuild the Premises if the casualty loss occurs in the last twelve (12) months of the Term.

In the event that Landlord elects to terminate this Lease, Tenant shall have the right but no obligation, by express written election within ten (10) days following receipt of Landlord's notice to terminate, to perform the repair or restoration of the Premises utilizing all insurance proceeds (to the extent of the actual costs of restoration) received by Landlord as a result of such casualty loss. Proceeds will be disbursed in a commercially reasonable manner that jointly protects the interests of Landlord and Tenant on receipt of lien waivers compliant with Arizona law. Restoration shall be in compliance with the provisions of this Lease including the provisions in Paragraph 30 governing construction of expansion of the Building (unless by their very nature inapplicable).

Notwithstanding the proceeding paragraph, Landlord shall have the right in its sole discretion to rescind its termination and perform the repair or restoration itself by



express written election given to Tenant within five (5) days following receipt of Tenant's election to perform the repair or restoration of the Premises.

12. CONDEMNATION:

If all or a portion or the Premises is taken by eminent domain or transferred under threat of such taking, this Lease shall automatically terminate as of the date of taking only with respect to the portion of the Premises so taken. If a portion of the Premises is taken by eminent domain such that the Premises are no longer suitable for Tenant's intended use, in Tenant's reasonable discretion, or if ten percent (10%) or more of the vehicular parking spaces is taken by eminent domain and Landlord is unable or unwilling to provide reasonably equivalent substitute parking within ninety (90) days after Tenant's loss of use of the parking spaces taken, Tenant shall have the right to terminate this Lease as of the date of taking by giving written notice thereof to Landlord within ten (10) days after such date of taking. If Tenant does not elect to terminate this Lease, Landlord shall, at its expense, promptly restore the Premises (including the Tenant Improvements), exclusive of any improvements or other changes made by Tenant, to as near the condition which existed immediately prior to the date of taking as reasonably possible, and the rent and other charges payable under this Lease shall abate in the same manner as described in Paragraph 11.

All damages awarded for a taking of the Premises under the power of eminent domain shall belong to and be the exclusive property of Landlord, whether such damages be awarded as compensation for diminution in value of the leasehold estate hereby created or to the fee of the Premises; provided, however, that Landlord shall not be entitled to any separate award made to Tenant for the value and cost of Tenant's personal property, fixtures and moving expenses.

13. MUTUAL RELEASE/WAIVER OF SUBROGATION; INSURANCE:

Landlord and Tenant each hereby release the other from any and all liability or responsibility for any direct or consequential loss, injury or damage during the Term, to the extent such loss, injury or damage is covered by the terms of any property and casualty insurance maintained by Landlord or Tenant. Inasmuch as the above mutual waivers will preclude the assignment of any claim by way of subrogation (or otherwise) to an insurance company (or any other person), each party hereto agrees if required by such policies to give to each insurance company which has issued to it all risk and other property insurance, written notice of the terms of the mutual waivers, and to have such policies properly endorsed, if necessary, to prevent the invalidation of coverage by reason of the waivers.

Tenant shall not do anything in or about the Premises which will increase insurance rates on the Premises. If Landlord shall consent to such use, Tenant agrees to pay as additional rental any increase in premiums for all risk insurance resulting from the business carried on in the Premises by Tenant. Tenant shall, at its own expense, comply with the requirements of insurance underwriters and insurance rating bureaus



and governmental authorities having jurisdiction, except to the extent this Lease requires Landlord to comply with the same.

Tenant shall maintain in full force and effect during the term hereof, a policy of public liability insurance under which Landlord and Tenant shall be named insureds. The minimum limits of liability of such insurance shall be $2,000,000.00 combined single limit as to bodily injury and property damage. Tenant shall also carry at its own cost (and for the benefit of Tenant only) business interruption insurance with coverage and terms that are commercially reasonable.

Tenant may provide any coverage required under this Lease through blanket policies.

Landlord shall, during the Term, maintain the following insurance (the "Property Coverage"): Property insurance insuring the Building and the Premises (including all installations and fixtures, but excluding Tenant's Work and its

personal property) against loss or damage due to the perils of fire and other casualties covered within the classification of fire and extended coverage, vandalism, malicious mischief, special extended coverage (All Risk), sprinkler leakage and water damage. Such policies shall provide for loss payable to Landlord or its lender. Such policies shall include coverage equal to the full replacement cost of the Building, including the Premises (replacement cost new, including coverage for the cost of debris removal and coverage for the cost of complying with building, zoning, safety, land use and other laws as a result of any casualty or loss) as to prevent the application of co-insurance provisions. Such policies may include rent loss and difference-in-conditions coverage.

Landlord grants to Avnet, Inc. and its Tenant Affiliates, but not to their assigns or sublessees, the privilege to provide the Property Coverage, which shall meet the requirements of this Paragraph 13.

Insurance required to be carried by Landlord or by Tenant hereunder shall be obtained from companies maintaining at the commencement of the policy term a "General Policyholders Rating" of at least B+ and a financial rating of at least Class V, as set forth in the most current issue of "Best's Insurance Guide."

The party with a duty to maintain insurance hereunder (the "Insuring Party") agrees to deliver to the other party certificates of insurance evidencing such coverage. Each policy shall contain a provision requiring thirty (30) days' written notice to both parties before cancellation or a modification that would be adverse to the interest of either party can be effected. The Insuring Party shall provide the other party, at least fifteen (15) days prior to the expiration of such policies, with evidence of renewals or "insurance binders" evidencing renewal thereof.



14. HAZARDOUS MATERIALS:

(a) As used in this Lease, the term "Hazardous Material" means any explosives, radioactive materials, or substances defined as or included in the definition of "hazardous substances", "hazardous wastes", "infectious wastes", "hazardous materials" or "toxic substances" now or subsequently regulated under any past, present, or future federal, state or local laws or regulations or ordinances ("Hazardous Materials Laws") including, without limitation, oil, petroleum-based products, medical wastes, paints, solvents, lead, mercury, cyanide, DDT, acids, pesticides, asbestos, radon, PCBs, similar compounds, and other contaminants.

(b) Excepting the reasonable and prudent use of materials essential to the processes in Tenant's operations, and the incidental storage thereof, which shall be in full compliance with all Hazardous Material Laws, Tenant shall not cause or permit any Hazardous Material to be generated, produced, brought upon, used, stored, treated, discharged, released, spilled or disposed of on, in, under or about the Premises, or into the groundwater or the environment, by Tenant, its affiliates, sublessees, assignees, or the employees, agents, invitees, licensees, contractors or representatives of any of the foregoing. Tenant shall conduct no business on the Premises whose primary purpose is the generation, production, use, storage, treatment, disposal, sale, conveyance or transfer of any Hazardous Material. The use of any Hazardous Material on the Premises shall be a secondary function incidental to Tenant's business. Tenant shall not cause or permit any above-ground or underground storage tank or container to be located on, in, under or about the Premises without Landlord's prior written consent, full compliance with all Hazardous Materials Laws, and adherence to all other reasonable requirements of Landlord protecting the Premises, the groundwater and the environment.

(c) Tenant shall indemnify, defend and hold Landlord harmless for, from and against all actions (including, without limitation, remedial or enforcement actions of any kind, administrative or judicial proceedings, and orders or judgments arising out of or resulting therefrom), costs, claims, damages, expenses (including, without limitation, attorneys', consultants' and experts'

fees, court costs and amounts paid in settlement of any claims or actions), fines, forfeitures or other civil, administrative or criminal penalties, injunctive or other relief (whether or not based upon personal injury, property damage, or contamination of, or adverse effects upon, the environment, water tables or natural resources), liabilities or losses arising from a breach of the provisions of this Paragraph 14 by Tenant, or from any release of a Hazardous Material on, in, under or about the Premises, or into the groundwater or the environment, by Tenant, its affiliates, sublessees, assignees, or the employees, agents, invitees, licensees, contractors or representatives of any of the foregoing.

(d) In the event that Hazardous Materials are discovered upon, in, or under the Premises, and any governmental agency or entity having jurisdiction over the Premises or any Hazardous Material Law requires the removal or remediation of such Hazardous Materials, (i) Tenant shall be responsible for removing and remediating



those Hazardous Materials arising out of (x) any breach of the provisions of clause (b) above or (y) any act or omission of Tenant, it affiliates, sublessees, assignees or the employees, agents, invitees, licensees, contractors or representatives of any of the foregoing on or about the Premises, and (ii) Landlord shall be responsible for removing and remediating any Hazardous Materials released on, in, under or about the Premises by Landlord or Landlord's employees, agents, invitees, licensees, contractors or representatives, at Landlord's expense. Notwithstanding the foregoing, Tenant shall not take any remedial action in or about the Premises without first notifying Landlord of Tenant's intention to do so and affording Landlord the opportunity to protect Landlord's interest with respect thereto.

(e) Tenant immediately shall notify Landlord in writing of: (i) any spill, release, discharge or disposal of any Hazardous Material in, on or under the Premises or any portion thereof; (ii) any enforcement, cleanup, removal or other governmental or regulatory action instituted, contemplated, or threatened (if Tenant has notice thereof) pursuant to any Hazardous Materials Laws; (iii) any claim made or threatened by any person against Tenant, the Premises relating to damage, contribution, cost recovery, compensation, loss or injury resulting from or claimed to result from any Hazardous Materials; and (iv) any reports made to any governmental agency or entity arising out of or in connection with any Hazardous Materials in, on, under or about or removed from the Premises, including any complaints, notices, warnings, reports or asserted violations in connection therewith. Tenant also shall supply to Landlord as promptly as possible, and in any event within five (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 the Premises or Tenant's use or occupancy thereof.

(f) Without limiting the foregoing indemnity, Tenant shall be responsible to pay for, or reimburse Landlord for, the cost of any investigations, studies, cleanup or corrective action initiated or undertaken on account of any action or inaction of Tenant in violation of any Hazardous Materials Laws at or affecting the Premises, or by reason of any other act or omission of Tenant in breach of this Lease.

(g) Tenant will provide Landlord with a copy of any environmental audit, study or report concerning the Premises or any part thereof within the possession or control of Tenant.

(h) Landlord will permit Tenant to review Landlord's environmental audit and studies of the Premises before the execution of this Lease.

(i) Landlord represents and warrants to Tenant that the Building contains no Hazardous Materials as a result of Landlord's development of the Premises, excepting insubstantial amounts thereof, if any, in quantities not having materially adverse effects on the environment or upon the health and safety of persons. Landlord is making no representation or warranty to Tenant in respect

to the Land other than the assurance that Landlord has not discharged, released, spilled or disposed of a Hazardous Material on, in, under or about the Land. Any claim by Tenant under this subparagraph (i) shall



be presented to Landlord, in writing, on or before the third (3rd) anniversary of the date of Substantial Completion or be deemed waived.

(j) The respective rights and obligations of Landlord and Tenant under this Paragraph 14 shall survive the expiration or termination of this Lease or Tenant's non-occupancy of the Premises.

15. DEFAULT; WAIVER OF TRIAL BY JURY:

In the event Tenant fails to perform any of the terms or conditions hereof (but excluding the payment of rental or other monetary sums due under this Lease) and such failure continues for thirty (30) days after written notice of default from Landlord, provided, however, that if such failure cannot reasonably be corrected, even by prompt and diligent action, within thirty (30) days, and if Tenant commences curing such failure within such 30-day period and thereafter diligently pursues the cure to completion, Tenant shall have a reasonable period of time after the thirtieth (30th) day to continue curing, or in the event Tenant fails to pay any rental or other sum of money due hereunder and such failure continues for ten (10) days after notice thereof to Tenant, time being declared to be of the essence, and no further notice of default being required, Landlord may resort to any and all legal remedies or combination of remedies which Landlord may desire to assert including but not limited to one or more of the following: (1) re-enter the Premises in the manner provided by law, (2) declare this Lease at an end and terminated, (3) sue for the rent due and to become due under the Lease, and for any damages sustained by Landlord and (4) continue this Lease in effect and relet the Premises on such terms and conditions as Landlord may deem reasonably advisable with Tenant remaining liable for the monthly rent and all other sums payable under this Lease, plus the reasonable cost of obtaining possession of the Premises and of reletting the Premises, including broker's commissions, and of any repairs and alterations necessary to prepare the Premises for reletting, less the rentals actually received from such reletting, if any. Landlord shall use reasonable efforts to mitigate damages and relet the Premises. Any recovery of future rent from Tenant, will be discounted by applying the Federal Reserve rate of the Federal Reserve Bank in San Francisco at the time of award, plus one percent (1%).

No action of Landlord shall be construed as an election to terminate the Lease or to accept a surrender of the Premises unless written notice of such intention be given to Tenant. Tenant agrees to pay as additional rental all reasonable attorneys' fees and other costs and expenses incurred by Landlord in enforcing any of Tenant's obligations under this Lease. The mention in this Lease of any remedies shall not be deemed to be a waiver by Landlord of any other or further remedies available at law or in equity or under other provisions of this Lease, all of which are expressly preserved and shall be available to Landlord including, without limitation, Landlord's statutory lien rights.

The prevailing party in any dispute arising under this Lease shall be entitled to recover from the other party all reasonable attorneys' fees and other costs and expenses incurred by the prevailing party, such fees to be set by a court and not a jury.



Any amount due from either party hereunder which is not paid when due shall bear interest at the rate of twelve percent (12%) per annum from the due date until paid. The mention in this Lease of any remedies shall not be deemed to be a waiver by Tenant of any other or further remedies available at law or in equity from time to time, all of which are expressly preserved and shall be available

to Tenant.

Neither acceptance of Rent by Landlord, nor acceptance of partial payment of Rent or other partial performance, with or without knowledge of breach, nor failure of Landlord to take action on account of any breach hereof or to enforce its rights hereunder shall be deemed a waiver of any breach, and absent written notice or consent, the breach shall be a continuing one.

If Landlord defaults under this Lease, Tenant shall give Landlord written notice of the default and Landlord shall have (a) ten (10) days to correct the same, if the default can be corrected by the payment of money, and (b) thirty (30) days to correct the same, if the default cannot be corrected by the payment of money, provided that if a non-monetary default cannot reasonably be cured within such 30-day period, and if Landlord is proceeding with due diligence to cure the default, Landlord will have such additional time as may be reasonably necessary to cure the default so long as Landlord promptly commences such cure within the 30-day period. The holder of any mortgage or deed of trust on the Premises shall have the right to cure any default of Landlord with equal cure periods. Such lender's cure period will begin to run upon its receipt of written notice from Tenant setting forth the alleged default of Landlord, provided Landlord or such lender has given Tenant written notice of the lender's address. If Landlord or its lender fails to pay any amounts due Tenant or cure any other default of Landlord within the applicable cure period, then Tenant may elect to implement any and all rights and remedies available to it under Arizona law, excepting only the right of offset or deduction, or termination of this Lease, unless such remedy is expressly conferred herein, and in addition, Tenant may cure any such default on Landlord's behalf, and all costs expended by Tenant in doing so shall be paid by Landlord upon demand.

Tenant agrees to look solely to Landlord's interest in the Premises for the recovery of any judgment from Landlord or the payment of any obligation, liability or claim under, arising out of, or relating to this Lease, it being hereby agreed that, except to the extent of Landlord's interest in the Premises, Landlord, the assets of Landlord, or if Landlord is a partnership, its partners whether general or limited, or if Landlord is a corporation, Landlord, its directors, officers or shareholders, or if Landlord is a limited liability company, Landlord and its members and managers shall never be liable for any judgments, claims, obligations or liabilities under, arising out of, or relating to this Lease.

Landlord and Tenant, each being fully informed by their respective counsel of the legal consequences, waive the right to trial by jury.



16. NOTICES:
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All bills, statements, notices or communications which Landlord or Tenant may desire or be required to give to the other shall be deemed sufficiently given or rendered if in writing and either delivered to the recipient personally, or sent by a nationally recognized overnight courier service, or sent by registered or certified U.S. mail, postage prepaid, return receipt requested, addressed to the recipient at the address set forth below, and the time of the giving of such notice or communication shall be deemed to be (i) the time when the same is delivered to the recipient, if delivered personally, (ii) the next business day, if sent by overnight courier, or (iii) three (3) business days after deposit in the mail as herein provided. Notices shall be sent to the following addresses:

Tenant:

Avnet, Inc.
2211 South 47th Street
Phoenix, Arizona 85034
Attn: Real Estate Department

with a copy to:

Avnet, Inc.
2211 South 47th Street
Phoenix, Arizona 85034
Attn: Legal Department

Landlord:

Ryan Companies US, Inc.
3131 East Camelback Road, Suite 220
Phoenix, Arizona 85016
Attn: John L. Strittmatter

with a copy to:

Gary H. Fry
Hienton Fry P.C.
3636 North Central Avenue, Suite 520
Phoenix, Arizona 85012

Any notice by Tenant to Landlord must be given in the same manner, but addressed to Landlord at the address set forth above, or in case of subsequent change upon notice given, to the latest address furnished.



17. HOLDING OVER:

Should Tenant continue to occupy the Premises after expiration of the Term with Landlord's express written consent, such tenancy shall be from month-to-month at a rental rate equal to one hundred twenty-five percent (125%) of the rate in force immediately preceding expiration of the Term, and in no event for any longer term. If Tenant's holdover is without Landlord's express written consent, Landlord may re-enter and take possession of the Premises immediately and have all other remedies set forth in this Lease, in which event Tenant shall pay for each day of occupancy after the expiration of the Term a sum equal to one hundred fifty percent (150%) of the monthly rent for the last month of the Term, prorated on a daily basis and based upon a thirty-day month.

18. SUBORDINATION AND NONDISTURBANCE:

This Lease and the rights of Tenant shall be and are subject and subordinate at all times to the lien of any first mortgage or deed of trust now or hereafter in force against the Premises, provided, however, that (i) in the case of any mortgage or deed of trust encumbering the Premises as of the date of this Lease, Landlord will obtain, prior to the commencement of the Term, an agreement between the beneficiary or mortgagee thereof and Tenant that so long as no default exists hereunder and Tenant attorns to Landlord's successor pursuant to the provisions of this Lease, no termination of such encumbrance (or any proceeding in connection therewith) shall disturb Tenant's possession of the Premises and this Lease shall remain in full force and effect; and (ii) in the case of any first mortgage or deed of trust encumbering the Premises after the date hereof, the beneficiary or mortgagee thereof agrees, either in such encumbrance or in a separate agreement with Tenant, that so long as no default exists under this Lease and Tenant attorns pursuant to Landlord's successor pursuant to the provisions of this Lease, no foreclosure of such encumbrance (or any proceeding in connection therewith) shall disturb Tenant's possession of the Premises and this Lease shall remain in full force and effect. Tenant at any time and from time to time, upon not less than ten (10) business days' prior written notice from Landlord, shall execute such further instruments confirming the subordination of this Lease to the lien of any such first mortgage or deed of trust as shall be requested by Landlord.

19. ESTOPPEL CERTIFICATE:

Tenant shall at any time and from time to time, upon not less than ten (10) business days' prior written notice from Landlord, execute, acknowledge and deliver to Landlord and any other parties designated by Landlord, a statement in writing certifying (a) that this Lease is in full force and effect and is unmodified and that Tenant has taken possession of the Premises and has accepted and approved the condition of the Premises and the Tenant Improvements (or, if modified, or disapproved, stating the nature of such modification or disapproval), (b) the date to which the rental and other charges payable hereunder have been paid in advance, if any, (c) that there are, to Tenant's actual knowledge, no uncured defaults on the part of Landlord hereunder (or



specifying such defaults if any are claimed), and (d) any additional statement reasonably included in a reputable institutional lender's estoppel certificate in similar transactions. Such statement may be furnished to and relied upon by any prospective purchaser, tenant or encumbrancer of all or any portion of the Premises and shall include any further statement that a good faith purchaser, tenant or encumbrancer would reasonably require.

Landlord shall at any time and from time to time, upon not less than ten (10) business days' prior written notice from Tenant, execute, acknowledge and deliver to Tenant and any other parties designated by Tenant, a statement in writing certifying (a) that this Lease is in full force and effect and is unmodified (or, if modified, stating the nature of such modification), (b) the date to which the rental and other charges payable hereunder have been paid in advance, if any, and (c) that there are, to Landlord's actual knowledge, no uncured defaults on the part of Tenant hereunder (or specifying such defaults if any are claimed), and (d) any additional statement commonly included in a reputable institutional lender's estoppel certificate in similar transactions. Such statement may be furnished to and relied upon by any prospective sublessee, assignee or encumbrancer of all or any portion of Tenant's interest in the Premises and shall include any further statement that a good faith sublessee, assignee or encumbrancer would reasonably require.

20. SERVICE CHARGE:

On the second (2nd) and any subsequent monetary default by Tenant in any given year of the Term, Tenant shall pay a service charge equal to two percent (2%) per month (or any portion thereof) on Rent or other monetary sum payable by Tenant hereunder which is not paid within ten (10) days from the date of Tenant's receipt of notice of default under Paragraph 15.

21. BINDING EFFECT:

The word "Tenant", wherever used in this Lease, shall be construed to mean tenants in all cases where there is more than one tenant, and the necessary grammatical changes required to make the provisions hereof apply to corporations, partnerships, limited liability companies, or individuals, men or women, shall in all cases be assumed as though in each case fully expressed. Each provision hereof shall extend to and shall, as the case may require, bind and inure to the benefit of Landlord and Tenant and their respective heirs, legal representatives, successors and assigns, provided that this Lease shall not inure to the benefit of any heir, legal representative, transferee or successor of Tenant except as expressly provided in this Lease.

Landlord may assign its right, title, and interest in the Premises and under this Lease, and such assignment shall thereupon automatically terminate Landlord's future obligations under this Lease, provided that the assignee shall assume, in writing, the Landlord's obligations under this Lease arising after the date of assignment.

22. SECURITY DEPOSIT:

Landlord has agreed to waive the security deposit.

23. COVENANT OF QUIET ENJOYMENT:

So long as Tenant is not in default under this Lease, Tenant's possession of the Premises will not be disturbed by Landlord, or by anyone claiming by, through, or under Landlord. Notwithstanding the foregoing, foreclosure or other enforcement of Landlord's lender's lien shall not be excluded from this express covenant of quiet enjoyment. This express covenant of quiet enjoyment shall be exclusive and supersede any implied covenant of quiet enjoyment.

24. BROKER:

In connection with the lease of the Premises from Landlord to Tenant, Landlord shall pay a broker's commission to Collier's International (Bill Littleton) pursuant to a separate agreement. With the exception of such commission, Landlord and Tenant each represent to the other that it has not entered into any agreement or incurred any obligation which might result in the obligation to pay a leasing or brokerage commission or finder's fee with respect to this transaction. Landlord and Tenant each agree to indemnify, defend, protect and hold the other harmless from and against any and all losses, claims, damages, costs or expenses (including reasonable attorneys' fees) which the other may incur as a result of any claim made by any person to a right to a leasing or brokerage commission or finder's fee in connection with this transaction to the extent such claim is based, or purportedly based, on the acts or omissions of Landlord or Tenant, as the case may be.

25. RIDER:

The provisions of the attached Rider shall be an integral part of this Lease.

RYAN COMPANIES US, INC.,
a Minnesota corporation

By: /s/ John Strittmatter
Its: VP

LANDLORD

AVNET, INC., a New York corporation

By: /s/ Raymond Sadowski
Its: Senior Vice President and
Chief Financial Officer

TENANT



RIDER TO LEASE
DATED APRIL 20, 1999
BETWEEN

RYAN COMPANIES US, INC., AS LANDLORD,
AND
AVNET, INC., AS TENANT

THIS RIDER is an integral part of the attached Lease between Ryan Companies US, Inc., as Landlord, and Avnet, Inc., as Tenant. In the event of any conflict between the two, the terms of this Rider will govern. This Rider and the attached Lease Agreement are called the "Lease."

26. RIGHT OF FIRST REFUSAL TO PURCHASE:

If Landlord receives an offer to buy the Premises and desires to accept the offer, or if Landlord desires to make an offer to sell the Premises, Landlord will give Tenant a written summary of the essential terms of the offer. Tenant will have the right to accept the offer by written notice to Landlord within thirty (30) days after Tenant's receipt of the offer. If Tenant accepts the offer, Tenant will be bound to Purchase the Premises in accordance with the terms of the offer. If Tenant does not accept the offer timely, Tenant's rights under this Paragraph 26 will expire.

Tenant shall have no right to purchase the Premises if at the time Landlord receives an offer or makes an offer (a) Tenant is in default under this Lease, (b) an event has occurred that would be a default under this Lease after notice or the passage of time, or both, or (c) Tenant has assigned this Lease or sublet all or part of the Premises to anyone other than a Tenant Affiliate. The rights granted to Tenant herein are personal to Tenant and a Tenant Affiliate and may not be exercised by anyone other than Tenant or a Tenant Affiliate. Any attempted assignment of Tenant's rights in this section will be void.

Notwithstanding the foregoing, Tenant shall have no right to purchase the Premises in the following excluded transactions: (a) sale of the Premises in combination with other property of Landlord and/or a Ryan Affiliate; or (b) any offer after the first one that Landlord gives to Tenant under this section. The term "Ryan Affiliate" means (x) any entity controlling, controlled by, or under common control with Landlord; or (y) any officer or director, or any member, partner, shareholder or other equity holder with an equity interest of ten percent (10%) or greater, in any of the foregoing entities; or (z) any combination of (x) or (y).



27. LANDLORD'S WORK ON BASE BUILDING AND TENANT IMPROVEMENTS; TENANT'S WORK:

27.1 The Building will consist of the base building improvements and the tenant improvements described in the Building Shell Outline Specifications and the Tenant Improvement Outline Specifications prepared by Ryan Companies US, Inc., dated March 12, 1999, which are attached as Exhibit D, and which are, or will be, shown on the Plans described in Exhibit E. If the Plans are not fully completed by the date of this Lease, Landlord and Tenant agree to cooperate with each other to the fullest extent necessary to ensure timely completion of the Plans. Landlord will be providing Tenant with no improvements other than the foregoing and as provided in subparagraph 27.3. The Building Shell Outline Specifications and the Tenant Improvement Outline Specifications require Tenant to reimburse Landlord for stipulated development costs, which shall be paid within fifteen (15) days following Tenant's receipt of the invoice(s) therefor. Landlord acknowledges that the Plans shall be adequate to provide the "turnkey" Premises contemplated by this Lease.

27.2 Landlord will construct the Building shown in the Plans and perform Landlord's Work thereon under a design/build format in a good and workmanlike manner substantially in compliance with the Plans, this Lease and applicable laws, regulations and building codes including the Americans With Disabilities Act of 1990. Minor or insubstantial deviations from applicable laws, regulations and building codes that do not materially impair Tenant's use and

enjoyment of the Premises will not be rejected unless a governmental body or authority requires full compliance with applicable laws, regulations and building codes in which event Landlord shall bring the Building into full compliance at Landlord's sole expense.

27.3 Any change order affecting the Building whether requested by Landlord or by Tenant shall be signed by Landlord and Tenant and shall include (a) a description of the change to the Building, (b) necessary adjustments to Landlord's performance dates, and (c) a re-calculation of Rent, if any.

27.4 If, prior to the second (2nd) anniversary of the date of Substantial Completion of Landlord's Work, any of Landlord's Work is found to be defective due to faulty workmanship or materials or not in accordance with the terms of this Lease, and if within such period Tenant notifies Landlord of same in writing, then Landlord shall correct Landlord's Work at Landlord's sole expense within a reasonable time after receipt of such notice. Tenant shall notify Landlord promptly after discovery of the condition. Landlord shall have no responsibility for defective or other work that is the result of design error by Tenant or its agents, or abuse, neglect, improper or inadequate care and maintenance by Tenant (to the extent that such care and maintenance is an obligation of Tenant under Paragraph 8).



Landlord's responsibility for maintenance, repair and replacement of specified elements of the Premises under Paragraph 8 shall not operate to extend or enlarge the warranty in this Paragraph 27.4.

Tenant shall not assert a claim for breach of warranty under this Paragraph 27.4 against any lender of Landlord, and such claim shall be asserted only against Ryan Companies US, Inc. within the prescribed time period.

Landlord will assign to Tenant all assignable subcontractor and vendor warranties relating to those parts of the Premises that are the obligation of Tenant to repair. Subcontractor and vendor warranties relating to those parts of the Premises that are the obligation of Landlord to repair will be retained by Landlord and enforced as necessary.

27.5 All of Tenant's Work shall be performed by Tenant in accordance with the provisions of this Lease at Tenant's sole expense. Tenant's Work shall be in compliance with applicable laws, regulations and building codes, excepting minor or insubstantial deviations, which Tenant shall eliminate at Tenant's sole expense if any governmental body or authority requires full compliance with applicable laws, regulations and building codes. Tenant's Work shall not involve structural changes to the Premises. Landlord shall have no responsibility whatsoever for Tenant's Work. Insurance provided by Landlord shall not cover Tenant's Work. Tenant shall insure Tenant's Work with coverage that is commercially reasonable. Tenant's Work shall be completed lien-free and, if requested by Landlord or Landlord's lender, Tenant will provide lien waivers compliant with Arizona law.

28. RENEWAL OPTION(S):
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Provided that Tenant is not in default under this Lease when it exercises the Renewal Options set forth below, Tenant will have the right to renew this Lease for two (2) successive five-year terms (the "Renewal Terms") by giving notice of exercise of the Renewal Option to Landlord at least six (6) months before the end of the Term and the first Renewal Term. If Tenant fails to deliver timely written notice of exercise of a Renewal Option to Landlord, all Renewal Options shall lapse and Tenant will have no further privilege to extend the Term. Time is of the essence of this provision.

Each Renewal Term shall be on the same terms and conditions of this Lease (unless by their very nature inapplicable), except that (a) Rent payable by Tenant to Landlord during the first three (3) years of each Renewal Term shall be based on the prevailing "market rental rate" for comparable space in

competing buildings of similar size, type, quality and location, as reasonably calculated by Landlord, at the beginning of each Renewal Term, but in no event less than the rental rate in force at the end of the preceding Term, and (b) Tenant shall have no right to renew this Lease for more than two (2) successive five-year terms and no renewal shall imply a further right of renewal. Determination of the effective "market rental rate" will give appropriate consideration to



rental rates for renewals, rental escalations, tenant improvement allowances, common area charges, operating costs, and other terms that would affect the economics in a similar lease renewal at a competing building in the area.

If Landlord and Tenant are unable to agree on the "market rental rate" to be applied to the Premises, Landlord and Tenant shall select a highly qualified and reputable MAI commercial real estate appraiser with at least ten (10) years of experience in the relevant leasing market (the "Appraiser") to determine the "market rental rate." If Landlord and Tenant are unable to agree on the Appraiser, the President of the Arizona Chapter of the Appraisal Institute shall select the Appraiser.

For years four (4) and five (5) of each Renewal Term, Rent shall be increased, beginning on the thirty-seventh (37th) month of each Renewal Term, by a multiplier of 1.093.

In addition to paying the Rent determined pursuant to this Paragraph 28, Tenant will continue to pay the Operating Costs and all other sums required under this Lease during each Renewal Term.

If this Lease or Tenant's right to possession of the Premises shall expire or terminate for any reason whatsoever before Tenant exercises the Renewal Options, or if Tenant has sublet or assigned all or any portion of the Premises other than to a Tenant Affiliate, then immediately upon such expiration or termination, subletting or assignment, the Renewal Options shall simultaneously terminate and become null and void. The Renewal Options are personal to Tenant. Under no circumstances shall a subtenant or an assignee other than a Tenant Affiliate have the right to exercise the Renewal Options.

29. DECLARATION, GROUND LEASE, AND SUBGROUND LEASE:

The Premises are subject to the terms and conditions of the Declaration. Tenant's use of the Premises shall be in full compliance with the terms and conditions of the Declaration. Tenant represents and warrants to Landlord that Tenant has reviewed, understands and agrees to use the Premises in full compliance with the terms and conditions of the Declaration at all times. Notwithstanding the foregoing, Tenant's use of the Premises shall be deemed to be in full compliance with the terms and conditions of the Declaration so long as Tenant's use of the Premises is a Permitted Use under the Subground Lease.

This Lease is also subject and subordinate to (a) the Arizona State University Research Park Ground Lease dated October 8, 1984 between the Arizona Board of Regents and Price-Elliott Research Park, Inc. (the "Ground Lease"), and (b) the Subground Lease between Price-Elliott Research Park, Inc. and Landlord dated April 5, 1999 (the "Subground Lease").



Landlord shall maintain the Subground Lease in full force and effect and in good and current standing at all times during the Term and any renewals of the Term. Landlord shall also perform and observe, in timely fashion, all covenants, conditions, obligations and agreements of Landlord under the Subground Lease. Landlord hereby acknowledges and agrees that Tenant shall have

the absolute right to cure any default by Landlord under the Subground Lease in accordance with the terms of that certain Tri-Party Agreement between Price-Elliott Research Park, Inc., Landlord and Tenant dated April 5, 1999.

Upon execution of this Lease or within fifteen (15) days thereafter, Arizona State University, Price-Elliott Research Park, Inc. and Landlord shall enter into a Recognition, Nondisturbance and Attornment Agreement in the form attached hereto as Exhibit F.

30. PHASE IA EXPANSION:

If Tenant desires to have the Building expanded during the Term, Tenant shall provide Landlord with a written proposal of the desired expansion. Within thirty (30) days following Landlord's receipt of Tenant's proposal, Landlord will provide Tenant with a written response advising Tenant that (a) Landlord desires to negotiate the terms of the expansion or (b) Landlord elects in its sole discretion not to undertake the expansion. If Landlord provides a response under (a), Landlord and Tenant will negotiate the terms of the expansion but neither Landlord nor Tenant will be required to enter into any agreement for the expansion unless the terms thereof are completely satisfactory to both parties, and either party may terminate negotiations at any time, at will. If Landlord agrees to undertake the expansion, then Landlord and Tenant will enter into a written amendment to this Lease setting forth the terms and conditions applicable to the expansion, which will require Landlord to enter into an amendment to the Subground Lease incorporating the Phase IA Land.

If Landlord elects not to undertake the expansion or should the negotiations of Landlord and Tenant terminate, then in either event Tenant shall have the right to undertake the expansion at its own expense, subject to the following terms and conditions:

(a) Tenant shall not be in default under this Lease.

(b) The expansion shall be permitted by applicable laws, ordinances and building codes, the Ground Lease, the Subground Lease, the Declaration and any other applicable covenants, conditions and restrictions.

(c) That portion of Lot 30 (the "Phase IA Land") initially excluded from the Land shall become part of the Land by an amendment to the Subground Lease.

(d) All construction shall be performed by reputable, licensed and bondable contractors, subject to the approval of Landlord not to be unreasonably withheld,



pursuant to necessary permits, consents and approvals, in accordance with plans and specifications mutually acceptable to Landlord and Tenant, in compliance with applicable laws, regulations and building codes, the Ground Lease, the Subground Lease, the Declaration and applicable covenants, conditions and restrictions, all at Tenant's sole expense with no expense to Landlord.

(e) Tenant shall provide satisfactory builder's risk and other appropriate insurance in commercially reasonable coverages in respect to the expansion. Tenant shall obtain payment and performance bonds to ensure faithful completion of the work and payment therefor.

(f) The expansion shall be completed lien free and Tenant will provide Landlord with lien waivers compliant with Arizona law.

(g) Landlord and Tenant will enter into a written amendment to this Lease setting forth the terms and conditions applicable to the expansion consistent with this Paragraph 30.

If the expansion is undertaken and paid for by Tenant, Tenant will not be required to pay Landlord additional rent for the costs of design, development

and construction of the expansion improvements but shall pay the increase in Operating Costs allocable to the expansion and the increase in Rent corresponding to the increase in rent payable by Landlord under the Subground Lease for the Phase IA Land, which shall be amended by Price-Elliott Research Park, Inc. and Landlord.

Landlord will not be required to encumber the Premises (including the Phase IA Land) to finance any part of the cost of the expansion.

Any obligation of Landlord under this Paragraph 30 shall not be binding upon any lender of Landlord holding a lien on the Premises, or its successors and assigns, provided that this limitation shall not impair or prejudice Tenant's right to construct the expansion on its own.

| | |
|---|---|
| RYAN COMPANIES US, INC., a Minnesota corporation | AVNET, INC., a New York corporation |
| By: /s/ John Strittmatter | By: /s/ Raymond Sadowski |
| Its: VP | Its: Senior Vice President and Chief Financial Officer |
| Date: April 20, 1999 | Date: April 14, 1999 |
| LANDLORD | TENANT |

EXHIBIT 10.49

GROUND LEASE AGREEMENT

FOR THE AVNET BUILDING

ASU RESEARCH PARK
LEASE

FUNDAMENTAL LEASE PROVISIONS

| | |
|---|---|
| EFFECTIVE DATE: | April 5, 1999 |
| LANDLORD: | PRICE-ELLIOTT RESEARCH PARK, INC., an Arizona nonprofit corporation |
| TENANT: | RYAN COMPANIES US, INC., a Minnesota corporation |
| DEMISED PREMISES: | Lots 32, 31 and Lot 30, containing 9.63 net acres (14.15 gross acres) and 419,594.7 net square feet (616,206.9) gross square feet). See Exhibits A and A-1. |
| LEASE TERM: | From the date hereof through September 30, 2083, subject to Tenant's right to terminate the Term, as provided in Section 2. |
| RENT COMMENCEMENT DATE: | See Section 3. |
| ANNUAL RENT: | See Section 3. |
| MUNICIPAL SERVICE FEE: | $0.09157 per square foot of Floor Area constructed on the Demised Premises per year, payable in twelve equal monthly installments, subject to adjustments as provided in Section 6(d). |
| COMMON AREA EXPENSES: | Allocable Share payable monthly beginning on the Rent Commencement Date. |
| INFRASTRUCTURE ASSESSMENT: | $314,696.00 based upon $.75 per net square foot of land area, payable on the Effective Date. See Section 9. |
| SECURITY DEPOSIT: | None Required. |
| PERMITTED USES: | The Demised Premises may be used as corporate, national or regional headquarters of a division, subsidiary or affiliate of Avnet, Inc. and any other use permitted under the Restrictions attached hereto as Exhibit G. Unlimited manufacturing is prohibited (A.R.S. (S) 15-1636). |

| | |
|---|---|
| RESTRICTIONS: | Attached hereto as Exhibit G. |
| ADDRESS OF LANDLORD: | 8750 South Science Drive<br>Tempe, Arizona 85284 |
| ADDRESS OF TENANT: | 3131 E. Camelback Road<br>Suite 220<br>Phoenix, Arizona 85016<br>Attn: John L. Strittmatter |

The foregoing Fundamental Lease Provisions are an integral part of this Lease, and each reference in the body of the Lease to any Fundamental Lease Provisions shall be construed to incorporate all of the terms set forth above with respect to such Provisions.

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EXHIBITS:



# ASU RESEARCH PARK
# LEASE

## 1. DEMISED PREMISES

(a) Subject to the covenants and conditions herein contained, Landlord hereby leases to Tenant, and Tenant leases from Landlord (this "Lease"), the land situated in the City of Tempe, Maricopa County, Arizona, legally described on Exhibit A attached hereto and graphically depicted on Exhibit A-1 attached hereto (the "Land"). Said Land is hereinafter referred to as the "Demised Premises". The Demised Premises is a part of an integrated research park development located within the City of Tempe, Arizona ("Research Park") which is graphically depicted on the Site Plan attached hereto as Exhibit B. It is acknowledged that Landlord has an interest in the Research Park as a ground lessee under that certain Ground Lease dated October 8, 1984, and all amendments thereto ("Ground Lease"), wherein the Arizona Board of Regents, acting for and on behalf of Arizona State University, appears as Lessor ("Ground Lessor"). This Lease is a sublease under the Ground Lease.

(b) The legal description and the net square footage for the Demised Premises as set forth in Exhibit A-1 and the Fundamental Lease Provisions, respectively, are predicted upon the eventual abandonment of a portion of that certain Research Park roadway known as "Science Drive" by the City of Tempe and other regulatory bodies having jurisdiction over the proposed abandonment. The portion of Science Drive for which abandonment will be sought is delineated on Exhibit A-1.

(c) Upon execution of this Lease, Tenant shall process the Science Drive abandonment on behalf of Ground Lessor and Landlord at Tenant's sole expense. Landlord agrees to cooperate with Tenant in processing such abandonment. In the event the abandonment is not completed prior to the Rent Commencement Date, Tenant shall so notify Landlord. Landlord shall then have the right, but not the obligation, to join with Tenant to obtain completion of such abandonment. If, within sixty (60) days after Tenant's notice to Landlord, the abandonment has not been completed, Tenant may terminate this Lease upon written notice to Landlord and shall be entitled to receive a refund of all monies paid Landlord under this Lease prior to such termination. Notwithstanding the foregoing, Tenant shall not have the right to terminate this Lease and receive such a refund if the failure of the abandonment or failing to pay such fees or submit such plans, drawings and documentation as the City of Tempe may require.

(d) In connection with the Science Drive abandonment, Landlord and Tenant covenant as follows:



(i) Tenant shall not demolish or alter any of the improvements in or about Science Drive until Tenant shall have obtained at its expense all governmental permits and approvals necessary to process the proposed abandonment with the City of Tempe and any other regulatory bodies having jurisdiction over the proposed abandonment.

(ii) Tenant, at its sole expense, shall relocate those utilities or other improvements now located within or about Science Drive which the City of Tempe and/or Landlord require to be relocated.

(iii) Prior to completion of Tenant's Improvements, Tenant shall, at its sole expense, relocate all dedicated public easements which the City of Tempe may require to be relocated as a condition to such abandonment.

(iv) In the event Tenant damages or destroys any landscaping or other improvements located within the Common Area of the Research Park or within or about any dedicated public right-of-way, then Tenant shall repair, replace and restore all such landscaping and other Improvements to their condition existing prior to commencement of Tenant's construction. Tenant shall take all necessary action to prohibit the use of such public access ways during the period of Tenant's construction.

(v) Tenant shall cause the construction of any replacement roadway, cul-de-sac, curb cuts, alternative access, sidewalks, bicycle paths and any other Improvements which may be required by the City of Tempe as a condition to the abandonment.

## 2. TERM

(a) The term of this Lease ("Term") shall commence as of the date hereof (the "Effective Date") and shall expire on September 30, 2083 unless the Term shall be sooner terminated as hereinafter provided.

(b) The term "year" as used in this Lease shall mean each period of twelve (12) consecutive months commencing on each January 1 and ending at midnight on the next succeeding December 31, except that any partial year at the beginning of the Term shall constitute the first year of the Lease, in which

event the first year of the Term will be shorter than twelve months.

(c) Tenant shall have the right to terminate this Lease prior to expiration of the 30th year. In order to exercise the termination right, Tenant must provide Landlord with written notice of Tenant's termination election not more than 360 nor less than 180 days prior to the expiration of the 30th year; provided, however, if Landlord exercises the appraisal right under Section 3(b) below, Tenant may give its notice of termination at any time



within thirty (30) days after determination of Annual Rent for years 31-40. In the event Tenant exercises such termination right, Landlord may elect to (i) require that the Land be restored, at Tenant's sole cost and expense, to its original condition as of the date of termination or (ii) accept surrender of the Land with all then existing Improvements thereon. The right of termination referred to herein may not be exercised by Tenant at any time in which the Tenant is in default under this Lease.

3. RENT
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(a) Upon the Rent Commencement Date (as defined below), Tenant agrees to pay Annual Rent to Landlord without demand, in twelve (12) equal monthly installments in advance on the first day of each month, as follows:

| Lease Years | Per Net Sq. Foot | Annual | Monthly |
|---|---|---|---|
| 1-10 | $0.55 | $230,777 | $19,231 |
| 11-20 | $0.72 | $302,108 | $25,176 |
| 21-30 | $0.93 | $390,223 | $32,519 |
| 31-85 | See (b) below | | |

(b) During the 30th year and again during the 60th year, Landlord shall have the option, in each such case, to cause the fair market value of the Land (as an improved parcel of land but subject to the Restrictions) to be determined by appraisal as set forth below. In each such case, the Annual Rent applicable to the Demised Premises for the ensuing ten-year period shall be equal to 10% of the fair market value of the Land. Annual Rent so determined shall be in effect for the years 31-40. Annual Rent shall then be adjusted every ten years so that Annual Rent for the years 41-50 and 51-60 shall reflect cumulative non-compounded increases of three percent (3%) per year over the Annual Rent in effect for the previous ten-year period. Likewise, Annual Rent shall be established by appraisal as set forth herein during the 60th year for the years 61-70. Annual Rent shall then be adjusted after ten years so that Annual Rent for the years 71-80 and 81 through the remainder of the Term shall reflect non-compounded cumulative increases of three percent (3%) per year over the Annual Rent in effect for the previous ten-year period.

In order to invoke the appraisal procedure, Landlord shall provide to Tenant at least 270 days but not more than 360 days prior to expiration of the 30th year (or 60th year as the case may be) an appraisal of the Land. Tenant shall have 30 days after receipt of Landlord's appraisal either to accept Landlord's appraisal or submit to Landlord an appraisal of the Land establishing a different fair market value. Failure to provide Landlord with an appraisal before expiration of the 30-day period shall be deemed Tenant's acceptance of Landlord's appraisal. If Tenant submits its own appraisal, Landlord shall have 30 days within which to notify Tenant that it accepts or rejects Tenant's appraisal. Failure to provide such notice within the 30-day period shall constitute acceptance by Landlord of Tenant's appraisal.



If Landlord rejects Tenant's appraisal, then the appraisers previously selected by Landlord and Tenant shall select a third appraiser, except that if

the valuations of the two appraisals are less then 10% apart, the valuations shall be averaged and the resulting amount shall be the fair market value. If the appraisers are unable to agree on a third appraiser within ten (10) days, either party, by giving ten (10) days notice to the other party may apply to the American Arbitration Association for the purpose of selecting a third appraiser.

Within thirty (30) days after the selection of the third appraiser, the third appraiser shall submit to Landlord and Tenant an appraisal of the Land. A valuation agreed upon by two of the three appraisers shall be binding upon Landlord and Tenant. If none of the appraisers agree, the values determined by the two appraisers whose valuations are closer (in absolute dollar terms, not percentage terms) shall be averaged and the resulting amount shall be the fair market value. If one valuation is equally close (in absolute dollar terms, not percentage terms) to the other two, the middle valuation shall be the fair market value.

Landlord and Tenant each shall bear the cost of its own appraiser and shall bear one-half of the cost of the third appraiser. All appraisers shall be members of the American Institute of Real Estate Appraisers (M.A.I.) or, if such Institute shall not then exist, members of its successor or a substantially equivalent organization, and shall have at least five (5) years experience appraising commercial real estate.

(c) All sums to be paid by Tenant to Landlord pursuant to this Lease shall be paid in lawful money of the United States to Landlord at its address, or at such other place as Landlord may from time to time designate in writing.

(d) The "Rent Commencement Date" shall e the earlier to occur of (i) one hundred eighty (180) days following the Effective Date of this Lease as set forth in the Fundamental Lease Provisions or (ii) the date Tenant obtains a certificate of occupancy from the City of Tempe for the Improvements.

(e) All payments of Annual Rent and "Additional Charges" (as defined in Section 4) shall be considered delinquent if not received by Landlord on or before the 10th day after the date any such payment originally became due. Tenant shall pay to Landlord a late charge equal to five percent (5%) of any amount of delinquent Annual Rent or Additional Charges. In addition, interest shall accrue on any amount of delinquent Annual Rent or Additional Charges at an annual rate equal to two (2) percentage points (2%) in excess of the annual interest rate published from time to time in the Wall Street Journal under the masthead "Money Rates" as the Prime Rate in effect as of the payment due date (or, if such Prime Rate ceases to be published, a reasonably equivalent index selected by Landlord) such interest to be adjusted quarterly and to accrue from the date such amount was originally due until the date such amount is actually paid.



## 4. ADDITIONAL CHARGES

All taxes, assessment, insurance premiums, charges, costs and expenses which Tenant assumes or agrees to pay hereunder, together with all interest and penalties that may accrue thereon in the event of Tenant's failure to pay the same as herein provided, and all other damages, costs and expenses which Landlord may suffer or incur, and any and all other sums which may become due, by reason of any default of Tenant or failure on Tenant's part to comply with the agreements, terms, covenants and conditions of this Lease on Tenant's part to be performed shall be referred to herein as "Additional Charges," and, in the event of their nonpayment, Landlord shall have with respect thereto all rights and remedies herein provided the same as though Tenant failed to pay Annual Rent.

## 5. NO COUNTERCLAIM OR ABATEMENT OF ADDITIONAL CHARGES

Unless expressly provided otherwise in this Lease, the Annual Rent, and all

Additional Charges payable by Tenant hereunder shall be paid without notice demand, counterclaim, setoff, recoupment, deduction or defense of any kind or nature and without abatement, suspension, deferment, diminution or reduction, and, except to the extent expressly provided otherwise in this Lease, the obligations and liabilities of Tenant hereunder shall in no way be released, discharged or otherwise affected by reason of (i) any damage to or destruction of any Improvements on the Demised Premises; (ii) any taking of the Demised Premises or any part thereof; or (iii) any restriction or prevention of or interference with any use of the Demised Premises or any part thereof not the result of a breach of this Lease by Landlord.

## 6. RENTAL TAXES, UTILITIES, REAL ESTATE TAXES AND MUNICIPAL SERVICE FEE

(a) Any exercise, transaction privilege or rental occupancy tax now or hereafter actually imposed by any government or governmental agency upon Landlord on account of, attributed to, or measured by rent or other charges payable by Tenant to Landlord shall be paid by Tenant to Landlord in addition to and along with the Annual Rent and Additional Charges payable hereunder.

(b) Tenant shall not be required to pay, or reimburse Landlord for (i) any local, state or federal capital levy, franchise tax, revenue tax, income tax, or profits tax of Landlord unless and to the extent such levy, tax or impost is in lieu of or a substitute for any other levy, tax or impost now or later in existence upon or with respect to the Demised Premises which, if such other levy, tax or impost were in effect, would be payable by Tenant under the provisions hereof, or (ii) any estate, inheritance, devolution, succession or transfer tax which may be imposed upon or with respect to any transfer (other than taxes in connection with a conveyance by Landlord to Tenant) of Landlord's interest in the Demised Premises.



(c) During the Term, Tenant shall pay prior to delinquency all taxes assessed against and levied upon fixtures, furnishing, equipment and all other personal property of Tenant situated on or within the Demised Premises, and when possible Tenant shall cause said fixtures, furnishings, equipment and other personal property to be assessed and billed separately from the real property demised to Tenant. Tenant shall pay and discharge punctually, as and when the same shall become due and payable without penalty, all business, occupation and occupational license taxes.

(d) The City of Tempe requires that Tenant be assessed and pay a municipal service fee (the "Municipal Service Fee") as hereinafter provided to reimburse the City for the cost of providing municipal services to the Research Park. The annual amount of the Municipal Service Fee payable by Tenant shall be calculated by multiplying the Aggregate number of square feet of Floor Area constructed, or to be constructed, on the Demised Premises from time to time by the "Multiplier" (determined as set forth below) in effect from time to time. With regard to new construction of Floor Area, assessment of the Municipal Service fee shall commence at the beginning of the calendar quarter following issuance of Building Permit. For the fiscal year beginning July 1, 1998, the Multiplier shall be the amount of $0.09157. Thereafter, the Multiplier shall be adjusted annually as of each July 1 ("Adjustment Date") to reflect the percentage of change in the Metropolitan Phoenix Consumer Price Index as published by Arizona State University, College of Business, Center for Business Research ("Index"), for the calendar year ended December 31 immediately preceding said Adjustment Date as compared to the Index for the calendar year ended December 31 on year earlier. Annual percentage changes shall be applied to the Multiplier in effect for the previous year. The Multiplier thus adjusted shall be rounded to the nearest tenth of a cent. So long as the City of Tempe requires the assessment of the Municipal Service Fee, Tenant shall pay to Landlord on a monthly basis, on or before the first day of each month during the Term, a sum equal to one-twelfth (1/12th of the then annual Municipal Service Fee due and payable to the City of Tempe calculated as set forth above for the Floor Area constructed, or to be constructed, on the Demised Premises. The term "Floor Area" as used in this Lease shall have the same meaning as provided in

the City of Tempe Building code in effect from time to time. The aggregate number of square feet of Floor Area constructed, or to be constructed, on the Demised Premises shall be the aggregate amount of Floor Area as set forth on building permits issued by the City of Tempe to Tenant.

(e) Landlord represents and warrants to Tenant that, to the extent of Landlord's actual knowledge, the fee estate of Ground Lessor is presently exempt from ad valorem taxes, and the leasehold interest of Landlord as lessee under the Ground Lease is not currently being taxed. In the event of a change in the law such that said ad valorem tax exempt status of Ground Lessor is no longer recognized by taxing authorities, or in the event of a change in the law such that Landlord's possessory interest shall be taxed, then Tenant shall fully pay and punctually discharge its proportionate share of all Impositions as and when they become due and payable, as provided in Section 6(g) below. "Impositions" shall include but are not limited to any and all ad valorem taxes, assessments (excluding special improvement district assessments) and other governmental taxes, impositions and charges of every kind and nature measured or



calculated based on the value of the property involved, extraordinary or ordinary, general or special, unforeseen or foreseen, which at any time during the Term shall become due and payable by either Ground Lessor or Landlord.

(f) In the event any obligation to pay Impositions accrues under Section 6(e) above and if the Demised Premises constitute a separate tax parcel for purposes of assessing and levying such Impositions, Tenant shall have the right to contest the amount or validity of any Impositions by appropriate legal proceedings, diligently pursued, in the name of Landlord if required by any law, rule or regulation, provided that (i) Tenant shall first make all contested payments, under protest if it desires, but if payment under protest is not permitted by the taxing authority, such contested payment need not be made, (ii) neither the Demised Premises, any part thereof, nor any interest therein shall be in any danger of being sold, forfeited, lost or interfered with, (iii) Tenant shall have furnished such security, if any, as may be required in the proceedings or reasonably requested by Landlord, and (iv) all expenses incurred in connection with such proceedings shall be paid by Tenant.

(g) In the event any obligation to pay Impositions accrues under Section 6(e) above and if the Demised Premises are not separately assessed, but are part of a larger tract or parcel for assessment purposes, then Tenant shall pay to Landlord Tenant's proportionate share of such Impositions determined as follows:

(i) With respect to any ad valorem taxes on the land area of the larger land parcel including the Demised Premises, but not with respect to special or extraordinary assessments, Tenant shall pay that portion of such taxes which the total number of square feet of land area within the Demised Premises bears to the number of square feet of land area within such larger land parcel.

(ii) With respect to any special or extraordinary assessments on the larger land parcel including the Demised Premises, Tenant shall pay only that portion of such assessments which would have been levied upon the Demised Premises had the Demised Premises been separately assessed based upon the methods of assessments utilized for such assessments.

Tenant shall pay such sums to Landlord within thirty (30) days of the receipt of a written statement from Landlord indicating the amount of such Impositions as so determined and showing in reasonable detail the manner in which such Impositions were determined. Landlord, upon Tenant's request, shall furnish Tenant, within twenty (20) days thereafter, proof of Landlord's payment of said Impositions. However, in no event shall Tenant be required to make such payments more than fifteen (15) days in advance of the date such payments would be delinquent if they were to be made directly to the taxing authorities. The right to contest Impositions attributable to the Demised Premises, if not a

separate tax parcel, shall initially



belong to Landlord but may be exercised by Tenant at its own expense if Landlord fails to contest any Imposition after written request from Tenant to do so.

(h) Landlord represents and warrants to Tenant that; (i) this Lease is issued on lands owned by the Arizona Board of Regents; and (ii) the Demised Premises is part of a "Research Park" as such term is now defined in A.R.S. (S) 35-701. In the event any existing or future property classification or assessment ratio which treats the Demised Premises and the Improvements to be constructed thereon more favorably for property tax purposes than they otherwise might be treated is lost or is no longer applicable due to the occurrence of an event or condition within the reasonable le control of Landlord or Ground Lessor, then the Landlord shall be responsible for that portion of the Impositions (as defined in Section 6(e)) thereafter measured by the value of the Land, and Tenant shall be responsible for that portion of the Impositions measured by the value of the Improvements. The parties agree that a change in the law regarding the taxation of interests in land or improvements located within the Research Park shall not be deemed to be an event or condition within the reasonable control of Landlord or Ground Lessor except as otherwise provided in the preceding paragraph.

(i) All entrance and exit areas, open space, landscaped space, easements, lighting, street furniture, water bodies, jogging paths, pedestrian walkways, bicycling paths, equestrian trails, parking areas, and other similar facilities furnished by Landlord in the Research Park (herein "Common Area") are dedicated publish easements for said purposes and shall at all times be subject to the joint control and management of Landlord and the City of Tempe, and Landlord shall have the right from time to time to establish, modify and enforce reasonable non-discriminatory rules and regulations with respect to the same as long as they do not materially interfere with Tenant's normal conduct of its business on the Demised Premises. Landlord shall have the right to construct, maintain and operate lighting facilities on all said Common Area; to police the same, from time to time to change the area, grade, location and agents, customers and employees; to close temporarily all or any portion thereof; and to do and perform such other acts in and to said area as in Landlord's judgment is reasonably advisable as Landlord is contractually bound to the City of Tempe to operate and maintain the Common Area and will do so in such a manner as the common areas in similar first-class business and industrial parks located in the southwestern United States are operated and maintained.

(j) Subject to the standards as provided in Section 6(i) above, the term "Common Area Expenses" as used herein shall mean all sums expended by Landlord and Ground Lessor in connection with the operation, maintenance, repair or replacement of the Common Area, including premiums paid for adequate public liability and property damage insurance (which insurance Landlord is hereby required to maintain throughout the Term); provided, however, that Common Area Expenses shall not include Landlord's overhead, administrative and general office expenses except as may be incurred relative to persons directly employed to perform Common Area operation, maintenance, repair or replacement services,



expense for any work which Landlord performs for any other tenant of the Research Park, expenses for repairs or other work to correct original construction defects or occasioned by condemnation or by fire, windstorm, or other insurable casualty, expenses incurred in leasing or procuring new tenants for the Research Park, legal expenses incurred in enforcing the terms of any lease pertaining to the Research Park, interest or amortization payments on any mortgage or deed of trust pertaining to the Research Park, gross or net income taxes imposed on Landlord or on any rental revenue received by Landlord, expenses directly payable by any tenant of the Research Park, any costs, fines and the like due to Landlord's violation of any governmental rule or regulation; or the cost of any items for which Landlord is reimbursed by third parties, but

only to the extent of such reimbursement. Any Common Area Expenses that are required to be capitalized, in accordance with generally accepted accounting principles, shall be amortized and charged in accordance with generally accepted accounting practices. Only the annual amortized amounts of any such expenses shall be included in Common Area Expenses. The cost of any capital improvements not in repair or replacement of existing improvements shall not be included in Common Area Expenses. Landlord may cause any or all of said operation and management responsibilities to be performed by an independent contractor or contractors. Tenant shall pay to Landlord Tenant's pro rata share of such Common Area Expenses in the following manner:

(1) Commencing on the Rent Commencement Date, and thereafter on the first day of each calendar month of the Term, Tenant shall pay to Landlord an amount estimated by Landlord to be Tenant's share of Common Area Expenses. Landlord may adjust the monthly Common Area charge of Tenant at the end of any calendar quarter on the basis of Landlord's experience and reasonably anticipated costs.

(2) Prior to the expiration of each year, Landlord shall deliver to Tenant a statement covering the fiscal year of Landlord just expired, certified as correct by an authorized but independent representative of Landlord, showing the Common Area Expenses for such fiscal year, the amount of Tenant's pro rata share of such expenses for such fiscal year and the payments made by Tenant with respect to such fiscal year as set forth in subparagraph (1) immediately above. If Tenant's pro rata share of such Common Area Expenses exceeds Tenant's payments so made, Tenant shall pay Landlord the deficiency within thirty (30) days after receipt of such statement. If said payments exceed Tenant's pro rata share of such Common Area Expenses, Landlord shall refund the excess to Tenant within thirty (30) days following delivery of the aforesaid statement. If Landlord fails to furnish Tenant the required statement as provided herein, Landlord shall be deemed to have waived any right to payment from Tenant for any Common Area Expenses for the preceding fiscal year in excess of that previously paid by Tenant for such fiscal year.

(3) Tenant's pro rata share of the Common Area Expenses shall be that portion of all such expenses which the number of square fee of land area within the Demised Premises bears to the total number of square feet of leaseable land area within the Research Park (presently 9,010,380 square feet) which is from time to



time under lease; provided, however, the latter number shall never be less than 90% (presently 8,109,342 square fee) of the total number of square feet of leaseable land area within the Research Park. There shall be an appropriate adjustment of Tenant's share of the Common Area Expenses as of the expiration of the Term of this Lease.

(k) Landlord shall save, hold harmless and indemnify Tenant from and against all liabilities, obligations, claims, suits, damages, penalties, causes of action, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed or asserted against Tenant by reason of any accident, injury to or death of persons, or loss or damage to property occurring on the Common Areas to the extent the same is a result of the negligence of Landlord or its agents, servants, contractors or employees.

(l) Tenant shall pay and discharge punctually all charges for utility services used by it.

## 7. USE OF DEMISED PREMISES

Landlord hereby consents to and Tenant may use the Demised Premises for those uses described in the Fundamental Lease Provisions ("Permitted Uses"). Tenant represents, warrants and covenants to Landlord that the Demised Premises shall be used only for Permitted Uses. By executing this Lease, Landlord

acknowledges that Tenant has satisfied all qualifications for tenancy at the Research Park.

8. CONSTRUCTION BY TENANT

(a) All buildings and other improvements constructed by or on behalf of Tenant upon the Demised Premises are referred to in this Lease as the "Improvements." Tenant has informed Landlord that it intends to develop the Demised Premises as the first phase of a two-phase development contemplated by Tenant which may include additional land within the Research Park. Construction on the first phase of Tenant's development, which is subject to Tenant's compliance with the Restrictions, shall commence within one (1) year from final plan approval as set forth in said Restrictions. Submittals toward plan approval shall promptly commence. Tenant has informed Landlord that it intends to construct approximately _____ (_____) square feet of Floor Area in connection with the first phase of construction on the Demised Premises.

(b) Plan submittals as well as construction in connection with any Improvements, once commenced, and all required reviews by Landlord, shall be diligently pursued to substantial completion. Attached hereto as Exhibit C is a listing of documents constituting Tenant's "Preliminary Plan Package", for its first phase of construction. All further plan or driveway submittals required by the Restrictions will be approved by Landlord for the first phase of construction so long as they are substantially consistent with the Preliminary Plan Package. Tenant, at its expense and subject to compliance with the Restrictions and all



applicable building regulations, may from time to time remodel or demolish any Improvements, or construct other Improvements on the Demised Premises and remodel or demolish such other Improvements. All construction plans for the second phase of Tenant's construction will require separate plan submittal and approval as required by the Restrictions. Tenant acknowledges and agrees that construction plans for the second phase of Tenant's construction will not be granted unless Tenant has acquired a leasehold interest in that portion of the Research Park identified as Parcel IA on Exhibit A-1 and has executed an amendment to this Lease in the form of Exhibit D attached hereto.

(c) Tenant has informed Landlord that development of the Demised Premises will require partial abandonment of Science Drive and relocation of a portion of the existing infrastructure. Landlord has approved the partial abandonment of Science Drive subject to final site plan approval and Tenant's compliance with the City of Tempe requirements. Tenant shall be solely responsible for all costs arising out of the partial abandonment of Science Drive and infrastructure relocation, including without limitation, utility relocation, City of Tempe fees, utility participation charges, permits and development fees.

9. INFRASTRUCTURE ASSESSMENT

Tenant shall pay to Landlord upon the Effective Date an infrastructure assessment equal to $0.75 per net square foot of Land comprising the Demised Premises as Tenant's share of Landlord's cost of constructing and installing on and off-site infrastructure facilities which serve or will serve the Demised Premises in common with other premises.

10. MAINTENANCE AND REPAIRS

Tenant shall at all times during the Term keep and maintain in good order and repair the Land as well as the exterior of all Improvements, howsoever the necessity or desirability of maintenance or repairs may occur. Tenant waives any right created by any law now or hereafter in force to maintain or make repairs to any portion of the Demised Premises at Landlord's expense, it being

understood that neither Ground Lessor nor Landlord shall in any event be required to maintain or make any alterations, rebuildings, restorations, replacements, changes, additions, improvements or repairs to the Demised Premises. Nothing in the Lease shall be construed to require the Tenant to maintain the interior of the Improvements beyond the extent necessary to comply with applicable laws.

11. REGULATORY REQUIREMENTS

(a) Tenant shall promptly observe and comply with all present and future laws, ordinances, requirements, orders, directions, rules and regulations of all governmental authorities having or claiming jurisdiction over the Demised Premises or any part thereof and of all insurance companies writing policies covering the Demised Premises or any part thereof. Without limiting the generality of the foregoing, Tenant shall also procure each and



every permit, license, certificate or other authorization required in connection with the lawful and proper use of the Demised Premises or required in connection with any building or improvement now or hereafter erected thereon.

(b) Tenant covenants and agrees to pay all costs and expenses associated with enforcement, removal, remedial or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, and all audits, tests, investigations, cleanup, reports and other such items incurred in connection with any efforts to complete, satisfy or resolve any matters, issues or concerns, whether governmental or otherwise, arising out of or in any way related to the use, generation, release, management, treatment, manufacture, storage or disposal of, on, under or about, or transport to or from (any of the foregoing hereinafter a "Use") the Demised Premises of any Hazardous Materials in any amount by Tenant, its employees, agents, invitees, subtenants, licensees, assignees or contractors. For purposes of this Lease (1) the term "Hazardous Materials" shall include but not limited to asbestos, urea formaldehyde, polychlorinated biphenyls, oil, petroleum products, pesticides, radioactive materials, hazardous wastes, toxic substances and any other related or dangerous, toxic or hazardous chemical, material or substance defined as hazardous or regulated or as a pollutant or contaminant in, or the Use of or exposure to which is prohibited, limited, governed or regulated by, any Hazardous Materials Laws; and (2) the term "Hazardous Materials Laws" shall mean any federal, state, county, municipal, local or other statute, law, ordinance or regulation now or hereafter enacted which may relate to or deal with the protection of human health or the environment, including but not limited to the Comprehensive Environment Response, Compensation and Liability Act of 1980, 42 U.S. C. Section 9601, et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq.; the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Section 1251, et seq.; the Toxic Substances Control Act of 1976, 15 U.S.C. Section 2601, et seq.; Ariz. Rev. Stat. Ann., Title 49 (the "Arizona Environmental Quality Act of 1986"); and any rules, regulations or guidelines adopted or promulgated pursuant to any of the foregoing as they may be amended or replaced from time to time.

(c) Upon reasonable advance notice to Tenant, Landlord shall have the right, from time to time during Tenant's regular business hours, to enter upon and, as accompanied by a representative of Tenant, inspect the Demised Premises for purposes of satisfying itself as to whether Tenant is in compliance with the requirements of Section 11(a) above.

(d) Tenant acknowledges that Landlord has provided to Tenant an environmental assessment report on the Research Park (excluding Lots 3, 4, 8, 9,

10, 11, 12, 19, 32, 39, 42 and 44) prepared by Foree & Vann, Inc., dated October 13, 1993 ("Report"). Except as otherwise disclosed in said Report, Landlord, to the extent of its current actual knowledge, knows of no Hazardous Materials contamination of the Research Park or the Demised Premises.



(e) Landlord covenants and agrees to pay all costs and expenses associated with enforcement, removal, remedial or other governmental or regulatory actions, agreements or orders threatened, instituted or completed pursuant to any Hazardous Materials Laws, and all audits, tests, investigations, cleanup, reports and other such items incurred in connection with any efforts to complete, satisfy or resolve any matters, issues or concerns, whether governmental or otherwise, arising out of or in any way related to the Use of Hazardous Materials in any amount by Landlord, its employees, agents, invitees, predecessors in interest, licensees, assignees or contractors.

(f) Landlord covenants and agrees diligently to enforce against other tenants of the Research Park those provisions of applicable tenant leases which pertain to Hazardous Materials and Hazardous Materials Laws.

12. INDEMNIFICATION

(a) Except to the extent caused by the gross negligence of Ground Lessor or Landlord, or their agents, contractors, servants or employees, Tenant shall save, hold harmless and indemnify Ground Lessor, Landlord and their agents, employees and contractors performing management functions for the Research Park from and against all liabilities, obligations, claims, causes of action, suits, damages, penalties, assessments, taxes, fees, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Ground Lessor or Landlord by reason of (i) any use, nonuse or condition of the Demised Premises or any part thereof, (ii) any accident, injury to or death of persons (including workmen) or loss of or damage to property occurring on the Demised Premises or any part thereof, (iii) any failure on the part of Tenant to perform or comply with any of the terms of this Lease, (iv) performance of any labor or services or the furnishing of any materials or other property in respect of the Demised Premises or any part thereof by, on behalf of or at the request of Tenant, (v) any accident, injury to or death of persons (including workmen) or loss of or damage to property arising from or in any way related to construction of the Improvements, (vi) any failure on the part of Tenant to comply with any of the matters set forth in Section 7 and Section 11; or (vii) any violation or breach by Tenant of the Restrictions or the Declaration of Height Limitations referred to in Section 48 below.

(b) Landlord shall save, hold harmless and indemnify Tenant and its agents, employees and contractors from and against all liabilities, obligations, claims, suits, damages, penalties, costs and expenses (including without limitation, reasonable attorneys' fees and expenses) imposed upon or asserted against Tenant by reason of (I-i) the gross negligence of Landlord or its agents, contractors, servants or employees, or (ii) any failure on the part of Landlord to perform or comply with any of the terms of this Lease including any failure on the part of the Landlord to comply with any of the matters set forth in Section 11.

(c) In the event any indemnified party should be made a defendant in any action, suit or preceding brought by reason of any act or omission of the indemnifying



party, the indemnifying party shall at its own expense resist and defend such action, suit or proceeding by counsel reasonably approved by the indemnified party. If any such action, suit or proceeding should result in a final judgment against the indemnified party, the indemnifying party shall promptly satisfy and

discharge such judgment or shall cause such judgment to be promptly satisfied and discharged. The obligations of the indemnifying party under this Section arising by reason of any such occurrence taking place while this Lease is in effect shall survive any termination of this Lease.

13. INSURANCE

(a) Without limiting Tenant's indemnity obligations set forth in this Lease (but subject to the waiver of subrogation provided in Section 13(c) below), Tenant shall, at its sole cost and expense, procure and maintain throughout the Term commercial general liability insurance in the amount of $10,000,000 combined single limited (CSL).

(b) All policies of insurance required under Section 13(a) above will name the Ground Lessor and Landlord and its managing agent(s) as additional insureds, and certificates thereof will be delivered to Landlord within ten (1) days after the delivery of possession of the Demised Premises to Tenant and within 30 days prior to the expiration of the term of each policy. All policies of insurance required hereunder must contain a provision that the insurance carrier will notify in writing the insured and Landlord thirty (30) days in advance of any cancellation or lapse or the effective date of a reduction in the amount of insurance. All policies of insurance required hereunder shall be written as primary policies. The Tenant further covenants and agrees to increase liability insurance in additional amounts as Landlord may reasonably require. All policies of insurance required hereunder shall be issued by responsible insurance companies qualified to do business in the State of Arizona with a Best's Rating Guide rating of at least A-Class VIII or, if Best's Rating Guide ceases to be published, an equivalent rating reasonably acceptable to Landlord.

(c) In the event any liability indemnified against under Section 12 or elsewhere in this Lease is also insured against under Section 13 or otherwise, the indemnification obligation shall only extend to the portion of the liability exceeding the amount of insurance proceeds, if any, received by the party being indemnified, the parties hereby waiving all rights of subrogation to the extent permitted by any applicable insurance policies.

(d) Tenant may procure, but shall not be required to procure, property damage and/or casualty insurance. In the event Tenant does so, Tenant shall be the sole owner thereof and Landlord shall have no interest or rights therein.



14. LIENS

(a) Tenant shall have no power to do any act or make any contract which may create or be the basis for any lien, mortgage or other encumbrance upon the interest of Landlord in the Demised Premises. Under no circumstances shall the interest of Ground Lessor in and to the Demised Premises be subject to any such lien, mortgage or other encumbrance.

(b) If, because of any act or omission or alleged act or omission of Tenant, any mechanics', materialmen's or other lien, charge or order for the payment of money shall be filed or recorded against ground Lessor, Landlord or the Demised Premises (whether or not such lien, charge or order is valid or enforceable as such), Tenant shall, at its own expense, cause the same to be released and discharged of record within thirty (30) days after Tenant shall have received notice of the filing or recording thereof, or Tenant may, within said period, record a surety bond pursuant to Section 33-1004, Arizona Revised Statutes, in the case of a mechanics' or materialmen's lien, or furnish to Landlord a bond satisfactory to Landlord against any other lien, charge or order, in which case Tenant shall have the right in good faith to contest the validity or amount thereof.

15. DAMAGE OR DESTRUCTION

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In the event any portion of the Demised Premises is damaged by fire or any other peril, Tenant, at its election, either (a) shall promptly commence and proceed diligently with the work of restoring the same, or (b) shall raze all damaged Improvements and return the Demised Premises to their condition preceding execution of this Lease.

16. EMINENT DOMAIN

(a) If the whole of the Demised Premises shall be taken or condemned under the right of eminent domain or if such a substantial part of the Demised Premises shall be taken as shall result in the portion remaining being unsuitable for the use being made thereof at the time of such taking, then this Lease shall terminate as of the date upon which title shall vest in such condemning authority. The net awards or payments on account of any taking shall be apportioned as follows:

(i) Ground Lessor shall receive that portion of the award attributable to the value of the Land.

(ii) Tenant shall receive that portion of the award attributable to the value of the Improvements.

(b) If only a part of the Demised Premises shall be so taken or condemned and the part not so taken can, in Tenant's reasonable judgment, be adapted for the use then being made thereof, this Lease shall remain in full force and effect without any



abatement or reduction rent except as provided in Section 16(c), and Tenant, whether or not its portion of the awards or payments, if any, on account of such taking shall be sufficient for the purpose, at its own expense shall promptly commence and complete the restoration of the Improvements on the Demised Premises as nearly as possible to their value, condition and character immediately prior to such taking or condemnation. Tenant shall have no entitlement to any rent reduction for any taking or condemnation of Land which does not result in a reduction in the net square footage of the Demised Premises.

(c) In the event that a taking or condemnation results in a reduction of the net square footage of the Land, the Annual Rent and Additional Charges payable by Tenant hereunder shall be reduced, effective as of the date of Tenant's loss of use thereof, by a fraction the numerator of which shall be the total reduction in the net square footage of the Land and the denominator of which shall be the total net square footage of the Land as originally set forth in the Fundamental Lease Provisions.

(d) If the award or payments on account of any taking shall not be divided or apportioned by the court or the condemning authority into the portions set forth in Section 16(a), and if Landlord and Tenant shall be unable to agree on such apportionment, then such apportionment shall be determined by appraisers. Landlord and Tenant shall each appoint an appraiser, and the two appraisers so appointed shall promptly appoint a third appraiser. Within thirty (30) days after the appointment of the third appraiser, the two appraisers appointed by Landlord and Tenant shall each determine and report to the third appraiser the appropriate apportionment. Within ten (10) days thereafter, the third appraiser shall determine which of the two apportionments determined by the appraisers appointed by Landlord and Tenant is the more appropriate apportionment and the apportionment chosen by the third appraiser shall be binding upon the parties. All appraisers shall be members of the American Institute of Real Estate Appraisers (M.A.I.) or, if such Institute shall not then exist, members of its successor organization or an organization of substantially equivalent stature. The fees of the appraisers shall be borne equally by Landlord and Tenant.

17. DEFAULTS AND REMEDIES

(a) The occurrence of any one or more of the following events shall constitute a "Default" hereunder by Tenant:

(1) The failure by Tenant to make any payment of Annual Rent or any Additional Charges required to be paid by Tenant hereunder on the date such payment was due (and expiration if any applicable grace period), where such failure shall continue for a period of thirty (30) days after written notice thereof from Landlord to Tenant.

(2) The failure by Tenant or any sublessee of Tenant to observe or perform the covenant set forth in Section 7 where such failure shall continue for a period of sixty (60) days after written notice thereof from Landlord to Tenant.



(3) The failure by Tenant to observe or perform any express or implied covenant or provision of this Lease to be observed or performed by Tenant, other than as specified in (1) and (2) above, where such failure such continue for a period of sixty (60) days after written notice thereof from Landlord to Tenant; provided, however, that if the nature of Tenant's default is such that it is capable of being cured but more than sixty (60) days are reasonably required for its cure, then Tenant shall not be deemed to be in Default if Tenant shall commence such cure within said sixty (60) day period and thereafter diligently prosecute such cure to completion.

(b) In the event of a Default by Tenant, in addition to any other remedies available to Landlord at law or in equity, Landlord may, without notice or demand of any kind to Tenant, have any one or more of the following described remedies:

(1) Landlord shall have the right, at its election, to reenter the Demised Premises, or any part thereof, either with or without process of law, and to expel, remove and put out Tenant and persons occupying the Demised Premises under Tenant, using such force as may be necessary in so doing, to take full possession of and control over the Demised Premises and to have, hold and enjoy the same and to receive all rental income of and from the same. No reentry by Landlord shall be deemed an acceptance of a surrender of this Lease, nor shall it absolve or discharge Tenant from any liability under this Lease. No reentry by Landlord shall be deemed to effect a termination of this Lease unless so stated by Landlord in a written notice delivered to Tenant.

(2) Landlord shall have the right, at its election, with or without reentry as provided in subparagraph (1) immediately above, to give written notice to Tenant stating that this Lease and the Term hereby demised shall terminate on the date specified by such notice, and upon the date specified in such notice this Lease and the Term hereby demised and all rights of Tenant hereunder shall terminate. Upon such termination, Tenant shall quit and peacefully surrender to Landlord the Demised Premises and the Improvements then situated hereon.

(3) At any time and from time to time after such reentry, Landlord may relet the Demised Premises, or any part thereof, in the name of Landlord or otherwise, for such term or terms (which may be greater or less than the period which would otherwise have constituted the balance of the Term of this Lease), and on such conditions (which may include concessions or free rental) as Landlord, in its reasonable discretion, may determine and may collect and receive the rental therefor. However, in no event shall Landlord be under any obligation to relet the Demised Premises or any part thereof, and Landlord shall in no way be responsible or liable for any failure to relet or for any failure to collect any rental due upon any such reletting. Even though it may relet the Demised Premises, Landlord shall have the right thereafter to terminate this Lease and all of the rights of Tenant in or to the Demised

Premises.



(4) Unless Landlord shall have notified Tenant in writing that it has elected to terminate this Lease, no such reentry or action in lawful detainer or otherwise to obtain possession of the Demised Premises shall relieve Tenant of its liability and obligations under this Lease; and all such liability and obligations shall survive any such reentry. In the event of any such reentry, whether or not the Demised Premises, or any part thereof, shall have been relet, Tenant shall pay to Landlord the entire rental and all other charges required to be paid by Tenant up to the time of such reentry of this Lease, and thereafter Tenant, until the end of what would have been the Term of this Lease in the absence of such reentry, shall be liable to Landlord, and shall pay to Landlord, as and for liquidated and agreed damages for Tenant's Default:

(i) The amount of Annual Rental and Additional Charges which would be payable under this Lease by Tenant if this Lease were still in effect, less

(ii) The net proceeds of any reletting, after deducting all of Landlord's reasonable expenses in connection with such reletting, including without limitation all reasonable repossession costs, brokerage commissions, legal expenses, attorneys' fees, alteration and repair costs and expenses of preparation for such reletting.

Tenant shall pay such damages to Landlord monthly as and when payments of Annual Rent are due, and Landlord shall be entitled to recover from Tenant monthly as the same shall arise. Tenant shall be liable for such damages on a monthly basis, whether or not in any prior year or years the net proceeds described in subparagraph (ii) above shall have exceeded the Annual Rent and Additional Charges described in subparagraph (i) above.

(5) In the event of any breach or threatened breach by Tenant of any of the terms, covenants or agreements contained in this Lease, Landlord shall have, in addition to any specific remedies provided in this Lease, the right to invoke any right or remedy allowed by law or in equity or by statute or otherwise, including the right to enjoin such breach or threatened breach.

(6) Each right and remedy of Landlord provided for in this Lease shall be cumulative and in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise; and the exercise or beginning of the exercise by Landlord of any one or more of such rights or remedies shall not preclude the simultaneous or later exercise by Landlord of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

(c) No waiver or breach of any term of this Lease shall be construed as a waiver of any succeeding breach of the same or any other term.



## 18. ASSIGNMENT AND SUBLETTING

(a) Tenant shall not, either voluntarily or by operation of law, sell, assign or transfer this Lease, or sublet the Demised Premises or any part thereof, or permit the Demised Premises or any part thereof to be occupied by anyone than Tenant or Tenant's employees or invitees (all of the foregoing collectively referred to in this Section 18 as a "Transfer"), without providing Landlord at least thirty (30) days advance notice of such Transfer without the prior written consent of Landlord, such consent not to be unreasonably withheld.

(b) No Transfer, even with the consent of Landlord, shall relieve

Tenant of its obligation to pay the Annual Rent and the Additional Charges and to perform all the other obligations to be performed by Tenant hereunder. The acceptance by Landlord of any payment of Annual Rent or Additional Charges from any other person shall not be deemed to be a waiver by Landlord of any provision of this Lease or to be a consent to any Assignment.

(c) Each transfer shall be a written instrument executed by the assignor, sublessor or transferor, and by which the assignee, sublessee or transferee shall agree in writing for the benefit of Landlord; (i) if a sublessee, to abide by and in its use and occupancy of the Demised Premises to comply with the terms and conditions of this Lease, or (ii) if an assignee of Tenant's interest, to assume, to be bound by, and to perform the terms, covenants and conditions of this Lease to be done, kept and performed by Tenant. One executed copy of such written instrument shall be delivered to Landlord.

(d) Tenant has informed Landlord that Tenant intends to sublet the Demised Premises to Avnet, Inc. ("Subtenant") pursuant to a lease agreement executed concurrently herewith (the "Sublease"). Tenant represents and warrants to Landlord that Subtenant agrees in the Sublease to use the Demised Premises for the following purposes: corporate, national or regional headquarters of a division, subsidiary or affiliate of Subtenant. Based upon the foregoing representation, Landlord confirms that the foregoing described use is a "Permitted Use" under this Lease (as that term is defined in Section 7 above).

19. HYPOTHECATION OF LEASEHOLD ESTATE

(a) Tenant is hereby given the right, at any time and from time to time, to mortgage its leasehold estate in the Demised Premises (but in no event the fee or Landlord's leasehold estate), provided that any such leasehold mortgage shall be subject and subordinate to the rights of Landlord hereunder. As used in this Section and throughout this Lease, the noun "mortgage" shall include a deed of trust, the verb "mortgage" shall include the creation of a deed of trust, the word "mortgagee" shall include the beneficiary under a deed of trust, and the terms "foreclose" or "foreclosure" shall include a trustee's sale under a deed of trust and an assignment of the mortgagor's interest in the Demised Premises to the mortgagee in lieu of foreclosure as well as a foreclosure by judicial process.



(b) If mortgagee shall have given Landlord, before any Default shall have occurred hereunder, a written notice specifying the name and mailing address of the mortgagee, then Landlord shall not terminate this Lease by reason of the occurrence of any Default hereunder unless Landlord shall have given the mortgagee a copy of its notice to Tenant of such Default addressed to the mailing address last furnished by the mortgagee, and such Default shall not have been cured by said mortgagee as provided in Sections 19(c) or 19(d) below.

(c) Tenant irrevocably directs that Landlord accept, and Landlord agrees to accept, performance by any such mortgagee of any term, covenant, agreement, provision, condition or limitation on Tenant's part to be performed or observed as though performed or observed by Tenant, provided such performance by said mortgagee shall occur within the time prescribed therefor in this Lease, plus an additional grace period of thirty (30) days thereafter or, if said Default is curable but not within said thirty (30) day period, then within such additional time as may be necessary to cure the same provided the mortgagee commences the curing thereof within such thirty (30) day period and thereafter prosecutes the curing of such Default to completion with all due diligence; provided, however, with respect to any Default hereunder which cannot be cured by said mortgagee until it obtains possession of the Demised Premises, the provisions of Section 19(d) shall apply.

(d) In the event of a Default by Tenant under this Lease which cannot be cured by a mortgagee without first obtaining possession of the Demised Premises, then, and notwithstanding any other provision contained in this Lease, Landlord shall not terminate this Lease by reason of such Default if (i) said

mortgagee, within the thirty (30) day grace period set forth in Section 19(c) shall have commenced, and thereafter diligently proceeds with, an appropriate proceeding to foreclose such mortgage or otherwise obtains possession of the Demised Premises, and (ii) said mortgagee shall have cured such Default within 30 days following its obtaining possession of the Demised Premises (or, if said Default is curable but not within said thirty (30) day period, then within such additional time as may be necessary to cure the same provided the mortgagee commences the curing thereof within such thirty (30) day period and thereafter prosecutes the curing of such Default to completion with all due diligence).

(e) During the pendency of any foreclosure proceedings, mortgagee shall fully perform all the obligations of Tenant under this Lease that can be performed by such mortgagee without possession of the Demised Premises (including, but not limited to, payment of all Rent, all Additional Charges, and any and all other monies due and payable by Tenant hereunder); provided, however, that if such mortgagee obtains possession of the Demised Premises during the time that it is enforcing its foreclosure remedy or as a result thereof, then such mortgagee shall perform fully all of Tenant's obligations under this Lease. In the event such mortgagee or any purchaser at a judicial or non-judicial foreclosure sale ("purchaser") acquires title to the leasehold estate through such a foreclosure proceedings, or otherwise, it shall thereupon become subrogated to all the rights of the Tenant under this Lease whereupon:



(i) Tenant shall have no further right hereunder; and

(ii) Such mortgagee or purchaser shall forthwith be obligated to assume and perform such and all of Tenant's obligations and covenants hereunder.

(f) In the event a mortgagee or purchaser acquires title to the leasehold estate of Tenant, then, at any time thereafter when said mortgagee or purchaser is not then in default under this Lease, Landlord shall, upon written request of mortgagee or purchaser deliver a new lease of the Demised Premises to the mortgagee or purchaser. The new lease (whether it be granted to the mortgagee or purchaser) shall have a term equal to the remainder of the Term of this Lease and shall be upon the terms and conditions herein contained, except for requirements which are no longer applicable or have already been performed. The mortgagee or purchaser shall have the right to a new lease as set forth above provided that mortgagee or purchaser shall reimburse Landlord for all of Landlord's expenses, including reasonable attorneys' fees, incident to such efforts.

(g) Upon the written request of any mortgagee or prospective mortgagee, and for the benefit of said mortgagee or its nominee, Landlord will promptly deliver to said mortgagee a certificate setting forth the matters set forth in Section 21.

(h) Notwithstanding anything to the contrary contained in this Section 19, the mortgagee, on or after acquiring ownership of Tenant's leasehold estate, may assign this Lease without the necessity of obtaining Landlord's consent and, upon any such assignment, provided such assignee shall assume and agree to perform and be bound by all of the terms hereof, be released from all liability hereunder except for obligations occurring during its ownership of said leasehold estate.

## 20. SUBORDINATION

(a) This Lease shall be subject and subordinate at all times to the Ground Lease, and to the lien of any mortgages or deeds of trust of the Ground Lessor or the Landlord in any amount or amounts whatsoever now or hereafter placed on or against the Demised Premises, the Ground Lease, or Landlord's leasehold estate in this Lease without the necessity of the execution and delivery of any further instruments on the part of Tenant to effectuate such subordination; provided, however, that so long as no Default exists, the terms

of this Lease shall not be affected by termination proceedings in respect to the Ground Lease or by foreclosure or other proceedings under such mortgages or deeds of trust, Tenant hereby agreeing, at the written request of the Ground Lessor, or the purchaser in such foreclosure or other proceedings, to attorn to the Ground Lessor, or to such purchaser, as applicable (provided the Ground Lessor or such purchaser agrees to recognize Tenant's leasehold estate and not disturb Tenant's tenancy so long as Tenant is not in Default under any of the terms, covenants or conditions of this Lease), or, at Ground Lessor's or such purchaser's option, as the case may be,



to enter into a new lease for the balance of the term hereof upon the same terms and provisions as are contained in this Lease. Notwithstanding the foregoing, Tenant shall execute and deliver such further instrument or instruments evidencing such subordination of this Lease to the Ground Lease, or the lien of any such mortgage or mortgages or deeds of trust as may be requested by Landlord within ten (10) days from Tenant's receipt of such request provided such instrument also evidences Tenant's rights of recognition and non-disturbance.

(b) Any transfer by Landlord of its leasehold estate under this Lease shall be subject to the rights and obligations of Tenant hereunder; and Tenant shall attorn to Landlord's transferee. Upon any such transfer and the assumption of liability therefor by Landlord's transferee, and written notice of such transfer to Tenant, Landlord shall be and is hereby entirely freed and released of all liability under any and all of its covenants and obligations contained in or derived from this Lease arising out of any act or omission related to the Research Park, the Demised Premises or this Lease occurring after the consummation of such transfer.

(c) To evidence the agreements set forth in paragraphs (a) and (b) above, simultaneously with the execution of this Lease, Ground Lessor, Landlord and Tenant shall execute and record a Recognition, Non-Disturbance and Attornment Agreement in the form of Exhibit E attached hereto.

21. ESTOPPEL CERTIFICATE

(a) Upon receipt of a written request from the other, Landlord and Tenant shall each, from time to time, and within ten (10) days from receipt of such request, execute, acknowledge and deliver

(b) Failure to deliver such statement within such time shall be conclusive (i) that this Lease is in full force and effect, without modification except as may be represented by the party requesting the certificate, (ii) that there are no uncured defaults in performance by the party requesting the certificate, and (iii) that all Annual Rent and Additional Charges have been paid as of the date set forth in such certificate. Any prospective purchaser or encumbrancer of all or any portion of an estate in the Demised Premises may rely upon the matters set forth in (i), (ii) and (iii) the same as if they were set forth in a certificate from the party from whom such a certificate was requested under (a) above.



22. GOVERNING LAW

The Lease shall be governed by and construed pursuant to the laws of the State of Arizona and it is agreed that the venue of any legal suit or action for enforcement of any obligation contained herein shall be Maricopa County, Arizona. This lease shall not be construed either for or against Landlord or Tenant, but rather shall be interpreted in accordance with the general terms of the language in an effort to reach an equitable result.

23. STATUS OF TENANT

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Tenant covenants that it is a valid and existing corporation under the laws of the State of Minnesota that it is duly authorized to transact business in the State of Arizona, and that it has full right and authority to enter into this Lease.

24. SUCCESSORS AND ASSIGNS

Except as otherwise provided in this Lease, all of the covenants, conditions and provision of this Lease shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns.

25. ATTORNEYS' FEES

In the event that either Landlord or Tenant bring suit against the other because of the breach of any provision of this Lease, then all costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party therein shall be paid by the other party, which obligation on the part of the other party shall be deemed to have accrued on the date of the commencement of such action and shall be enforceable whether or not the action is prosecuted to judgment.

26. PERFORMANCE BY TENANT

All covenants to be performed by Tenant shall be performed at Tenant's sole cost and expense and without any abatement of Annual Rent or Additional Charges. If Tenant shall fail to pay any sum of money, other than Annual Rent, required to be paid by it hereunder or shall fail to perform any other act on its part to be performed hereunder, and such failure shall continue for ten (10) days after notice thereof by Landlord, Landlord may, without releasing Tenant from any obligations, but shall not be obligated to, make any such payment or perform any such other act on Tenant's part to be made or performed. All sums so paid by Landlord, and all necessary incidental costs shall bear interest thereon at an annual rate of two (2) percentage points above the annual interest rate published from time to time by The Wall Street Journal under the masthead "Money Rates" as the Prime Rate in effect at the due date (and thereafter adjusted quarterly, but not more than the maximum contractual rate permissible by law), from the date of such payment by Landlord and shall be payable to Landlord on demand. In the event that



The Wall Street Journal ceases to publish a Prime Rate, then interest shall be calculated with reference to an equivalent index selected by Landlord.

27. MORTGAGE PROTECTION

In the event of any default on the part of Landlord, Tenant will give notice by registered or certified mail to any beneficiary of a deed of trust or mortgagee of a mortgage covering Landlord's leasehold estate under this Lease whose address shall have been furnished it, and shall offer such beneficiary or mortgagee a reasonable opportunity to cure the default, including time to obtain possession of the Demised Premises by power of sale or a judicial foreclosure, it such should prove necessary to effect a cure.

28. WAIVER

The waiver by either Landlord or Tenant of any breach of any term herein contained shall not be deemed to be a waiver of any subsequent breach of the same or any other term herein contained, nor shall any custom or practice which

may grow up between the parties in the administration of the terms hereof be deemed a waiver of, or in any way affect, the rights of either Landlord or Tenant to insist upon the performance by the other in strict accordance with said terms. The subsequent acceptance of Annual Rent or any Additional Charges by Landlord shall not be deemed to be a waiver of any preceding breach by Tenant of any term of this Lease, other than the failure of Tenant to pay the Annual Rent or Additional Charges so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such Annual Rent or Additional Charges.

29. EXAMINATION OF LEASE

Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

30. TIME

Time is of the essence with respect to the performance of every provision of this Lease in which time or performance is a factor.

31. PRIOR AGREEMENTS, AMENDMENTS

This Lease contains all of the agreements of the parties hereto with respect to any matter covered or mentioned in this Lease, and no prior agreement, understanding or representation, pertaining to any such matter shall be effective for any purpose. No provision of this Lease may be amended or added to except by an agreement in writing signed by the parties hereto or their respective successors in interest.



32. SEVERABILITY

Any provision of this Lease which shall prove to be invalid, void or illegal in no way affects, impairs or invalidates any other provision hereof, and such other provision shall remain in full force and effect.

33. RECORDING

A memorandum of Lease in the form attached hereto as Exhibit F shall be executed and recorded promptly after the full execution of this Lease.

34. LIMITATION ON LIABILITY

In consideration of the benefits accruing hereunder, Tenant and all successors and assigns covenant and agree that, in the event of any actual or alleged failure, breach or default hereunder by Landlord, Tenant shall not have recourse against any of the assets of Landlord except Landlord's leasehold estate under this Lease and Landlord's leasehold estate under the Ground Sublease.

35. NONSUBORDINATED SUBLEASE

This is a nonsubordinated sublease. Neither Ground Lessor nor Landlord is obligated to subordinate its rights in the Demised Premises to any loan or money encumbrance that Tenant shall place against Tenant's subleasehold interest.

36. CONSENT OF LANDLORD AND TENANT

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In the event of the failure of Landlord or Tenant to give any consent or approval required herein, if it is either provided herein or held to be that any such consent or approval shall not be unreasonably withheld or delayed, the requesting party shall be entitled to seek specific performance at law and shall have such other remedies as are reserved to it under this Lease, but in no event shall Landlord or Tenant be responsible for damages to anyone for such failure to give consent or approval.

37. RECAPTURE BY LANDLORD

In the event the Demised Premises are not occupied with at least 25% of the Floor Area of the Demised Premises being actively used for a period of 365 consecutive days ("Dark Period"), then Landlord after notice to Tenant as provided below and to any trust deed beneficiary or mortgagee as provided in Section 27 above (a "Lender"), shall have the right, but not the obligation, to terminate this Lease and retake possession of the Demised Premises unless within (sixty) 60 days after the giving of Landlord's notice of intent to terminate:



a. The Demised Premises are occupied with at least 25% of the Floor Area of the Demised Premises being actively used, or

b. Tenant provides to Landlord reasonable evidence that Tenant is actively and diligently exercising such rights or remedies available to Tenant to cause a sublessee or sublessees approved by Landlord pursuant to Section 18 above (an "Approved Sublessee") to end the Park Period, or

c. Tenant or any Approved Sublessee provides to Landlord reasonable evidence that the Approved Sublessee is actively and diligently exercising commercially reasonable efforts to assign or sublease its interest in the Demised Premises and such efforts thereafter are diligently continued to end the Dark Period, or

d. Tenant or any Lender provides Landlord with reasonable evidence that the Lender is actively and diligently exercising its rights and remedies under its deed of trust or mortgage to cause Tenant pursuant to Section 18 above to end the Dark Period (the foregoing notice and cure rights provided to a Lender are not in limitation of the rights provided to a Lender under Section 27 above); and

e. At all times Tenant shall continue to maintain or cause the Demised Premises to be maintained in accordance with the standards prescribed in this Lease and in the Restrictions.

Upon such termination, Tenant shall have no further rights or obligations under this Lease.

38. TITLE OF IMPROVEMENTS

During the Term of this Lease, ownership of the Improvements shall be vested in Tenant. Upon expiration or termination of this Lease, title to the Improvements shall automatically vest in Landlord.

39. SURRENDER

Upon the expiration or other termination of the Term, Tenant shall quit and surrender to Landlord the Demised Premises, including all Improvements, buildings, replacements, changes, additions and other improvements thereon, with all non-trade fixtures and equipment in or appurtenant thereto in their then existing condition (but excluding any personal property of Tenant) or, if requested by Landlord, shall clear the land, putting the same into the same

condition as existed prior to the execution of this Lease.

40. RESTRICTIONS - AMENDMENTS

Tenant agrees that its construction, use, maintenance, ownership and operation of the Demised Premises are subject to the Restrictions, as attached hereto as Exhibit G. Subject to



the limitations set forth in Section 6(i), Tenant specifically acknowledges and agrees that Landlord may effect amendments to the Restrictions without the prior written consent of Tenant so long as any such amendments (i) shall apply equally and without discrimination to all persons entitled to the use and occupancy of land within the Research Park, (ii) shall not prohibit Subtenant's intended use of the Demised Premises (as described in the Fundamental Lease Provisions) or any other Permitted Use, (iii) shall not permit uses within the Research Park which are not then common to first class research parks located within the southwestern United States, and (iv) do not, in Tenant's reasonable judgment, impose an excessive financial burden on Tenant. Tenant further agrees upon reasonable advance written notice to allow Landlord to enter upon and inspect the Demised Premises during Tenant's normal working hours for purposes of monitoring Tenant's compliance with said Restrictions. Landlord agrees that it will not grant to any other Research Park tenant or to any other third party the right to enforce any provision of the Restrictions against Tenant or Subtenant. The preceding sentence shall not apply to enforcement of the Restrictions on behalf of Landlord by any person or entity retained by Landlord to manage the Research Park.

41. QUIET POSSESSION

Landlord agrees that Tenant, upon paying the Annual Rent and Additional Charges when due and performing all other covenants and conditions of this Lease, may quietly have, hold and enjoy the Demised Premises during the Term hereof. It is further the intention of the parties hereto that the covenants of this Lease be independent of each other.

42. WATER RESOURCES

It is the announced policy of the State of Arizona, that groundwater resources be conserved and therefore, with respect to any landscaped area of the Demised Premises are required by the Restrictions, Tenant will use only those plants and planting materials that have been approved for use in the Research Park by the Arizona Department of Water Resources. Upon request, Landlord will furnish Tenant with a listing of such approved plants and planting materials. Furthermore, Tenant will not allocate more than 15% of its landscaped area to turf. Furthermore, no more than 20% of the turfed area developed by Tenant will be overseeded with any seed variety during the winter dormancy period for Bermuda grass. Furthermore, no outdoor water bodies such as fountains and reflecting ponds will be installed by Tenant. For purposes of this Section 42, "landscaped area" shall mean all areas of the Demised Premises not improved with Improvements, parking areas and driveways.

43. NOTICES

Any notice required or permitted to be given hereunder must be in writing and may be given by personal delivery or by mail, and if given by mail shall be deemed given if sent by registered or certified mail addressed to Tenant, or to Landlord at the addresses set forth in the

Fundamental Lease Provisions. Either may, by written notice to the other, specify a different address for notice purposes.

44. BROKERS

(a) Except for Bill Littleton of Colliers, Inc. ("Broker") and except as set forth in (b) below, each party warrants to the other party that the warranting party had not dealings with any other real estate broker or agent in connection with the negotiation of this Lease, and that it knows of no other real estate broker or agent who is or might be entitled to a commission in connection with this Lease and agrees to hold the other party harmless from any claims of any brokers claiming a commission on account of any actions of the warranting party. Landlord shall be solely responsible for any commission payable to Broker as a result of the closing of this lease transaction.

(b) Landlord has informed Tenant that Landlord is represented by P.C.I. Associates, Ltd., and by Sunbelt Holdings Management, Inc., pursuant to an asset management agreement with Landlord. Landlord shall be solely responsible for all fees payable to said entities as a result of the closing of this lease transaction.

45. NET LEASE

It is the intention of the parties hereto that, except as otherwise provided in this Lease, this Lease shall be a net lease and that Landlord shall receive the rents herein reserved and all sums which shall or may become payable hereunder by Tenant free from all taxes, charges and expenses of every kind or sort whatsoever (exclusive of rentals due under the Ground Lease) and that Tenant shall and will and hereby expressly agrees to pay all such sums which, except for the execution and delivery of this Lease, would have been chargeable against the Demised Premises and payable by Landlord.

46. TENANT'S TITLE INSURANCE

At Tenant's option and at Tenant's sole expense, Tenant may obtain a policy of title insurance insuring Tenant's subleasehold interest in the Demised Premises. Tenant's obligations under this Lease shall not be contingent upon the form or content of any such policy of title insurance.

47. HEIGHT RESTRICTIONS

Tenant acknowledges that it has received a copy of that certain Declaration of Height Limitations ("Declaration") recorded at Document No. 96-0774295, Official Records of Maricopa County, Arizona. Tenant agrees to comply with said Declaration.

48. COMMON DRIVEWAY EASEMENT

As a condition to approving Tenant's Plans for constructing the Improvements, Landlord has required Tenant to construct and



maintain, and Tenant hereby agrees to construct and maintain, a common driveway over a portion of the Demised Premises and Research Park land adjacent to the Demised Premises. Landlord and Tenant have agreed to grant to one another reciprocal rights to use said common driveway. Upon execution of this Lease, Landlord and Tenant shall execute and record the Agreement for Use of Common Driveway in the form of Exhibit H attached hereto.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year first above written.

PRICE-ELLIOTT RESEARCH PARK, INC., an Arizona nonprofit corporation

By: /s/ A. J. Pfister
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A. J. Pfister
Its: President

LANDLORD

RYAN COMPANIES US, INC., a Minnesota corporation

By: /s/ John Strittmatter
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Name: John Strittmatter
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Title: VP
---

TENANT

EXHIBIT 10.50

LEASE AGREEMENT

FOR THE DELPHI BUILDING

NORTHFIELD CROSSING

LONG LAKE ROAD AND CORPORATE DRIVE

TROY, MICHIGAN

LEASE AGREEMENT

between

TROY DEVELOPMENT #2, L.L.C.

and

DELPHI AUTOMOTIVE SYSTEMS LLC,
a Delaware limited liability company

Dated March 22, 2000

NORTHFIELD CROSSING

LEASE SUMMARY

| | | |
|---|---|---|
| 1. | Landlord: | Troy Development #2, LLC |
| 2. | Tenant: | Delphi Automotive Systems LLC |
| 3. | Guarantor: | N/A |
| 4. | Premises: | The Entire Building located at Long Lake Road and Corporate Drive in Troy Michigan |
| 5. | Rentable Square Feet: | 107,152 |
| 6. | Usable Square Feet: | 94,551 |
| 7. | Commencement Date: | May 1, 2000 |
| 8. | Expiration Date: | April 30, 2007 |

| | | |
|---|---|---|
| 9. | Term: | 84 months |
| 10. | Delivery Date: | The Premises shall be delivered upon Substantial Completion of the Tenant Improvements |
| 11. | Initial Base Rent (Annual): | $ 1,848,372 |
| 12. | Initial Base Rent (Monthly): | $ 154,031 |
| 13. | Increase in Base Rent: | See Section 1.3 |
| 14. | Security Deposit: | N/A |
| 15. | Parking Spaces and Monthly Fee per Space: | 4.2 parking spaces per each 1,000 square feet of rentable space in the Premises, consisting of (i) approximately 315 surface parking spaces, and (ii) 88 covered parking spaces, and (iii) certain "land-banked" spaces which Tenant may, at its cost, convert into approximately 45 additional surface spaces. Tenant shall lease the covered spaces at a rate of $75 per space per month. |
| 16. | Tenant's Pro Rata Share of the Building: | 100% |
| 17. | Broker: | Signature Associates - ONCOR International and Cushman & Wakefield of Michigan, Inc. |
| 18. | Option to Renew: | Two (2) five-year renewal options |
| 19. | Option to Purchase: | Tenant has the Option to Purchase the Building as more particularly set forth in the Lease |

Note: This Lease Summary does not in any way modify the terms of the Lease Agreement, but rather is for information purposes only. The Lease Agreement should be consulted for all specific terms and in the event of any conflict between this Lease Summary and the Lease Agreement, the

Lease Agreement shall control.

LEASE AGREEMENT

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LIST OF EXHIBITS





NORTHFIELD CROSSING

LEASE AGREEMENT

THIS LEASE AGREEMENT (the "Lease"), is made and entered into as of the 22nd day of March, 2000, between TROY DEVELOPMENT #2, LLC, a Colorado limited liability company ("Landlord"), and DELPHI AUTOMOTIVE SYSTEMS LLC, a Delaware limited liability company ("Tenant").

NOW, THEREFORE, Landlord and Tenant agree as follows:

## ARTICLE 1
## DEFINITIONS

1.1 N/A.

1.2 "Allowance" shall mean an amount equal to $25.00 per square foot of Rentable Area in the Premises less the costs previously incurred by Landlord for the following materials: 50 doors at $210 each and three (3) pairs of glass doors at $5,952 per pair.

1.3 "Base Rent" shall be as follows:

(i) From May 1, 2000 through April 30, 2001, the Base Rent shall be $154,031 per month, which is equal to the sum of $1,848,372 per annum.

(ii) From May 1, 2001 through April 30, 2002, the Base Rent shall be $158,496 per month, which is equal to the sum of $1,901,948 per annum.

(iii) From May 1, 2002 through April 30, 2003, the Base Rent shall be $162,960 per month, which is equal to the sum of $1,955,524 per annum.

(iv) From May 1, 2003 through April 30, 2004, the Base Rent shall be $167,425 per month, which is equal to the sum of $2,009,100 per annum.

(v) From May 1, 2004 through April 30, 2005, the Base Rent shall be $171,890 per month, which is equal to the sum of $2,062,676 per annum.

(vi) From May 1, 2005 through April 30, 2006, the Base Rent shall be $176,354 per month, which is equal to the sum of $2,116,252 per annum.

(vii) May 1, 2006 through April 30, 2007, the Base Rent shall be $180,819 per month, which is equal to the sum of $2,169,828 per annum.

Tenant shall pay Landlord the Base Rent due for the first full calendar month during the Lease Term no later than the Commencement Date.

1.4 "Building" shall mean (i) the parcel of real property described in Exhibit "A" attached hereto and incorporated herein; (ii) the office building and parking structure built or to be built on such parcel of real property as depicted on Exhibit "A" attached hereto and incorporated herein; and (iii) any and all other improvements thereon and appurtenances thereto. Landlord reserves the right to select and/or modify the street address for the Building.

1.5 "Building Core" shall mean the area within the outermost finish face of that portion of the Building that incorporates those areas that provide service to the tenants of that floor and to the Building.

/s/ EJO
---
Tenant Initials



Such areas of service are: restroom facilities for men and women along with the vestibule therefor and access areas thereto; electrical, mechanical, and telephone rooms; janitorial closets; elevators and service elevators; lobby; stairs; vestibules; and all vertical floor penetrations for mechanical, electrical, and plumbing systems for the Building.

1.6 "Building Shell" shall mean the following improvements: (i) outside walls (not including drywall), core walls, and elevator lobby areas completed to building standard condition for public areas; (ii) unfinished concrete floors throughout the Premises, broom clean, level, and ready for finishes; (iii) building standard 110 volt 220 amp. power supplied to the Building Core on each floor and Premises (with service of at least 5 watts per square foot of Usable Area within the Premises) along with 277/480 volt fluorescent lighting power supplied to the Building Core on each floor; (iv) men's and ladies' restroom facilities with building standard finishes located on each floor on which the Premises are located; (v) building standard voice communication speakers and smoke detectors in accordance with applicable building codes and provided only at the core; and (vi) mechanical, electrical, plumbing, life safety, heating, air conditioning and ventilation in Building Core area as required to connect to and service the Premises.

1.7 "Commencement Date" shall mean the earlier of the date that Tenant actually commences any business operations from the Premises or May 1, 2000.

1.8 "Commencement Memorandum" shall mean a document similar to Exhibit "F" attached hereto. The Commencement Memorandum, among other things, shall contain a reference to the Rentable Area of the Premises and Usable Area of the Premises. Subject to the right to confirm the measurements in accordance with BOMA prior to the Commencement Date as set forth in Section 1.19, Tenant agrees that the Rentable Area and Usable Area of the Premises stated in the Commencement Memorandum shall be binding throughout the Lease Term.

1.9 "Default Interest Rate" shall mean the lesser of the "Lease Interest Rate" (as hereinafter defined) plus 2% per annum or the maximum interest rate permitted by law, if any.

1.10 Reserved

1.11 Reserved.

1.12 "Laws" shall mean all applicable statutes, regulations, ordinances, requirements and orders promulgated by any federal, state, local or regional governmental authority now in force or in force after the Commencement Date.

1.13 "Lease Interest Rate" shall mean the lesser of (i) that fluctuating rate of interest equal to two percentage points (2%) over the rate of interest announced from time to time by Bank of America, as its prime or reference commercial lending rate (or in the event such bank ceases to announce such rate, then by such other federally regulated banking institution as Landlord shall reasonably determine), or (ii) the maximum interest rate permitted by law, if any.

1.14 "Lease Term" shall mean the term commencing on the Commencement Date and continuing until 84 months after the first day of the first full calendar month following the Commencement Date; provided, however, that the term of Tenant's and Landlord's rights and obligations hereunder may be extended pursuant to Exhibit "J" attached hereto.

1.15 "Mortgagee" shall mean the mortgagee under a mortgage or beneficiary under a deed of trust holding a lien encumbering the Building or any holder of a ground leasehold interest in the Building or any part thereof.

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Tenant Initials



1.16 "Operating Expenses" shall mean all costs and expenses of any kind required to be incurred by Tenant (or reasonably incurred by Landlord after the Commencement Date and prior to Tenant occupancy) to operate, clean, equip, protect, light, repair, replace, heat, air-condition and maintain the Building as a first class office project, which Operating Expenses shall include, without limitation, all of the following: (i) the Building's pro-rata share of any expenses for the maintenance of all common areas within Northfield Crossing as provided in any covenants, codes, restrictions, or agreements with respect to the real property on which the Building is situated, together with any and all other amounts charged to the Building pursuant to any covenants, codes, restrictions, or agreements with respect to the real property (provided, however, Landlord agrees that it will not enter into any new covenants or agreements affecting the use of the Real Property or which would add any new category of expenses to Operating Expenses or would increase Operating Expenses, without Tenant's consent); (ii) all costs, charges and surcharges for janitorial services and snow and ice removal; (iii) any costs levied, assessed or imposed pursuant to any applicable Laws (other than as a result of failure to comply with the requirements of such Laws on the Commencement Date); (iv) subject to Landlord's contribution obligations (as hereinafter set forth in Section 9.2), the cost of any capital improvements to the Building or equipment replacements made by Tenant after the Commencement Date that reduce other Operating Expenses or are required by any Laws (other than as a result of failure to comply with the requirements of such Laws on the Commencement Date) or are necessary in order to operate the Building at the same quality level as prior to such replacement; (v) costs and expenses of operation, repair and maintenance of all structural and mechanical portions and components of the Building including, without limitation, plumbing, communication, heating, ventilating and air-conditioning ("HVAC"), elevator, and electrical and other common Building systems, and glass windows (including replacement thereof); (vi) all costs incurred in the management and operation of the Building including, without limitation, gardening and landscaping, maintenance of all parking areas, structures and garages, maintenance of signs, resurfacing and repaving, painting, lighting, cleaning, and provision of Building security but excluding any management fees incurred by Landlord; (vii) all personal property taxes levied on or attributable to personal property used in connection with the Building; (viii) rental or lease payments for rented or leased personal property

used in the operation or maintenance of the Building; (ix) fees for required licenses and permits (that were not required prior to the Commencement Date); and (x) reasonable legal, accounting and other professional fees.

Operating Expenses shall not include (a) depreciation or amortization of the Building or equipment therein; (b) commissions of real estate brokers and leasing agents and other expenses incurred in leasing office or other space (including, but not limited to, advertising and promotion, salaries and expenses of the leasing staff, and legal fees and expenses relating to leasing activities); (c) any amounts expended for tenant improvements or expenses in preparing space for tenant occupancy or for painting or decorating any occupant's space or any vacant space; (d) amounts which Landlord is obligated to contribute to the cost of capital expenses, or to pay for repairs of defects or violations of laws (as hereinafter set forth); (e) the costs incurred by Landlord in connection with its obligations to maintain those items identified as Landlord maintenance obligations under section 9 hereof; (f) costs resulting from the gross negligence of Landlord, its agents, employees, contractors or representatives; (g) expenses for replacements, repairs or other work necessitated by eminent domain; (h) any expense for which Landlord receives reimbursement from a tenant or another third party, including but not limited to indemnity, a warranty or an insurance policy (provided that at Tenant's request Landlord shall use reasonable efforts to collect any such payments which it may be entitled to receive, and any and all reasonable costs of such collection efforts approved by Tenant shall be included within Operating Expenses); (i) any water or sewer tap-in or connection charges and any impact, development or similar fees; and (j) costs of any remediation measures as a result of the presence of any Hazardous Materials (as hereinafter defined) on the Property.

1.17 "Premises" shall mean the entire Building. Subject to the right to reconfirm the Rentable Area of the Premises in accordance with BOMA prior to the Commencement Date as set forth in Section 1.19, the Premises are stipulated for all purposes to contain 107,152 square feet of Rentable Area.

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Tenant Initials



1.18 "Real Property Taxes" shall mean and include any form of tax, assessment, license fee, license tax, business license fee, commercial rental tax, levy, charge, penalty, tax or similar imposition, imposed by any authority having the direct power to tax, including any city, county, state or federal government, or any school, lighting, drainage, transportation, air pollution, environmental or other improvement or special assessment district thereof, as against any legal or equitable interest of Landlord in the Building and/or the Premises, including, but not limited to, the following: (i) any assessment, tax, fee, levy or charge in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included within the definition of Real Property Taxes (it is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies and charges that are substituted for Real Property Taxes that are being imposed on the Building on the date of this Lease shall be included within the definition of "Real Property Taxes" for the purposes of this Lease); (ii) any assessment, tax, fee, levy or charge allocable to or measured by the area of the Premises or the rent payable hereunder, levied by the state, county, city or federal government, or any political subdivision thereof, with respect to the receipt of such rent, or upon or with respect to the possession, leasing, operating, management, maintenance, alteration, repair, use or occupancy of the Building, or any portion thereof; (iii) any assessment, tax, fee, levy or charge upon this transaction creating or transferring an interest or an estate in the Premises; (iv) any assessment, tax, fee, levy or charge based upon the number of people employed, working at, or using the Premises or the Building, or utilizing public or private transportation to commute to the Premises or the Building; and (v) reasonable legal and other professional fees, costs and disbursements incurred by Tenant in connection with proceedings to contest, determine or reduce Real Property Taxes. Real Property Taxes shall not include federal or state income, gross receipts,

franchise, inheritance or estate taxes of Landlord or any of the parties which comprise Landlord.

1.19 "Rentable Area" Prior to the Commencement Date, Landlord shall remeasure the Premises based on the Standard Method For Measuring Floor Area in Office Buildings, ANSI Z65.1 - 1996 ("BOMA"). Subject to such remeasurement, the parties agree the Premises and Building contains 107,193 square feet. Landlord shall deliver to Tenant a certificate of Landlord's architect which confirms such Rentable Area and also confirms the Usable Area of the Building within thirty (30) days of the date of this Lease. Prior to the Commencement Date, Tenant shall have the right to confirm the accuracy of Landlord's determination of the Rentable Area and Base Rent and Tenant's Share shall be adjusted accordingly in the event of a variance.

1.20 "Security Deposit" Intentionally Omitted.

1.21 "Tenant's Share" shall mean 100%.

1.22 "Usable Area" for the Premises shall be based on a Building Common Area Factor of 1.1337%.

## ARTICLE 2
## GRANT OF LEASEHOLD ESTATE

Subject to and upon the terms and conditions herein set forth, Landlord hereby leases to Tenant hereby and Tenant leases from Landlord the Premises together with the rights to use the any areas, facilities, easements and other appurtenances to the Building in common with the other Tenants of the Building. Landlord will not be obligated to pay any expenses or incur any liabilities of any kind relating to the operation, maintenance, repair or replacement of the Building during the Term, except as specifically assumed by Landlord pursuant to the terms hereof.

## ARTICLE 3
## LEASE TERM

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3.1 Delivery of Possession. Prior to the execution hereof, Landlord has constructed the Base Building Improvements (as such term is defined in the Work Letter). The Landlord and Tenant may agree upon a "phase-in" delivery of the Premises to the Tenant once the construction schedule is completed. Subject to (i) the construction obligations of Landlord in the Work Letter, (ii) costs to repair any hidden or concealed defects in the Premises arising within one year after issuance of a certificate of occupancy (or its equivalent) for the Building Core and Building Shell, which result from poor quality workmanship or materials which Tenant has not discovered by reasonable observation or inspection, excluding defects resulting from Tenant's negligence or intentional acts or from normal wear and tear or casualty, and (iii) the punchlist items identified in the Work Letter, Tenant shall be deemed to have accepted the Premises (or each phase thereof, if applicable) in its "as is" condition as of the date of occupancy by the Tenant. Tenant acknowledges that neither Landlord nor its agents or employees have made any representations or warranties as to the suitability or fitness of the Premises for the conduct of Tenant's business or for any other purpose, nor has Landlord or its agents or employees agreed to undertake any alterations or construct any tenant improvements to the Premises except as expressly provided in this Lease and the Work Letter.

3.2 Substantial Completion of Premises. The Premises shall be deemed

"substantially completed" when (i) Landlord has provided reasonable access to the Premises to Tenant, (ii) Landlord notifies Tenant and Tenant has confirmed that Landlord has completed the work covered by the Work Letter other than details of construction which do not materially interfere with Tenant's use of the Premises, and (iii) Landlord has obtained a permanent or temporary certificate of occupancy which permits the conduct of business in the entire Premises.

3.3 Construction Schedule. Landlord agrees to use reasonable efforts to cause construction of the Premises (excluding approximately 15,000 square feet of space located on the second floor of the Building (the "Unplanned Space")) to be substantially completed on or before the later to occur of (i) July 1, 2000 or (ii) the date which is 60 business days following issuance of the building permit for the Premises excluding the Unplanned Space ("Target Completion Date"), and with respect to the Unplanned Space, on or before the later to occur of (i) July 1, 2000 or (ii) the date which is 60 business days following issuance of the building permit for the Unplanned Space. Notwithstanding the foregoing to the contrary, the Target Completion Date shall be extended one day for each day that construction of the Tenant Improvements is actually delayed as a result of Tenant Delay (as defined in the Work Letter and modified by the terms of Section 3.6 hereof) and one day for each day of delay construction of the Tenant Improvements is actually delayed as a result of Force Majeure (except for acts or omissions of Landlord's General Contractor). If Landlord has not delivered possession of the Premises to Tenant with construction of the Tenant Improvements substantially completed by the Target Completion Date, then (i) only with respect to those portions of the Premises which Tenant Improvements have not been substantially completed, Tenant shall be entitled to an abatement of one day's Rent applicable to each uncompleted phase (determined on a pro-rata basis based on Rentable Area) for each day following the Target Completion Date and continuing until the date the Tenant Improvements in the applicable phase are substantially completed; and (ii) the Lease Term shall be extended to by the number of days between the Target Completion Date and the date on which Landlord delivers the entire Premises to Tenant with all Tenant Improvements substantially completed, plus any number of days required to cause the Lease Term to end on the last day of a calendar month. If the Premises are not substantially completed by the Target Completion Date, Tenant's sole remedy for the delay in Tenant's occupancy of the Premises shall be the aforesaid proportionate abatement of Rent, and Tenant hereby waives the right to terminate this Lease or claim damages against Landlord as a result of any such delay. Tenant acknowledges that the Premises will not be substantially completed prior to the Commencement Date, and Tenant's obligation to pay Rent shall begin on the Commencement Date, regardless of the status of completion as of the Commencement Date

3.4 Term. The term of this Lease is the Lease Term.

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Tenant Initials



3.5 Pre-Delivery of Possession/ Installations by Tenant. From and after the date hereof, Landlord shall permit Tenant to enter the Premises during normal business hours for the purpose of conducting standard inspections and measurements and otherwise monitor the progress of the construction of the Tenant Improvements. Further, upon written request, Landlord shall permit Tenant to enter the Premises in order to install Tenant's furnishings and equipment 30 days prior to the delivery date of the Premises (or of each phase, as applicable), and prior to such 30 day period if Landlord deems possible and practicable. Any material interference with Landlord's Work under the Work Letter caused by Tenant's (i) installation of furnishings and equipment prior to occupancy, (ii) presence at the Building to conduct inspections, measurements and tests or (iii) occupancy of a phase of the Premises prior to delivery of all of the Premises, shall be a Tenant Delay. Tenant's activity within the Premises prior to the Delivery Date shall be on subject to all terms and conditions of this Lease (other than payment of Rent and Additional Rent), particularly

including the insurance provisions hereof.

## ARTICLE 4
## USE OF PREMISES AND COMMON AREAS

4.1 Premises. The Premises shall be used for general office purposes and for no other purposes. Tenant will use the Premises in a careful, safe, and proper manner. Tenant agrees not to use or permit the use of the Premises for any purpose which is illegal or prohibited by any applicable law, or which, in Landlord's opinion, creates a nuisance or would increase the cost of insurance coverage with respect to the Building. Tenant shall not use or occupy the Premises in violation of such rules and regulations described in Article 15 below nor in violation of any other laws, recorded covenants, conditions or restrictions affecting the Building. Tenant shall not place a load upon the Premises exceeding the average pounds live load per square foot of floor area of 70 lbs. per square foot specified for the Building by Landlord's architect, with the partitions to be considered part of the live load. Landlord reserves the right to prescribe the weight and position of all safes, files and heavy equipment which Tenant desires to place in the Premises so as to distribute properly the weight thereof.

4.2 Common Areas of Building. Tenant shall have the exclusive right to use, subject to the rules of the Building referred to in Article 15 below, the following areas ("Common Areas") which are a part of the Premises: (i) the entrances, lobbies, restrooms, elevators, stairways and accessways, loading docks, ramps, drives and platforms and any passageways and serviceways thereto, and the pipes, conduits, wires and appurtenant equipment serving the Premises; and (ii) parking areas (subject to the provisions of the Parking Agreement attached hereto as Exhibit "C"), loading and unloading areas, trash areas, roadways, sidewalks, walkways, parkways, driveways and landscaped areas appurtenant to the Building.

4.3 Landlord's Obligation to Minimize Interference with Tenant's Use of Premises. From and after delivery of all of the Premises to Tenant (i.e. the following shall not apply during the completion of the initial Tenant Improvements, regardless of the fact that Tenant may have occupied a phase of the Premises) Landlord shall use reasonable efforts to not materially interfere with Tenant's business operations in connection with the exercise of its maintenance obligations under this Lease. Further, in the performance of any of its maintenance and repair obligations or other conduct of activities at the Building, Landlord shall use reasonable efforts to not materially interfere with Tenant's business operations or prevent Tenant's access to its Premises, and in the event, any such activities by Landlord or its agents, employees or contractors materially interfere with Tenant's ability to conduct business operations in the Premises or prevents access to Tenant's Premises, such operations shall be limited to non-Normal Business Hours. If as a result of any material interference by Landlord with Tenant's business operations in connection with the performance of Landlord's maintenance obligations under this Lease or other activities at the Building, 10% or more of the Rentable Area of the Premises are rendered unusable for the conduct of Tenant's normal business operations for a period of five consecutive days, Tenant shall have the right to a prorata abatement of daily Base Rent (prorata based on Rentable Area that is

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unusable over the total Rentable Area of the Premises) for each day beyond the five day period that such interference continues.

## ARTICLE 5
## BASE RENT

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5.1 Base Rent. Tenant agrees to pay to Landlord during the Lease Term, without any setoff or deduction whatsoever except as is permitted under this Lease, the Base Rent, and all such other sums of money as shall become due hereunder as Additional Rent. Should Tenant fail to pay any Additional Rent in a timely manner, Landlord shall be entitled to exercise all such rights and remedies as are herein provided in the case of the nonpayment of Base Rent. The annual Base Rent for each calendar year or portion thereof during the Lease Term, together with estimated Additional Rent pursuant to Article 6 hereof then in effect, shall be due and payable in advance, in lawful money of the United States of America which shall be legal tender at the time of payment, in twelve (12) equal installments on the first day of each calendar month during the initial term of this Lease and any extensions or renewals thereof, and Tenant hereby agrees to pay such Base Rent and Additional Rent to Landlord at Landlord's address provided herein (or such other address as may be designated by Landlord in writing from time to time) monthly, in advance, and without demand. If the Lease Term commences on a day other than the first day of a month or terminates on a day other than the last day of a month, then the installments of Base Rent and Additional Rent for such month or months shall be prorated, based on the number of days in such month. The first monthly installment of Base Rent shall be due and payable on the Commencement Date.

5.2 Additional Rent. All charges payable by Tenant to Landlord hereunder other than Base Rent (including, without limitation, Taxes payable pursuant to Article 6 below) are called "Additional Rent." Unless this Lease provides otherwise, all Additional Rent shall be paid with the next monthly installment of Base Rent which is due thirty (30) days after Tenant receives notice of the amount of the Additional Rent. Base Rent and Additional Rent are sometimes referred to collectively as "Rent."

5.3 Interest and Administrative Charges on Late Payments. All installments of Rent not paid when due and payable shall bear interest and incur the administrative charges as set forth hereinbelow. Landlord's acceptance of any late charge or interest shall not constitute a waiver of Tenant's default with respect to the overdue amount nor prevent Landlord from exercising any of the other rights and remedies available to Landlord under this Lease or any law now or hereafter in effect.

## ARTICLE 6
## OPERATING EXPENSES/UTILITIES; TAXES AND INSURANCE

Commencing on the Commencement Date, Tenant shall pay for all expenses of the maintenance, operation, repair or replacement of the Building and its components, except as excluded from the definition of Operating Expenses in Section 1.16, or as excluded from Real Property Taxes in 1.18 hereof, or specifically assumed by Landlord pursuant to the provisions of this Section 6 or Sections 9, 14, 21, 22, 32.1 or 32.2 hereof or Exhibit D to this Lease, including, but not limited to the following:

6.1 Operating Expenses. Tenant shall pay all Operating Expenses payable with respect to the Building, including all costs required to satisfy its maintenance and service obligations under Section 7 hereof. Payments thereof for any fractional calendar month shall be prorated. Landlord will not be obligated to pay any Operating Expenses relating to the Building Complex, except as specifically assumed by Landlord pursuant to the provisions of Section 9 hereof.

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6.2 Utilities. On the Commencement Date, Landlord and Tenant shall cause all utility bills to be transferred to the name of Tenant, so as to provide direct billing by the applicable utility providers. Tenant, as and when billed therefor by the applicable utility provider, shall pay for all water, gas, electricity, heat, light, power, telephone, sewer, sprinkler service, trash collection and other utilities and services supplied to the Building, and all maintenance or 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 thereof. Except for the negligence of Landlord, or its agents, employees or contractors, or Landlord's breach of this Lease, Landlord shall not be liable for any interruption or failure of utilities or any other service to the Building and no such interruption or failure shall result in the abatement of Rent hereunder.

6.3 Taxes.

(a) Within fifteen (15) days after receipt of Landlord's invoice therefor (together with a copy of the relevant bill(s) from the municipality) (but in no event more than ten (10) days prior to the date on which penalties and interest will accrue for nonpayment), Tenant shall pay to Landlord the amount payable for all Real Property Taxes which are attributable to the Term, such that any taxes which are only partially attributable to the Term shall be prorated between Landlord and Tenant on a due date basis. Any special assessments shall be deemed to be payable over the longest legally permissible period and Tenant shall only be responsible for the portion attributable to each year during the Term (with Landlord being responsible for any excess).

(b) Landlord shall send to Tenant copies of all notices of assessment of Real Property Taxes and of proposed special assessments for the Building within ten (10) business days after Landlord receives them and Landlord shall not consent to any special assessment unless Tenant shall have consented thereto in writing. Tenant shall have the right to contest any Real Property Taxes or special assessments, provided the contested Real Property Taxes or special assessments shall be promptly paid and discharged, unless the proceedings (and where necessary the posting of an appropriate bond or other security) prevents or stays the collection of the taxes or special assessments and secures any accruing penalties or interest. Upon Tenant's request, Landlord shall execute any documents Tenant reasonably requires in order to prosecute any contest of Real Property Taxes or special assessments, provided such document does not increase any costs or liabilities of Landlord (except for those which Tenant is obligated to pay hereunder), and join Tenant in any contest, provided that Tenant pays all reasonable costs and expenses incurred by Landlord directly as a result of Landlord's participation in the contest. If Landlord receives any refund of Real Property Taxes or special assessments which are attributable to the Term, Landlord shall promptly pay such refund to Tenant.

6.4 Insurance. Tenant shall pay all Insurance expenses payable with respect to the policies of insurance required to be carried by Tenant hereunder.

## ARTICLE 7
## MANAGEMENT OF BUILDING BY TENANT

Commencing upon Tenant's occupancy of the Building, Tenant shall have the sole responsibility for the management of the Building, which management shall be conducted in accordance with the requirements of this Lease and shall be conducted by Tenant or by a third-party manager who is reputable and experienced in the management of class A office buildings. Landlord hereby consents to management of the Building by Jones Lang LaSalle. During the period of time prior to Tenant's occupancy of the Building (at which time Landlord will be managing the Building) Landlord shall not enter into any management or maintenance agreements which will bind Tenant from and after the date Tenant accepts management responsibility of the Building.

## ARTICLE 8

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MAINTENANCE AND REPAIR BY TENANT

Tenant, at its expense and subject to the provisions of Sections 6, 9, 14, 21, 22, 32.1 and 32.2, and Exhibit D hereof, shall have the sole responsibility for operating, cleaning, equipping, protecting, lighting, repairing, replacing, heating, air-conditioning and maintaining the Building as a first class office project and in compliance with Laws, including, but not limited to making, or causing to be made through maintenance contracts or otherwise, all repairs and replacements to the Building necessary to maintain it in good order, condition and repair consistent with the operation of a first-class office project and in compliance with Laws subject to normal wear and tear and fire or other insurable casualty. Tenant's maintenance obligations hereunder shall include, without limitation, the obligation to complete each of the following: (a) maintenance, repair and replacement of all Building systems, (b) trash and snow removal, (c) repainting, (d) parking lot re-striping, resurfacing, maintenance and repairs, (e) sidewalk, maintenance, repair and replacement, (f) landscape maintenance, (g) janitorial services, (h) window cleaning, maintenance, repair and replacement, (i) elevator repair and maintenance, (j) Building security, and (k) HVAC repair, maintenance and replacement. Notwithstanding the foregoing to the contrary, Tenant shall not be obligated to pay for any costs to repair either (i) any defects in the Building arising within one year after issuance of a core and shell certificate of occupancy (or its equivalent) for the Building Core and Building Shell which results from poor quality workmanship or materials, excluding defects resulting from Tenant's negligence or intentional acts or from normal wear and tear or casualty, (ii) Structural Defects (as hereinafter defined) arising any time during the Lease Term, or (iii) any other expenses which are Landlord's obligation under Sections 6, 9, 14, 21, 22, 32.1 or 32.2 or Exhibit D to this Lease. Landlord shall assign to Tenant all assignable warranties with respect to the Building, including warranties with respect to the Building fixtures and equipment and, to the extent not assignable, Landlord shall cooperate with Tenant in enforcing the terms and provisions of applicable warranties upon request of Tenant.

Tenant, at its expense, shall enter into and deliver to Landlord one or more maintenance service contracts reasonably acceptable to Landlord, with a contractor(s) approved by Landlord (such approvals not to be unreasonably withheld or delayed) for hot water, elevator, heating and air conditioning and other mechanical systems and equipment within or serving the Building; provided, Tenant shall have the right to independently conduct the maintenance of such equipment (excluding elevator maintenance and life safety system maintenance), without necessity of obtaining a maintenance contract, if all of the following occur (i) such maintenance is to be done by qualified engineers who are trained to maintain the applicable equipment and are licensed or certified to conduct such maintenance and, (ii) Tenant conducts all regularly scheduled maintenance recommended by the manufacturer for the applicable equipment, (iii) Tenant conducts all maintenance required to maintain any applicable equipment warranty, (iv) Tenant maintains written records of all such maintenance and makes the same available to Landlord for review upon its request. The service and maintenance contract(s) (or Tenant maintenance schedule, if applicable) shall include all services required by Landlord based upon the operation hours of each applicable service. On or before the Commencement Date Landlord shall provide Tenant with a copy of the manufacturer/equipment supplier warranties and maintenance requirements for such Building equipment and systems.

The failure or the interruption or termination of any services to the Building shall not render Landlord liable in any respect nor be construed as an eviction of Tenant, nor work an abatement of Rent (except as otherwise set forth herein), nor relieve Tenant from the obligation to fulfill any covenant or agreement hereof. Should any of the equipment or machinery used in the provision of such services for any cause cease to function properly, Tenant

shall have no claim for offset or abatement of rent or damages on account of an interruption in service resulting therefrom.

## ARTICLE 9
## MAINTENANCE AND REPAIR BY LANDLORD

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9.1 Landlord, at its sole cost and expense, shall be responsible for all costs and the performance of all work to repair either (i) any defects in the Building arising within one year after issuance of a core and shell certificate of occupancy (or its equivalent) for the Building Core and Building Shell which results from poor quality workmanship or materials, excluding defects resulting from Tenant's negligence or intentional acts or from normal wear and tear or casualty, or (ii) Structural Defects arising any time during the Lease Term The term "Structural Defect" shall mean any defect in the structural support system of the Building's roof, foundation piers and stem walls, structural elements of exterior walls (including structural elements of curtain walls), and structural elements of floors; all to the extent such defect results from poor quality workmanship or materials, unless the need therefor results from the negligence of Tenant, its agents or employees. Tenant shall notify Landlord as soon as reasonably practicable following discovery by Tenant or its maintenance contractor (if applicable) of the existence of any condition which is believed to be a Landlord obligation hereunder. Landlord shall repair (without any charge to Tenant) any damage to the Premises or the improvements therein which is caused by the act, omission or negligence of Landlord, its agents or employees.

9.2 (a) If Tenant desires Landlord to contribute to the cost of any capital expense (as determined in accordance with generally accepted accounting principals) for a repair or replacement which is a part of Operating Expenses, Tenant shall provide Landlord with written notice of Tenant's desire to perform the repair or replacement, which notice shall include Tenant's determination of the nature of such work and the useful life of the item giving rise to the capital expense. Within 30 days after receipt of such notice, Landlord shall notify Tenant whether Landlord agrees with the terms of Tenant's notice (or shall notify Tenant of the terms of Tenant's notice with which Landlord disagrees). If Landlord disagrees with any portion of the notice, Tenant may either: (i) make the repair or replacement at Tenant's cost, subject to Tenant's right to submit the dispute to arbitration in accordance with the terms below, or (ii) submit the dispute to arbitration in accordance with the terms below. If Landlord agrees that the work will give rise to a capital expense and notifies Tenant (within the 30 day period after Landlord receives Tenant's notice of its intent to perform the work) of at least two contractors which Landlord approves to perform the work, then Tenant shall obtain bids for the work from three contractors (two of which shall have been approved by Landlord and one of which shall have been approved by Tenant). The cost of the work shall be the low bid, unless agreed to by the Landlord and Tenant. If Landlord agrees with the terms of Tenant's notice or if the arbitration panel determines that the information contained in the Tenant's notice was correct (or to the extent the arbitration panel so determines), then, in either event, within 30 days after Tenant submits an invoice (and reasonable supporting documentation regarding third-party expenses incurred), Landlord shall reimburse Tenant for the "Landlord's Share" (as hereinafter defined) of any third-party expenses of the applicable repair or replacement which are capital in nature (as determined in accordance with generally accepted accounting principles). Landlord's Share shall be equal to the product of (x) the applicable capital expense and (y) a fraction, the numerator of which is the "Post-Lease Expiration Useful Life" (as hereinafter defined) and the denominator of which is the number of years of the useful life of the item giving rise to the capital expense. The "Post-Expiration Useful Life" shall be equal to the remainder obtained when (A) the number of years remaining in the then-current Term is subtracted from (B) the number of years of

the useful life of the item giving rise to the capital expense. Tenant shall not have any right to off-set Rent unless and until either (i) Landlord acknowledges the amount and existence of such obligation, and thereafter fails to pay the same to Tenant within 30 days after it receives written notice that the same is past due, or (ii) Tenant has received a decision from the arbitrators which determines that Landlord was obligated to pay Landlord's Share of the applicable expense, and Landlord does not, within thirty days after the issuance of the panel's decision or Tenant's delivery to Landlord of evidence of the cost of the applicable repair or replacement, whichever occurs later (the "Landlord Cure Period") pay the required amount, in which event Tenant shall have the right to an abatement of Rent to the extent necessary to satisfy such decision and shall have the right to enforce the award of the arbitrator(s) pursuant to any other remedies available at law or in equity for enforcement of the decision (other than recision of the Lease). Notwithstanding the foregoing, Tenant shall not be obligated to provide Landlord with 30 days advance notice of any repairs which Tenant reasonably determines must be performed on an emergency basis (and Landlord shall not have the right

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to require bidding such work) provided that Tenant shall endeavor to provide Landlord notice of the requirement of such work as promptly as practicable.

(b) Tenant shall have the right to submit any dispute under this Section 9.2 to binding arbitration as follows: The parties agree that any arbitration conducted pursuant to this Section 9.2 shall be conducted as an "expedited arbitration" in accordance with the rules of the American Arbitration Association except that the parties shall jointly request that (i) the arbitrator(s) be certified public accountants and (ii) the arbitrator(s) deliver to the parties a reasoned award in writing. The parties shall, within 5 days after demand by Tenant for arbitration, select a lone arbitrator, provided that in the event the parties are unable to agree upon a lone arbitrator, each party shall select one arbitrator and those two shall select the third. All arbitrators shall be unbiased certified public accountants and shall have no affiliation to either party. The costs of the arbitration shall be paid by the non-prevailing party. The arbitration shall be governed by the United States Arbitration Act, 9 U.S.C. Sections 1 through 16, and a judgment entered on the award of the arbitrator(s) may be entered in any court having competent jurisdiction. The successful or prevailing party in any arbitration shall be entitled to an award that includes reasonable attorneys' fees, and the costs of the arbitration proceeding, incurred in connection with an arbitration pursuant to this Section, as well as in connection with any judicial proceeding brought to enforce any arbitration award. The procedures specified in this Section shall be the sole and exclusive procedure for the resolution of the disputes arising under this Section 9.2.

9.3 Except as otherwise expressly provided herein, Landlord shall not be required to perform any maintenance or to make any repairs to the Premises. Landlord may use all portions of the Building (provided Landlord uses reasonable efforts to limit its interference with Tenant's use thereof) as may be necessary to complete any of Landlord's obligations hereunder in an expeditious and workmanlike manner. In the exercise of its rights hereunder, Landlord shall comply with the provisions of Section 4.3 hereof applicable to Landlord's actions, and Tenant shall be entitled to the abatement provisions of Section 4.3, if applicable.

## ARTICLE 10
## GRAPHICS; BUILDING DIRECTORY

10.1 Building Directory. Landlord shall provide and install, at Tenant's reasonable cost, all letters or numerals on doors in the Premises and on the

Building directory; all such letters and numerals shall be in the standard graphics for the Building and no others shall be used or permitted on the Premises without Landlord's prior written consent.

10.2 Exterior Signage. Tenant shall have the right to install, at Tenant's sole expense, its logo and/or name on either the face of the Building or the Tenant's Share of the Building's monument sign, as it's currently constructed, subject to approval by Landlord (in the exercise of its reasonable discretion) and the City of Troy. Tenant shall be solely responsible for obtaining all governmental approvals for its signage (or otherwise confirming its signage with governmental requests).

10.3 Reception Desk in Lobby. Subject to Landlord's right to require removal in accordance with Section 12.2 of this Lease, Tenant shall have the right to construct a reception desk in the Lobby of the Building. Notwithstanding the foregoing approval to the contrary, upon termination of the Lease, Tenant shall promptly remove, as its sole cost and expense, such reception desk area and repair any damage to the Building caused by such removal, reasonable wear and tear excepted, including any restoration of the flooring or walls in the Lobby area.

## ARTICLE 11
## CARE OF THE PREMISES BY TENANT

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Tenant agrees not to commit or allow any waste to be committed on any portion of the Premises, and at the termination of this Lease agrees to deliver up the Premises to Landlord in as good condition as at the Commencement Date of this Lease, ordinary wear and tear and casualty excepted.

## ARTICLE 12
## REPAIRS AND ALTERATIONS BY TENANT

12.1 No Alteration, Additions, or Improvements Without Landlord's Consent. Tenant shall make no alterations, additions, or improvements to the Premises or any part thereof without obtaining the prior written consent of Landlord. Tenant shall submit any such request to Landlord at least thirty (30) days prior to the proposed commencement date of such work. Landlord may impose, as a condition to such consent, and at Tenant's sole cost, such requirements as Landlord may reasonably deem necessary in its judgment, including without limitation, the manner in which the work is done, a right of approval of the contractor by whom the work is to be performed, approval of all plans and specifications and the procurement of all licenses and permits. Landlord shall be entitled to post notices on and about the Premises with respect to Landlord's non-responsibility for mechanics' liens and Tenant shall not permit such notices to be defaced or removed. Tenant further agrees not to connect any apparatus, machinery or device to the Building systems, including electric wires, water pipes, fire safety, heating and mechanical systems, without the prior written consent of Landlord, which may be withheld if Landlord, in its sole reasonable discretion determines that such connections will have a negative effect on any other tenant of the Building or any Building systems. Notwithstanding the foregoing, Tenant shall be permitted to make minor, nonstructural alterations to the interior of the Premises not to exceed One Hundred Thousand Dollars ($100,000) in the aggregate during any twelve (12) month period.

12.2 Completion of Lease Term. All alteration, improvements and additions to the Premises, including, by way of illustration but not by limitation, all counters, screens, grilles, special cabinetry work, permanent partitions,

paneling, carpeting, drapes or other window coverings and light fixtures, shall be deemed a part of the real estate and the property of Landlord and shall remain upon and be surrendered with the Premises as a part thereof without molestation, disturbance or injury at the end of the Lease Term, whether by lapse of time or otherwise, unless Landlord, by notice given to Tenant no later than Landlord's approval of the applicable installations, shall elect to have Tenant remove all or any of such alterations, improvements, or additions (excluding non-movable office walls), and in such event, Tenant shall promptly remove, at its sole cost and expense, such alterations, improvements, and additions and repair any damage to the Premises caused by such removal, reasonable wear and tear excepted. Any such removal, whether required or permitted by Landlord, shall be at Tenant's sole cost and expense. All movable partitions, machines, and equipment which are installed in the Premises by or for Tenant, without expense to Landlord, and can be removed without structural damage to or defacement of the Building or the Premises, and all furniture, furnishings and other articles of personal property owned by Tenant and located in the Premises (all of which are herein called "Tenant's Property") shall be and remain the property of Tenant and may be removed by it at any time during the Lease Term. However, if any of Tenant's Property is removed, Tenant shall repair or pay the cost of repairing any damage to the Building or the Premises resulting from such removal. All additions or improvements which are to be surrendered with the Premises shall be surrendered with the Premises, as a part thereof, at the end of the Lease Term or the earlier termination of this Lease.

12.3 Parties Performing Alteration, Repair, and Modification Work. If Landlord permits persons requested by Tenant to perform any alterations, repairs modifications, or additions to the Premises, then prior to the commencement of any such work, Tenant shall deliver to Landlord certificates issued by insurance companies qualified to do business in the state where the Premises are located evidencing that workmen's compensation, public liability insurance, and property damage insurance, all in amounts, with companies, and on forms reasonably satisfactory to Landlord, are in force and maintained by all such contractors and subcontractors engaged by Tenant to perform such work. All such liability

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and property damage policies shall name Landlord as an additional insured and shall provide that the same may not be canceled or modified without thirty (30) days' prior notice to Landlord.

12.4 Performance of Alteration, Repair, and Modification Work. Tenant, at its sole cost and expense, shall cause any permitted alterations, decorations, installations, additions, or improvements in or about the Premises to be performed in compliance with all applicable requirements of insurance bodies having jurisdiction, and in such manner as not to interfere with, delay, or impose any additional expense upon Landlord in the construction, maintenance, or operation of the Building, and so as to maintain harmonious labor relations in the Building.

## ARTICLE 13
## Reserved

## ARTICLE 14
## LAWS AND REGULATIONS

14.1 General. Subject to Landlord's representations and warranties set forth in Section 32.1, at its sole cost and expense, Tenant will promptly comply with all laws, statutes, ordinances, and governmental rules, regulations, or requirements now in force or in force after the Commencement Date, with the requirements of any board of fire underwriters or other similar body constituted

now or after the date, with any direction or occupancy certificate issued pursuant to any law by any public officer or officers, as well as with the provisions of all recorded documents affecting the Premises.

14.2 Hazardous Materials.

a. For purposes of this Lease, "Hazardous Materials" means any explosives, radioactive materials, hazardous wastes, or hazardous substances, including without limitation substances defined as "hazardous substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. (S)(S) 9601-9657; the Hazardous Materials Transportation Act of 1975, 49 U.S.C. (S)(S) 1801-1812; the Resource Conservation and Recovery Act of 1976, 42 U.S.C. (S)(S) 6901-6987; or any other federal, state, or local statute, law, ordinance, code, rule, regulation, order, or decree regulating, relating to, or imposing liability or standards of conduct concerning hazardous materials, waste, or substances now or at any time hereafter in effect (collectively, "Hazardous Materials Laws").

b. Except for normal use of office and cleaning products in compliance with Hazardous Materials Laws, Tenant, its agents, employees, contractors, invitees and customers (or any other party on the Property at Tenant's direction) will not cause or actively permit the storage, use, generation, or disposition of any Hazardous Materials in, on, or about the Premises or the Building. Tenant will not permit the Premises to be used or operated in a manner that may cause the Premises or the project to be contaminated by any Hazardous Materials in violation of any Hazardous Materials Laws. Tenant will immediately advise Landlord in writing of (1) any and all enforcement, cleanup, remedial, removal, or other governmental or regulatory actions instituted, completed, or threatened pursuant to any Hazardous Materials Laws relating to any Hazardous Materials affecting the Premises; and (2) all claims made or threatened by any third party against Tenant, Landlord, or the Premises relating to damage, contribution, cost recovery, compensation, loss, or injury resulting from any Hazardous Materials on or about the Premises. Without Landlord's prior written consent, Tenant will not take any remedial action or enter into any agreements or settlements in response to the presence of any Hazardous Materials in, on, or about the Premises.

c. Tenant will be solely responsible for and will defend, indemnify and hold Landlord, its agents, and employees harmless from and against all claims, costs, and liabilities, including

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attorney fees and costs, arising out of or in connection with Tenant's breach of its obligations in this Article 14. Tenant will be solely responsible for and will defend, indemnify, and hold Landlord, its agents, and employees harmless from and against any and all claims, costs, and liabilities, including attorney fees and costs, arising out of or in connection with the removal, cleanup, and restoration work and materials necessary to return the Premises and any other property of whatever nature located in, on, or about the Building, to their condition existing prior to the introduction of Hazardous Materials by Tenant, its agents, employees or contractors. Tenant's obligations under this Article 14 will survive the expiration or other termination of this Lease.

d. Except for normal use of office and cleaning products in compliance with Hazardous Materials Laws, Landlord will not cause or permit the storage, use, generation, or disposition of any Hazardous Materials in, on, or about the Building by Landlord, its agents, employees, or contractors. Landlord will be solely responsible for and will defend, indemnify and hold Tenant, its agents, and employees harmless from and against all claims, costs, and liabilities, including attorney fees and costs, arising out of or in connection with Landlord's breach of its obligations in this Article 14. Landlord's obligations under this Article 14 will survive the expiration or other termination of this Lease.

e. Landlord has not disposed of any Hazardous Materials at the Building. Further, Landlord has received no written notice from any governmental authority having jurisdiction over the Building that the Building is in violation of any Hazardous Materials Laws.

f. Tenant shall have the right to review Landlord's existing Phase I Environmental Assessment Report with regard to the Building, which has been provided to Tenant by Landlord. Landlord agrees that Tenant shall have the right to have access to and to conduct its own Phase I Environmental Assessment of the Premises, provided such activities do not interfere with construction activities at the Building or in the Premises. In the event Landlord's or Tenant's Phase I Environmental Assessment Report indicates the potential presence of Hazardous Materials at or on the Building, Tenant shall have the right to conduct a Phase II Environmental Assessment and a Baseline Environmental Assessment, provided such activities do not interfere with construction activities at the Building or in the Premises.

14.3 Certain Insurance Risks. Tenant, its agents, employees, contractors, invitees and customers (or any other party on the Property at Tenant's direction), will not do any act or thing upon the Premises or the Building which would (i) jeopardize or be in conflict with fire insurance policies covering the Building or covering any fixtures and property in the Building; (ii) increase the rate of fire insurance applicable to the Building to an amount higher than it otherwise would be for general office use of the Building; or (iii) subject Landlord to any liability or responsibility for injury to any person or persons or to property by reason of any business or operation being carried on upon the Premises.

## ARTICLE 15
## BUILDING RULES

Tenant will comply with the reasonable, non-discriminatory rules of the Building adopted and altered by Landlord from time to time and will cause all of its agents, employees, invitees and visitors to do so; all changes to such rules will be sent by Landlord to Tenant in writing. The current Building Rules and Regulations, which may be modified from time to time by the Landlord in its reasonable discretion, are attached hereto as Exhibit "E." In the event of any inconsistency between the provisions of this Lease and any Building Rules and Regulations, the provisions of this Lease shall control.

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## ARTICLE 16
## ENTRY BY LANDLORD

Tenant agrees to permit Landlord or its agents or representatives to enter into and upon any part of the Premises at all reasonable hours (and in emergencies at all times) to inspect the same, or to show the Premises to prospective purchasers, Mortgagees, tenants or insurers, to clean or make repairs, alterations or additions thereto, and Tenant shall not be entitled to any abatement or reduction of rent by reason thereof (except as otherwise set forth in this Lease). In the exercise of its rights hereunder, Landlord shall comply with the provisions of Section 4.3 hereof applicable to Landlord's actions, and Tenant shall be entitled to the abatement provisions of Section 4.3, if applicable.

## ARTICLE 17

## ASSIGNMENT AND SUBLETTING

17.1 Prohibition. Tenant shall not assign, sublease, transfer or encumber this Lease or any interest therein without the consent of Landlord first being obtained, which consent will not be unreasonably withheld or delayed provided that: (1) Tenant provides written notice to Landlord at least 10 business days prior to such assignment or subletting setting forth the details of the proposed assignment or sublease; (2) Landlord declines to exercise its rights under Section 17.2; (3) the transferee is engaged in a business and the portion of the Premises will be used for the Use permitted under this Lease and in a manner which is in keeping with the then standards of the Building and does not conflict with any exclusive use rights granted to any other tenant of the Building, and such use will not, in Landlord's reasonable opinion materially increase parking or occupancy loads; (4) Landlord, in its sole discretion, determines that the transferee has a sound business reputation; (5) Tenant is not in default at the time it makes its request; (6) the transferee is not a tenant or currently negotiating a lease with Landlord in any Building owned by Landlord adjacent to the Building (provided Landlord has space available to satisfy the space requirements of the transferee and is willing to lease such space to the proposed transferee); and (7) the rent to be paid by the transferee is not less than 85% of the rental rate then being offered by Landlord for similar space in the Building. Any attempted assignment or sublease by Tenant in violation of the terms and covenants of this Article 17 shall be void. If Landlord does not notify Tenant of the specific grounds upon which Landlord is withholding consent to a proposed assignment or subletting within 10 business days after Landlord receives Tenant's request for consent to an assignment or subletting, Landlord shall be deemed to have approved such assignment.

Notwithstanding anything in this Lease to the contrary, Tenant shall have the right to assign its interest in this Lease or to sublet all or a part of the Premises without Landlord's prior consent to a Permitted Transferee, as hereinafter defined, provided (1) the Permitted Transferee is engaged in a business (and the portion of the Premises will be used for) the use permitted hereunder; and (2) Tenant is not in default at the time it makes any such sublease. In the event of an assignment or sublet to a Permitted Transferee, Tenant shall remain liable for all of its obligations hereunder. For purposes of this Lease, a "Permitted Transferee" means, any person or entity which directly or indirectly controls, is controlled by or is under common control with Tenant, or to any entity resulting from a merger or consolidation with Tenant or to any person or entity which acquires all of the assets of Tenant as a going concern of the business that is being conducted on the Premises. In order for any transfer to a Permitted Transferee to be effective, Tenant shall provide written notice to Landlord within ten (10) days' after such transfer setting forth the facts supporting designation of the proposed assignee as a Permitted Transferee.

17.2 Recapture. If Tenant requests Landlord's consent to an assignment of this Lease or subletting of all or part of the Premises, Landlord shall have the option (without limiting Landlord's other rights hereunder) of terminating this Lease (in the case of a subletting, only with respect to the proposed

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sublet area) upon the proposed effective date of the assignment or subletting. If Landlord elects to exercise its rights under this Section 17.2, Tenant shall have the right to vitiate Landlord's election by rescinding Tenant's request for consent to the assignment or subletting by providing written notice to Landlord within ten (10) days following Landlord's notice of election to terminate. Landlord may then, at Landlord's option, lease space to the prospective assignee or subtenant. If Landlord should fail to notify Tenant in writing of its decision within a 10 business day period after Landlord is notified in writing of the proposed assignment or sublease, Landlord shall be deemed to have elected

to keep this Lease in full force and effect.

17.3 Proceeds of Assignment, Sale of Sublease. Except for transfers to Permitted Transferees, fifty percent (50%) of all net cash or other Net Proceeds of any assignment, sale or sublease of Tenant's interest in this Lease, whether consented to by Landlord or not, shall be paid to Landlord notwithstanding the fact (but only to the extent) that such Net Proceeds exceed the Rent called for hereunder, unless Landlord agrees to the contrary in writing. (For the Purposes of this Paragraph, "Net Proceeds" shall mean and refer to proceeds net of third party reletting expenses of Tenant and cost of any tenant improvement costs incurred). This covenant and assignment shall run with the land and shall bind Tenant and Tenant's heirs, executors, administrators, personal representatives, successors and assigns. Any assignee or purchaser of Tenant's interest in this Lease (all such assignees and purchasers being hereinafter referred to as "Successors"), by assuming Tenant's obligations hereunder, shall assume liability to Landlord for all amounts to which Landlord is entitled which are actually paid to persons other than Landlord by such Successor in consideration of any such sale or assignment, in violation of the provisions hereof.

17.4 Tenant Remains Liable. No assignment, sublease or other transfer consented to by Landlord, shall release Tenant or change Tenant's primary liability to pay the rent and to perform all other obligations of Tenant under this Lease. Upon the occurrence of any default under this Lease, Landlord may proceed directly against Tenant without the necessity of exhausting any remedies against any subtenant or assignee. Upon termination of this Lease, any permitted subtenant shall, at Landlord's option, attorn to Landlord and shall pay all Rent directly to Landlord. Landlord's acceptance of Rent from any other person shall not constitute a waiver of any provision of this Article 17. Consent to one transfer shall not constitute consent to any subsequent transfer. Landlord may consent to subsequent assignments or modifications of this Lease by Tenant's transferee, without notifying Tenant or obtaining its consent. Such action shall not relieve Tenant of its liability under this Lease.

17.5 No Merger. No merger shall result from Tenant's sublease of the Premises under this Article 17, Tenant's surrender of this Lease or the termination of this Lease in any other manner. In any such event, Landlord may terminate any or all subtenancies or succeed to the interest of Tenant as sublandlord thereunder.

## ARTICLE 18
## LIENS

If any mechanic's lien(s) or other liens to be placed upon the Premises or the Building as a result of work contracted for by Tenant, Tenant shall discharge, bond against or provide other security against foreclosure of the lien which reasonably satisfactory to Landlord and any Mortgagee of the Building, within thirty (30) days following the date Tenant receives notice of the lien. Nothing in this Lease shall be deemed or construed in any way as constituting the consent or request of Landlord, express or implied, by inference or otherwise, to any person for the performance of any labor or the furnishing of any materials to the Premises, or any part thereof, nor as giving Tenant any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that would give rise to any mechanics' or other liens against the Premises. In the event any such lien is attached to the Premises, then, in addition to any other right or remedy of Landlord, Landlord may, but shall not be obligated to, discharge the same following thirty (30) days' notice to Tenant and Tenant's failure to bond

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against or discharge the lien in such thirty (30) day period. Any reasonable

amount paid by Landlord for any of the aforesaid purposes and any reasonable expenses incurred by Landlord in connection with any such lien shall be paid by Tenant to Landlord within thirty (30) days after demand as Additional Rent.

## ARTICLE 19
## INSURANCE

19.1 Property Insurance. Tenant shall maintain property coverage insurance on the Building Shell and Building Core and the improvements in the Premises in an amount equal to one hundred percent (100%) of replacement cost, as reasonably determined by Landlord. Such insurance shall be maintained at the expense of Tenant, with Landlord listed as the primary insured and payments for losses thereunder shall be made solely to Landlord or the Mortgagees as their respective interests shall appear.

19.2 Liability Insurance. Tenant shall, at Tenant's expense, maintain a policy of Commercial General Liability insurance insuring Tenant against liability arising out of the ownership, use, occupancy or maintenance of the Premises. Such insurance shall be on an occurrence basis providing single-limit coverage in an amount not less than One Million Dollars ($1,000,000) per occurrence. The initial amount of such insurance shall be subject to periodic increase upon reasonable demand by Landlord based upon inflation, increased liability awards, recommendation of professional insurance advisers, and other relevant factors. However, the limits of such insurance shall not limit Tenant's liability nor relieve Tenant of any obligation hereunder. Landlord shall be named as an additional insured on said policies and the policies shall contain a provision under which the insurance as afforded by such policies shall be primary as respects any claims, losses or liabilities arising out of the use of Premises by the Tenant or by Tenant's operation and any insurance carried by Landlord shall be excess and non-contributing. The policy shall insure Tenant's performance of the indemnity provisions of Articles 14 and 20.

19.3 Requirements for Insurance Policies. Insurance required to be maintained hereunder shall be in companies holding a "General Policyholders' Rating" of A or better and a "financial rating" of 10 or better, as set forth in the most current issue of "Best's Insurance Guide." Tenant shall promptly deliver to Landlord, within thirty (30) days of the Commencement Date, original certificates evidencing the existence and amounts of such insurance. No such policy shall be cancelable or subject to reduction of coverage except after sixty (60) days prior written notice to Landlord. Tenant shall, within thirty (30) days prior to the expiration, cancellation or reduction of such policies, furnish Landlord with renewals or "binders" thereof. Tenant shall not do or permit to be done anything which shall invalidate the insurance policies required under this Lease.

19.4 Waiver of Subrogation Rights. Tenant shall obtain from the issuer of the insurance policies referred to in Section 19.1 a waiver of subrogation provision in said policies and Tenant and Landlord hereby release, relieve and waive any and all rights of recovery against Landlord or Tenant, or against the employees, officers, agents and representatives of Landlord or Tenant, for loss or damage arising out of or incident to the perils insured against under Section 19.1 which perils occur in, on or about the Premises or the Building, whether due to the negligence of Landlord or Tenant or their agents, employees, contractors or invitees.

## ARTICLE 20
## INDEMNITY

20.1 Indemnity by Tenant. Tenant shall indemnify and hold harmless Landlord and all agents, servants and employees of Landlord from and against all claims, losses, damages, liabilities, expenses (including reasonable attorney fees), penalties and charges arising from or in connection with (i) Tenant's use of the Premises during the Lease Term, or (ii) the conduct of Tenant's business, or

(iii) any activity, work or things done, permitted or suffered by Tenant in or about the Premises during the Lease Term.

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Tenant shall further indemnify and hold harmless Landlord from and against any and all claims, loss, damage, liability, expense (including reasonable attorney fees), penalty or charge arising from any negligence of Tenant, or any of Tenant's agents, contractors, or employees, and from and against all costs, reasonable attorney fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding be brought against Landlord by reason of any such claim, Tenant, upon notice from Landlord, shall defend the same at Tenant's expense by legal counsel reasonably satisfactory to Landlord. Tenant, as a material part of its consideration to Landlord, hereby assumes all risk of damage to property or injury to persons in or upon the Premises arising from any cause and Tenant hereby waives all claims in respect thereof against Landlord. Notwithstanding the foregoing, Tenant shall not be required to defend, save harmless or indemnify Landlord from any liability for injury, loss, accident or damage to any person or property resulting from Landlord's negligence or willful acts or omissions, or those of Landlord's officers, agents, contractors or employees. Tenant's indemnity is not intended to nor shall it relieve any insurance carrier of its obligations under policies required to be carried by Tenant pursuant to the provisions of this Lease to the extent that such policies cover the results of negligent acts or omissions of Landlord, its officers, agents, contractors or employees, or the failure of Landlord to perform any of its obligations under this Lease.

20.2 Indemnity by Landlord. Landlord shall indemnify and hold harmless Tenant and all agents, servants and employees of Tenant from and against all claims, losses, damages, liabilities, expenses (including reasonable attorney fees), penalties and charges arising from or in connection with any negligence of Landlord, or any of Landlord's agents, contractors, or employees, and from and against all costs, reasonable attorney fees, expenses and liabilities incurred in the defense of any such claim or any action or proceeding brought thereon. If any action or proceeding be brought against Tenant by reason of any such claim, Landlord, upon notice from Tenant, shall defend the same at Landlord's expense by legal counsel reasonably satisfactory to Tenant. Notwithstanding the foregoing, Landlord shall not be required to defend, save harmless or indemnify Tenant from any liability for injury, loss, accident or damage to any person or property resulting from Tenant's negligence or willful acts or omissions, or those of Tenant's officers, agents, contractors or employees.

## ARTICLE 21
## DAMAGE OR DESTRUCTION TO BUILDING

21.1 Partial Destruction. In the event that the Premises or the Building are damaged by fire or other insured casualty and the insurance proceeds have been made available therefor by the holder or holders of any mortgages or deeds of trust covering the Building, the damage shall be repaired by and at the expense of Landlord to the extent of such insurance proceeds available therefor, provided such repairs and restoration can, in Landlord's reasonable opinion, be made within two hundred ten (210) days after the occurrence of such damage without the payment of overtime or other premiums, and until such repairs and restoration are completed, the Base Rent shall be abated in proportion to the part of the Premises which is unusable by Tenant in the conduct of its business, as may be reasonably determined by Landlord's and Tenant's architects (or if such architects cannot agree as to such determination, then by a third architect selected by such two architects) (but there shall be no abatement of Base Rent by reason of any portion of the Premises being unusable for a period equal to five days or less). Landlord agrees to notify Tenant within sixty (60) days

after such casualty if it estimates that it will be unable to repair and restore the Premises and all portions of the Building which are required for the full use and enjoyment of the Premises within said two hundred ten (210) day period. In the event Landlord does not so notify Tenant, Landlord shall be deemed to have elected to repair and restore the Premises. Such notice shall set forth the approximate length of time Landlord estimates will be required to complete such repairs and restoration. Notwithstanding anything to the contrary contained herein, if Landlord estimates it cannot make such repairs and restoration within said two hundred ten (210) day period, then Tenant may, by written notice to Landlord, cancel this Lease, provided such notice is given to Landlord within fifteen (15) days after Landlord notifies Tenant of the estimated time for completion of such repairs and restoration. If Landlord does not make such repairs and restoration within two hundred seventy (270) days, then Tenant

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may, by written notice to Landlord, cancel this Lease, provided such notice is given to Landlord within fifteen (15) days after expiration of such 270-day period. Except as provided in this Article 21, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business or property arising from the making of any such repairs, alterations, or improvements in or to the Building, Premises, or fixtures, appurtenances, and equipment. Tenant understands that Landlord will not carry insurance of any kind on Tenant's property, including furniture and furnishings, or on any fixtures or equipment removable by Tenant under the provisions of this Lease, and that Landlord shall not be obligated to repair any damage thereto or replace the same.

21.2 Total Destruction. In case the Building throughout shall be so injured or damaged, whether by fire or otherwise (though the Premises may not be affected, or if affected, can be repaired within said 210 days) that Landlord, within sixty (60) days after the happening of such injury, shall decide not to reconstruct or rebuild the Building, then notwithstanding anything contained herein to the contrary, upon notice in writing to that effect given by Landlord to Tenant within said sixty (60) days, Tenant shall pay the rent, properly apportioned up to date of such casualty, this Lease shall terminate from the date of delivery of said written notice, and both parties hereto shall be released and discharged from all further obligations hereunder (except those obligations which expressly survive termination of the Lease term). A total destruction of the Building shall automatically terminate this Lease.

## ARTICLE 22
## CONDEMNATION

If the whole or substantially the whole of the Building or the Premises shall be taken for any public or quasi-public use, by right of eminent domain or otherwise or shall be sold in lieu of condemnation, then this Lease shall terminate as of the date when physical possession of the Building or the Premises is taken by the condemning authority. If less than the whole or substantially the whole of the Building or the Premises is thus taken or sold but the remainder will not permit continued operation of the Building as a first-class office building with associated parking and other amenities, Landlord or Tenant (whether or not the Premises are affected thereby) may terminate this Lease by giving written notice thereof to the other party, in which event this Lease shall terminate as of the date when physical possession of such portion of the Building or Premises is taken by the condemning authority. If the Lease is not so terminated upon any such taking or sale, the Base Rent payable hereunder shall be diminished by an equitable amount, and Landlord shall, to the extent Landlord reasonably deems feasible, restore the Building and the Premises to substantially their former condition, but such work shall not exceed the scope of the work done by Landlord in originally

constructing the Building and installing Building Standard Improvements in the Premises, nor shall Landlord in any event be required to spend for such work an amount in excess of the amount received by Landlord as compensation for such taking. All amounts awarded upon a taking of any part or all of the Building or the Premises shall belong to Landlord, and Tenant shall not be entitled to and expressly waives all claims to any such compensation. Notwithstanding anything contained herein Tenant may bring a separate action against the condemning authority to recover relocation expenses and interruption of business incurred by Tenant as a result of the condemning authority's actions. Notwithstanding the foregoing, Landlord shall not terminate this Lease as a result of a condemnation or conveyance in lieu of condemnation unless Landlord terminates the leases of all tenants in the Building and Landlord in fact elects not to restore the Building.

## ARTICLE 23
## DAMAGES FROM CERTAIN CAUSES

Landlord shall not be liable to Tenant for any loss or damage to any property or person occasioned by theft, fire, earthquake, any other act of God, public enemy, injunction, riot, strike, insurrection, war, court order, requisition, or order of governmental body or authority or by any other cause beyond the control of Landlord. In addition, provided Landlord complies with the provisions of

/s/ EJO
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Tenant Initials



Section 4.3 hereof applicable to Landlord's actions, Landlord shall not be liable for any damage or inconvenience which may arise through repair or alteration of any part of the Building or Premises.

## ARTICLE 24
## EVENTS OF DEFAULT

The following events ("Events of Default") shall constitute a default by Tenant hereunder:

a. If Tenant shall fail to pay when due any installment of Base Rent, Additional Rent, or any other amounts payable hereunder unless such failure is cured within 5 business days after notice from Landlord that the same is past due;

b. If this Lease or the estate of Tenant hereunder shall be transferred to or shall pass to or devolve upon any other person or party in violation of the provisions of this Lease, except as permitted herein;

c. If this Lease or the Premises or any part thereof shall be taken upon execution or by other process of law directed against Tenant, or shall be taken upon or subject to any attachment at the instance of any creditor or claimant against Tenant, and said attachment shall not be discharged or disposed of within fifteen (15) days after the levy thereof;

d. If Tenant shall file a petition in bankruptcy or insolvency or for reorganization or arrangement under the bankruptcy laws of the United States or under any insolvency act of any state, or shall voluntarily take advantage of any such law or act by answer or otherwise, or shall be dissolved or shall make an assignment for the benefit of creditors;

e. If involuntary proceedings under any such bankruptcy law or insolvency

act or for the dissolution of Tenant shall be instituted against Tenant, or a receiver or trustee shall be appointed of all or substantially all of the property of Tenant, and such proceedings shall not be dismissed or such receivership or trusteeship vacated within thirty (30) days after such institution or appointment;

f. Intentionally Omitted.

g. Intentionally Omitted.

h. If Tenant shall fail to perform any of the other agreements, terms, covenants, or conditions hereof on Tenant's part to be performed (other than the obligation to pay rent or any other charges payable hereunder), and such nonperformance shall continue for a period of thirty (30) days after notice thereof by Landlord to Tenant; provided, however, that if Tenant cannot reasonably cure such nonperformance within thirty (30) days, Tenant shall not be in default if it commences cure within said thirty (30) days and diligently pursues the same to completion;

i. Intentionally Omitted.

j. If Tenant shall fail to obtain a release of or to bond against any mechanic's lien, as required herein;

k. Intentionally Omitted;

l. If all or any part of the personal property of Tenant is seized, subject to levy or attachment, or similarly repossessed or removed from the Premises;

/s/ EJO
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Tenant Initials



m. Tenant shall fail to deliver an Estoppel Certificate or Subordination Agreement within the time periods set forth in this Lease.

## ARTICLE 25
## LANDLORD'S REMEDIES

25.1 Landlord's Election upon Events of Default. Upon the occurrence of an Event of Default, Landlord shall have the right, at its election, then or at any time thereafter and while any such Event of Default shall continue, either:

(i) to give Tenant written notice of Landlord's intention to terminate this Lease on the date such notice is given or on any later date specified therein, whereupon, on the date specified in such notice, Tenant's right to possession of the Premises shall cease and this Lease shall thereupon be terminated; provided, however, that Tenant shall remain liable in accordance with Section 25.3 below; or

(ii) to re-enter and take possession of the Premises or any part thereof and repossess the same as Landlord's former estate and expel Tenant and those claiming through or under Tenant, and remove the effects of both or either, using such force for such purposes as may be reasonably necessary, without being liable for prosecution thereof, without being deemed guilty of any manner of trespass, and without prejudice to any remedies for arrears of rent or preceding breach of covenants or conditions. Should Landlord elect to re-enter the Premises as provided in this Article 25 or should Landlord take possession pursuant to legal proceedings or pursuant to any notice provided for by law, Landlord may, from time to time, without terminating this Lease, relet the Premises or any part thereof in Landlord's or Tenant's name, but for the account of Tenant, for such term or terms (which may be greater or less than the period

which would otherwise have constituted the balance of the term of this Lease) and on such conditions and upon such other terms (which may include concessions of free rent and alteration and repair of the Premises) as Landlord, in its reasonable discretion, may determine, and Landlord may collect and receive the rents therefor. Landlord shall in no way be responsible or liable for any failure to relet the Premises or any part thereof or for any failure to collect any rent due upon such reletting, provided Landlord shall use reasonable efforts to mitigate its damages. No such re-entry or taking possession of the Premises by Landlord shall be construed as an election on Landlord's part to terminate this Lease unless a written notice of such intention be given to Tenant. No notice from Landlord hereunder or under a forcible entry and detainer statute or similar law shall constitute an election by Landlord to terminate this Lease unless such notice specifically so stated. Landlord reserves the right following any such re-entry and/or reletting, to exercise its right to terminate this Lease by giving Tenant such written notice, in which event, this Lease will terminate as specified in said notice.

25.2 Effects of Landlord's Election to Take Possession of Premises. In the event that Landlord does not elect to terminate this Lease as permitted in Section 25.1(i) hereof, but on the contrary, elects to take possession as provided in Section 25.1(ii). Tenant shall pay to Landlord (i) the rent and other sums as herein provided, which would be payable hereunder if such repossession had not occurred, less (ii) the net proceeds, if any, of any reletting of the Premises after deducting all Landlord's expenses in connection with such reletting, including, without limitation, all repossession costs, brokerage commissions, legal expenses, reasonable attorney fees, expenses of employees, alteration and repair costs, and expense of preparation for such reletting. If, in connection with any reletting, the new lease term extends beyond the existing Lease Term, or the premises covered thereby include other premises not part of the Premises, a fair apportionment of the rent received from such reletting and the expenses incurred in connection therewith as provided aforesaid will be made in determining the net proceeds from such reletting. Tenant shall pay such rent and other sums to Landlord monthly on the days on which the rent would have been payable hereunder if possession had not be taken.

25.3 Effect of Landlord's Election to Terminate the Lease. In the event this Lease is terminated, Landlord shall be entitled to recover forthwith against Tenant, as damages for loss of the

/s/ EJO
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Tenant Initials



bargain and not as a penalty, an aggregate sum which, at the time of such termination of this Lease, represents the excess, if any, of the aggregate of the rent and all other sums payable by Tenant hereunder that would have accrued for the balance of the Lease Term over the aggregate rental value of the Premises (such rental value to be computed on the basis of a tenant paying not only a rent to Landlord for the use and occupation of the Premises, but also such other charges as are required to be paid by Tenant under the terms of this Lease) for the balance of such Lease Term, both discounted to present worth at the rate of eight percent (8%) per annum. Alternatively, at Landlord's option, Tenant shall remain liable to Landlord for damages in an amount equal to the rent and other sums arising under the Lease for the balance of the Lease Term had the Lease not been terminated, less the net proceeds, if any, from any subsequent reletting, after deducting all expenses associated therewith and as enumerated above. Landlord shall be entitled to receipt of such amounts from Tenant monthly on the days on which such sums would have otherwise been payable.

25.4 Suits for Recovery by Landlord. Suit or suits for the recovery of the amounts and damages set forth above may be brought by Landlord, from time to time, at Landlord's election, and nothing herein shall be deemed to require Landlord to await the date whereon this Lease or the Lease Term would have expired had there been no such default by Tenant or no such termination, as the

case may be.

25.5 Rents, Issues, and Profits from Subleases. After an Event of Default by Tenant, Landlord may sue for or otherwise collect all rents, issues, and profits payable under all subleases on the Premises, including those past due and unpaid.

25.6 Landlord's Entry Upon the Premises and Other Remedies. During an Event of Default by Tenant, Landlord may, without terminating this Lease, enter upon the Premises, with force if necessary, without being liable for prosecution of any claim for damages, without being deemed guilty of any manner of trespass, and without prejudice to any other remedies, and do whatever Tenant is obligated to do under the terms of this Lease. Tenant agrees to reimburse Landlord on demand for any reasonable expenses which Landlord may incur in effecting compliance with the Tenant's obligations under this Lease; further, Tenant agrees that Landlord shall not be liable for any damages resulting to Tenant from effecting compliance with Tenant's obligations under this subparagraph unless caused by the negligence of Landlord.

25.7 No Waivers Unless Express. No failure by either party to insist upon the strict performance of any agreement, term, covenant, or condition hereof or to exercise any right or remedy consequent upon a breach thereof, and no acceptance of full or partial rent during the continuance of any such breach, shall constitute a waiver of any such breach of such agreement, term, covenant, or condition. No agreement, term, covenant, or condition hereof to be performed or complied with by either party, and no breach thereof, shall be waived, altered, or modified except by written instrument executed by the waiving party. No waiver of any breach shall affect or alter this Lease, but each and every agreement, term, covenant, and condition hereof shall continue in full force and effect with respect to any other then existing or subsequent breach thereof. Notwithstanding any unilateral termination of this Lease, this Lease shall continue in full force and effect as to any provisions hereof which require observance or performance of Landlord or Tenant subsequent to termination.

25.8 Lease Not a Limitation of Remedies. Nothing contained in this Section shall limit or prejudice the right of Landlord to prove and obtain as liquidated damages in any bankruptcy, insolvency, receivership, reorganization, or dissolution proceeding, an amount equal to the maximum allowed by any statute or rule of law governing such proceeding and in effect at the time when such damages are to be proved, whether or not such amount be greater, equal to, or less than the amounts recoverable, either as damages or rent, referred to in any of the provisions of this Section.

25.9 Default Interest Rate, Administrative Charge, and Other Matters. Any rents or other amounts owing to Landlord or Tenant hereunder which are not paid within five (5) days of the date they

/s/ EJO
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Tenant Initials



are due, shall thereafter bear interest from the due date at the "Default Interest Rate" until paid. Similarly, any amounts which Landlord or Tenant pays on behalf of Tenant which are owed by Tenant in accordance with the terms hereof, which are not reimbursed by Tenant to Landlord within five (5) days of demand by Landlord, thereafter bear interest from the date paid by Landlord at the Default Interest Rate until paid. In addition to the foregoing, Tenant shall pay to Landlord whenever any Base Rent, Additional Rent, or any other sums due hereunder remain unpaid more than five (5) business days after notice that the same are past due, an administrative charge and penalty fee equal to five percent (5%) of the amount due, except that, with regard to the first such notice given to Tenant in each calendar year of the Lease Term, the administrative charge and penalty fee shall not apply until five (5) days after notice that the same have not been paid within five days after the prior notice.

25.10 Remedies Cumulative, Costs of Collection; Waiver of Jury Trial. Each right and remedy provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease nor or hereafter existing at law or in equity or by statute or otherwise, including, but not limited to, suits for injunctive or declaratory relief and specific performance. The exercise or commencement of the exercise by either party of any one or more of the rights or remedies provided for in this Lease now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or subsequent exercise by either party of any or all other rights or remedies provided for in this Lease, or now or hereafter existing at law or in equity or by statute or otherwise. All costs incurred by either party in connection with collecting any amounts and damages owing by the other party pursuant to the provisions of this Lease or to enforce any provision of this Lease, including, by way of example, but not limitation, reasonable attorney fees from the date any such matter is turned over to an attorney, shall also be recoverable by the collecting party. Landlord and Tenant agree that any action or proceeding arising out of this Lease shall be heard by a court sitting without a jury and thus hereby waive all rights to a trial by jury.

## ARTICLE 26
## LANDLORD'S DEFAULT

Landlord shall be in default hereunder in the event Landlord has not begun and pursued with reasonable diligence the cure of any failure of Landlord to meet its obligations hereunder within thirty (30) days' of receipt by Landlord of written notice from Tenant of the alleged failure to perform. Such notice shall be ineffective unless a copy is simultaneously also delivered in the manner required in this Lease to any holder of a mortgage and/or deed of trust affecting all or any portion of the Building Complex (collectively, "Mortgagee"), provided that prior to such notice Tenant has been notified (by way of notice of Assignment of Rents and Leases, or otherwise), of the address of a Mortgagee. If Landlord fails to cure such default within the time provided, then Mortgagee shall have an additional 30 days following a second notice from Tenant or, if such default cannot be cured within that time, such additional time as may be necessary provided within such 30 days, Mortgagee commences and diligently pursues a cure (including commencement of foreclosure proceedings if necessary to effect such cure). Except as specifically set forth in this paragraph, Tenant's sole remedy will be equitable relief or actual damages but in no event is Landlord or any Mortgagee responsible for consequential damages or lost profit incurred by Tenant as a result of any default by Landlord. In no event shall Tenant have the right to terminate or rescind this Lease as a result of Landlord's default as to any covenant or agreement contained in this Lease or as a result of the breach of any promise or inducement hereof, whether in the Lease or elsewhere. In addition, Tenant hereby covenants that, prior to the exercise of any such remedies, it will give any Mortgagee notice and a reasonable time to cure any default by Landlord. If Landlord fails to perform its maintenance, repair or replacement obligations under this Lease and such failure results in material interference with Tenant's business operations or threatens damage to Tenant's property, then following twenty (20) days' prior written notice to Landlord (except in the event of an emergency in which event no notice shall be required), Tenant may perform such repair, replacement or maintenance. In the event Landlord was obligated to perform such action, Landlord shall reimburse Tenant for all out-of-pocket third party costs incurred by Tenant to complete such maintenance, repair or replacement, within 30 days after receipt of

/s/ EJO
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an itemized invoice therefor from Tenant. In the event Landlord does not reimburse Tenant for such costs Tenant shall not have any right to off-set rent unless and until it has received a judgement from a court of competent

jurisdiction which determines that Landlord was obligated to perform such maintenance, repair or replacement, and Landlord does not, within thirty days after the issuance of the Court's order (the "Landlord Cure Period") either (i) post the required bond for appeal, or (ii) within 30 days after issuance of such judgement, pay the total damages awarded by the Court (or otherwise remedy the default if applicable), in which event Tenant shall have the right to an abatement of Base Rent only to the extent necessary to satisfy such judgement.

## ARTICLE 27
## PEACEFUL ENJOYMENT

Tenant shall, and may peacefully have, hold, and enjoy the Premises, subject to the other terms hereof, provided that Tenant pays the Rent and other sums herein recited to be paid by Tenant and performs all of Tenant's covenants and agreements herein contained. This covenant and any and all other covenants of Landlord shall be binding upon Landlord and its successors only with respect to breaches occurring during its or their respective periods of ownership of Landlord's interest hereunder.

## ARTICLE 28
## HOLDING OVER

In the event of holding over by Tenant after the expiration or other termination of this Lease or in the event Tenant continues to occupy the Premises after the termination of Tenant's right of possession pursuant to Article 25 above, Tenant shall, throughout the entire holdover period, pay rent equal to one hundred fifty percent (150%) of the Base Rent, plus one hundred percent (100%) of Additional Rent which would have been applicable had the term of this Lease continued through the period of such holding over by Tenant. If Tenant remains in possession of all or any part of the Premises after the expiration of the Lease Term, with the express written consent of Landlord: (i) such tenancy will be deemed to be a periodic tenancy from month-to-month only; (ii) such tenancy will not constitute a renewal or extension of this Lease for any further term; and (iii) such tenancy may be terminated by Landlord upon the earlier of thirty (30) days' prior written notice or the earliest date permitted by law. Such month-to-month tenancy will be subject to every other term, condition, and covenant contained in this Lease including the Base Rent and Additional Rent provisions. Nothing contained in this Article 28 shall be construed as consent by Landlord to any holding over of the Premises by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord upon the expiration or earlier termination of this Lease. If Tenant fails to surrender the Premises upon the expiration or earlier termination of this Lease despite demand to do so by Landlord, in addition to the holdover rent described above, (i) if such holdover lasts over thirty days, Tenant shall pay Landlord rent equal to two hundred percent (200%) of the Base Rent, plus one hundred percent (100%) of Additional Rent which would have been applicable had the term of this Lease continued through the period of such holding over by Tenant, and (ii) if such holdover lasts over sixty days, Tenant shall indemnify and hold Landlord harmless from all loss or liability, including, without limitation, any claim made by any succeeding tenant founded on or resulting from such failure to surrender.

## ARTICLE 29
## SUBORDINATION TO MORTGAGE

Provided Tenant receives a non-disturbance agreement from the current Mortgagee in the form required under Exhibit I or as is otherwise reasonably acceptable to Tenant, Tenant accepts this Lease subject and subordinate to any mortgage, deed of trust or other lien presently existing or hereafter arising upon the Premises, upon the Building as a whole, and to any renewals, refinancing and extensions

thereof, but Tenant agrees that any such Mortgagee shall have the right at any time to subordinate such mortgage, deed of trust or other lien to this Lease on such terms and subject to such conditions as such Mortgagee may deem appropriate in its discretion. Tenant agrees within twenty (20) days after request therefore to execute a subordination and non-disturbance agreement in the form of agreement attached hereto as Exhibit I or such similar agreement as Landlord may
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reasonably request. Landlord agrees to obtain and deliver a Subordination and Nondisturbance Agreement from Landlord's current lender within 30 days of the date of this Lease. In connection therewith, Landlord agrees to cooperate with Tenant in Tenant's effort to negotiate the form of such Subordination and Non-disturbance Agreement with the lender. In the event that any mortgage or deed of trust is foreclosed or conveyance in lieu of foreclosure is made for any reason, Tenant shall attorn to and become the Tenant of the successor-in-interest to Landlord, and the successor-in-interest to Landlord shall assume all obligations of Landlord arising after the date it succeeds to the interest of Landlord hereunder; and in such event Tenant hereby waives its right under any current or future law which gives or purports to give Tenant any right to terminate or otherwise adversely affect this Lease and the obligations of Tenant hereunder as a result of such foreclosure. If in connection with obtaining construction, interim or permanent financing for the Building, the lender shall request modifications to this Lease as a condition to such financing, Tenant will not unreasonably withhold or delay its consent thereto, provided that such modifications do not increase the obligations of Tenant hereunder and do not otherwise adversely affect Tenant's rights hereunder.

## ARTICLE 30
## VACATION

If Tenant vacates the Premises for more than 90 days (unless due to a casualty or condemnation) and is not at the end of that 90 day period diligently acting to move back into the Premises (and in fact does so within 45 days thereafter), at any time thereafter and prior to the date Tenant moves back into the Premises, Landlord shall have the right to terminate this Lease by giving Tenant at least 30 days prior notice, unless Tenant notifies Landlord that Tenant intends to resume operations in the Premises within 180 days of Landlord's notice.

## ARTICLE 31
## BANKRUPTCY OR INSOLVENCY

31.1 Deemed Rejection of Lease. If the Tenant becomes a debtor under Chapter 7 of the United States Bankruptcy Code (the "Bankruptcy Code"), or in the event that a petition for reorganization or adjustment of debts is filed concerning the Tenant under Chapter 11 or Chapter 13 of the Bankruptcy Code, or a proceeding filed under Chapter 7 is transferred to Chapter 11 or 13, the "Trustee" or the Tenant, as "Debtor-in-Possession," shall be deemed to have rejected this Lease. No election by the Trustee or Debtor-in-Possession to assume this Lease shall be effective unless each of the following conditions, which Landlord and Tenant hereby acknowledge to be commercially reasonable in the context of a bankruptcy proceeding, has been satisfied, and the Landlord has so acknowledge in writing: (i) the Trustee or Debtor-in-Possession has cured, or has provided the Landlord "adequate assurance" (as hereinafter defined) that from the date of such assumption the Trustee or Debtor-In-Possession will promptly cure, all monetary and non-monetary defaults under the Lease; (ii) the Trustee or Debtor-in-Possession has compensated, or has provided to the Landlord adequate assurance that within ten (10) days of the date of assumption the

Landlord will be compensated, for any pecuniary loss incurred by the Landlord arising from default of the Tenant, the Trustee, or the Debtor-in-Possession as recited in the Landlord's written statement of pecuniary loss sent to the Trustee or Debtor-in-Possession; and (iii) the Trustee or Debtor-in-Possession has provided the Landlord with adequate assurance of future performance of each of the Tenant's, the Trustee's, or the Debtor-in-Possession's obligations under this Lease; provided, however, that: (x) the Trustee or Debtor-in-Possession shall also deposit with the Landlord, as security for the timely payment of rent and other sums due hereunder, an amount equal to three months Base Rent, Additional Rent, and other monetary charges accruing under this Lease; and (y)

/s/ EJO
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Tenant Initials



the obligations imposed upon the Trustee or Debtor-in-Possession shall continue with respect to the Tenant or any assignee of this Lease after the completion of the bankruptcy proceedings.

31.2 Adequate Assurance. For purposes of this Section, Landlord and Tenant acknowledge that, in the context of the bankruptcy proceedings of the Tenant, at a minimum, "adequate assurance" shall mean: (i) the Trustee or Debtor-in-Possession will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure the Landlord that the Trustee or Debtor-in-Possession will have sufficient funds to fulfill all of the obligations of Tenant under this Lease; or (ii) the Bankruptcy Court shall have entered an order segregating sufficient cash payable to the Landlord, and the Trustee or Debtor-in-Possession shall have granted to the Landlord a valid and perfected first lien and security interest or mortgage in property of the Tenant, the Trustee, or the Debtor-in-Possession, acceptable as to value and kind to the Landlord, in order to secure to the Landlord the obligation of the Tenant, Trustee, or Debtor-in-Possession to cure the monetary or non-monetary defaults under the Lease within the time period set forth above.

31.3 Lease Assignments in Bankruptcy Proceedings. The following conditions shall apply to any assignments of this Lease in bankruptcy proceedings if the Trustee or Debtor-in-Possession has assumed this Lease and elects to assign the Lease to any other person, such interest or estate of Tenant in this Lease may be so assigned only if the Landlord has acknowledged in writing that the intended assignee can provide to the Landlord "adequate assurance of future performance" (as herein defined) of all of the terms, covenants and conditions of this Lease to be performed by the Tenant. For the purposes of this provision, Landlord and Tenant acknowledge that, in the context of a bankruptcy proceeding, at a minimum, "adequate assurance of future performance" shall mean that each of the following conditions has been satisfied, and the Landlord has so acknowledged in writing: (i) the proposed assignee has submitted a current financial statement audited by a Certified Public Accountant which shows the net worth and working capital and amounts determined by Landlord to be sufficient to assure the future performance by such assignee of all of Tenant's obligations under this Lease; (ii) the proposed assignee, if requested by the Landlord, has obtained guarantys in form and substance satisfactory to the Landlord from one or more persons who satisfy the Landlord's standards of creditworthiness; and (iii) the Landlord has obtained all consents or waivers from any third party required under any lease, mortgage, financing arrangement, or other agreement by which the Landlord is bound, in order to permit the Landlord to consent to such assignment.

## ARTICLE 32
## AMERICANS WITH DISABILITIES ACT

32.1 Compliance with Legal Requirements. Landlord represents and warrants that (i) Landlord has caused the Building Core, Building Shell and Common Areas, as approved by the City of Troy, to fully meet with requirements under Title III

of the Americans With Disabilities Act ("ADA") within the local jurisdiction guidelines, as these guidelines were written and enforced at the time of the approval of the building permit for the Building Core and Building Shell by the City of Troy, including access from parking lots, location of parking spaces, restroom facilities, and emergency lighting, (ii) Landlord has not received any notice of any violation of ADA requirements, and (iii) to the actual knowledge of Paul Powers, the Administrative Officer of Pauls Equities, which is the manager of Landlord, without any duty of investigation or inquiry, there has been no change in the ADA requirements within the local jurisdiction guidelines since the building permit for the Building was issued through the date hereof which would cause the Building to be in violation of the ADA. In addition, Landlord represents and warrants that Landlord has caused the Building Core and Building Shell to be constructed in accordance with all other applicable building codes and ordinances in existence as of the date of approval of the building permit for construction of the Building Core and Building Shell, and the Building Core, Building Shell and Common Areas, currently comply with all existing requirements of applicable building codes and ordinances and any costs of correcting, and any work necessary to correct, any existing violations of any codes,

/s/ EJO
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Tenant Initials



ordinances, or other legal requirements shall not be included as Operating Expenses, and shall be paid and performed by Landlord at its sole cost and expense.

32.2 Alterations to Premises. Tenant shall, at Tenant's sole cost and expense, be responsible for any alterations, modifications or improvements to the Premises, and the acquisitions of any auxiliary aids, required under the ADA, including all alterations, modifications, or improvements required: (i) as a result of Tenant (or any subtenant, assignee, or concessionaire) being a "Public Accommodation" (as defined in the ADA); (ii) as a result of the Premises being a "Commercial Facility" (as defined in the ADA); (iii) as a result of any leasehold improvements made to the Premises by, or on behalf of, Tenant or any subtenant, assignee, or concessionaire (whether or not Landlord's consent to such leasehold improvements was obtained); or (iv) as a result of the employment by Tenant (or any subtenant, assignee, or concessionaire) of any individual with a disability; provided, in such event, Tenant shall have no obligation to restore any such modifications to the extent they are required to be made to the Building Common Areas.

32.3 "Use Clause" Implications. With respect to the use restrictions set forth in Article 4 of this Lease, and the restrictions on assignments and subletting set forth in Article 17 of this Lease, it is hereby specifically understood and agreed that Landlord shall have no obligation to consent to, or permit, a use of the Premises, or an assignment of the Lease, or a sublease of the Premises (collectively herein a "Use Change") if such Use Change would require the making of any alterations, modifications, or improvements to the Premises or the Common Areas, or the acquisition of any auxiliary aids, required under the ADA, unless Tenant performs all such acts and satisfies Landlord's requirements for financial responsibility for the costs of such compliance (which may include, by way of example, posting of a completion bond), Tenant shall be responsible for compliance with ADA in the design and layout of the Leasehold Improvements and Landlord shall have no responsibility therefor.

## ARTICLE 33
## ATTORNEY FEES

In the event either party defaults in the performance of any of the terms of this Lease and such party employs an attorney in connection therewith, the defaulting party agrees to pay the non-defaulting party's reasonable attorney

fees.

## ARTICLE 34
## NO IMPLIED WAIVER

The failure of either party to insist at any time upon the strict performance of any covenant or agreement herein, or to exercise any option, right, power or remedy contained in this Lease, shall not be construed as a waiver or a relinquishment thereof for the future. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly installment of Rent due under this Lease shall be deemed to be other than on account of the earliest Rent due hereunder, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as Rent be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such rent or pursue any other remedy in this Lease provided.

## ARTICLE 35
## LIMITATION OF LANDLORD LIABILITY

The liability of Landlord to Tenant for any default by Landlord under the terms of this Lease shall be limited to the interest of Landlord in the Building and the rents, profits, and proceeds arising therefrom, and Tenant agrees to look solely to such amount for recovery of any judgment from Landlord.

/s/ EJO
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Tenant Initials



## ARTICLE 36
## SECURITY DEPOSIT

Intentionally Omitted.

## ARTICLE 37
## NOTICE

Any notice in this Lease provided for must, unless otherwise expressly provided herein, be in writing, and may, unless otherwise in this Lease expressly provided, be given or be served by depositing the same in the United States mail, postage paid and certified and addressed to the party to be notified, with return receipt requested, or by nationally recognized overnight delivery service, or by prepaid telegram, when appropriate, addressed to the party to be notified at the address stated below or such other address, notice of which has been given to the other party. Notice deposited in the mail in the manner hereinabove described shall be effective from and after receipt or failure or refusal to accept receipt. Notice deposited with a nationally recognized overnight delivery service shall be effective from and after 1 business day after it is so deposited.

Notices to Landlord: Troy Development #2, LLC
3950 Lewiston Street, Suite 100
Aurora, Colorado 80011
Attn: Paul Powers

With a copy to: J. Kevin Ray, Esq.
Campbell Bohn Killin Brittan & Ray, LLC
270 St Paul, Suite 200
Denver, Colorado 80206

Notices to Tenant: Delphi Automotive Systems LLC
Manager of Real Estate Services
Mail Code 480-414-250
1450 West Long Lake Road
Troy, Michigan 48098

## ARTICLE 38
## SEVERABILITY

If any term or provision of this Lease, or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Lease shall be valid and enforced to the fullest extent permitted by law notwithstanding the invalidity of any other term or provision hereof.

## ARTICLE 39
## RECORDATION

Tenant agrees not to record this Lease or any memorandum hereof.

/s/ EJO
Tenant Initials



## ARTICLE 40
## GOVERNING LAW

This Lease and the rights and obligations of the parties hereto shall be interpreted, construed, and enforced in accordance with the laws of the State of Michigan, without regard to its principles of conflict of laws.

## ARTICLE 41
## FORCE MAJEURE

Whenever a period of time is herein prescribed for the taking of any action by either party, such party shall not be liable or responsible for, and there shall be excluded from the computation of such period of time, any delays due to strikes, riots, acts of God, shortages of labor or materials, war, governmental laws, regulations or restrictions, or any other cause whatsoever beyond the control of the party of which performance is required.

## ARTICLE 42
## TIME OF PERFORMANCE

Except as expressly otherwise herein provided, with respect to all required acts of either party, time is of the essence of this Lease.

## ARTICLE 43
## TRANSFERS BY LANDLORD

Landlord shall have the right to transfer and assign, in whole or in part, all its rights and obligations hereunder and in the Building and property referred to herein, and in such event and upon such transfer Landlord shall be released from any further obligations arising hereunder after the date of the transfer, provided Landlord's transferee assumes Landlord's obligations under the Lease, in which event Tenant agrees to look solely to such successor in interest of Landlord for the performance of such obligations arising after the date of the transfer.

## ARTICLE 44
## COMMISSIONS

Except for claims by the brokers identified on the Lease Summary, Landlord and Tenant hereby indemnify and hold each other harmless against any loss, claim, expense or liability with respect to any commissions or brokerage fees claimed on account of the execution and/or renewal of this Lease due to any action of the indemnifying party. Landlord and Tenant each represent and warrant to each other that no broker has been used in connection with this Lease except for the broker(s) set forth on the Lease Summary hereof, which broker(s) shall be compensated by Landlord absent an agreement to the contrary.

## ARTICLE 45
## EFFECT OF DELIVERY OF THIS LEASE

/s/ EJO
Tenant Initials



Landlord has delivered a copy of this Lease to Tenant for Tenant's review only, and the delivery hereof does not constitute an offer to Tenant or option. This Lease shall not be effective until a copy executed by both Landlord and Tenant is delivered to and accepted by Landlord.

## ARTICLE 46
## CORPORATE AUTHORITY; PARTNERSHIP AUTHORITY

If Tenant is a corporation, each person signing this Lease on behalf of Tenant represents and warrants that he or she has full authority to do so and that this Lease binds the corporation. If Tenant is a partnership or limited-liability company, each person signing this Lease for Tenant represents and warrants that he or she has full authority to sign for the partnership or the limited-liability company, as the case may be, and that this Lease binds the limited liability company or partnership and all general partners of the partnership. Within thirty (30) days after this Lease is signed, Tenant shall deliver to Landlord a copy of Tenant's delegation of authority which authorize the execution of this Lease, recorded statement of partnership or certificate of limited partnership or certificate of limited-liability company, as the case may be, or other evidence of such authority reasonably acceptable to Landlord.

## ARTICLE 47
## JOINT AND SEVERAL LIABILITY

If there is more than one party signing this Lease as Tenant, all parties signing this Lease as Tenant shall be jointly and severally liable for all obligations of Tenant.

## ARTICLE 48
## INTERPRETATION

The captions of the Articles of this Lease, and each specific Section or paragraph within the respective Articles, are to assist the parties in reading this Lease and are not a part of the terms or provisions of this Lease. Whenever required by the context of this Lease, the singular shall include the plural and the plural shall include the singular. The masculine, feminine and neuter genders shall each include the other. In any provision relating to the conduct, acts or omissions of Tenant, the term "Tenant" shall include Tenant's agents, employees, contractors, invitees, successors or others using the Premises with Tenant's expressed or implied permission. In any provision relating to the conduct, acts or omissions of Landlord, the term "Landlord" shall include Landlord's agents, employees, contractors, invitees, or successors.

## ARTICLE 49
## INCORPORATION OF PRIOR AGREEMENTS; MODIFICATIONS

This Lease is the only agreement between the parties pertaining to the lease of the Premises and no other agreements are effective. All amendments to this Lease shall be in writing and signed by all parties. Any other attempted amendment shall be void.

## ARTICLE 50
## WAIVER OF JURY TRIAL

Landlord and Tenant by this Article 50 waive trial by jury in any action, proceeding, or counterclaim brought by either of the parties to this Lease against the other on any matters whatsoever arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's

/s/ EJO
Tenant Initials



use or occupancy of the Premises, or any other claims and any emergency statutory or any other statutory remedy.

## ARTICLE 51
## ESTOPPEL CERTIFICATES

Within twenty (20) days after written request from Landlord, Tenant shall execute and deliver to Landlord or Landlord's designee, a written certificate in the form of Exhibit H, attached hereto and incorporated herein by this reference or such other certificate that certifies that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in

full force and effect as so modified), states the dates to which rent and other charges payable under the Lease have been paid, states that to Tenant's actual knowledge, without investigation, Landlord is not in default hereunder (or if Tenant alleges a default stating the nature of such alleged default) and further states such other matters as Landlord shall reasonably require. Tenant acknowledges that any such statement may be relied upon by any Mortgagee, prospective Mortgagee, purchaser or prospective purchaser of the Building or any interest therein for the purpose of estopping Tenant from making a contrary claim. Tenant's failure to execute and deliver any certificate or agreement hereunder within the time required shall, at Landlord's election, be a default under this Lease; provided further, in the event Tenant fails deliver the foregoing estoppel certificate within five business days after written notice from Landlord that Tenant has failed to deliver the certificate within the original 20 day period, Tenant shall be liable for all damages to Landlord proximately caused by such failure. Any certificate, instrument, and/or agreement referred to in this Article 51 may at Landlord's election be in recordable form and may at Landlord's election be duly recorded.

## ARTICLE 52
## NO MERGER

The voluntary or other surrender of this Lease by Tenant or the cancellation of this Lease by mutual agreement of Tenant and Landlord or the termination of this Lease on account of Tenant's default will not work a merger, and will, at Landlord's option, (i) terminate all or any subleases and subtenancies or (ii) operate as an assignment to Landlord of all or any subleases or subtenancies. Landlord's option under this Article 52 will be exercised by written notice to Tenant and all known sublessees or subtenants in the Premises or any part of the Premises.

## ARTICLE 53
## COUNTERPARTS

This Lease may be executed in counterparts, and, when all counterpart documents are executed, the counterparts shall constitute a single binding instrument.

## ARTICLE 54
## SATELLITE DISH FACILITIES

Tenant shall have the nonexclusive right, at Tenant's sole cost and expense, to install and maintain, on the roof of the Building behind the parapet at a location designated by Landlord, one 6 foot diameter satellite dish for use in connection with Tenant's business operations, together with cables extending from such satellite dish to the Premises (collectively "Satellite Facility"). Tenant shall have sole responsibility and liability with respect to the Satellite Facility's compliance with: (i) any declaration of covenants conditions or restrictions applicable to the Property, (ii) the roof warranty and (iii) any law, regulation, ordinance or zoning imposed by any governmental body having authority over the Property.

/s/ EJO
Tenant Initials



Tenant's installation of the Satellite Facility shall comply with the provisions of Section 12 of this Lease. The Satellite Facility shall be considered as part of the Premises and subject to all applicable terms of the Lease. The installation of the Satellite Facility shall be by a licensed structural

engineer (or such other engineer or contractor as may be approved by Landlord in writing, which approval shall not be unreasonably withheld or delayed) and in accordance with plans and specifications approved by the Landlord (which approval shall not be unreasonably withheld or delayed) and all applicable governmental authorities. Tenant shall be solely responsible for maintaining all insurance, licenses and permits for the Satellite Facility and its operation. Tenant, at its sole cost and expense shall cause the Satellite Facility to be screened from view by the public with screening processes and materials reasonably approved by Landlord. Tenant shall have the right at its sole risk and expense of access to the Building rooftop in order to perform maintenance on the Satellite Facility; provided that such access to the Building rooftop shall, except in the case of emergency, be upon prior written notice Landlord and the Landlord shall have the right to have a representative present. Upon termination of the Lease for any reason, Tenant shall at Tenant's expense promptly remove the Satellite Facility and repair any damage to the roof of the Building and the Premises caused by such removal or original installation. Tenant hereby agrees to indemnify Landlord against any damage caused to the roof of the Building including any damage to other tenants in the Building or to the Common Area which result from Tenant's installation or removal of the Satellite Facility. This provision shall survive termination of the Lease.

## ARTICLE 55
## STANDARD FOR APPROVAL

Whenever Landlord's approval is required hereunder, such approval shall not be unreasonably withheld (except as expressly permitted hereunder or designated as a matter reserved to Landlord's sole discretion) or delayed.

## ARTICLE 56
## EXHIBITS

All Exhibits as listed on the "List of Agreements" preceding or attached hereto, are incorporated herein and made a part of this Lease for all purposes.

## ARTICLE 57
## LANDLORD'S REPRESENTATIONS

Landlord represents and warrants to Tenant (i) that Landlord is the fee simple owner of the Building, subject to all matters of record; (ii) that Landlord has not leased or agreed to lease the Premises to any other party; (iii) a complete copy of Schedule B-II of the Title Insurance Commitment No. 01023987-207 dated August 17, 1999 has been provided to Tenant, and since the date of such Commitment, Landlord has not recorded or caused to be recorded any restrictions upon the Property which would materially affect Tenant's use of the Premises or increase Tenant's obligations under this Lease; and (iv) the electrical systems serving the Premises have a capacity of at least five (5) watts per Usable Square Foot in the Premises.

Landlord agrees that Tenant may designate appropriate sundry shop vendors and food service vendors within the Premises, subject to Landlord's approval.

## ARTICLE 58
## PURCHASE OPTION

/s/ EJO
Tenant Initials

The Tenant shall have the right to purchase Building by the exercise of the Right of First Offer attached hereto as Exhibit K.
----------

/s/ EJO
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Tenant Initials



IN WITNESS WHEREOF, Landlord and Tenant have executed this Lease (which may be in multiple original counterparts) as of the day and year first above written.

DELPHI AUTOMOTIVE SYSTEMS LLC,
a Delaware limited liability company

By: Delphi Automotive Systems Inc.,
a Delaware corporation

Its: Managing Member

By: /s/ Edward J. O'Neill
---
Its: Authorized Signatory

"Tenant" EDWARD J. O'NEILL
MANAGER, REAL ESTATE SERVICES

EXECUTION RECOMMENDED
WORLDWIDE REAL ESTATE

BY /s/ [ILLEGIBLE]
---

TROY DEVELOPMENT #2, LLC, a
Colorado limited liability company

By: /s/ Paul W Powers
---
_____, Authorized Statutory

"Landlord" PAUL W POWERS

/s/ EJO
---
Tenant Initials

EXHIBIT 10.51

LEASE AGREEMENT

FOR THE BAKE PARKWAY BUILDING

OFFICE LEASE

FUND VIII AND FUND IX ASSOCIATES, a
Georgia joint venture partnership

as Landlord

and

QUEST SOFTWARE, INC.,
a California corporation

as Tenant

Dated as of: June 9/th/, 2000

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Exhibits



SUMMARY OF BASIC LEASE INFORMATION

The undersigned hereby agree to the following terms of this Summary of Basic Lease Information (the "Summary"). This Summary is hereby incorporated into and made a part of the attached Office Lease (this Summary and the Office Lease to be known collectively as the "Lease") which pertains to the office building (the "Building")located on the real property described in Exhibit A which real property is in the City of Irvine, California. Each reference in the Office Lease to any term of this Summary shall have the meaning as set forth in this Summary for such term. In the event of a conflict between the terms of this Summary and the Office Lease, the terms of the Office Lease shall prevail. Any capitalized terms used herein and not otherwise defined herein shall have the meaning as set forth in the Office Lease.

| TERMS OF LEASE | DESCRIPTION |
|---|---|
| 1. Dated as of: | June 9/th/, 2000 |
| 2. Landlord: | FUND VIII AND FUND IX ASSOCIATES, a Georgia joint venture partnership |
| 3. Address of Landlord | 6200 The Corners Parkway, Suite 250 |

| | | |
|---|---|---|
| | (Section 29.16): | Norcross, Georgia 30092-2295 |
| 4. | Tenant: | QUEST SOFTWARE, INC., a California corporation |
| 5. | Address of Tenant (Section 29.16): | 8001 Irvine Center Drive<br>Irvine, California 92618<br>Attn: Susan Twellman |
| 6. | Premises (Article 1): | See Exhibit A |
| 7. | Term (Article 2): | Beginning on the date hereof and ending on the last day of the month in which the 42nd monthly anniversary of the Rent Commencement Date occurs |
| 8. | Base Rent (Article 3) | $1.65 per "rentable square feet" per month |
| | Rent Commencement Date: | The Rent Commencement Date shall be the first to occur of (i) the date Tenant commences business in the Premises, (ii) issuance of a certificate of occupancy or (iii) August 1, 2000, provided that for the six month period beginning with the Rent Commencement Date, Base Rent shall be calculated on the basis of 33,000 "rentable square feet" |
| 9. | Brokers (Section 29.20): | Julien J. Studley, Inc. and Cushman & Wakefield |

# OFFICE LEASE

This Office Lease, which includes the preceding Summary of Basic Lease Information (the "Summary") attached hereto and incorporated herein by this reference (the Office Lease and Summary to be known sometimes collectively hereafter as the "Lease"), dated as of the date set forth in Section 1 of the Summary, is made by and between FUND VIII AND FUND IX ASSOCIATES, a Georgia joint venture partnership ("Landlord"), and QUEST SOFTWARE, INC., a California corporation ("Tenant").

## ARTICLE 1
## REAL PROPERTY, BUILDING AND PREMISES

1.1 Real Property, Building and Premises. Upon and subject to the terms, covenants and conditions hereinafter set forth in this Lease, Landlord hereby leases to Tenant and Tenant hereby leases from Landlord all of the land described in Exhibit A hereto (the "Real Property") and all of the improvements thereon (the "Improvements"), including the building having an address of 15253 Bake Parkway, Irvine, California (the "Building"), the Real Property, Improvements and Building being sometimes referred to herein as the "Premises."

1.2 Rentable Square Feet of Premises and Building. For purposes of this Lease, "rentable square feet" shall be deemed to be 65,006 for the Premises.

1.3 Delivery of the Building and Premises; Tenant Improvement Allowance. Landlord will deliver to and Tenant will accept the Premises "as is, where is, with all faults". Landlord agrees to provide a tenant improvement allowance of $11.00 times the "rentable square feet" in the Building in accordance with and subject to the terms and conditions set forth in Exhibit B hereto (the "Tenant Improvements").

## ARTICLE 2
## LEASE TERM

2.1 Initial Term. The terms and provisions of this Lease shall be effective as of the date of this Lease except for the provisions of this Lease relating to the payment of Rent. The term of this Lease and any validly exercised option (the "Lease Term") shall be as set forth in Section 7 of the Summary and Section 2.2 below and shall commence on the date (the "Lease Commencement Date") set forth in Section 7 of the Summary, and shall terminate on the date (the "Lease Expiration Date") set forth in Section 7 of the Summary, unless this Lease is sooner terminated or extended as hereinafter provided. For purposes of this Lease, the term "Lease Year" shall mean each consecutive twelve (12) month period, commencing on the Lease Commencement Date unless the context requires otherwise, during the Lease Term.

2.2 Option Terms.

2.2.1 Option Rights. Landlord hereby grants Tenant two (2) options to extend the Lease Term for all and not less than all of the Premises for a period of one year each, provided that the second option term shall expire on December 31, 2005 (the "Option Terms"), which option shall be exercisable only by written notice delivered by Tenant to Landlord as provided below, provided that, as of the date of delivery of each of such notices there is not an outstanding Event of Default by Tenant. Upon the proper exercise of an option to extend, the Lease Term, as it then applies to the Premises, shall be extended for a period of one year if the extension relates to the first option period or until December 31, 2005, if it relates to the second option period. The rights contained in this Section 2.2 may only be exercised by Tenant, its "Affiliates" (as defined in Section 14.5 below) or an assignee of Tenant to whom an assignment of this Lease has been made in accordance with Article 14 (and not any sublessee or other transferee of Tenant's interest in this Lease).

2.2.2 Option Rent. The Base Rent payable by Tenant during the Option Term (the "Option Rent") shall be calculated at the rate of $1.75 per "rentable square feet" per month.

2.2.3 Exercise of Option. The options contained in this Section 2.2 shall be exercised by Tenant, if at all, and only in the following manner: Tenant shall deliver written notice to Landlord (the "Option Notice") not more than 12 months or less than nine months prior to the expiration of the initial Lease Term or the initial Option Term, as applicable, stating that Tenant is exercising its option. Notwithstanding the foregoing, Tenant may extend the time within which it must deliver the Option Notice to the date which is six months prior to the expiration

of the initial Lease Term or the initial Option Term, as applicable, provided Tenant shall have on or before the date which is nine months prior to such expiration date delivered to Landlord notice that Tenant is electing to extend such date by as many as three months in which event the expiration of the initial Lease Term or Option Term, as applicable, shall be automatically extended by the same number of months.

## ARTICLE 3
## BASE RENT

Commencing on the Rent Commencement Date set forth in Section 8 of the Summary, Tenant shall pay, without notice or demand, to Landlord or Landlord's agent at the address set forth in Section 3 of the Summary, or at such other place in the continental United States as Landlord may from time to time designate in writing, by check drawn upon a bank located in the United States of America (for currency which, at the time of payment, is legal tender for private or public debts in the United States of America), base rent ("Base Rent") as set forth in Section 8 of the Summary, payable in equal monthly installments as set forth in Section 8 of the Summary in advance on or before the first day of each

and every month during the Lease Term, without any setoff or deduction whatsoever, except as otherwise expressly provided in this Lease. If any rental payment date (including any Rent Commencement Date) falls on a day of the month other than the first day of such month or if any rental payment is for a period which is shorter than one month, then the rental for any such fractional month shall be a proportionate amount of a full calendar month's rental based on the proportion that the number of days in such fractional month bears to the number of days in the calendar month during which such fractional month occurs. All other payments or adjustments required to be made under the terms of this Lease that require proration on a time basis shall be prorated on the same basis.

## ARTICLE 4
## ADDITIONAL RENT

4.1 Additional Rent. In addition to paying the Base Rent specified in Article 3 of this Lease, beginning on the Rent Commencement Date, Tenant shall pay as additional rent for each "Expense Year," as that term is defined in Section 4.2.3 of this Lease, all of the annual "Direct Expenses," as that term is defined in Section 4.2.2 of this Lease, as if Tenant occupied the entire Premises. Such additional rent, together with any and all other amounts payable by Tenant to Landlord pursuant to the terms of this Lease, shall be hereinafter collectively referred to as the "Additional Rent." The Base Rent and Additional Rent are herein collectively referred to as the "Rent." All amounts payable under this Article 4 as Additional Rent shall be payable for the same periods and in the same manner and place as the Base Rent. Without limitation on other obligations which shall survive the expiration of the Lease Term, the obligations of Tenant and Landlord provided for in this Article 4 shall survive the expiration of the Lease Term.

4.2 Definitions. As used in this Article 4, the following terms shall have the meanings hereinafter set forth:

4.2.1 "Calendar Year" shall mean each calendar year in which any portion of the Lease Term falls, through and including the calendar year in which the Lease Term expires.

4.2.2 "Direct Expenses" shall mean "Operating Expenses" and "Tax Expenses."

4.2.3 "Expense Year" shall mean each Calendar Year.

4.2.4 "Operating Expenses" shall mean all direct and indirect costs, expenses, and assessments charged to the Real Property with respect to its efficient and economical operation (including insurance premiums for the insurance policies described in Sections 10.2, 10.3 and 10.5 below), management, use, maintenance and repair, other than those which are set forth in Section 6.1 below. Operating Expenses shall not include those items set forth on the Operating Expense Exclusion list attached hereto as Exhibit C.
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4.2.5 "Tax Expenses" shall mean all federal, state, county, or local governmental or municipal taxes, fees or other impositions of every kind and nature, whether general, special, ordinary or extraordinary, (including, without limitation, real estate taxes, general and special assessments, transit taxes, leasehold taxes or taxes based upon the receipt of rent, including gross receipts or sales taxes applicable to the receipt of rent, unless required to be paid by Tenant, personal property taxes imposed upon the fixtures, machinery, equipment, apparatus,

systems and equipment, appurtenances, furniture and other personal property used in connection with the Building), which are allocable to a particular Expense Year (without regard to any different fiscal year used by such governmental or municipal authority) in connection with the ownership, leasing and operation of the Real Property or Landlord's interest therein.

4.2.5.1 Tax Expenses shall include, without limitation:

(i) Any governmental tax on Landlord's rent, right to rent or other incomefrom the Real Property or as against Landlord's business of leasing any of the Real Property;

(ii) Any assessment, tax, fee, levy or charge in addition to, or in substitution, partially or totally, of any assessment, tax, fee, levy or charge previously included as of the date hereof within the definition of real property tax, it being acknowledged by Tenant and Landlord that Proposition 13 was adopted by the voters of the State of California in the June 1978 election ("Proposition 13") and that assessments, taxes, fees, levies and charges may be imposed by governmental agencies for such services as fire protection, street, sidewalk and road maintenance, refuse removal and for other governmental services formerly provided without charge to property owners or occupants, and, in further recognition of the decrease in the level and quality of governmental services and amenities as a result of Proposition 13, Tax Expenses shall also include any governmental assessments or contribution towards a governmental cost-sharing agreement for the purpose of augmenting or improving the quality of services and amenities normally provided by governmental agencies. It is the intention of Tenant and Landlord that all such new and increased assessments, taxes, fees, levies and charges and all similar assessments, taxes, fees, levies and charges be included within the definition of Tax Expenses for purposes of this Lease;

(iii) Any governmental assessment, tax, fee, levy, or charge allocable to or measured by the area of the Premises or the rent payable hereunder, including, without limitation, any gross income tax with respect to the receipt of such rent; and

(iv) Any assessment, tax, fee, levy or charge, upon this transaction or any document to which Tenant is a party, creating or transferring an interest or an estate in the Premises.

4.2.5.2 With respect to any assessment otherwise includable within Tax Expenses that may be levied against or upon the Real Property and that under the laws then in force may be evidenced by improvement or other bonds, or may be paid in annual installments, there shall be included within the definition of Tax Expenses with respect to any tax fiscal year only the amount currently payable on such bonds, including interest, for such tax fiscal year, or the current annual installment for such tax fiscal year, in each case utilizing the payment or installment method which will minimize the amount of Tax Expenses.

4.2.5.3 If the method of taxation of real estate prevailing at the time of execution hereof shall be, or has been, altered so as to cause the whole or any part of the taxes now, hereafter or heretofore levied, assessed or imposed on real estate to be levied, assessed, or imposed upon Landlord, wholly or partially, as a capital levy or otherwise, or on or measured by the rents received therefrom, then such new or altered taxes attributable to the Real Property shall be included within the term "Tax Expenses" except that the same shall not include any enhancement of said tax attributable to other income of Landlord.

4.2.5.4 Landlord may in good faith protest any Tax expenses with the appropriate governing authorities, and any reasonable expenses reasonably incurred by Landlord in attempting to protest, reduce or minimize Tax Expenses shall be included in Tax Expenses in the Expense Year such expenses are paid, provided that such expenses shall not exceed the savings which may reasonably be expected to be realized as a result of such action. Landlord shall endeavor to notify Tenant of any proposed increases in the assessed value of the Property, and if Landlord elects not to protest any such increase, Tenant shall have the right to do so.

4.2.5.5 Tax refunds shall be deducted from Tax Expenses in the Expense Year to which the same are attributable.

4.2.5.6 Subject to the terms of this Section 4.2.5, if Tax

Expenses for any period during the Lease Term or any extension thereof are increased after payment thereof by Landlord for any reason, including, without limitation, error or reassessment by applicable governmental or municipal authorities, such increase shall be included in Tax Expenses in the Expense Year to which such increase is attributable, and Tenant shall pay Landlord

Tenant's share of such increased Tax Expenses to the extent there exists an excess for such Expense Year.

4.2.5.7 Notwithstanding anything to the contrary contained in this Lease, there shall be excluded from Tax Expenses (i) all excess profits taxes, franchise taxes, gift taxes, capital stock taxes, inheritance and succession taxes, estate taxes, federal and state income taxes, and other taxes to the extent applicable to Landlord's general or net income, (ii) any items included as Operating Expenses, and (iii) any items paid by Tenant under Section 4.4 of this Lease.

4.3 Calculation and Payment of Additional Rent.

4.3.1 Payment of Direct Expenses. For any Expense Year ending or commencing within the Lease Term, Tenant shall pay directly, or, as applicable, to Landlord, in the manner set forth in Section 4.3.2, below, and as Additional Rent, an amount equal to the Direct Expenses for such Expense Year.

4.3.2 Statement of Actual Direct Expenses and Payment by Tenant. Landlord shall endeavor to give to Tenant on or before the first day of April (and must deliver by July 1) following the end of each Expense Year, a statement (the "Statement"), certified by an appropriate official of Landlord, which shall state that portion of the Direct Expenses not directly paid by Tenant, and which portion is allocable to such preceding Expense Year. Tenant shall pay, within thirty (30) days after receipt of the Statement, the full amount of the Landlord-billed Direct Expenses for such Expense Year, less the amounts, if any, paid during such Expense Year as an "Estimated Payment," as that term is defined in Section 4.3.3, below. In the event the amount paid by Tenant as an Estimated Payment exceeds the amount of the Landlord-billed Direct Expenses, Tenant shall receive a credit against the next payment of Additional Rent due under this Lease. The failure of Landlord to timely furnish the Statement for any Expense Year shall not prejudice either party from enforcing its rights under this Article 4; provided, however, that except with regard to the recalculation of those items of Direct Expenses which are not under Landlord's reasonable control, specifically including Tax Expenses and public utility charges, Landlord shall not be permitted to add to Direct Expenses or bill for the first time any portion of Direct Expenses more than 13 months following the last day of the Expense Year to which such Direct Expenses relate.

Subject to the provisions of this Lease, even though the Lease Term has expired and Tenant has vacated the Premises, when the final determination is made of the Direct Expenses for the Expense Year in which this Lease terminates, (i) if Tenant has not paid all of the Direct Expenses for such Expense Year, Tenant shall pay to Landlord, within thirty (30) days after receipt of a reasonably detailed bill therefor, an amount as calculated pursuant to the provisions of Section 4.3.1 of this Lease, and (ii) if Tenant has made an overpayment of Additional Rent, Landlord shall pay the same to Tenant within thirty (30) days of such determination. The provisions of this Section 4.3.2 shall survive the expiration or earlier termination of the Lease Term.

4.3.3 Statement of Estimated Direct Expenses. In addition, Landlord shall endeavor to give Tenant a yearly expense estimate statement (the "Estimate Statement") on or before the Rent Commencement Date and thereafter within one hundred twenty (120) days and no later than one hundred eighty (180) days after the commencement of each new Expense Year, which Estimate Statement shall set forth Landlord's reasonable estimate (the "Estimate") of what the

total amount of Landlord-billed Direct Expenses for the then-current Expense Year shall be (the "Estimated Payment"). The failure of Landlord to timely furnish the Estimate Statement for any Expense Year shall not preclude Landlord from enforcing its rights to collect any Estimated Payment under this Article 4. Tenant shall pay, within thirty (30) days of Tenant's receipt of such Estimate Statement, a fraction of the Estimated Payment for the then-current Expense Year (reduced by any amounts paid pursuant to the last sentence of this Section 4.3.3). Such fraction shall have as its numerator the number of months which have elapsed in such current Expense Year to the month of such payment, both months inclusive, and shall have twelve (12) as its denominator. Until a new Estimate Statement is furnished, Tenant shall pay monthly, with the monthly Base Rent installments, an amount equal to one-twelfth (1/12) of the total Estimated Payment set forth in the previous Estimate Statement delivered by Landlord to Tenant.

4.4 Taxes and Other Charges for Which Tenant Is Responsible. Tenant shall reimburse Landlord, within thirty (30) days of Tenant's receipt of a reasonably detailed written demand accompanied by appropriate supporting evidence (but in any case prior to delinquency), for any and all taxes or assessments required to be paid by Landlord (except to the extent included in Tax Expenses by Landlord), excluding state, local and federal personal or corporate income taxes measured by the net income of Landlord from all sources and estate and inheritance taxes, whether or not now customary or within the contemplation of the parties hereto, when said taxes

are required to be paid by Tenant and said taxes are measured by or reasonably attributable to the cost of Tenant's equipment, furniture, fixtures and other personal property located in the Premises, or by the cost of all leasehold improvements made in or to the Premises by or for Tenant.

4.5 Landlord's Books and Records; Tenant's Audit Rights. Tenant or Tenant's authorized representatives (the "Outside Agent") may, after reasonable notice to Landlord and at reasonable times, examine, inspect, audit, and copy the records of Landlord regarding each Statement at Landlord's office in the continental United States during normal business hours within one (1) year after the furnishing of the Statement. The Outside Agent shall be a nationally or regionally recognized firm of certified public accountants ("CPA") and shall be engaged on a non-contingency fee basis. Unless Tenant takes written exception to any item within two (2) years after the furnishing of that Statement (or any corrected Statement), the Statement shall be considered as final and accepted by Tenant except that Landlord may, at any time during that two-year period, submit a corrected Statement to Tenant if Operating Expenses and Tax Expenses on the original Statement were overstated or understated.

The payment of the amounts shown on the Statement by Tenant shall not preclude Tenant from questioning the correctness of any item of the Statement subject to the rights in this Section 4.5, and Tenant shall continue to pay the amounts reflected on the Statement pending a final determination of the correctness of the items shown thereon. Tenant and/or its Outside Agent shall have the right, at Tenant's cost and on no less than ten (10) days' prior written notice to Landlord and during Landlord's normal business hours, to audit Landlord's records regarding Operating Expenses and Tax Expenses. Such an Audit shall be performed in Landlord's office in the continental United States.

To facilitate an audit by Tenant, Landlord shall keep its books and records applicable to Operating Expenses and Tax Expenses available to Tenant on a reasonable basis for the longer of (a) two (2) years after the Lease Expiration Date or (b) one (1) year after the resolution of any dispute concerning Operating Expenses and Tax Expenses. Any audit of Operating Expenses and Tax Expenses for any calendar year must be begun within two (2) years after Landlord's delivery of the Statement for that year, or the right to audit Operating Expenses and Tax Expenses for that year shall be deemed waived.

Tenant agrees diligently to pursue and complete (or to drop) any audit begun by Tenant, and Landlord agrees it shall not unreasonably interfere with

the execution of Tenant's audit rights. Landlord shall either accept or reject any such audit within 30 days of the receipt of same. If Landlord shall reject such audit and the parties cannot otherwise agree on any adjustments, then Landlord and Tenant shall select a mutually acceptable accounting firm to conduct such audit, the results of which shall be binding upon the parties. The cost of such audit shall be borne equally by the parties, and Tenant shall bear all fees and costs of its audit, unless it is ultimately determined that Operating Expenses and Tax Expenses taken as a whole for any calendar year were overstated by four percent (4%) or more. In that event, Landlord shall pay for the reasonable costs of both audits. Pending resolution of any disputes over Operating Expenses and Tax Expenses, Tenant shall pay to Landlord any Additional Rent alleged to be due from Tenant as reflected on Landlord's Statement or any invoice issued on the basis of Landlord's Statement.

## ARTICLE 5
## USE OF PREMISES

5.1 Permitted Use. Tenant shall use the Premises for general office and administrative purposes only.

5.2 Prohibited Uses. Tenant shall not use the Premises or any part thereof for any use or purpose contrary to the provisions of the Rules and Regulations listed in Exhibit D and those certain covenants, conditions and restrictions listed on Exhibit E (the "CC&Rs"). This Lease is subject in all respects to the CC&Rs and the Bylaws of the "Associations" established under the CC&Rs. Landlord is not aware of any violations of the CC&Rs. Tenant shall comply with the recorded covenants, conditions and restrictions now or (so long as no negative impact affects the Premises or Tenant's occupancy of the Premises or restricts in any material way its rights under the Lease) hereafter affecting the Premises and with all reasonable rules adopted from time to time by the Associations established under the CC&Rs. Tenant shall not use or allow another person or entity to use any part of the Premises for the storage, treatment, manufacture or sale of "Hazardous Material" as that term is defined in Section 29.24 of this Lease, other than as may be permitted by, and used in accordance with, all applicable laws, regulations and ordinances pertaining to the Premises.

## ARTICLE 6
## SERVICES AND UTILITIES

6.1 In General. From and after the date of this Lease, Tenant will be responsible, at its sole cost and expense, for the furnishing of all services and utilities to the Premises, including, but not limited to heating, ventilation and air-conditioning, electricity, water, telephone, janitorial and security services, window washing and landscaping services. Landlord represents that to the best of its knowledge all such utilities are available to the Premises and may be utilized by Tenant without the payment of any hook up or similar charges other than customary deposits.

6.2 Interruption of Use. Tenant agrees that except with respect to Landlord's gross negligence or intentional acts, Landlord shall not be liable for damages, by abatement of Rent or otherwise, for failure of Tenant to receive any service (including telephone and telecommunication services) or utility for any reason whatsoever, or for any diminution in the quality or quantity thereof, and such failures or delays or diminution shall never be deemed to constitute an eviction or disturbance of Tenant's use and possession of the Premises or relieve Tenant from paying Rent or performing any of its obligations under this Lease, except as provided in this Lease to the contrary. Furthermore, Landlord shall not be liable under any circumstances for a loss of, or injury to, property or for injury to, or interference with, Tenant's business, including, without limitation, loss of profits, however occurring, through or in connection

with or incidental to any such failure of Tenant to receive any services or utilities.

6.3 No Obligation. Landlord shall have no obligation to provide any services or utilities to the Premises including, but not limited to heating, ventilation and air-conditioning, electricity, water, telephone, janitorial and security services, window washing and landscaping services. Landlord represents that to the best of its knowledge all Building systems are in proper working order.

## ARTICLE 7
## REPAIRS

7.1 Tenant's Obligations.

7.1.1 Tenant Required Actions. Subject to the provisions of Section 7.2, Articles 11 and 13 and Section 29.29, Tenant shall, at Tenant's sole cost and expense, operate, keep, and maintain, and as necessary, repair, restore, replace, and make any capital improvements to (collectively, the "Tenant Required Actions") (i) the structural portions of the Building (excluding the structural skeleton of the Building described in Section 7.2 below), including the ceilings, floor surface, interior walls and wall covering, shafts, stairs, parking areas, stairwells, elevator cabs, washrooms, and Building mechanical, electrical and telephone closets (collectively, "Building Structure"), and (ii) the Building mechanical, electrical, gas, life safety, plumbing, sprinkler systems, elevators, restrooms, and heating, ventilation and air-conditioning systems (the "Building Systems"), in good order and repair and in good and safe working order and condition at all times during the Lease Term, including any items of the Building Structure or Building Systems included in the "Tenant Improvements", as that term is defined in Section 1.3, or "Alterations", as that term is defined in Section 8.1 (collectively, the "Tenant Maintenance Items"). All repairs and maintenance of the Premises by Tenant as required under this Lease shall be performed in a good and safe manner by contractors and other personnel reasonably approved by Landlord, and in compliance with the provisions of Article 8 below. Notwithstanding the foregoing or any other provision of this Lease to the contrary, in the event any of the Tenant Required Actions involve expenditures which would be capitalized under generally accepted accounting principles, then Landlord shall reimburse Tenant for such expenditures within 30 days of the request therefor accompanied by supporting invoices. Tenant shall also be obligated to pay, as an Operating Expense, the cost of any capital improvements made by Landlord to all or any portion of the Premises after the Lease Commencement Date which are required for Tenant's use of the Premises under any governmental law or regulation which was not applicable as of the date of commencement of construction of the Building by Landlord or any capital expenditures reimbursed to Tenant pursuant to the preceding sentence; provided, however, that each such capital expenditure shall be amortized (including interest on the unamortized cost at Landlord's then current cost of funds) over its useful life as Landlord shall reasonably determine, provided, however, that Tenant shall not be responsible for such amortization payments to the extent that the capital expenditure was for an item as to which Landlord is solely responsible under the provisions of Section 7.2 below.

7.1.2 Maintenance Contracts. As a part of Tenant's Required Actions, Tenant shall, at Tenant's sole cost and expense, maintain contracts for the inspection, maintenance and service of the (i) heating, air conditioning and ventilation equipment, (ii) boiler, fired or unfired pressure vessels, (iii) fire sprinkler and/or standpipe and hose or other automatic fire extinguishing systems, including fire alarm and/or smoke detection, and (iv) electrical systems.

7.2 Landlord's Obligations. It is intended by the parties hereto that

Landlord have no obligation, in any manner whatsoever, to take any of the Tenant Required Actions with respect to the Building Systems or Building Structure, except as set forth in this Section 7.2, below. 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. Tenant waives the right to make repairs at the expense of Landlord or to terminate this Lease by reason of any needed repairs under Sections 1941 and 1942 of the California Civil Code, or any similar law, statute, or ordinance, now or hereafter in effect. Notwithstanding the foregoing, during the Lease Term, Landlord shall maintain and repair at its sole cost and expense the structural skeleton of the Building consisting only of the floor slabs, foundation, roof structure, roof membrane, exterior walls and exterior glass and mullions ("Landlord Maintenance Items").

## ARTICLE 8
## CONDITIONS AND ALTERATIONS

8.1 Landlord's Consent to Alterations. Tenant may, without the need to obtain the consent or approval of Landlord, make any improvements, alterations, additions or changes to the Premises the cost of which does not exceed $30,000.00 (exclusive of wall or floor coverings) in the aggregate (collectively, the "Alterations") desired by Tenant which do not create a Design Problem, by providing Landlord with written notice not less than six (6) business days prior to the commencement thereof. For purposes of this Lease, "Design Problem" shall mean any alteration, repair, modification, or improvement by Tenant which (a) materially or adversely affects the Building Systems or Building Structure, (b) is not in compliance with applicable laws, or (c) affects the exterior appearance of the Building. Tenant may not make any Alteration which may create a Design Problem (collectively, "Consent Alterations"), without first procuring the prior written consent of Landlord to such Alterations, which consent shall be requested by Tenant not less than ten (10) business days prior to the commencement thereof, and which consent shall not be unreasonably withheld by Landlord and shall state whether the consent alterations must be removed on termination of the Lease; provided if the Design Problem materially or adversely affects the Building System or Building Structure, then Landlord may condition its consent upon Tenant assuring that the proposed Alteration complies with applicable Laws and complies with other conditions that Landlord may reasonably require of Tenant. In the event Tenant proposes to make a Consent Alteration, Tenant's notice regarding the proposed Alteration shall include the plans and specifications for the Alterations. Landlord shall grant or withhold its consent to any Consent Alterations within ten (10) business days of receipt of Tenant's notice; Landlord's failure to respond within three (3) business days after receipt by Landlord of a second notice given after such ten (10) business day period shall be deemed to evidence Landlord's approval with respect to the same.

8.2 Manner of Construction. In connection with the making of Alterations, except for minor or purely cosmetic Alterations such as painting or replacement of wall or floor covering ("Finish Work"), Tenant shall utilize only contractors and subcontractors who normally and regularly perform similar work in Comparable Buildings, or which have been otherwise approved by Landlord, which approval shall not be unreasonably withheld or delayed. Subject to the terms of Article 24, below, Tenant shall construct all Alterations in conformance with any and all applicable rules and regulations of any federal, state, county or municipal code or ordinance and, when required pursuant to applicable Law, pursuant to a valid building permit issued by the City of Irvine. Landlord's approval of the plans, specifications and working drawings for Tenant's Alterations shall create no responsibility or liability on the part of Landlord for their completeness, design sufficiency, or compliance with all laws, rules and regulations of governmental agencies or authorities. All work with respect to any Alterations must be done in a good and workmanlike manner and diligently prosecuted to completion. Upon completion of any Alterations, Tenant agrees to cause a Notice of Completion to be recorded in the office of the Recorder of Orange County in accordance with Section 3093 of the Civil Code of the State of California or any successor statute, and, except as to Finish Work, Tenant shall deliver to Landlord a reproducible copy of the construction set of drawings of the

Alterations (or, at Tenant's election, a copy of the final working drawings for such Alterations, with field changes shown thereon) within thirty (30) days following completion thereof.

8.3 Construction Insurance. Prior to the commencement of any Alteration, Tenant shall provide Landlord with reasonable evidence that Tenant or Tenant's contractors carries "Builder's All Risk" insurance and worker's compensation insurance in a commercially reasonable amount (but not less than $1,000,000 of commercial general liability) given the scope of such Alterations, covering the construction of such Alterations, it being understood and agreed that all of such Alterations shall be insured by Tenant pursuant to Article 10 of this Lease

immediately upon completion thereof. In addition, Landlord may, in its discretion, require any "Transferee," as that term is defined in Section 14.1, below, other than any Affiliate, to obtain a lien and completion bond or some alternate form of security satisfactory to Landlord in an amount sufficient to ensure the lien-free completion of such Alterations and naming Landlord as a co-obligee.

8.4 Landlord's Property. Subject to the terms of this Lease, all Alterations, improvements, fixtures and/or equipment which may be installed or placed in or about the Premises, from time to time, shall be at the sole cost of Tenant and shall be and become the property of Landlord, except that Tenant shall have the right to remove any such Alterations, not attached or built into the Premises and trade fixtures which Tenant can reasonably substantiate to Landlord have not been paid for with any tenant improvement allowance funds provided to Tenant by Landlord, together with any non-affixed personal property in the Premises and Tenant's "tele-data" equipment, provided Tenant repairs any damage to the Premises and Building caused by such removal. Upon the expiration or early termination of the Lease Term, Landlord may, by written notice to Tenant, require Tenant at Tenant's expense to remove any improvements in the Premises, including any cabling and wiring, Alterations and Tenant Improvements with respect to which Landlord designated, in its approval of the plans and specifications for such Alterations and Tenant Improvements , that the same are to be removed at the end of the Term of the Lease, and repair any damage to the Premises and Building caused by such removal, and leave the Premises in a broom-clean condition. If Tenant fails to complete such removal and/or to repair any damage caused by the removal of any such improvement, after notice to Tenant from Landlord, and a reasonable opportunity (based on the then current circumstances) for Tenant to complete such removal and/or repair, Landlord may do so and may charge the cost thereof to Tenant.

## ARTICLE 9
## COVENANT AGAINST LIENS

Tenant has no authority or power to cause or permit any lien or encumbrance of any kind whatsoever, whether created by act of Tenant, operation of law or otherwise, to attach to or be placed upon the Real Property, Building or Premises, and any and all liens and encumbrances created by Tenant shall attach to Tenant's interest only. Landlord shall have the right at all times to post and keep posted on the Premises customary notices of non-responsibility which it deems necessary for protection from such liens. Tenant covenants and agrees not to suffer or permit any lien of mechanics or materialmen or others to be placed against the Real Property, the Building or the Premises with respect to work or services claimed to have been performed for or materials claimed to have been furnished to Tenant or the Premises, and, in case of any such lien attaching or notice of any such lien, Tenant covenants and agrees to cause it to be immediately released and removed of record or to protest such lien by filing a bond within ten (10) business days after notice by Landlord, and if Tenant shall fail to do so Landlord, at its sole option, may, after an additional five (5) business days notice to Tenant, take all action necessary to release and remove such lien, without any duty to investigate the validity thereof, and all sums, costs and expenses, including reasonable attorneys' fees and costs, incurred by Landlord in connection with such lien shall be deemed Additional Rent under this Lease and shall be due and payable by Tenant within thirty (30)

days of receipt of an invoice therefor.

## ARTICLE 10
## INSURANCE

10.1 Indemnification and Waiver.

10.1.1 Waiver. Tenant hereby assumes all risk of damage to property or injury to persons in or upon the Premises from any cause whatsoever and agrees that Landlord, its partners and their respective officers, agents, servants, and employees (collectively, the "Landlord Parties") shall not be liable for any damage either to person or property or resulting from the loss of use thereof, which damage is sustained by Tenant or by other persons claiming through Tenant, except to the extent caused by the gross negligence or wilful misconduct of the Landlord Parties, subject to the provisions of Section 10.4 hereof.

10.1.2 Tenant's Indemnity. Tenant shall indemnify, defend, protect, and hold harmless Landlord and the Landlord Parties from any and all claims, loss, cost, damage, expense and liability (including without limitation court costs and reasonable attorneys' fees) (collectively, "Claims") incurred in connection with or arising from (1) any cause in or on the Premises during the Lease Term or any holdover period and (2) subject to the terms of the last sentence of Section 10.1.3, below, any acts or omissions or wilful misconduct of Tenant or any person

claiming by, through or under Tenant, its partners, and their respective officers agents, servants or employees of Tenant or any such person (collectively, "Tenant Parties"), in or on or about the Premises or the Real Property either prior to, during, or after the expiration of the Lease Term, provided that, except as set forth below, the terms of the foregoing indemnity shall not apply to the extent such Claims arise from (a) the gross negligence, intentional acts or wilful misconduct of the Landlord Parties in connection with the Landlord Parties' activities in, on or about the Real Property, including the Premises, subject to the provisions of Section 10.4 hereof, or (b) environmental conditions existing prior to the date hereof. Notwithstanding the foregoing, because Tenant must carry insurance pursuant to Section 10.3.2, below, to cover its personal property and all office furniture, trade fixtures, office equipment and merchandise within the Premises and the Tenant Improvements and Alterations, Tenant hereby agrees to protect, defend, indemnify and hold Landlord harmless from any Claim with respect to any such property within the Premises, to the extent such Claim is covered by Tenant's insurance, even if resulting from the negligence or wilful misconduct of the Landlord Parties.

10.1.3 Landlord's Indemnity. Landlord shall indemnify, defend, protect, and hold harmless Tenant and the Tenant Parties from any Claims incurred in connection with or arising from (1) any cause in or about the Real Property during the Lease Term (to the extent covered by Landlord's commercial general liability insurance policies carried pursuant to the terms of Section 10.2 below), or (2) any negligent acts or omissions or wilful misconduct of any of the Landlord Parties in, on, or about the Premises or the Real Property (subject to the terms of the last sentence of Section 10.1.2, above), either prior to, during, or after the expiration of the Lease Term, provided that, except as set forth below, the terms of the foregoing indemnity shall not apply to the extent such Claims arise from the negligence or wilful misconduct of the Tenant Parties in connection with the Tenant Parties' activities in, on, or about the Real Property. Notwithstanding the foregoing, because Landlord is required to maintain pursuant to the terms of Section 10.2, below, insurance on the Building and Real Property and Tenant compensates Landlord for such insurance as part of Operating Expenses, Landlord hereby agrees to protect, defend, indemnify and hold Tenant harmless from any Claims with respect to the Building and Landlord's equipment and property on the Real Property to the extent such Claim is covered by Landlord's insurance (or would have been covered

by insurance Landlord is obligated to provide hereunder), even if resulting from the negligent acts or wilful misconduct of the Tenant Parties.

10.1.4 Waiver of Consequential Damages. Notwithstanding any contrary provision of this Lease, neither Landlord nor Tenant shall be liable to the other party for any consequential damages for a breach or default under this Lease (excluding fraud or wilful misconduct), provided that this sentence shall not be applicable to any consequential damages which may be incurred by the Landlord Parties relating to or in connection with any holdover by Tenant following the expiration of the Lease Term, subject to and in accordance with the provisions of Article 16 hereof.

10.1.5 General Terms. The provisions of this Section 10.1 shall survive the expiration or sooner termination of this Lease with respect to any claims or liability occurring prior to such expiration or termination.

10.2 Landlord's Insurance. Landlord shall maintain during the Lease Term commercial general liability insurance, "all-risk" insurance insuring the Building against loss or damage due to fire and other casualties covered within the classification of fire and extended coverage, vandalism coverage and malicious mischief, sprinkler leakage, water damage, earthquake and special extended coverage. Such coverage shall be written for one hundred percent (100%) of the replacement cost value of the Building, without deduction for depreciation, and shall be from such companies, and on such other terms and conditions as Landlord may from time to time reasonably determine. Such insurance coverage shall also include a rental loss endorsement (12 months)and one or more loss payee endorsements in favor of the holders of any mortgages or deeds of trust encumbering the interest of Landlord in the Real Property or the ground or underlying lessors of the Real Property, or any portion thereof. Such policy shall also contain a "stipulated value" endorsement deleting any co-insurance provisions. Notwithstanding the foregoing provisions of this Section 10.2, the coverage and amounts of insurance carried by Landlord in connection with the Building shall at a minimum be comparable to the coverage and amounts of insurance which are carried by institutional landlords of Comparable Buildings. Landlord shall also carry Worker's Compensation and Employee's Liability coverage as required by applicable law. Upon inquiry by Tenant, from time to time, Landlord shall inform Tenant of all such insurance carried by Landlord and provide Tenant with certificates relating thereto. Tenant shall, at Tenant's expense, comply as to the Premises with all customary insurance company requirements pertaining to the use of the Premises to the extent consistent with the insurance company requirements imposed at the Comparable Buildings. If Tenant's conduct or use of the Premises other than for the uses permitted under Section 5.1 of this Lease causes any increase in the premium for such insurance policies, then Tenant shall, following notice from Landlord either (i) cease such conduct or use, or (ii) reimburse Landlord for any such increase. Tenant, at Tenant's expense, shall comply with all rules, orders, regulations or requirements of the

American Insurance Association (formerly the National Board of Fire Underwriters) and with any similar body to the extent consistent with the rules, orders, regulations or requirements imposed at the Comparable Buildings. Landlord may carry earthquake and flood insurance with a deductible of not less than five percent (5%) of the replacement value of the Building at the time of loss and not more than the amount of deductible then customarily maintained under similar insurance with respect to Comparable Projects, and Tenant will reimburse Landlord for the premium cost thereof.

10.3 Tenant's Insurance. Tenant shall maintain the following coverages in the following amounts.

10.3.1 Commercial General Liability Insurance covering the insured against claims of bodily injury, personal injury and property damage arising out of Tenant's operations or use of the Premises, including a Broad Form Commercial

General Liability endorsement covering the insuring provisions of this Lease and covering the performance by Tenant of the indemnity agreements set forth in Section 10.1 of this Lease, for limits of liability not less than:

| | |
|---|---|
| Bodily Injury and Property Damage Liability | $5,000,000 each occurrence<br>$5,000,000 annual aggregate |
| Personal Injury Liability | $5,000,000 each occurrence<br>$5,000,000 annual aggregate |

10.3.2 "All-Risk" Insurance, with commercially reasonable deductibles, covering (i) all office furniture, trade fixtures, office equipment, merchandise and all other items of Tenant's property on the Premises installed by, for, or at the expense of Tenant, (ii) the Tenant Improvements, and (iii) all other improvements, alterations and additions to the Premises, including any improvements, alterations or additions installed at Tenant's request above the ceiling of the Premises or below the floor of the Premises. Such insurance shall be written for the full replacement cost value, new, without deduction for depreciation, of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance and may include, at Tenant's sole option, a vandalism and malicious mischief endorsement, and sprinkler leakage coverage.

10.3.3 Form of Policies. The minimum limits of policies of liability insurance required of Tenant or Landlord under this Lease shall in no event limit the liability of Tenant or Landlord under this Lease. Each party's insurance shall (i) name the other party (including, as to Landlord, the "Lender," as described in Article 18 below), as an additional insured; (ii) specifically cover the indemnity obligations of the insuring party set forth in Section 10.1 of this Lease to the extent customarily and commercially available; (iii) be issued by an insurance company having a rating of not less than B+/VII in Best's Insurance Guide or which is otherwise reasonably acceptable to the named party and licensed to do business in the State of California; (iv) be primary insurance as to all claims thereunder and provide that any insurance carried by the named party is not excess and is non-contributing with any insurance requirement of the insuring party; and (v) contain a cross-liability endorsement or severability of interest clause acceptable to the named party. The insuring party shall cause its insurance carrier to provide that said insurance carrier shall give thirty (30) days' (or ten days' in the event of nonpayment of the premium) prior written notice to the named party and any mortgagee or ground or underlying lessor of the named party prior to the date said insurance is canceled. The parties agree that the insuring party may satisfy its insurance requirements herein with a "blanket" or "umbrella" insurance policy covering the Premises and other premises of the insuring party. The insuring party shall deliver said policy or policies or certificates thereof to the named party on or before the date that Tenant first enters the Premises for purposes of performing any work or installing any of its fixtures, equipment or personal property and at least thirty (30) days before the expiration dates thereof. In the event the insuring party shall fail to procure such insurance, or to deliver such policies or certificate at least thirty (30) days before the expiration dates thereof, the named party may, at its option, if such failure continues for ten (10) business days following written notice to the insuring party, procure such policies for the account of the insuring party, and the cost thereof shall be paid to the named party as Additional Rent within thirty (30) days after delivery to the insuring party of bills therefor.

10.4 Subrogation. Landlord and Tenant agree to have their respective insurance companies issuing property damage insurance waive any rights of subrogation that such companies may have against Landlord or Tenant, as the case may be. Landlord and Tenant hereby waive any right that either may have against the other on account of any loss or damage to their respective property to the extent such loss or damage is insurable under the

types of policies of insurance set forth in Sections 10.2 and 10.3.2, above.

10.5 Additional Insurance Obligations. Tenant shall carry and maintain during the entire Lease Term, at Tenant's sole cost and expense, such increased amounts of the insurance required to be carried by Tenant pursuant to this Article 10, and such other reasonable types of insurance coverage (exclusive, as to insurance required under the provisions of Section 10.3, of earthquake and flood insurance) and in such reasonable amounts covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord; provided that such requests shall be consistent with the treatment of comparable tenants in the Comparable Buildings.

## ARTICLE 11
## DAMAGE AND DESTRUCTION

11.1 Repair of Damage to Premises by Landlord. Except in the case where Landlord or its agents are already aware of the same, Tenant shall notify Landlord of any material damage to the Premises resulting from fire or any other casualty promptly following the date Tenant becomes aware of such damage. If the Building or Premises shall be damaged by fire or other casualty, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord's reasonable control, and subject to all other terms of this Article 11, restore the Building, the Building Structure and Building Systems, except for those items which were constructed by or for the benefit of Tenant above and beyond the Tenant Improvement Allowance (the "Base, Shell and Core"). Such restoration shall be to substantially the same condition of the Base, Shell and Core prior to the casualty, except for modifications required by zoning and building codes and other laws. Notwithstanding any other provision of this Lease, upon the occurrence of any damage to the Premises, Tenant shall assign to Landlord (or to any party designated by Landlord) all insurance proceeds payable to Tenant under Tenant's insurance required under items (ii) and (iii) of Section 10.3.2 of this Lease, and Landlord shall repair any injury or damage to the property covered by the proceeds being assigned. Except as provided below with respect to the termination of the Lease, if the cost of restoration of the Base, Shell and Core shall exceed the amount of insurance proceeds scheduled to be received by Landlord from Landlord's casualty, earthquake and/or flood insurance due to the deductible amounts under such insurance (which deductible amounts shall not be in excess of commercially reasonable amounts for Comparable Buildings), Tenant shall pay such shortfall (not to exceed the deductible amounts permitted under this Lease or in the event of earthquake damage, the first $150,000 of such deductible amount during the Initial Term or the first $159,000 during any Option Terms) to Landlord prior to Landlord's repair of the damage to the Base, Shell and Core. If the cost of such repair to the Tenant Improvements by Landlord is estimated, after review of the costs by Tenant, to exceed the amount of insurance proceeds scheduled to be received by Landlord from Tenant's insurance carrier, as assigned by Tenant, Tenant shall pay any such short fall to Landlord prior to Landlord's repair of the damage. In the event this Lease shall terminate as a result of such damage, (i) Tenant shall assign to Landlord the right to receive any insurance proceeds received from Tenant's insurance carrier related to the Tenant Improvements constructed utilizing the proceeds of the Tenant Improvement Allowance, and (ii) Tenant shall retain the insurance proceeds related to those of the Tenant Improvements which were constructed utilizing funds provided by Tenant over and above the Tenant Improvement Allowance. Tenant shall retain all insurance proceeds related to Tenant's personal property, furniture, fixtures and equipment. In connection with such repairs and replacements, Tenant shall, prior to the commencement of construction of the Tenant Improvements, submit to Landlord, for Landlord's review and approval, which approval shall not be unreasonably withheld, conditioned, or delayed, all plans, specifications and working drawings relating thereto, and Tenant shall have the right to alter the design of the previously existing Tenant Improvements, provided that such redesign shall not delay the repairs and restoration, and Tenant shall select the contractors to perform such improvement work; provided, however, that Landlord shall have the right to approve the contractor and the primary subcontractors relating to the Tenant Improvements, which approval shall not be unreasonably withheld, conditioned or delayed. Landlord shall not be liable for any inconvenience or annoyance to

Tenant or its visitors, or injury to Tenant's business resulting in any way from such damage or the repair thereof. Rent shall abate if and to the extent rental loss insurance is being received by Landlord or would have been so received if Landlord had obtained insurance which it is required to obtain under this Lease.

11.2 Right To Terminate. Notwithstanding the terms of Section 11.1 of this Lease, Landlord may elect not to rebuild and/or restore the Premises and/or Building and/or Real Property and instead terminate this Lease by notifying Tenant in writing (the "Landlord Termination Notice") of such termination within sixty (60) days after the date of Landlord's discovery of damage (the "Damage Date"), such notice to include a termination date giving Tenant ninety (90) days to vacate the Premises, but Landlord may so elect only if the Premises, Building and/or Real Property shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, and one or more of the following conditions is present: (i) repairs cannot reasonably be completed within 225 days of the Damage Date (when such repairs are made without the payment of overtime or other premiums); (ii) the cost of the damage exceeds $1,000,000.00 or is not covered by Landlord's insurance policies, or (iii) the holder of any mortgage on the Building or Real Property shall require (based on such holder's legal right to so require for reasons other than a default by Landlord under said mortgage) that the insurance proceeds or any portion thereof be used to retire the mortgage debt and the remaining proceeds are not sufficient to repair the damage, provided that in such instance, Landlord agrees to negotiate in good faith with said holder to have the proceeds applied to restoration. Likewise, Tenant may elect to terminate this Lease by notifying Landlord in writing of such termination within sixty (60) days after the Damage Date, such notice to include a termination date effective as of the date of the notice, but Tenant may so elect only if the Premises, Building and/or Real Property shall be damaged by fire or other casualty or cause, whether or not the Premises are affected, and repairs cannot reasonably be completed within 225 days of the Damage Date (when such repairs are made without the payment of overtime or other premiums).

11.3 Waiver of Statutory Provisions. The provisions of this Lease, including this Article 11, constitute an express agreement between Landlord and Tenant with respect to any and all damage to, or destruction of, all or any part of the Premises, the Building or the Real Property, and any statute or regulation of the State of California, including, without limitation, Sections 1932(2) and 1933(4) of the California Civil Code, with respect to any rights or obligations concerning damage or destruction in the absence of an express agreement between the parties, and any other statute or regulation, now or hereafter in effect, shall have no application to this Lease or any damage or destruction to all or any part of the Premises, the Building or the Real Property.

## ARTICLE 12
## NONWAIVER

No waiver of any provision of this Lease shall be implied by any failure of either party to enforce any remedy on account of the violation of such provision, even if such violation shall continue or be repeated subsequently, any waiver by either party of any provision of this Lease may only be in writing, and no express waiver shall affect any provision other than the one specified in such waiver and that one only for the time and in the manner specifically stated. No receipt of monies by Landlord from Tenant after the termination of this Lease shall in any way alter the length of the Lease Term.

## ARTICLE 13
## CONDEMNATION

13.1 Permanent Taking. If the whole or any part of the Premises or Building shall be taken by power of eminent domain or condemned by any competent authority for any public or quasi-public use or purpose, or if any adjacent

property or street shall be so taken or condemned, or reconfigured or vacated by such authority in such manner as to require the use, reconstruction or remodeling of any part of the Premises or Building, or if Landlord shall grant a deed or other instrument in lieu of such taking by eminent domain or condemnation (collectively, a "Taking"), and if such Taking involves a Taking of all or substantially all of the Premises, Landlord shall have the option to terminate this Lease upon delivery of ninety (90) days' notice. If more than twenty-five percent (25%) of the rentable square feet of the Premises is taken, Tenant shall have the option to terminate this Lease upon delivery of ninety (90) days' notice, provided such notice is given no later than 90 days after the date of such taking. Landlord shall be entitled to receive the entire award or payment in connection therewith, except that Tenant shall have the right to receive an award for its relocation expenses, damages to Tenant's personal property, trade fixtures, and loss of goodwill. All Rent shall be apportioned as of the date of such termination, or the date of such taking, whichever shall first occur. If any part of the Premises shall be taken, and this Lease shall not be so terminated, the Rent shall be proportionately abated or reduced based on the number of rentable square feet of the Premises so taken. Tenant hereby waives any and all rights it might otherwise have pursuant to Section 1265.130 of The California Code of Civil Procedure, or any successor statute.

13.2 Temporary Taking. Notwithstanding anything to the contrary contained in this Article 13, in the event of a temporary taking of all or any portion of the Premises for a period of one hundred and twenty (120) days or less, then this Lease shall not terminate but the Base Rent and the Additional Rent shall be abated for the period of such taking (commencing on the date of such taking) in proportion to the ratio that the amount of rentable square feet of the Premises taken bears to the total rentable square feet of the Premises; provided that if the remaining portion of the Premises is not sufficient to allow Tenant to effectively conduct its business therein, and if Tenant does not conduct its business from such remaining portion, then Base Rent and the Additional Rent shall be abated

for the entire Premises for such time as Tenant continues to be so prevented from using, and does not use, the Premises. Landlord shall be entitled to receive the entire award made in connection with any such temporary taking.

## ARTICLE 14
## ASSIGNMENT AND SUBLETTING

14.1 Transfers. Subject to the provisions of this Article 14, Tenant shall not, without the prior written consent of Landlord, assign, mortgage, pledge, hypothecate, encumber, or permit any lien to attach to, or otherwise transfer, this Lease or any interest hereunder, permit any assignment or other transfer of this Lease or any interest hereunder by operation of law, sublet the Premises or any part thereof, or otherwise permit the occupancy or use of the Premises by any persons other than Tenant, its Affiliates and their employees (all of the foregoing are hereinafter sometimes referred to collectively as "Transfers" and any person to whom any Transfer is made or sought to be made is hereinafter sometimes referred to as a "Transferee"). Any Transfer with respect to which Landlord's consent is required under this Article 14 and with respect to which such consent requirement is not exempted under this Article 14 is referred to herein as a "Consent Transfer." If Tenant desires Landlord's consent to any Consent Transfer, Tenant shall notify Landlord in writing, which notice (the "Transfer Notice") shall include (i) the proposed effective date of the Transfer, which shall not be less than (a) in the case of a sublease of less than 24,000 rentable square feet, ten (10) business days, (b) in the case of a sublease of 24,000 square feet or more, fifteen (15) business days, and (c) in the case of an assignment of this Lease or any other Transfer, twenty (20) business days after the date of delivery of the Transfer Notice, (ii) a description of the portion of the Premises to be transferred (the "Subject Space"), (iii) all of the principal terms of the proposed Transfer and the consideration therefor, including a calculation of the "Transfer Premium," as that term is defined in Section 14.3 below, in connection with such Transfer, the name and address of the proposed Transferee, and a copy of all existing

and/or proposed documentation pertaining to the proposed Transfer, including all then existing material, executed operative documents to evidence such Transfer or the agreements incidental or related to such Transfer, (iv) current financial statements of the proposed Transferee and (v) to the extent reasonably available, any other reasonable information reasonably and customarily required by landlords of Comparable Buildings in connection with the review of similar Transfers. Subject to the terms of this Article 14, any Consent Transfer made without Landlord's prior written consent shall, at Landlord's option, be null, void and of no effect. Whether or not Landlord consents to any Consent Transfer, Tenant shall pay Landlord's review and processing fees, as well as any reasonable legal fees incurred by Landlord, within thirty (30) days after written request by Landlord.

14.2 Landlord's Consent. Landlord shall not unreasonably withhold, delay or condition its consent to any proposed Consent Transfer. Subject to the provisions of this Section 14.2, the parties hereby agree that it shall be reasonable under this Lease and under any applicable law for Landlord to withhold consent to any proposed Consent Transfer where one or more of the following apply, without limitation as to other reasonable grounds for withholding consent:

14.2.1 The Transferee is of a character or reputation or engaged in a business which is materially inconsistent with the quality of the Building; or

14.2.2 The Transferee intends to use the Subject Space for purposes which are inconsistent with those permitted under this Lease; or

14.2.3 The Transferee is not a party of reasonable financial worth and/or financial stability in light of the responsibilities to be undertaken in connection with the Transfer on the date consent is requested; provided that the provisions of this Section 14.2. shall be applicable only if (i) the proposed Transfer is an assignment of Tenant's interest in the Lease, (ii) the proposed Transfer concerns twenty thousand (20,000) rentable square feet or more of the Premises, or (iii) upon the consummation of the proposal Transfer, the Original Tenant and/or its Affiliates will not continue to directly occupy (i.e., have not subleased or otherwise transferred its space) at least forty thousand (40,000) rentable square feet of the Premises.

If Landlord consents to any Consent Transfer pursuant to the terms of this Section 14.2, Tenant may within six months after Landlord's consent, but not later than the expiration of said six-month period, enter into such Transfer of the Premises or portion thereof, provided that if there are any material changes in the terms and conditions from those specified in the Transfer Notice such that Landlord would initially have been entitled to refuse its consent to such Transfer under this Section 14.2, Tenant shall again submit the Transfer to Landlord for its consent under this Article 14.

14.3 Transfer Premium.

14.3.1 Definition of Transfer Premium. Subject to the terms of this Article 14, if Landlord consents to a Consent Transfer, as a condition thereto which the parties hereby agree is reasonable, Tenant shall pay to Landlord one half of any "Transfer Premium," as that term is defined in this Section 14.3, received by Tenant from such Transferee. "Transfer Premium" shall mean all rent, additional rent or other consideration payable by such Transferee in connection with the Transfer in excess of the Rent and Additional Rent payable by Tenant under this Lease during the term of the Transfer on a per rentable square foot basis if less than all of the Premises is transferred (unless all or a portion of the Subject Space is subject to different Rent and Additional Rent terms, in which case, to the extent applicable, such different terms shall be applicable), after deducting the actual, out-of-pocket expenses incurred or to be incurred by Tenant for the following (collectively, the "Subleasing Costs") (i) any changes, alterations and improvements to the Premises in connection with the Transfer, (ii) any space planning, architectural or design fees or expenses

incurred in marketing such space or in connection with such Transfer, (iii) any improvement allowance or other monetary concessions provided to the Transferee, (iv) any brokerage commissions incurred by Tenant in connection with the Transfer, (v) legal fees incurred in connection with the Transfer, including those fees and costs reimbursed to Landlord pursuant to the last sentence of Section 14.1, (vi) any lease takeover costs incurred by Tenant in connection with the Transfer, (vii) out-of-pocket costs of advertising the space which is the subject of the Transfer, and (viii) the amount of any Base Rent and Additional Rent paid by Tenant to Landlord with respect to the Subject Space during the period, not to exceed four (4) months, commencing on the later of (a) the earlier of the date Tenant contracts with a reputable broker to market the Subject Space or commences negotiations with the Transferee as evidenced by an exchange of proposals, or (b) the date Tenant vacates the Subject Space, until the commencement of the term of the Transfer. "Transfer Premium" shall also include, but not be limited to, key money, bonus money or other cash consideration paid by Transferee to Tenant in connection with such Transfer, but shall exclude any payment which is not in excess of fair market value for (i) services rendered by Tenant to Transferee or (ii) for assets, fixtures, inventory, equipment, or furniture transferred by Tenant to Transferee in connection with such Transfer.

14.3.2 Payment of Transfer Premiums. The determination of the amount of the Transfer Premium shall be made on a monthly basis in accordance with the terms of this Section 14.3.2, as rent or other consideration is received by Tenant by under the Transfer. For purposes of calculating the Transfer Premium, Tenant's Subleasing Costs shall be credited against the first amounts received by Tenant as a result of the Transfer.

14.4 Effect of Transfer. Subject to the terms of this Article 14, if Landlord consents to a Consent Transfer, (i) the terms and conditions of this Lease shall in no way be deemed to have been waived or modified, (ii) such consent shall not be deemed consent to any further Consent Transfer by either Tenant or a Transferee, (iii) Tenant shall deliver to Landlord, promptly after execution, an original executed copy of all documentation pertaining to the Transfer, and (iv) Tenant shall furnish upon Landlord's request a reasonable statement, certified by an independent certified public accountant, or Tenant's chief financial officer or other appropriate officer of Tenant, setting forth in reasonable detail the computation of any Transfer Premium Tenant has derived and expects to derive from such Transfer. No Transfer relating to this Lease or agreement entered into with respect thereto, whether with or without Landlord's consent, shall relieve Tenant from liability under this Lease, including, without limitation, in connection with the Subject Space, unless Tenant shall provide evidence acceptable to Landlord, in its sole but reasonable discretion, to the effect that the Transferee has a net worth in excess of $350,000,000. Landlord or its authorized representatives shall have the right at all reasonable times during normal business hours following ten (10) business days advance notice to audit the books, records and papers of Tenant directly relating to any Consent Transfer. If the Transfer Premium respecting any Consent Transfer shall be found understated, or overstated, the appropriate party shall within thirty (30) days after demand, pay to the other the deficiency or excess, and if understated by more than ten percent (10%), Tenant shall pay Landlord's costs of such audit.

14.5 Non-Transfers. Notwithstanding anything to the contrary contained in this Article 14, an assignment of this Lease or subletting of all or a portion of the Premises to an entity (an "Affiliate") which is controlled by, controls, or is under common control with, Tenant or Tenant's parent or any subsidiary of Tenant or Tenant's parent, or to a resulting entity from a merger or consolidation of Tenant with another entity, shall not be deemed a Transfer under this Article 14, and Landlord's consent shall not be required in connection therewith, provided that Tenant notifies Landlord of any such assignment or sublease and promptly supplies Landlord with any documents or information reasonably requested by Landlord regarding such assignment or sublease or such Affiliate or resulting entity, and further provided that such assignment or sublease is not a subterfuge by Tenant to avoid its

obligations under this Lease and shall in no way relieve Tenant from any liability under this Lease. "Control," as used in this Section 14.5, shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a person or entity, whether through the ownership of voting securities, by contract or otherwise. As used in this Section 14.5, "Affiliate" shall also include any entity which is subleasing from Tenant less than 12,000 square feet of rentable area of the Premises and on a consolidated basis no more than 36,000 square feet and with respect to which no demising wall is to be erected, and with the only identification of such subtenant appearing on the door or doors to the offices, if any, in that portion or portions of the Premises being occupied by such sublessee.

## ARTICLE 15
## SURRENDER OF PREMISES; OWNERSHIP AND REMOVAL OF TRADE FIXTURES

15.1 Surrender of Premises. No act or thing done by Landlord or any agent or employee of Landlord during the Lease Term shall be deemed to constitute an acceptance by Landlord of a surrender of the Premises unless such intent is specifically acknowledged in a writing signed by Landlord. The delivery of keys to the Premises to Landlord or any agent or employee of Landlord shall not constitute a surrender of the Premises or effect a termination of this Lease, whether or not the keys are thereafter retained by Landlord, and notwithstanding such delivery Tenant shall be entitled to the return of such keys at any reasonable time upon request until this Lease shall have been properly terminated. The voluntary or other surrender of this Lease by Tenant, whether accepted by Landlord or not, or a mutual termination hereof, shall not work a merger.

15.2 Removal of Tenant Property by Tenant. Upon the expiration of the Lease Term, or upon any earlier termination of this Lease, Tenant shall, subject to the provisions of this Article 15 and Section 8.4 above, quit and surrender possession of the Premises to Landlord in good order and condition, reasonable wear and tear, casualty events, damage resulting from the negligence or misconduct of the Landlord Parties, and repairs which are specifically made the responsibility of Landlord hereunder excepted. Upon such expiration or termination, Tenant shall, without expense to Landlord, remove or cause to be removed from the Premises all debris and rubbish, and such items of free-standing furniture, equipment, cabinet work, and other personal property owned by Tenant or installed or placed by Tenant at its expense in the Premises, and such similar articles of any other persons claiming under Tenant, as Landlord may, in its sole discretion, require to be removed, and, subject to the terms of this Lease, Tenant shall repair at its own expense all damage to the Premises and Building resulting from such removal.

## ARTICLE 16
## HOLDING OVER

(a) If Tenant holds over after the expiration of the Lease Term hereof, with or without the express or implied consent of Landlord, such tenancy shall be from month-to-month only, and shall not constitute a renewal hereof or an extension for any further term, and in such case Base Rent shall be payable at a monthly rate equal to one hundred fifty percent (150%) of the Base Rent applicable during the last rental period of the Lease Term under this Lease. Such month-to-month tenancy shall be subject to every other term, covenant and agreement contained herein. Nothing contained in this Article 16 shall be construed as consent by Landlord to any holding over by Tenant, and Landlord expressly reserves the right to require Tenant to surrender possession of the Premises to Landlord as provided in this Lease upon the expiration or other termination of this Lease. Except for the time limitation on Landlord's right to seek consequential damages set forth in the next sentence (which time limitation shall also apply to Landlord's rights to seek damages other than by reason of the following sentence), the provisions of this Article 16 shall not be deemed to limit or constitute a waiver of any other rights or remedies of

Landlord provided herein or at law. If Tenant fails to surrender the Premises within sixty (60) days after the termination or expiration of this Lease, then, in addition to any other liabilities to Landlord accruing therefrom, Tenant shall protect, defend, indemnify and hold Landlord harmless from all loss, costs (including reasonable attorneys' fees) and liability resulting from such failure, including, without limiting the generality of the foregoing, any claims made by any succeeding tenant founded upon such failure to surrender, and any lost profits to Landlord resulting therefrom.

(b) Notwithstanding the foregoing, by written notice to Landlord given at least 270 days prior to the expiration of the original Term, Tenant shall have one time right to elect to holdover in the Premises (which holdover will be deemed to be with Landlord's consent) for one (1), two (2), or three (3) full months (as specified in Tenant's notice) at a Base Rent of $1.75 per "rentable square feet" per month and Additional Rent, and such continued occupancy by Tenant shall be subject to all of the other terms, covenants and conditions of this Lease, so

far as applicable. The Lease Term will be extended for the period specified in such notice by Tenant to Landlord and a vacation of the Premises by Tenant prior to such date will not relieve Tenant of liability for Monthly Base Rent and Additional Rent accruing under this Lease through the expiration of the Term, as extended pursuant to Tenant's notice. The provisions of this Subsection 16(b) will survive the expiration or earlier termination of this Lease.

## ARTICLE 17
## ESTOPPEL CERTIFICATES

Within fifteen (15) business days following a request in writing by Landlord, Tenant shall execute and deliver to Landlord an estoppel certificate, which, as submitted by Landlord, shall be substantially in the form of Exhibit ------- F, attached hereto, indicating therein any exceptions thereto that may exist at - that time, and shall also contain any other customary factual information certified to Tenant's knowledge, without a duty of investigation or inquiry by Tenant, reasonably requested by Landlord or Landlord's mortgagee or prospective mortgagee. Tenant shall execute and deliver whatever other instruments may be reasonably required for such purposes. Landlord hereby agrees to provide to Tenant an estoppel certificate signed by Landlord, containing the same types of information, and within the same periods of time, as set forth above, with such changes as are reasonably necessary to reflect that the estoppel certificate is being granted to Tenant by Landlord, rather than being granted by Tenant to Landlord or to a lender.

## ARTICLE 18
## SUBORDINATION

Subject to the terms of this Article 18, this Lease shall be subject and subordinate to all future ground or underlying leases of the Real Property and to the lien of any "Lender," which in this Lease shall mean any mortgagee under a mortgage or beneficiaries under any trust deeds hereafter in force against the Real Property and the Building, if any, and to all renewals, extensions, modifications, consolidations and replacements thereof, and to all advances made or hereafter to be made upon the security of such mortgages or trust deeds, unless the Lenders or the lessors under such ground lease or underlying leases, require in writing that this Lease be superior thereto. Landlord's delivery to Tenant of commercially reasonable non-disturbance agreement(s) in favor of Tenant from any ground lessors or Lenders, or ground lessors or Lenders who come into existence at any time prior to the expiration of the Lease Term shall be in consideration of, and a condition precedent to, Tenant's agreement to be bound by the terms of this Article 18. Subject to the non-disturbance agreements described above, Tenant covenants and agrees in the event any proceedings are brought for the foreclosure (or deed lieu thereof) of any such mortgage, or if any ground or underlying lease is terminated, to attorn, to the lien holder or purchaser or any successors thereto upon any such foreclosure sale (or deed in lieu thereof), or to the lessor of such ground or underlying lease, as the case

may be, if so requested to do so by such purchaser or lessor, and to recognize such purchaser or lessor as the lessor under this Lease. Tenant shall, within 10 business days of request by Landlord, execute such further instruments or assurances as Landlord may reasonably deem necessary, including a Subordination, Nondisturbance and Attornment Agreement or other similar form reasonably required by any lender making a loan secured by the Property to evidence or confirm the subordination or superiority of this Lease to any such mortgages, trust deeds, ground leases or underlying leases, subject to the terms of this Article 18.

## ARTICLE 19
## DEFAULTS; REMEDIES

19.1 Events of Default. The occurrence of any of the following shall constitute an event of default ("Event of Default") under this Lease by Tenant:

19.1.1 Any failure by Tenant to pay any Rent or any other charge required to be paid under this Lease, or any part thereof, within ten (10) business days after the due date thereof; or

19.1.2 Any failure by Tenant to observe or perform any other provision, covenant or condition of this Lease to be observed or performed by Tenant where such failure continues for thirty (30) days after written notice thereof from Landlord to Tenant; provided that if the nature of such default is such that the same cannot reasonably be cured within a thirty (30)-day period, Tenant shall not be deemed to be in default if it commences such cure within such period and thereafter proceeds to rectify and cure said default with reasonable diligence; or

19.1.3 The failure by Tenant to observe or perform according to the provisions of Article 17 or

Article 18 of this Lease where such failure continues for more than ten (10) business days after notice from Landlord.

All notices to be given pursuant to this Section 19.1 shall be in addition to and not in lieu of the notice requirements of the California Code of Civil Procedure Section 1161 et seq.

19.2 Remedies Upon Default. Upon the occurrence of any Event of Default by Tenant, Landlord shall have, in addition to any other remedies available to Landlord at law or in equity, the option to pursue any one or more of the following remedies, each and all of which shall be cumulative and nonexclusive, without any notice or demand whatsoever.

19.2.1 Terminate this Lease, in which event Tenant shall immediately surrender the Premises to Landlord, and if Tenant fails to do so, Landlord may, subject to due process of law and without prejudice to any other remedy which it may have for possession or arrearages in rent, enter upon and take possession of the Premises and expel or remove Tenant and any other person who may be occupying the Premises or any part thereof; and Landlord may recover from Tenant the following:

(i) The worth at the time of award of any unpaid rent which has been earned at the time of such termination; plus

(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 of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iii) The worth at the time of award of the amount by which the unpaid rent for the balance of the Lease Term after the time of award exceeds the amount of such rental loss that Tenant proves could have been reasonably avoided; plus

(iv) Any other amount reasonably necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result therefrom, specifically including but not limited to, brokerage commissions and advertising expenses incurred, expenses of remodeling the Premises or any portion thereof for a new tenant, whether for the same or a different use, and any special concessions made to obtain a new tenant; and

(v) At Landlord's election, such other amounts in addition to or in lieu of the foregoing as may be permitted from time to time by applicable law.

The term "rent" as used in this Section 19.2 shall be deemed to be and to mean all sums of every nature required to be paid by Tenant to Landlord pursuant to the terms of this Lease. As used in Paragraphs 19.2.1(i) and (ii), above, the "worth at the time of award" shall be computed by allowing interest at the rate set forth in Article 25 of this Lease, but in no case greater than the maximum amount of such interest permitted by law. As used in Paragraph 19.2.1(iii) above, the "worth at the time of award" shall be computed by discounting such amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus one percent (1%).

19.2.2 Landlord shall have the remedy described in California Civil Code Section 1951.4 (lessor may continue lease in effect after lessee's breach and abandonment and recover rent as it becomes due, if lessee has the right to sublet or assign, subject only to reasonable limitations). Accordingly, if Landlord does not elect to terminate this Lease on account of any default by Tenant, Landlord may, from time to time, without terminating this Lease, enforce all of its rights and remedies under this Lease, including the right to recover all rent as it becomes due.

19.3 Sublessees of Tenant. In the event Landlord elects to terminate this Lease on account of any Event of Default by Tenant, Landlord shall have the right to terminate any and all subleases, licenses, concessions or other consensual arrangements for possession entered into by Tenant and affecting the Premises or may, in Landlord's sole discretion, succeed to Tenant's interest in such subleases, licenses, concessions or arrangements. In the event of Landlord's election to succeed to Tenant's interest in any such subleases, licenses, concessions or arrangements, Tenant shall, as of the date of notice by Landlord of such election, have no further right to or interest in the rent or other consideration receivable thereunder.

19.4 Waiver of Default. No waiver by Landlord or Tenant of any violation or breach of any of the terms, provisions and covenants herein contained shall be deemed or construed to constitute a waiver of any other or later violation or breach of the same or any other of the terms, provisions, and covenants herein contained. Forbearance by Landlord or Tenant in enforcement of one or more of the remedies herein provided upon an Event of Default shall not be deemed or construed to constitute a waiver of such default. The acceptance of any Rent or other payment hereunder by Landlord or Tenant following the occurrence of any default, whether or not known to Landlord or Tenant, as the case may be, shall not be deemed a waiver of any such default, except only a default in the payment of the Rent or other payment so accepted.

19.5 Efforts to Relet. For the purposes of this Article 19, neither this Lease nor Tenant's right to possession shall be deemed to have been terminated by efforts of Landlord to relet the Premises, by its acts of maintenance or preservation with respect to the Premises, or by appointment of a receiver to protect Landlord's interests hereunder. The foregoing enumeration is not exhaustive, but merely illustrative of acts which may be performed by Landlord without terminating this Lease or Tenant's right to possession.

19.6 Landlord Default. Notwithstanding anything to the contrary set forth in this Lease, Landlord shall be in default in the performance of any obligation required to be performed by Landlord pursuant to this Lease if (i) Landlord is obligated to make a payment of money to Tenant, and Landlord fails to pay such unpaid amounts within ten (10) days of written notice from Tenant that the same was not paid when due, or (ii) such failure is other than the obligation to pay money, and Landlord fails to perform such obligation within thirty (30) days after the receipt of notice from Tenant specifying in detail Landlord's failure to perform; provided, however, if the nature of Landlord's obligation is such that more than thirty (30) days are required for its performance, then Landlord shall not be in default under this Lease if it shall commence such performance within such thirty (30) day period and thereafter diligently pursue the same to completion. Upon any such default by Landlord under this Lease, Tenant may, except as otherwise specifically provided in this Lease to the contrary, exercise any of its rights provided at law or in equity; provided that, except as otherwise specifically provided in this Lease to the contrary, Tenant shall have no right to terminate this Lease. Tenant shall have the right to terminate this Lease if after giving the notice required above, Landlord fails timely to pay the Tenant Improvement Allowance or cure a breach of the covenant of quiet enjoyment.

## ARTICLE 20
## COVENANT OF QUIET ENJOYMENT

Subject to Landlord's rights following an Event of Default, Landlord covenants that during the Lease Term Tenant shall peaceably and quietly have, hold and enjoy the Premises subject to the terms, covenants, conditions, provisions and agreements hereof without interference by any persons lawfully claiming by or through Landlord. The foregoing covenant is in lieu of any other covenant express or implied, except as otherwise expressly provided in this Lease.

## ARTICLE 21
## FORCE MAJEURE

Any prevention, delay or stoppage due to strikes, lockouts, labor disputes, acts of God, inability to obtain services, labor, or materials or reasonable substitutes therefor after reasonable efforts to do so, governmental actions, civil commotions, fire or other casualty, and other causes beyond the reasonable control of the party obligated to perform, except with respect to the obligations imposed with regard to Rent and other monetary charges to be paid pursuant to this Lease, and except with regard to the time periods set forth in Article 11 of this Lease, but preserving the use of this Article in the context of Article 11 to the extent that the delays described above are on a "industry-wide" basis and cannot be specifically resolved with respect to the Premises independent of the industry-wide circumstances (collectively, the "Force Majeure"), notwithstanding anything to the contrary contained in this Lease, shall excuse the performance of such party for a period equal to any such prevention, delay or stoppage and, therefore, if this Lease specifies a time period for performance of an obligation of either party, that time period shall be extended by the period of any delay in such party's performance caused by a Force Majeure.

## ARTICLE 22
## ATTORNEYS' FEES

If either party commences an action against the other for the specific performance of this Lease, for damages for the breach hereof or otherwise for enforcement of any remedy hereunder, the parties hereto agree that the prevailing party shall be entitled to recover from the other party such costs and reasonable attorneys' fees as may have been incurred, including any and all costs incurred in enforcing, perfecting and executing such judgment.

## ARTICLE 23
## SIGNS

23.1 Monument Signage.

23.1.1 Design and Approval. Subject to the provisions of this Section 23.1, and any applicable governmental requirements, Tenant shall have the exclusive right to have a "Tenant Name" as that term is defined below, placed upon a monument sign (the "Monument Sign") located in front of the Building.

23.1.2 Tenant Name. Tenant shall have the right at Tenant's expense, to designate from time to time during the Lease Term, including any Option Term, as the "Tenant Name", either (i) the name and/or logo of Tenant, or (ii) the name and/or logo of a Transferee of Tenant properly approved by Landlord pursuant to the terms of Article 14, and which Transferee occupies at least fifty percent (50%) of the Premises, provided that such Tenant Name shall not be an "Objectionable Name" as that term is defined in this Section 23.1.2, below. The term "Objectionable Name" shall mean any name which relates to an entity which is of a character or reputation, or is associated with a political orientation or faction, which is inconsistent with the quality of the Real Property, or which would otherwise reasonably offend a landlord of a Comparable Building.

23.1.3 Repair and Maintenance; Government Approval. Tenant shall be responsible for the cost of the design, permitting, construction and installation of the Monument Sign and Tenant Name (the "Sign Cost"), and shall also be responsible for the repair and maintenance during the Lease Term of the Monument Sign. Tenant shall also be responsible for the cost and expense of the removal of its name from and restoration of the Building, if affected by the Monument Sign (or from the sign itself, but without restoration obligations) as of the expiration or earlier termination of the Lease. Tenant acknowledges and agrees that the Monument Sign shall be subject to all necessary approvals and permits from governmental agencies and shall comply with the CC&Rs.

23.2 Building Signage. Tenant shall have the exclusive right, during the Lease Term, at Tenant's sole cost and expense, to install a sign, with the specifications as set forth on Exhibit G, attached hereto, on the exterior of the Building containing the Tenant Name (the "Building Signage"), provided that such Building Signage shall be subject to all of the terms of the CC&Rs and any applicable governmental requirements. Except as provided in this Lease, Tenant shall be responsible, at Tenant's sole cost and expense, to repair and maintain the Building Signage in first class condition during the Lease Term. In addition Tenant shall be responsible for the cost and expense of the removal of the Building Signage as of the termination or earlier expiration of the Lease Term, and for the cost of repair of any damage to the Building resulting from such removal.

23.3 Prohibited Signage and Other Items. Except as approved elsewhere in this Lease, any signs, notices, logos, pictures, names or advertisements which are installed and visible from the exterior of the Premises and/or Building and that have not been individually approved by Landlord may be removed without notice by Landlord at the sole expense of Tenant. Any signs, window coverings, or blinds (even if the same are located behind the Landlord approved window coverings for the Building), or other items visible from the exterior of the Premises or Building are subject to the prior approval of Landlord, in its sole but reasonable discretion. Landlord shall have the right to refer to the Tenant Name in connection with its ownership and operation of the Building, including its sales and promotional materials and regulatory filings.

## ARTICLE 24
## COMPLIANCE WITH LAW

Neither Landlord nor Tenant shall do anything in or about the Premises

which will in any way conflict with any law, statute, ordinance or other governmental rule, regulation or requirement now in force or which may hereafter be enacted or promulgated (collectively, "Laws"). To the best of Landlord's knowledge, the Premises comply with all Laws as of the date hereof. Should any Laws now or hereafter be imposed on Landlord or Tenant

by a state, federal or local governmental body charged with the establishment, regulation and enforcement of occupational, health or safety standards for employers, employees or tenants, then (i) Tenant agrees, at its sole cost and expense, to comply promptly with such Laws if they relate to any of the Tenant Maintenance Items, the Tenant Improvements or the Alterations or Tenant's use and occupancy of the Premises and to make all alterations to the Premises, Building, and/or Real Property as are required to comply with such Laws and (ii) Landlord shall comply with and all other Laws, including those which relate to the Landlord Maintenance Items, unless such compliance obligations are triggered by the construction of the Tenant Improvements or Alterations, in which event such compliance obligations to the Landlord Maintenance Items shall be at Tenant's sole cost and expense.

## ARTICLE 25
## LATE CHARGES

Any Rent or other amounts payable to Landlord under this Lease, if not paid by the fifth day after the due date, shall incur a late charge of five percent (5%) for Landlord's administrative expense in processing such delinquent payment and in addition thereto shall bear interest at the rate of fifteen percent (15%) per annum from and after the due date for such payment. In no event shall the rate of interest payable on any late payment exceed the legal limits for such interest enforceable under applicable law. The interest shall accrue from the date such payment was due until the date such payment is received. Such late charge and interest shall be payable immediately to Landlord as Additional Rent hereunder. Acceptance of such late charge by Landlord shall in no event constitute a waiver of Tenant's default with respect to such overdue amount, or prevent Landlord from exercising any of the other rights and remedies granted hereunder. Nothing contained in this paragraph, however, shall be construed to require Landlord to accept a late payment from Tenant. If Landlord does accept a late payment from Tenant, then Tenant shall remain in default under this lease until Tenant pays all late charge(s) and interest provided for in this paragraph. There will also be a charge should any check be returned by a bank for insufficient funds.

## ARTICLE 26
## LANDLORD'S RIGHT TO CURE DEFAULT; PAYMENTS BY TENANT

26.1 Landlord's Cure. Except as otherwise specifically set forth in this Lease, all covenants and agreements to be kept or performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any reduction of Rent. If Tenant shall fail to perform any of its obligations under this Lease within a reasonable time after such performance is required by the terms of this Lease, Landlord may, but shall not be obligated to, after thirty (30) days prior notice to Tenant (or in the case of an emergency, after such notice as is reasonable under the circumstances), make any such payment or perform any such act on Tenant's part without waiving its right based upon any default of Tenant and without releasing Tenant from any obligations hereunder.

26.2 Tenant's Reimbursement. Except as may be specifically provided to the contrary in this Lease, Tenant shall pay to Landlord, within fifteen (15) days after delivery by Landlord to Tenant of statements therefor, sums equal to expenditures reasonably made and obligations reasonably incurred by Landlord in connection with the remedying by Landlord of Tenant's defaults pursuant to the provisions of Section 26.1. Tenant's obligations under this Section 26.2 shall survive the expiration or sooner termination of the Lease Term.

## ARTICLE 27
## ENTRY BY LANDLORD

Subject to the provisions of this Lease, and provided Landlord uses commercially reasonable efforts to minimize any interference with Tenant's business, Landlord reserves the right during the hours 9:00 A.M. to 5:00 P.M., Monday through Friday (other than a holiday) or at other times when Tenant is open for business and upon reasonable notice to the Tenant (or in the case of an emergency upon such notice as is reasonable under the circumstances, including such attempts as may be reasonable under the circumstances to reach Tenant by telephone) to enter the Premises to (i) inspect them; (ii) show the Premises to prospective purchasers, mortgagees or tenants, ground or underlying lessors or insurers (provided that such right shall not extend to prospective tenants until twelve (12) months prior to the Lease Expiration Date); (iii) post notices of nonresponsibility; or (iv) alter, improve or repair the Premises or the Building if necessary to comply with Laws, or for alterations, repairs or improvements to the Landlord Maintenance Items. Notwithstanding anything to the contrary contained in this Article 27, and subject to the notice requirements set forth in Section 19.1.2, above, and Landlord's compliance with the terms of

Section 26.1, Landlord may enter the Premises at any time to perform any covenants of Tenant which Tenant fails to perform. Except as otherwise expressly provided in this Lease, any such entries shall be without the abatement of Rent and shall include the right to take such reasonable steps as required to accomplish the stated purposes. Tenant hereby waives any claims (not including claims for physical property damages (subject to Section 10.4 hereof) or personal injury damages) for any injuries or inconvenience to or interference with Tenant's business or lost profits, occasioned thereby. For each of the above purposes, Landlord shall at all times have a key with which to unlock all the doors in the Premises, excluding Tenant's vaults, safes and special security areas designated in advance by Tenant. In an emergency, Landlord shall have the right to use any means that Landlord may in good faith deem proper to open the doors in and to the Premises. Subject to the provisions of this Lease, any entry into the Premises by Landlord in the manner hereinbefore described shall not be deemed to be a forcible or unlawful entry into, or a detainer of, the Premises, or an actual or constructive eviction of Tenant from any portion of the Premises. Notwithstanding the foregoing, as reasonably necessary in connection with Tenant's business use of the Premises, Tenant may designate certain secure areas, and on prior written notice to Landlord of these areas, Tenant may deny Landlord access to such areas except in an emergency or when Landlord is accompanied by Tenant. Subject to the provisions of this Lease, no provision of this Lease shall be construed as obligating Landlord to perform any repairs, alterations or decorations except as otherwise expressly agreed to be performed by Landlord herein.

## ARTICLE 28
## INTENTIONALLY OMITTED

## ARTICLE 29
## MISCELLANEOUS PROVISIONS

29.1 Terms. The necessary grammatical changes required to make the provisions hereof apply either to corporations or partnerships or individuals, men or women, as the case may require, shall in all cases be assumed as though in each case fully expressed.

29.2 Binding Effect. Each of the provisions of this Lease shall extend to and shall, as the case may require, bind or inure to the benefit not only of Landlord and of Tenant, but also of their respective successors or assigns, provided this clause shall not permit any assignment by Tenant contrary to the provisions of Article 14 of this Lease.

29.3 No Air Rights. No rights to any view or to light or air over any property, whether belonging to Landlord or any other person, are granted to Tenant by this Lease.

29.4 Modification of Lease. Should any prospective mortgagee or ground lessor for the Building or Real Property require a modification or modifications of this Lease, which modification or modifications will not directly or indirectly cause an increased cost or expense to Tenant under this Lease or in connection with Tenant's business operations, or have any negative economic impact, or any other material negative impact, on the Premises or Tenant's occupancy of the Premises or in any other way adversely change the rights and obligations of Tenant hereunder including, without limitation, all rights and obligations of Tenant with respect to renewal, assignment and subletting, insurance proceeds and Tenant's rights to terminate this Lease, or receive abatement of Rent, then and in such event, Tenant agrees that this Lease may be so modified at Landlord's sole cost and expense (including Tenant's reasonable attorneys' fees for review of the same), and agrees to execute whatever reasonable documents are required therefor and deliver the same to Landlord within thirty (30) days following the request therefor. Should Landlord or any such prospective mortgagee or ground lessor require execution of a short form of Lease for recording, containing, among other customary provisions, the names of the parties, a description of the Premises and the Lease Term, Tenant agrees to execute such short form of Lease and to deliver the same to Landlord within fifteen (15) business days following Tenant's receipt of written request therefor.

29.5 Transfer of Landlord's Interest. Tenant acknowledges that Landlord has the right to transfer all or any portion of its interest in the Real Property and Building and in this Lease. Tenant agrees that in the event of a transfer of fee title and provided that such transferee is a bona fide purchaser and agrees in writing to perform all of Landlord's obligations thereafter accruing, Landlord shall automatically be released from all liability under this Lease thereafter accruing and Tenant agrees to look solely to such transferee for the performance of Landlord's obligations hereunder arising or accruing after the date of transfer upon agreement by such transferee to fully assume and be liable for all obligations of this Lease to be performed by Landlord which first accrue or arise after the date of the conveyance, and Tenant shall attorn to such transferee. Tenant further acknowledges that Landlord

may assign its interest in this Lease to a mortgage lender as additional security and agrees that such an assignment shall not release Landlord from its obligations hereunder and that unless and until such mortgage lender succeeds to Landlord's interest and obligations hereunder, Tenant shall continue to look to Landlord for the performance of its obligations hereunder.

29.6 Prohibition Against Recording. A memorandum of this Lease may be recorded by Tenant provided Landlord may first require Tenant's agreement to deliver to Landlord an executed, recordable, memorandum of termination of the same, within ten (10) business days after the expiration or earlier termination of this Lease and provided Tenant will pay all costs of such recordation.

29.7 Landlord's Title. Subject to and except for the rights of Tenant expressly set forth in this Lease, Landlord's title is and always shall be paramount to the title of Tenant, and nothing herein contained shall empower Tenant to do any act which can, shall or may encumber the title of Landlord.

29.8 Captions. The captions of Articles and Sections are for convenience only and shall not be deemed to limit, construe, affect or alter the meaning of such Articles and Sections.

29.9 Relationship of Parties. Nothing contained in this Lease shall be deemed or construed by the parties hereto or by any third party to create the relationship of principal and agent, partnership, joint venturer or any association between Landlord and Tenant.

29.10 Time of Essence. Time is of the essence of this Lease and each of its provisions.

29.11 Partial Invalidity. If any term, provision or condition contained in this Lease shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term, provision or condition to persons or circumstances other than those with respect to which it is invalid or unenforceable, shall not be affected thereby, and each and every other term, provision and condition of this Lease shall be valid and enforceable to the fullest extent possible permitted by law.

29.12 No Warranty. Except as otherwise expressly set forth in this Lease, in executing and delivering this Lease, Tenant has not relied on any representation, including, but not limited to, any representation whatsoever as to the amount of any item comprising Additional Rent or the amount of the Additional Rent in the aggregate or that Landlord is furnishing the same services to other tenants, at all, on the same level or on the same basis, or any warranty or any statement of Landlord which is not set forth herein or in one or more of the exhibits attached hereto.

29.13 Landlord Exculpation. It is expressly understood and agreed that, notwithstanding anything in this Lease to the contrary, the liability of Landlord or the Landlord Parties to Tenant for performance of Landlord's obligation under the Lease shall be (i) limited solely and exclusively to an amount which is equal to the interest of Landlord in the Building and Real Property and to the proceeds of any insurance (the cost of which is included in Operating Expenses) or condemnation awards received by Landlord pursuant to the items of Article 13 of this Lease and (ii) subject to the waiver of consequential damages set forth in Section 10.1, above. Neither Landlord, nor any of the Landlord Parties shall have any personal liability therefor, and Tenant hereby expressly waives and releases such personal liability on behalf of itself and all persons claiming by, through or under Tenant; provided, however, if Landlord incurs any liability to Tenant under this Lease which liability is reduced to a judgment against Landlord, then Tenant shall be entitled to deduct the amount of such judgment from Rent payable by Tenant under this Lease. The limitations of liability contained in this Section 29.13 shall inure to the benefit of Landlord's and the Landlord Parties' present and future partners, beneficiaries, officers, directors, trustees, shareholders, agents and employees, and their respective partners, heirs, successors and assigns.

29.14 Entire Agreement. It is understood and acknowledged that there are no oral agreements between the parties hereto affecting this Lease and this Lease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto or displayed by Landlord to Tenant with respect to the subject matter thereof, and none thereof shall be used to interpret or construe this Lease. This Lease (including all exhibits attached hereto), and any side letter or separate agreement executed by Landlord and Tenant in connection with this Lease and dated of even date herewith contain all of the terms, covenants, conditions, warranties and agreements of the parties relating in any manner to the rental, use and occupancy of the Premises, shall be considered to be the only agreement between the parties hereto and their representatives and agents, and none of the terms, covenants, conditions or provisions of this Lease can be modified,

deleted or added to except in writing signed by the parties hereto. All negotiations and oral agreements acceptable to both parties have been merged into and are included herein. There are no other representations or warranties between the parties, and all reliance with respect to representations is based totally upon the representations and agreements contained in this Lease.

29.15 Intentionally Omitted.

29.16 Notices. All notices, demands, statements, designations, approvals or other communications (collectively, "Notices") given or required to be given by either party to the other hereunder or by law shall be in writing, and shall be delivered personally or by nationally recognized overnight courier service or sent by United States certified or registered mail, postage prepaid, return receipt requested (i) to Tenant at the appropriate addresses set forth in Section 5 of the Summary, or to such other place in the continental United States as Tenant may from time to time designate in a Notice to Landlord; or (ii) to Landlord at the addresses set forth in Section 3 of the Summary, or to such other firm or to such other place in the continental United States as Landlord may from time to time designate in a Notice to Tenant. Any Notice will be deemed given on the date it is received as provided in this Section 29.16 or upon the date personal delivery is made. If Tenant is notified of the identity and address of Landlord's mortgagee or ground or underlying lessor, Tenant shall give to such mortgagee or ground or underlying lessor at the address set forth in such notice a written notice of any default by Landlord under the terms of this Lease and allow such mortgagee or ground or underlying lessor 30 days within which to cure such default.

29.17 Authority. If either party is a corporation or partnership, each individual executing this Lease on behalf of such party hereby represents and warrants that such party is a duly formed and existing entity and that such party has full right and authority to execute and deliver this Lease and that each person signing on behalf of such party is authorized to do so.

29.18 Governing Law. This Lease shall be construed and enforced in accordance with the laws of the State of California.

29.19 Submission of Lease. Submission of this instrument for examination or signature by Tenant does not constitute a reservation of or an option for lease, and it is not effective as a lease or otherwise until execution and delivery by both Landlord and Tenant.

29.20 Brokers. Landlord and Tenant hereby warrant to each other that they have had no dealings with any real estate broker or agent in connection with the negotiation of this Lease, excepting only the real estate brokers specified in Section 9 of the Summary (the "Brokers"), to whom Landlord shall be obligated to pay a commission pursuant to separate brokerage agreements (the "Brokerage Agreements"), and that they know of no other real estate broker or agent who is entitled to a commission in connection with this Lease. Each party agrees to indemnify and defend the other party against and hold the other party harmless from any and all claims, demands, losses, liabilities, lawsuits, judgments, and costs and expenses (including without limitation reasonable attorneys' fees) with respect to any leasing commission or equivalent compensation alleged to be owing on account of the indemnifying party's dealings with any real estate broker or agent other than the Broker.

If at the time of renewal or extension of the term of this Lease, the Brokerage Agreements between Landlord and Brokers provide that Landlord is not obligated to pay a commission to Broker if Tenant presents to Landlord and/or Broker a written exclusive listing agreement with another broker, then in the event that (i) Landlord or its successor in interest is otherwise obligated to pay a commission to Brokers pursuant to the terms of the Brokerage Agreement as the result of any renewal or extension of the term of this Lease, and (ii) Tenant uses a broker other than Brokers in connection with such renewal or extension of the term of this Lease and such use is not pursuant to such written exclusive listing agreement with another broker, then Tenant shall be obligated to pay any fee, commission or other compensation to such broker and Tenant's indemnity obligation to Landlord, as set forth in this Section 29.20, shall apply with regard to such broker.

29.21 Independent Covenants. If Landlord fails to perform its obligations

set forth herein, Tenant shall not, except as expressly provided in this Lease to the contrary, be entitled (i) to make any repairs or perform any acts hereunder at Landlord's expense or (ii) to any setoff of the Rent or other amounts owing hereunder against Landlord; provided, however, that the foregoing shall in no way impair the right of Tenant to commence a separate action against Landlord for any violation by Landlord of the provisions hereof so long as, to the extent required in this Lease, notice is first given to Landlord and an opportunity is granted to Landlord to correct such violations as provided in Section 19.5 above.

29.22 Intentionally Omitted.

29.23 Transportation Management. To the extent required by Laws, Tenant shall fully comply with all present or future programs intended to manage parking, transportation or traffic in and around the Building.

29.24 Hazardous Material.

29.24.1 Definition. As used herein, the term "Hazardous Material" means any hazardous or toxic substance, material or waste which is or becomes regulated by any local governmental authority, the State of California or the United States Government. The term "Hazardous Material" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iii) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (iv) petroleum, (v) asbestos or asbestos containing materials, (vi) listed under Article 9 or defined as hazardous or extremely hazardous pursuant to Article 11 of Title 22 of the California Administrative Code, division 4, Chapter 20, (vii) designated as a "hazardous substance" pursuant to Section 311 of the Federal Water Pollution Control Act (33 U.S.C. Section 1317), (viii) defined as a "hazardous waste" pursuant to Section 1004 of the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6902 et seq. (42 U.S.C. 6903), or (ix) defined as a "hazardous substance" pursuant to Section 101 of the Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. 9601).

29.24.2 Operating Expenses. Tenant acknowledges that Landlord may incur costs for complying with laws, codes, regulations or ordinances relating to Hazardous Material, including, without limitation, the following: (i) Hazardous Material present in soil or ground water; (ii) Hazardous Material that migrates, flows, percolates, diffuses or in any way moves onto or under the Real Property, (iii) Hazardous Material present on or under the Real Property as a result of any discharge, dumping or spilling (whether accidental or otherwise) on the Real Property by persons or entities other than Landlord and Tenant; and (iv) material which becomes Hazardous Material due to a change in laws, codes, regulations or ordinances which relate to hazardous or toxic material, substances or waste. Tenant agrees that the costs incurred by Landlord with respect to, or in connection with, the Project for complying with laws, codes, regulations or ordinances relating to Hazardous Material shall be paid by Tenant if such costs are a result of a violation by Tenant of its covenant and agreement in Section 5.2 of this Lease, and shall be an Operating Expense only if such costs qualify (x) under this Section 29.24 to the extent that such compliance does not relate to Hazardous Materials which exist on or under the Project prior to the commencement of the Lease Term, and (y) under clause (iv) so long as such cost and compliance with said clause (iv) is amortized over a

seven-year period with Tenant only being responsible for such costs to the extent that the term of this Lease is included within such seven-year amortization period, unless the cost of such compliance, as between Landlord and Tenant, is made the responsibility of Tenant under this Lease. To the extent such Operating Expense relating to Hazardous Material is subsequently recovered or reimbursed through insurance, or recovery from responsible third parties, or other action, Tenant shall be entitled to a proportionate recovery of such Operating Expense to which such recovery or reimbursement relates.

29.24.3 Landlord's Representation. Tenant acknowledges receipt of that certain Report of Phase I Environmental Site Assessment prepared by Law/Crandall, Inc., dated April 16, 1996. Landlord hereby represents to Tenant that to the best of Landlord's knowledge and except as otherwise disclosed in said report, on execution of this Lease, there will be no Hazardous Materials located in, on or under the Building, the Real Property or the Premises, and there has been no violation thereon of any law governing Hazardous Materials.

29.24.4 Third Parties. Tenant and Landlord agree to share equally any costs directly attributable to Hazardous Substances in, on, under, at or about the Premises which arise following the Lease Commencement Date and are caused by a party other than Landlord and Tenant and their respective agents, contractors, licensees, invitees or employees (it being agreed that each of Landlord and Tenant shall be solely responsible for costs directly attributable to Hazardous substances in, on, under, at or about the Premises caused by its agents, contractors, licensees, invitees or employees.

29.25 Rules and Regulations. Tenant shall comply with the Rules and Regulations set forth in Exhibit D, together with any reasonable changes thereto which may be made by Landlord from time to time.

29.26 Reasonable Consent. Except for matters for which there is a standard of consent or approval specifically set forth in this Lease, in which case the express standard shall control, and except for matters which could (i) adversely affect the Systems and Equipment, (ii) adversely affect the Building structure, or (iii) affect the exterior appearance of the Building, in which case Landlord shall have the right to act in its sole and absolute discretion (but at all times in good faith) as to the matters described in items (i), and (ii) and (iii) above, any time the consent or approval of Landlord or Tenant is required under this Lease, such consent or approval shall not be unreasonably withheld, conditioned or delayed. Subject to the foregoing, and except for matters pertaining to the exercise by either party of any remedies in the event of a default by the other party, in the event this Lease grants Landlord or Tenant the right to take action, exercise discretion, establish rules and regulations or make an allocation or other determination, Landlord and Tenant shall act reasonably and in good faith.

29.27 Counterparts. This Lease may be executed in counterparts, each of which shall be deemed an original, but such counterparts, when taken together shall constitute one agreement.

29.28 Building Security. Tenant, at its sole expense, shall be permitted to install its own security system (which may be a card-key security system) in the Building and any portion thereof.

29.29 Telecommunications Equipment and Other Appurtenances.

29.29.1 Installation. At any time during the Lease Term, Tenant shall have the exclusive right, so long as Tenant is the sole lessee of all non-

common areas of the Building and thereafter a non-exclusive right, to install at Tenant's sole cost and expense, satellites, microwave dishes and any other type of telecommunications or communications device ("Communications Equipment") upon the roof of the Building at a location designated by Tenant, which location as well as Tenant's plans and specifications relating to the installation of Tenant's Communications Equipment shall be subject to Landlord's reasonable approval, without the payment of operating expenses; provided, however, Tenant shall pay all cost of such Communications Equipment, including, without limitation, the utilities and maintenance necessary to Tenant's operation of the Communications Equipment and liability insurance for such Communications Equipment, and Landlord may require Tenant to install screening around such Communications Equipment, at Tenant's sole cost and expense, as reasonably designated by Landlord or as required by applicable law. The Communications Equipment shall comply with all governmental laws and ordinances and with the CC&R's. Tenant shall also have the right to use the Building shafts, risers and/or conduits within the Building (including the roof) for the installation and maintenance of conduits, cables, ducts, flues, pipes and other devices for communications, data processing devices, supplementary HVAC (if necessary) and other facilities consistent with Tenant's use of the Building and the Premises. Tenant shall also have the right to install and maintain a back-up generator and enclosure for support of its communications and data systems.

29.29.2 Maintenance and Repair. Tenant shall maintain, repair or replace Communications Equipment, at Tenant's sole cost and expense. During the Lease Term, Tenant shall have the obligation to repair all damage to the Building rooftop caused by the installation, repair, maintenance and use of the Communications Equipment. Further, Tenant shall have the obligation to repair any damage to the Building rooftop caused by Tenant's Communications Equipment, reasonable wear and tear, casualty and repairs which are specifically made the responsibility of Landlord hereunder excepted.

29.29.3 Termination. Tenant shall be entitled at any time to terminate such use of space on the roof, in which case Tenant shall be relieved of all of its obligations to pay any utilities and/or maintenance charges attributable to the operation of Tenant's Communications Equipment upon removal of all such equipment from the roof of the Building by Tenant. Upon Tenant's termination of the use of space on the roof and removal of its Communications Equipment therefrom, Tenant shall have the obligation to repair all damage to the Building rooftop caused by such removal of the Communications Equipment, reasonable wear and tear, casualty and repairs which are specifically made the responsibility of Landlord under this Lease excepted.

Remainder of page is intentionally left blank.

IN WITNESS WHEREOF, Landlord and Tenant have caused this Lease to be executed the day and date first above written.

Landlord:

Fund VIII and Fund IX Associates,
a Georgia joint venture

By: Wells Real Estate Fund IX, L.P.,
a Georgia limited partnership, general partner

By: Wells Capital, Inc.,
a Georgia corporation, general partner

By: /s/ Douglas P. Williams
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Name: Douglas P. Williams
Title: Senior Vice President

TENANT:

QUEST SOFTWARE, INC.

By: /s/ David Doyle
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Name: David Doyle
---

Title: President
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EXHIBIT A

LEGAL DESCRIPTION OF LAND

THE LAND REFERRED TO IN THIS POLICY IS SITUATED IN THE STATE OF CALIFORNIA, COUNTY OF ORANGE, CITY OF IRVINE, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1 AS SHOWN ON A PARCEL MAP NO. 82-620 FILED IN BOOK 177, PAGES 19 AND 20 OF PARCEL MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT ANY AND ALL OIL, OIL RIGHTS, MINERALS, MINERAL RIGHTS, NATURAL GAS RIGHTS, AND OTHER HYDROCARBONS BY WHATSOEVER NAME KNOWN, GEOTHERMAL STEAM, AND ALL PRODUCTS DERIVED FROM ANY OF THE FOREGOING, THAT MAY BE WITHIN OR UNDER THE LAND, TOGETHER WITH THE PERPETUAL RIGHT OF DRILLING, MINING, EXPLORING, AND OPERATING THEREFOR, AND STORING IN AND REMOVING THE SAME FROM THE LAND OR ANY OTHER LAND, INCLUDING THE RIGHT TO WHIPSTOCK OR DIRECTIONALLY DRILL AND MINE FROM LANDS OTHER THAN THOSE CONVEYED HEREBY, OIL OR GAS WELLS, TUNNELS AND SHAFTS INTO, THROUGH OR ACROSS THE SUBSURFACE OF THE LAND, AND TO BOTTOM SUCH WHIPSTOCKED OR DIRECTIONALLY DRILL WELLS, TUNNELS AND SHAFTS UNDER AND BENEATH OR BEYOND THE EXTERIOR LIMITS THEREOF, AND TO REDRILL, RETUNNELL, EQUIP, MAINTAIN, REPAIR, DEEPEN AND OPERATE ANY SUCH WELLS OR MINES, WITHOUT, HOWEVER, THE RIGHT TO DRILL, MINE, STORE, EXPLORE AND OPERATE THROUGH THE SURFACE OR THE UPPER 500 FEET OF THE SUBSURFACE OF THE LAND, AS RESERVED IN THE DEED FROM THE IRVINE COMPANY, A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX RECORDED MARCH 30, 1979, IN BOOK 13086, PAGE 1979 OFFICIAL RECORDS.

EXCEPT ANY AND ALL WATER, RIGHTS OR INTERESTS THEREIN, NO MATTER HOW ACQUIRED IN CONNECTION WITH OR WITH RESPECT TO SAID LAND, TOGETHER WITH THE RIGHT AND POWER TO EXPLORE, DRILL, REDRILL, REMOVE AND STORE THE SAME FROM THE LAND OR TO DIVERT OR OTHERWISE UTILIZE SUCH WATER, RIGHTS OR INTEREST ON ANY OTHER PROPERTY OWNED OR LEASED BY GRANTOR, WHETHER SUCH WATER RIGHTS SHALL BE RIPARIAN, OVERLYING, APPROPRIATIVE, PERCOLATING, LITTORAL, PRESCRIPTIVE, ADJUDICATED, STATUTORY OR CONTRACTUAL, BUT WITHOUT, HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND IN THE EXERCISE OF SUCH RIGHTS, AS RESERVED IN THE DEED FROM THE IRVINE COMPANY, A MICHIGAN CORPORATION, SUCCESSOR BY MERGER WITH IRVINE INDUSTRIAL COMPLEX, A CORPORATION, RECORDED MARCH 30, 1979, IN BOOK 13086, PAGE 1979, OFFICIAL RECORDS.

EXHIBIT B
TENANT IMPROVEMENTS

1. The Premises shall be delivered to and accepted by Tenant in its existing condition.

2. Tenant shall select an architect and contractor approved by Landlord to prepare plans and specifications for and to construct the leasehold improvements desired by Tenant. Landlord acknowledges that it has approved Gensler as architect and either Nexus Construction Services, Inc. or Turelk, Inc. as the contractor. The plans and specifications shall be submitted to Landlord for approval, which approval shall not be unreasonably withheld or delayed. To facilitate Landlord's approval of Tenant's architect and contractor, Tenant shall obtain and furnish to Landlord an AIA qualification statement and insurance certificate.

3. Landlord will provide Tenant with an allowance of up to $11.00 per square foot of rentable area in the Premises to be applied to the costs actually incurred by Tenant in improving such space. Such allowance must be applied to the actual cost of permanent leasehold requirements in the space, not including cabling and wiring, all in accordance with the approved plans and specifications, and no portion of such allowance may be utilized for Tenant's owned property or other similar expenses.

4. (a) Wells Management Company, Inc. shall receive a construction management fee of $10,405 as consideration for its construction oversight, which amount shall be deducted from the allowance.

(b) The balance of the aforesaid allowance shall be disbursed by Landlord to Tenant from time to time subject to and conditioned upon Tenant's fulfillment of the following conditions for disbursement.

(c) From time to time after the date of execution of this Lease, Tenant shall submit to Landlord a request for funds ("Request for Funds"), containing a statement by or on behalf of Tenant setting forth the amount of disbursement sought with an itemized breakdown of those expenses comprising such requested disbursement and accompanied by (i) documentary evidence satisfactory to Landlord confirming the expenditures identified in the Request for Funds, and (ii) to the extent any such expenditures are for the payment for labor performed on and/or materials stored on or incorporated into any work on the Premises, lien release waivers in form and content satisfactory to Landlord and executed by each engineer, contractor, subcontractor, supplier and materialman to be paid pursuant to the Request for Funds and covering all labor, services, equipment and materials to be paid thereunder.

(d) Upon verification of the accuracy of a Request for Funds, including by Landlord's inspection of the Premises, or otherwise, which verification shall occur no later than 10 business days after receipt by Landlord of the Request for Funds and accompanying materials, and upon satisfaction of all applicable conditions contained herein, Landlord shall make disbursements to Tenant.

(e) Final disbursement shall, in addition to the other requirements set forth herein, be subject to receipt by Landlord of a certificate of occupancy allowing Tenant to occupy the Premises without restriction.

5. Tenant shall indemnify and hold Landlord harmless from and against any and all losses, damages, costs (including attorneys' fees), liabilities, liens or claims of liens, or causes of action arising out of or relating to the work of Tenant and its contractors in connection with the construction of its Tenant Improvements.

## EXHIBIT C
## DIRECT EXPENSES EXCLUSIONS

1. Exclusions From Direct Expenses. Despite any other provision of Article 4 of the Lease, and except as otherwise expressly permitted by the Lease, Direct Expenses shall not include:

(a) Depreciation, interest, or amortization on mortgages or ground lease payments, except as otherwise expressly permitted by the terms of the Lease.

(b) Real estate brokers' leasing commissions.

(c) Initial improvements or alterations to tenant spaces.

(d) Any costs expressly excluded from Direct Expenses elsewhere in the Lease.

(e) Costs of any items for which Landlord receives reimbursement from insurance proceeds or a third party. Insurance proceeds shall be excluded from

Direct Expenses in the year in which they are received, except that any deductible amount under any insurance policy shall be included within Direct Expenses.

(f) Costs of capital improvements, except as otherwise stated in Section 7.1.1.

(g) Interest, principal, depreciation, attorney fees, costs of environmental investigations or reports, points, fees, and other lender costs and closing costs on any mortgage or mortgages, ground lease payments, or other debt instrument encumbering the Building or Real Property.

(h) Insurance premiums to the extent of any refunds of those premiums, and insurance deductibles in excess of commercially reasonable levels for Comparable Buildings.

(i) Costs, fees, and compensation paid to Landlord, or to Landlord's subsidiaries or affiliates, for services in or to the Building, or for supplies or other materials, to the extent that they exceed the charges for comparable services or supplies rendered by an unaffiliated third party of comparable skill, competence, stature, and reputation.

(j) Management fees in excess of the sum of (i) administrative salaries of $7,392 for the first Lease Year, increasing by 2.5% in each subsequent Lease Year, (ii) liability insurance maintained by Landlord pursuant to Section 10.2, and (iii) 10% of the costs described in subparagraphs (i) and (ii).

(k) counting and audit fees, except as otherwise provided in Sections 4.5 and 14.4.

2. Adjustment of Taxes. For purposes of this Lease, Tax Expenses attributable to any Expense Year shall be the amount of Tax Expenses assessed for that year. If Landlord later receives any supplemental or additional assessment for any such Expense Year, Tenant shall pay Landlord, within thirty (30) days after the date of the invoice for this assessment, Tenant's Share of the supplemental or additional assessment. If, by the beginning of the last year of the Lease Term, the Real Property has not been fully assessed for any year during the Lease Term, Tax Expenses shall be adjusted to the Tax Expenses that would have been payable in such year or years if the Real Property had been fully assessed. These provisions shall survive the Lease Expiration Date or other termination of this Lease.

## EXHIBIT D
## RULES AND REGULATIONS

Tenant shall faithfully observe and comply with the following Rules and Regulations.

1. Except as otherwise provided in Article 23 of this Lease, no sign, placard, picture, advertisement, name or notice shall be inscribed, displayed or printed or affixed on or to any part of the outside of the Building without the prior written consent of Landlord. Landlord shall have the right to remove any such sign, placard, picture, advertisement, name or notice, unless Landlord has given written consent, without notice to and at the expense of Tenant. Landlord shall not be liable in damages for such removal unless the written consent of Landlord had been obtained.

2. Tenant, upon the termination of its tenancy, shall deliver to Landlord all keys, magnetic locks, security systems (if not removed by Tenant), etc. of offices, rooms and toilet rooms which shall have been furnished to Tenant or which Tenant shall have made.

3. The toilet rooms, toilets, urinals, wash bowls and other apparatus shall not be used for any purpose other than that for which they were constructed, and no foreign substance of any kind whatsoever shall be thrown therein, and the

expense of any breakage, stoppage, or damage resulting from the violation of this rule shall be borne by Tenant.

4. Tenant shall not use the Premises in any manner which exceeds the floor load design capacity of the floor on which the Premises are located.

5. Tenant agrees that its use of electrical current shall never exceed the capacity of the existing base Building feeders, risers or wiring installation.

6. No part of the Building or Premises shall be used for gambling, immoral or other unlawful purposes. No birds or animals of any kind shall be brought into the Building (other than trained assist dogs required to be used by the visually impaired).

7. The sidewalks, entrances, passages, corridors, halls, elevators, and stairways in the Building and on the Real Property shall not be used for any purposes other than those for which same were intended as ingress and egress. Tenant shall use reasonable efforts to see that the doors of the Premises are closed and securely locked before leaving the Building and to cause all water apparatus (i.e. kitchen sinks and appliances, restroom fixtures, water fountains, etc.) to be entirely shut off before Tenant or Tenant's employees leave the Building, so as to prevent waste or damage.

8. Landlord shall have the right to prohibit any advertising by Tenant which utilizes Landlord's name, or a picture or visual rendition of the Building but only to the extent which the same tends, in Landlord's reasonable discretion, to impair the reputation of the Building or its desirability as a location for offices and other permitted uses, and upon written notice from Landlord, Tenant shall refrain from or discontinue such advertising.

9. In the event of any conflict between the provisions of these Rules and Regulations and the other provisions of this Lease, the other provisions of this Lease shall control.

## EXHIBIT E

1. Covenants, Conditions and Restrictions in an instrument recorded September 29, 1978 in Book 12864, page 63 of Official Records, as amended by documents declaring modifications thereof recorded in Book June 5, 1979 13173, page 1210 of Official Records and recorded May 21, 1980 in Book 13613, page 322 of Official Records.

2. Easements, Covenants and Conditions contained in the Deed by and between The Irvine Company, as Grantor, and SAN/BAR Corporation, as Grantee, recorded March 30, 1979 in Book 13086, page 1976 of Official Records.

3. The Terms, Provisions and Conditions contained in a document entitled "Declaration of Special Land Use Restrictions ("Regulations"), Abatement Lien, Mortgage Lien and Option to Repurchase", executed by and between The Irvine Company and SAN/BAR Corporation, recorded March 30, 1979 in Book 13086, page 1979 of Official Records.

4. The Terms, Provisions and Conditions contained in a document entitled "Reciprocal Easement Agreement", executed by and between The Irvine Company, Crow IIC East, SAN/BAR Corporation and CB Institutional Fund IV, recorded January 6, 1982 as Instrument No. 82-004179 of Official Records.

5. Covenants, Conditions and Restrictions in an instrument recorded January 11, 1984 as Instrument No. 84-014634 of Official Records.

## EXHIBIT F

### FORM OF TENANT'S ESTOPPEL CERTIFICATE

The undersigned as Tenant under that certain Office Lease (the "Lease")

made and entered into as of _____, 2000, and between FUND VIII AND FUND IX ASSOCIATES, a Georgia joint venture partnership, as Landlord, and the undersigned as Tenant, for Premises being the entire Office Building located at 15253 Bake Parkway, Irvine, California certifies as follows:

1. Attached hereto as Exhibit A is a true and correct copy of the Lease and all amendments and modifications thereto. The documents contained in Exhibit A represent the entire agreement between the parties as to the Premises.

2. The undersigned has commenced occupancy of the Premises described in the Lease, currently occupies the Premises, and the Lease Term commenced on _____.

3. The Lease is in full force and effect and has not been modified, supplemented or amended in any way except as provided in Exhibit A.

4. Tenant has not transferred, assigned, or sublet any portion of the Premises nor entered into any license or concession agreements with respect thereto except as follows:

5. Base Rent became payable on _____.

6. The Lease Term expires on _____.

7. To the actual knowledge of Tenant, without investigation or inquiry and except as specified herein, all conditions of the Lease to be performed by Landlord necessary to the enforceability of the Lease have been satisfied and Landlord is not in default thereunder.

8. No rental has been paid more than thirty (30) days in advance and no security has been deposited with Landlord except as provided in the Lease.

9. To the actual knowledge of Tenant, without investigation or inquiry and except as specified herein, as of the date hereof, there are no existing defenses or offsets that the undersigned has, which preclude enforcement of the Lease by Landlord.

10. All monthly installments of Base Rent, all Additional Rent and all monthly installments of estimated Additional Rent have been paid when due through _____. The current monthly installment of Base Rent is $_____. The current monthly installment of Additional Rent is $_____.

11. The undersigned acknowledges that this Estoppel certificate may be delivered to Landlord's prospective mortgagee, or a prospective purchaser, and acknowledges that it recognizes that if same is done, said mortgagee, prospective mortgagee, or prospective purchaser will be relying upon the statements contained herein in making the loan or acquiring the property of which the Premises are a part, and in accepting an assignment of the Lease as collateral security, and that receipt by it of this certificate is a condition of making of the loan or acquisition of such property.

Executed at _____ on the ____ day of _____, ____.

"Tenant":

QUEST SOFTWARE, INC., a California corporation

By: _____

Its: _____

EXHIBIT G

BUILDING SIGNAGE

The building signage shall comply with the Covenants, Conditions and

Restrictions and all applicable regulations of the City of Irvine, and shall meet with Landlord's approval, which approval shall not be unreasonably withheld or delayed.

EXHIBIT 23.2

CONSENT OF ARTHUR ANDERSEN LLP

EXHIBIT 23.2

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 31, 2000

EXHIBIT 24.1

POWER OF ATTORNEY

POWER OF ATTORNEY

Each person whose signature appears below hereby constitutes and appoints Leo F. Wells, III and Douglas P. Williams, or either of them acting singly, as his true and lawful attorney-in-fact, for him and in his name, place and stead, to execute and sign any and all amendments, including any post-effective amendments, to the Registration Statement on Form S-11 of Wells Real Estate Investment Trust, Inc. 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, effective as of August 18, 2000, by the following persons and in the capacities indicated below.

| Signatures | Title |
|---|---|
| Signature | Title |
| /s/ Leo F. Wells, III<br>Leo F. Wells, III | President and Director<br>(Principal Executive Officer) |
| /s/ Douglas P. Williams<br>Douglas P. Williams | Executive Vice President and Director<br>(Principal Financial and Accounting Officer) |
| /s/ John L. Bell<br>John L. Bell | Director |
| /s/ Richard W. Carpenter<br>Richard W. Carpenter | Director |
| /s/ Bud Carter<br>Bud Carter | Director |
| /s/ William H. Keogler, Jr.<br>William H. Keogler, Jr. | Director |
| /s/ Donald S. Moss<br>Donald S. Moss | Director |
| /s/ Walter W. Sessoms<br>Walter W. Sessoms | Director |

/s/ Neil H. Strickland Director

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Neil H. Strickland